

# **Office of the Deputy Prime Minister**

## **Resource Accounts 2005-06**

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Deputy Prime Minister**

**Resource Accounts  
2005-06**

**(For the year ended 31 March 2006)**

*Ordered by the House of Commons to be printed  
19 July 2006*

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## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2006

These accounts, for the year ended 31 March 2006, relate only to the Office of the Deputy Prime Minister (ODPM). On 5 May 2006, a new Department was formed – the Department for Communities and Local Government (DCLG). This new Department will take forward the work of ODPM, and some additional responsibilities from the Home Office and the Department for Trade and Industry.

### 1. Annual Review

1.1 These accounts have been prepared in accordance with the Direction given by the Treasury in pursuance of Section 5 of the Government Resources and Accounts Act 2000.

1.2 The Office of the Deputy Prime Minister comprised the Centre of the Office, the Government Offices for the Regions (GOs) and its Executive Agency, the Planning Inspectorate (PINs). The accounts cover this wider Office Group, and the Core Department comprised the Centre of the Office and the GOs. Note 32 to the accounts provides a full list of executive agencies, advisory bodies and tribunals that have been consolidated in the accounts, and a list of bodies which were sponsored by ODPM, but which have not been consolidated.

1.3 The Department reports on various issues during the year, as follows:

- **Departmental Annual Report:** This report is due to be presented to Parliament in July 2006, and is both forward and backward looking, setting out plans and information about aims, activities, functions and performance. More details on the achievements, contained in this report, are outlined in section 2.4. It can be found on the Department's website [www.communities.gov.uk](http://www.communities.gov.uk);
- **Estimates:** The Estimates are presented annually on the following cycle:
  - Main Supply Estimates – start the supply procedure and are presented at the beginning of the financial year to which they relate;
  - Winter Supplementary Estimates are presented in November, and reflect changes to Supply, and funds that are required by the Department, that have been identified during the year; and
  - Spring Supplementary Estimates are presented in February, and represent the final changes required by the Department. These Estimates can be found on the HM Treasury website [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk);
- **Autumn Performance Report:** This report was presented to Parliament in December 2005, and set out performance information on the Public Service Agreement (PSA) targets up to November 2005. This can again be found on the Department's website.

1.4 The Office's aim was to create sustainable communities – places where people want to live – that promote opportunities and a better quality of life for all. The Consolidated Statement of Operating Costs by Departmental Aim and Objectives, on Page 32 of these accounts reports the strategic priorities (objectives) and the resources used by the Office in achieving these. The strategic priorities were:

- Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment;
- Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing;

- Tackling disadvantages by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups;
  - Delivering better public services, by devolving decision-making to the most effective level – regional, local or neighbourhood:
    - Promoting high quality, customer-focused local services and ensuring that adequate, stable resources are available to local government; and
    - Clarifying the roles and functions of local government, its relationship with central and regional government and the arrangements for neighbourhood engagement, in the context of a shared strategy for local government.
  - Promoting the development of the English regions by improving their economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance taking account of the public's view of what is best for their area.
- 1.5 The Office comprised four major groups, and an additional significant area of responsibility (Fire & Civil Resilience):
- **The Places, Planning & Communities Group:** responsible for matching housing supply and demand in the context of delivering sustainable communities, and for improving the quality of people's homes and local environment;
  - **The Tackling Disadvantage Group:** responsible for improving neighbourhoods, tackling social exclusion, supporting the most vulnerable in society and reducing homelessness;
  - **The Local & Regional Governance Group:** responsible for local government performance, practice and finance. In addition it was responsible for the Government Office network (including the Regional Co-ordination Unit) within ODPM;
  - **The Corporate Strategy & Resources Group:** provides strategic support and ensured that the Office had the resources, skills and facilities it needed to deliver its objectives; and
  - **Fire & Civil Resilience:** responsible for fire resilience policy, fire and rescue service modernisation and implementation of fire resilience programmes.
- 1.6 The Office also comprised a number of smaller units that provided support functions for these Groups. These included:
- **The Directorate of Communication:** provided the Office's media interface and managed the Office's information responsibilities;
  - **The Ministerial Group:** provided Ministers with their private offices and handled all the Office's business with Parliament; and
  - **The Legal Directorate:** advised Ministers and officials on legal issues and was closely involved in the development and implementation of policy.
- 1.7 In addition, the Office supported the Deputy Prime Minister in his role as the Prime Minister's deputy on issues across the full range of the Government's domestic and international business.

### Ministers

- 1.8 Following the General Election there was a change in Ministerial responsibilities on 9 May 2005. The following served the Office of the Deputy Prime Minister during the year ended 31 March 2006:

**Ministers before General Election in 2005**

The Rt. Hon John Prescott MP	Deputy Prime Minister and First Secretary of State for the Office of the Deputy Prime Minister
The Rt. Hon Nick Raynsford MP	Minister of State for Local and Regional Government
The Rt. Hon Lord (Jeff) Rooker	Minister of State for Regeneration and Regional Development
The Rt. Hon Keith Hill MP	Minister of State for Housing and Planning
Yvette Cooper MP	Parliamentary Under-Secretary of State
Phil Hope MP	Parliamentary Under-Secretary of State

**Ministers after General Election in 2005**

The Rt. Hon John Prescott MP	Deputy Prime Minister and First Secretary of State for the Office of the Deputy Prime Minister
The Rt. Hon David Miliband MP	Minister for the Communities and Local Government
Phil Woolas MP	Minister of State for Local Government
Yvette Cooper MP	Minister for Housing and Planning
Jim Fitzpatrick MP	Parliamentary Under-Secretary of State
Baroness (Kay) Andrews OBE	Parliamentary Under-Secretary of State

**Permanent Head of the Office and Management Board**

- 1.9 During the year there was a change in the permanent head of the Office, with Dame Mavis McDonald DCB, retiring as Permanent Secretary on 14 October 2005. The composition of the Board under her leadership was as follows:

Dame Mavis McDonald DCB <i>(until 14 October 2005)</i>	Permanent Secretary and Principal Accounting Officer
Neil Kinghan	Director General and Additional Accounting Officer – Local and Regional Governance Group
Joe Montgomery	Director General – Tackling Disadvantage Group
Peter Unwin	Director General – Corporate Strategy and Resources Group
Richard McCarthy	Director General – Places, Planning and Communities Group
Rob Smith <i>(until 31 December 2005)</i>	Director General – Regional Development Group
Claire Tyler	Director – Social Exclusion Unit
Derek Plews <i>(until 31 December 2005)</i>	Director – Communications

**Non-Executive Directors**

Sir Bob Kerslake *	Non-executive Board Member
Vanessa Lawrence *	Non-executive Board Member

1.10 Peter Housden was appointed on 24 October 2005. He changed the composition of the Office's Board by forming a Board Executive within the ODPM Management Board consisting of the Permanent Secretary and Directors General. The Board Executive co-ordinated the operations of the Office, overseeing organisational development, and offered advice to Ministers and the main Board on the overall strategy. The composition of the Board under his leadership was as follows:

**Board Executive**

Peter Housden <i>(from 24 October 2005)</i>	Permanent Secretary and Principal Accounting Officer
Neil Kinghan	Director General and Additional Accounting Officer – Local and Regional Governance Group
Joe Montgomery	Director General – Tackling Disadvantage Group
Peter Unwin	Director General – Corporate Strategy and Resources Group
Richard McCarthy	Director General – Places, Planning and Communities Group

**Board Directors**

Claire Tyler	Director – Social Exclusion Unit
Christina Bienkowska <i>(from 7 November 2005)</i>	Director – Strategy and Performance (also serves as Secretary to the Board Executive)
Alun Evans <i>(from 1 January 2006)</i>	Director – Fire and Resilience
Keith Barnes <i>(from 1 January 2006)</i>	Director – Government Office – North West (to represent the GO Directors)

**Non-Executive Directors**

Sir Bob Kerslake *	Non-executive Board Member
Vanessa Lawrence *	Non-executive Board Member

The Principal Accounting Officer was appointed by HM Treasury.

\* Sir Bob Kerslake is Chief Executive of Sheffield City Council, Vanessa Lawrence is Director General and Chief Executive of Ordnance Survey.

**Board Objectives**

1.11 The Permanent Secretary chaired the ODPM Management Board, which includes two non-executive Board members. The Board gave collective strategic leadership at official level, and supported Ministers in steering the work of the Office. The role of the Management Board was to:

- Develop with ministers and take forward the Office's strategic aims and objectives;

- Advise on the allocations of financial and human resources to achieve those aims in a flexible and agile way;
- Manage the Office's resources and monitor the achievement of performance objectives;
- Develop the Office's capacity, particularly human resources;
- Set the Office's standards and values;
- Maintain a transparent system of prudent and effective controls; and
- Assess and manage risks.

1.12 The following Board sub-committees were in place in 2005-06:

- The Audit and Risk Committee gave independent advice to the Accounting Officer on the adequacy of audit arrangements and assurances received on the existence and effectiveness of systems of accountability and control;
- The Analytical Strategy Board championed evidence-based policy-making in ODPM;
- The Investment Board assessed the business cases of proposed new programmes and major projects;
- The Performance and Development Committee oversaw the annual Senior Civil Servants (SCS) performance round;
- The Excellence in Delivery Board oversaw the future direction and development of the Excellence in Delivery (EiD) programme;
- The Corporate Modernisation Programme Board set the direction for, and ensured that business benefits were secured from projects improving HR, finance, IT and accommodation services;
- The Efficiency and Relocation Board championed efficiency and relocation, and monitored progress against Gershon and Lyons targets; and
- Six Programme Executives covered key business priorities, and will be the central means of managing our business going forward in the new Department. These had a small, high-level cross-Office membership, and were responsible for delivery in: Housing and Planning; Local Government Futures; Thames Gateway and Olympics; Cities and Regions; Social Inclusion and Neighbourhoods; and Fire and Civil Resilience.

1.13 The Audit and Risk Committee is chaired by Sir Bob Kerslake, a non-executive Director. At the start of 2005-06, membership consisted of: Dame Mavis McDonald DCB, Neil McDonald, Clive Norris, Janet Pope (Non-Executive), Alan Riddell, Rob Smith, Sandra Unerman and Peter Unwin. During the year Peter Housden replaced Dame Mavis McDonald DCB. Clive Norris stepped down and Rob Smith retired as members ahead of the January 2006 meeting. The Committee met on four occasions during 2005-06. It:

- Provided independent advice on how well the system of internal control was embedded in the planning, operational, monitoring and review activities;
- Considered the adequacy of assurances provided by senior managers on the stewardship of resources entrusted to them. These assurances provided the basis for the Principal Accounting Officer to sign the Statement on Internal Control;



- Reviewed the adequacy of the risk management framework;
- Considered whether ODPM's internal audit service met the standards set out in the Government Internal Audit Manual; and
- Reviewed the planned activity and results of work by the National Audit Office.

1.14 The Office has complied with the aspects of the Code of Good Practice on Corporate Governance in Central Government Departments.

1.15 The Office had a clear strategic-control framework in place for each of its Non Departmental Public Bodies (NDPBs), which is being carried forward in the new Department. This was set out in their financial memoranda and management statements. These documents clearly defined the Office's responsibilities and those matters which were reserved to the NDPB.

## 2. Management Commentary

2.1 The Office's main achievements in 2005-06 are reported in detail in the Annual Report 2006, which is due to be presented to Parliament in July 2006. The report may also be accessed through our web-site: [www.communities.gov.uk](http://www.communities.gov.uk). A summary of some of the main issues are outlined in the following paragraphs.

2.2 The Sustainable Communities Plan, issued in 2003, set out a long-term commitment to change the way housing and communities are planned, designed and built, including major investment in housing, transport, regeneration and promoting excellence in design and construction. The Government has committed, together with its partners, over £38 billion to creating sustainable communities.

2.3 In January 2005, ODPM published two five-year plans – *Sustainable Communities: Homes for All* and *Sustainable Communities: People, Places and Prosperity*, representing the next phase in delivering the ambitious, long-term vision set out in the Sustainable Communities Plan.

- *Sustainable Communities: Homes for All* recognised that a decent, affordable home is a fundamental requirement of a sustainable community. It offered more choice and opportunity in housing across the country.
- *Sustainable Communities: People, Places and Prosperity* acknowledged that improvements to housing, infrastructure and the environment, whilst being essential to creating sustainable communities, were not enough on their own. It set out plans to work at every level to improve the communities that people live in: putting people in control and giving them the tools to shape their future; good governance and strong leadership.

2.4 The main achievements can be summarised as follows:

- We are making progress in closing the gap between the worst-off areas and the rest. The £300 million Local Enterprise Growth Initiative (LEGI) was launched in the 2005 Budget to release the economic and productivity potential of the most deprived local areas through enterprise and investment. Latest statistics show a fall in the number of households in temporary accommodation, indicating good progress towards our target to halve the number of households living in temporary accommodation by 2010.
- A series of successful Core City Summits were held towards the end of 2005. ODPM and the Government Offices have worked closely with the Core Cities in developing their business case proposals for delivering future growth. DCLG has started a second round of summits with smaller cities and towns, in order to identify the barriers to their achieving full economic and social potential. DCLG will continue to drive to improve the economic performance of cities through the New Deal for Towns, Cities and Regions. The new

Academy for Sustainable Communities, based in Leeds, will champion the skills needed to design, plan and manage sustainable communities across the country.

- In 2005 the independent Audit Commission revised its Comprehensive Performance Assessment (CPA) of Local Authorities in England, which is considered to be the most challenging test of performance. Against this, the majority of Local Authorities attained a high performance, with nearly 70% rated 3 or 4-star, offering good quality services for local people.
- The Government wants to see Local Authorities taking a stronger lead in partnership working to improve local areas. To help this we are putting in place Local Area Agreements across the country. These are key to the new relationship between central and local government. They simplify funding streams and enable local partners to address the priorities for a local area. 87 such agreements are now in place, the final 63 will be agreed in April 2007.
- We are working to modernise the Fire and Rescue Service. A new generation of equipment, under the New Dimension programme, for dealing with today's threats is now coming into place. The Fire and Rescue Service used urban search and rescue equipment in response to the 7 July London bombings, and 13 high-volume pumps were supplied for 3 days to tackle the Buncefield Oil Depot explosion in Hemel Hempstead. ODPM worked with Fire and Rescue Authorities to reduce fire deaths, and have funded the installation of over 500,000 smoke alarms in the most vulnerable households.
- ODPM has worked to improve the supply of housing. Within London, the Thames Gateway and 3 other growth areas there are expected to be around 200,000 additional homes above previously planned levels by 2016, and over 300,000 jobs. Over 20,000 key workers have already been helped to find a home under the Key Worker Living and Starter Home Initiative. By 2010 we will have helped 100,000 households into low cost home ownership.
- ODPM has found ways to make our spending go further, and with English Partnerships our Design for Manufacture competition has shown how to drive down the costs of construction to £60,000 or less per home. The £1.2 billion Housing Market Renewal Pathfinders cover about half of the homes affected by low demand for housing, especially in the North and Midlands. The emphasis being on refurbishing and renewing properties and the local environment. Up to September 2005, pathfinders had delivered over 17,000 refurbished homes, nearly 8,000 new homes and 4,000 demolitions.
- The past year has seen an intense period of activity within Government to complete the Olympic Bill, set up the new Olympic Delivery Authority and carry out a substantial amount of project planning and development in the interim. ODPM was closely involved in providing a wide range of support to these processes, arising from the experience and policy interests in development, regeneration and the Thames Gateway. DCLG will continue to provide such support.
- ODPM's policies and programmes recognise that different parts of the country face different challenges: The Northern Way, led by 3 Regional Development Agencies, has brought a dynamic new approach to promoting jobs, skills and growth in the North; other parts of the country, such as the Way Ahead in the South West have pursued new ways of working to promote regional sustainable growth.
- The Safer and Stronger Communities Fund was created in 2005 to reduce crime, fear of crime and anti-social behaviour, to improve public spaces and enhance the most disadvantaged neighbourhoods. Neighbourhood charters will enable local people to set out local priorities for their areas, and Community Call for Action will give them the opportunity to take the initiative if local services have fallen below the level people have a right to expect. DCLG will continue with this work, giving people homes that are decent to live in, and in communities that feel safe, secure and where they feel happy living, remains at the core of the new DCLG agenda.

### Public Service Agreement Targets

- 2.5 The Department's Public Service Agreement (PSA) targets, set out in Spending Review 2004 were as follows:
- *PSA1 – Neighbourhood Renewal:* Tackle social exclusion and deliver neighbourhood renewal, working with Departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010.
  - *PSA2 – Regional Economic Performance:* Make sustainable improvements in the economic performance of all the English regions by 2008 and, over the long term, reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (shared with the Department of Trade and Industry and HM Treasury).
  - *PSA3 – Fire:* By 2010, reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%.
  - *PSA4 – Local Government:* By 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities.
  - *PSA5 – Housing Markets:* Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions, whilst protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities.
  - *PSA6 – Planning:* The planning system to deliver sustainable development outcomes at national, regional, and local levels through efficient and high-quality planning and development management processes, including through achievement of best value standards of planning by 2008.
  - *PSA7 – Decent Homes:* By 2010, bring all social housing into a decent condition, with most of this improvement taking place in deprived areas, and for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition.
  - *PSA8 – Liveability:* Lead the delivery of cleaner, safer, greener public spaces, and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008.
- 2.6 ODPM was on course to deliver all the PSA targets, which will now be inherited by DCLG, apart from PSA 7 on bringing all social housing into a decent condition by 2010 where the 2006 milestone for the private rented sector has already been achieved. In addition, eight million tenants will be living in better homes by the end of the decade, and the Decent Homes programme will have improved 3.6million homes, with investment of over £40 billion. DCLG expects, however, to see some slippage on the 2006 milestone for a reduction in the number of non-decent properties by between 45% and 50% (a reduction of 41% is now expected).

### The Future

- 2.7 DCLG will be taking forward the agenda of ODPM, along with the additional responsibilities, and a new Strategy and Performance Directorate, within the Corporate Strategy & Resources Group, will be progressing this work in the newly formed Department. It will be responsible for leading strategic thinking and development across the Department, and for developing innovative, evidence-based and practical solutions to key policy challenges.

2.8 DCLG, working with other Departments, will use the opportunity presented by CSR07 to take forward the Government's agenda for sustainable communities. It will set the Government's budgets for the years 2008-09, 2009-10 and 2010-11. Departmental allocations for 2007-08 will be held to the figures announced in Spending Review 2004.

### Investment and Funding

2.9 As a Government Department, the Office was accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds. The Office then drew down funds in year from the Consolidated Fund as required.

2.10 The Estimates were structured by 'Request for Resources' (RfR) and included a formal description, or ambit of the services to be financed under each RfR.

2.11 The Office had two Request for Resources for 2005-06: RfR 1 for improving the quality of life by creating thriving, inclusive and sustainable communities in all regions, and RfR 2 for providing for effective devolved decision making within a national framework. The Statement of Parliamentary Supply, on Page 28 of the Accounts shows Outturn figures against Estimates for RfRs 1 and 2.

2.12 The Cash Flow Statement, set out on Page 31, analyses the net cash flow from operating activities, identifies cash spent by the Office on capital expenditure and investment and shows the funding that the Office drew down from the Consolidated Fund in order to finance its activities during the year.

2.13 The Office published its Departmental Investment Strategy (DIS) for 2005-2008 in January 2005, which will be taken forward by DCLG, and it is available at [www.communities.gov.uk](http://www.communities.gov.uk). The DIS set out the Office's capital investment plans resulting from the 2004 Spending Review. It also outlined how the Office's existing assets were being utilised and managed, and the systems it employed to safeguard its investment and to ensure that its investment plans delivered the intended outcomes. The Office planned to invest over £17 billion of capital expenditure between 2005-06 and 2007-08. The level of investment is directed to support each of the Office's strategic priorities.

2.14 The main aim of the asset management strategy was to ensure that appropriate fixed assets were held to meet the Office's objectives. All assets were treated in accordance with the following consistent underlying principles:

- Ensure assets were retained in the public sector only where it was effective and efficient to do so;
- Actively explored the scope for securing greater value from assets, including through innovative techniques, information technology, sharing of assets, outsourcing and public private partnerships;
- Maintain the Office's asset base in the condition necessary to meet its objectives;
- Maintain, either directly or through bodies sponsored by the Office, firm management of assets, including strategies for disposing of assets which were not needed for delivering services; and
- Continue to investigate incentives, such as hard charging, to achieve better utilisation of assets.

### 2005-06 Outturn against Estimate

- 2.15 The Statement of Parliamentary Supply shows that there was a total underspend of £425 million (across RfR1 and 2), which was 0.8% on a budget of £56 billion (£666 million, and 1.3 % on a budget of £53 billion in 2004-05). Note 2 to the accounts is the other source that shows a detailed breakdown of outturn and Estimates. The main reasons for the underspend are outlined in Note 2 on Pages 40 and 41.

### Going Concern

- 2.16 The Balance Sheet at 31 March 2006 shows negative Taxpayers Equity of £488m. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be from grants of Supply, approved annually by Parliament, to meet the Office's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Department's income, are surrenderable to the Fund.
- 2.17 In common with other Government Departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Those applicable to the Office will be applied to the newly formed Department. Such approval for amounts required for 2006-07 has already been given, and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Payment Performance

- 2.18 The Office recognised the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 1997/571. In common with the rest of Government, the Office worked towards paying 100% of its undisputed bills on time i.e. within 30 days of the date of receipt of the invoice, or within the contractual term if less, with a Service Delivery Agreement target of not falling below 98%. For 2005-06 the Office paid 98.09% (2004-05: 98.56%) of bills on time.

### Financial Organisation of the Office

- 2.19 The Office operated a system of delegated resource management responsibilities for programme and administrative expenditure, the aim being to give managers as much discretion as possible while still securing propriety, regularity and best value for money. Senior managers were held accountable through a requirement to report back periodically on the discharge of their management responsibilities and stewardship of resources entrusted to them.
- 2.20 The Office had a number of management systems in place designed to ensure objectives set were met efficiently and responsibly. The most important of these in this accounting period was the Business Plan for the Office. The business planning process allowed Ministers and the Board to review and agree key priorities for 2005-06, and how these would be delivered in the context of the Office's aims and objectives. This included the PSA targets and resources agreed during the Spending Review 2004. During the year, progress against key targets and on major projects was monitored regularly by the Board.
- 2.21 During the year the Office maintained arrangements to secure better budgeting and forecasting, key examples of which are shown below.
- A comprehensive monthly performance management framework which reviewed key targets, major programmes and projects and associated risks, and monitored expenditure against monthly budgets;

- Ensuring that the resource accounting and budgeting implications of new programmes were captured at the planning stage;
- Improvements to the accounts production process, to enable the Office to meet HM Treasury faster closure requirements;
- The development of arrangements for improving the professionalism of financial management within the policy line, through the introduction of line based management accounting teams;
- Improving financial skills of staff through targeted training and guidance and encouraging them to acquire professional qualifications;
- Centralisation of procurement activity to optimise value for money, efficiency and minimise risks surrounding procurement expenditure; and
- Programme Executives to cover key business priorities, by monitoring and reviewing progress against key targets.

2.22 To assist staff there was a Finance Manual, and a Local Management Accounting Team Operations Manual. Together these contained guidance on financial activity within the Office. Risk management, including guidance on risk identification, assessment and management was built into the business and delivery planning process, into monthly reports to the Board and into project and programme management. Risks identified through this process formed the basis of a corporate risk register. Together these measures helped provide the framework for the prudent and efficient use of resources. The Office's agency had its own Business Plan within the framework of the Office's Business Plan.

#### **Significant Events since the End of the Financial Year**

2.23 Other than the machinery of government changes referred to in the opening section of the Annual Report, there are no other issues to report.

#### **Auditors**

2.24 The audit of the Office's Resource Accounts was carried out by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000 at a notional cost of £400k.

2.25 The National Audit Office also performed other statutory audit work including Value for Money work and other reports to management at no cost to the Office.

2.26 So far as the Accounting Officers are aware, there is no relevant audit information of which the External Auditors are unaware.

2.27 The Accounting Officers have taken all steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the ODPM's auditors were aware of this information.

#### **Environment Policy**

2.28 During the year, the Office continued to seek improvements in its environmental performance:

- Establishment of a new climate change and sustainable development unit within the Office to provide greater focus and delivery on environmental issues across the range of its policies;
- Full participation in the Sustainable Development in Government (SDiG) initiative, with public access to the Office's strategy for delivering targets;

- Implementation of environmental initiatives to work towards our targets and objectives, and improve environmental performance;
- Twice-yearly forums for key operational staff to ensure consistency and co-ordination in progressing sustainable operations activity across the Office's estate;
- Initiation of a food waste composting scheme for London HQ buildings in association with social enterprise, East London Community Recycling Partnership; and
- Mobilisation of a carbon management programme for the Office with the Carbon Trust.

### **Equality and Diversity**

- 2.29 The Office was an equal opportunities employer. All staff had a right to equality of opportunity in all aspects of employment and to a working environment free from harassment, bullying and victimisation, irrespective of race, ethnic or national origin, age, religion, sex, gender identity, marital status, disability, sexual orientation, working hours, union membership, union office or union activity.
- 2.30 The Office recruited staff on the basis of fair and open competition, and selection was on merit and in accordance with the guidance laid down in the Civil Service Commissioners Recruitment Code.
- 2.31 In addition to ensuring that its employment practices did not discriminate, the Office was taking steps to promote, and mainstream, diversity in its policy making and delivery mechanisms and to evaluate outcomes. This focus supported the Office's core aim of creating sustainable communities.
- 2.32 Workshops were held for all senior staff on dignity and respect in the workplace.

### **Staff Relations**

- 2.33 The Office sought to encourage staff involvement in all of its activities. It encouraged personal development through appropriate training, secondments and attachments. Staff had access to counseling and support services and Trade Union membership and representation. There was a formal industrial relations mechanism, under the "Whitley" system, facilitating communications between management and trade unions, representing staff.

### **Occupational Health & Safety Report**

- 2.34 Health and Safety management responsibilities were discharged via a partnership between the Occupational Health team in Human Resources Services Division, Infrastructure Services Division and the Equality and Diversity Unit. These teams met and consulted on a regular basis.
- 2.35 A Health and Safety policy for the Office was issued on 22 December 2005.
- 2.36 ODPM operated against OHSAS18001 Health and Safety Management Systems which ensured that the Office's Health and Safety Policy was both implemented and audited. The Office also worked with its Agency and Government Offices to encourage them to use the same systems for standardisation and reporting systems.
- 2.37 There have been no incidents or accidents involving the Office's HQ Staff that are reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

### 3. Remuneration Report

#### Remuneration Policy

- 3.1 The Senior Salaries Review Body (SSRB) recommends the overall level of Ministerial salaries in the form of a report produced every 3-4 years. It is up to the Government to decide whether to accept or reject the SSRB's recommendations. Ministerial salaries are also uprated automatically every year. The uprating mechanism is the "average increase in the mid-points of the Senior Civil Service pay bands". This produced an increase of 2.25% with effect from 1 April 2004 (2% from 1 April 2003). Further information about the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- 3.2 Individual Permanent Secretaries' salaries are determined by the Prime Minister, on the advice of the Permanent Secretaries' Remuneration Committee, which in turn is advised by the Cabinet Secretary, Sir Gus O'Donnell. The Permanent Secretaries' Remuneration Committee is chaired by John Baker (who also chairs the Senior Salaries Review Body). Other current members are: James McKenna (Managing Director Logica Asia and Middle East, Director of HR Logica plc); Mary Galbraith (Independent management consultant, previously principal management consultant with PricewaterhouseCoopers); Sir Gus O'Donnell (Cabinet Secretary and Head of the Home Civil Service); Nick MacPherson (Permanent Secretary, HM Treasury); and Sir Richard Mottram (Security and Intelligence Coordinator).
- 3.3 Promotion into and within the Office's Senior Civil Service was on merit. Promotion to Divisional Manager and above normally followed from advertising posts within the Office, or across the Civil Service, or from open competition. Promotions to Director General were considered by the Senior Leadership Committee chaired by the Head of the Home Civil Service who made recommendations to the Prime Minister. Level transfer moves in the Senior Civil Service took place through a mixture of advertising and management decisions.
- 3.4 In the Office the pay arrangements, which applied at Director level and above, were those which applied to the Senior Civil Service (SCS) generally i.e. at divisional manager level and above. The main features of these pay arrangements were specified centrally by the Cabinet Office.
- 3.5 The Performance and Development Committee assessed the performance of SCS members of staff relative to their achievement of corporate and job related objectives. Evidence was produced by way of annual reports, and a moderation process chaired by the Permanent Secretary. The Committee agreed the level of remuneration, on the basis of performance, which included any entitlement to a bonus payment.

#### Service Contracts

- 3.6 Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit, on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).
- 3.7 Unless otherwise stated below, the officials covered by the report held appointments, which were open-ended until they reached the normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

#### Salary and Pension Entitlements

- 3.8 The information given below relates to the salary, value of taxable benefits in kind and pension entitlements for the Deputy Prime Minister, other Ministers, Permanent Secretary and other most senior officials of the Office. Equivalent information relating to the Executive Agency consolidated into the Office's resource account is provided in their own separate published accounts.



**Remuneration**

ODPM Ministers	2005-06		2004-05	
	Salary £	Benefit-in-Kind (to nearest £100)	Salary £	Benefit-in-Kind (to nearest £100)
The Rt. Hon John Prescott MP	74,902	7,500	72,862	7,300
The Rt. Hon Nick Raynsford MP	*13,892	–	37,796	–
The Rt. Hon Lord (Jeff) Rooker**	*18,730	–	108,104	–
The Rt. Hon Keith Hill MP	*13,892	–	37,796	–
Yvette Cooper MP	37,847	–	28,688	–
Phil Hope MP	–	–	–	–
The Rt. Hon David Miliband MP	*67,653	–	–	–
Phil Woolas MP	*32,932	–	–	–
Jim Fitzpatrick MP	*26,320	–	–	–
Baroness (Kay) Andrews OBE**	*91,613	–	–	–

  

ODPM Board Officials	2005-06		2004-05	
	Salary £000	Benefit-in-Kind (to nearest £100)	Salary £000	Benefit-in-Kind (to nearest £100)
Peter Housden	*65–70	900	–	–
Dame Mavis McDonald DCB	*95–100	4,500	155–160	8,400
Neil Kinghan	145–150	–	135–140	–
Joe Montgomery	130–135	–	120–125	–
Peter Unwin	125–130	–	125–130	–
Richard McCarthy	185–190	–	165–170	–
Rob Smith	*95–100	–	120–125	–
Claire Tyler	100–105	–	95–100	–
Derek Plews	95–100	–	90–95	–
Christina Bienkowska	*30–35	–	–	–
Alun Evans	105–110	–	–	–
Keith Barnes	130–135	–	–	–
Sir Bob Kerslake	–	–	–	–
Vanessa Lawrence	–	–	–	–

\* Salaries relate to part-years – please refer to paragraphs 1.8 to 1.10 for more details of service during the year.

\*\* As noted in 3.10, the salaries for Ministers in the House of Lords were paid in full by the Office.

The salary for a Board member reflects their full ODPM pay for the year, even if they did not serve on the Board.

The Rt Hon Lord Rooker received night subsistence allowance of £5,500 (£30,884 in 2004-05), included in his above salary.

Details of Benefits-in-Kind are contained in paragraph 3.11.

**Salary**

3.9 Salary included gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it was subject to UK taxation. It did not include amounts which were a reimbursement of expenses directly incurred in the performance of an individual's duties.

3.10 This presentation is based on payments made by the Office, and thus recorded in these accounts. In respect of Ministers in the House of Commons, Departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP was £59,095 for 2005-06 (2004-05 £57,485), and various allowances to which they were entitled were borne centrally. However, the

arrangement for Ministers in the House of Lords was different in that they did not receive a salary, but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they were entitled, was paid by the Office, and is therefore shown in full in the figures above. Phil Hope was unpaid.

### Benefits in Kind

3.11 The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The Rt. Hon John Prescott MP received living accommodation provided at public expense, and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988. Peter Housden received a benefit from an interest-free housing loan. Dame Mavis McDonald DCB had the private use of a car in the circumstances permitted by the Civil Service Management Code.

### Ministerial Pension Benefits

<b>ODPM Ministers 2005-06</b>	Total accrued Pension at 65 at 31/03/06 £000	Real increase in Pension at 65 £000	CETV at 31/03/06 £000	CETV at 31/03/05 £000	Real increase in CETV during the year £000
The Rt. Hon John Prescott MP	15-20	0-2.5	199	177	17
The Rt. Hon Nick Raynsford MP	5-10	0-2.5	77	75	1
The Rt. Hon Lord (Jeff) Rooker	10-15	0-2.5	146	143	2
The Rt. Hon Keith Hill MP	5-10	0-2.5	67	66	1
Yvette Cooper MP	0-5	0-2.5	31	23	2
Phil Hope MP	-	-	-	-	-
The Rt. Hon David Miliband MP	0-5	0-2.5	28	20	3
Phil Woolas MP	0-5	0-2.5	31	22	4
Jim Fitzpatrick MP	0-5	0-2.5	32	24	5
Baroness (Kay) Andrews OBE	5-10	0-2.5	75	53	13

<b>ODPM Ministers 2004-05</b>	Total accrued Pension at 65 at 31/03/05 £000	Real increase in Pension at 65 £000	CETV at 31/03/05 £000	CETV at 31/03/04 £000	Real increase in CETV during the year £000
The Rt. Hon John Prescott MP	10-15	0-2.5	175	153	12
The Rt. Hon Nick Raynsford MP	5-10	0-2.5	70	60	5
The Rt. Hon Lord (Jeff) Rooker	10-15	0-2.5	144	110	20
The Rt. Hon Keith Hill MP	5-10	0-2.5	66	51	9
Yvette Cooper MP	0-5	0-2.5	21	18	1
Phil Hope MP	-	-	-	-	-
The Rt. Hon David Miliband MP	-	-	-	-	-
Phil Woolas MP	-	-	-	-	-
Jim Fitzpatrick MP	-	-	-	-	-
Baroness (Kay) Andrews OBE	-	-	-	-	-

Note that the CETV value at 31.03.05 is different when comparing the 2 sets of figures. This is explained further in 3.22.

**Ministerial Pensions**

- 3.12 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).
- 3.13 Those Ministers, who are Members of Parliament, are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution).
- 3.14 Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate and 9% if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost.

**Cash Equivalent Transfer Value (CETV)**

- 3.15 A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits, and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**The Real Increase in the Value of the CETV**

- 3.16 This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the Minister (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

**Board Pension Benefits**

<b>ODPM Board Officials 2005-06</b>	Total accrued Pension at 60 at 31/03/06 £000	Real increase in Pension at 60 £000	CETV at 31/03/06 £000	CETV at 31/03/05 £000	Real increase in CETV during the year £000
Peter Housden	55-60 plus 165-170 lump sum	2.5-5 plus 7.5-10 lump sum	1,211	1,022	65
Dame Mavis McDonald DCB	65-70 plus 205-210 lump sum	0-2.5 plus 5-7.5 lump sum	1,588	1,447	43
Neil Kinghan	60-65 plus nil lump sum	2.5-5 plus nil lump sum	1,150	880	51
Joe Montgomery	5-10 plus 20-25 lump sum	0-2.5 plus 2.5-5 lump sum	106	63	20
Peter Unwin	45-50 plus 140-145 lump sum	2.5-5 plus 12.5-15 lump sum	887	634	79
Richard McCarthy	15-20 plus nil lump sum	0-2.5 plus nil lump sum	262	179	23
Rob Smith	55-60 plus 150-155 lump sum	10-12.5 plus 17.5-20 lump sum	1,072	763	208
Claire Tyler	30-35 plus 100-105 lump sum	2.5-5 plus 7.5-10 lump sum	593	421	43
Derek Plews	0-5 plus 12.5-15 lump sum	0-2.5 plus 2.5-5 lump sum	70	45	13
Christina Bienkowska	35-40 plus 105-110 lump sum	0-2.5 plus 5-7.5 lump sum	690	584	39
Alun Evans	25-30 plus 80-85 lump sum	0-2.5 plus 2.5-5 lump sum	476	451	9
Keith Barnes (see below)	-	-	-	-	-
Sir Bob Kerslake	-	-	-	-	-
Vanessa Lawrence	-	-	-	-	-

Keith Barnes is seconded to the Office, from the Department for Trade and Industry. His pension remains the responsibility of his home Department, and is administered by the DTI's authorised pensions administrator.

ODPM Board Officials 2004-05	Total accrued Pension at 60 at 31/03/05	Real increase in Pension at 60	CETV at 31/03/05	CETV at 31/03/04	Real increase in CETV during the year
	£000	£000	£000	£000	£000
Peter Housden	–	–	–	–	–
Dame Mavis McDonald DCB	65–70 plus 195–200 lump sum	2.5–5 plus 12.5–15 lump sum	1,221	1,104	66
Neil Kinghan	60–65 plus nil lump sum	2.5–5 plus nil lump sum	811	728	33
Joe Montgomery	5–10 plus 15–20 lump sum	0–2.5 plus 2.5–5 lump sum	68	48	15
Peter Unwin	40–45 plus 120–125 lump sum	5–7.5 plus 15–17.5 lump sum	645	530	79
Richard McCarthy	15–20 plus nil lump sum	15–17.5 plus nil lump sum	176	7	20
Rob Smith	40–45 plus 130–135 lump sum	2.5–5 plus 10–12.5 lump sum	751	651	57
Claire Tyler	30–35 plus 95–100 lump sum	0–2.5 plus 5–7.5 lump sum	434	385	23
Derek Plews	0–5 plus 10–15 lump sum	0–2.5 plus 2.5–5 lump sum	48	32	13
Christina Bienkowska	–	–	–	–	–
Alun Evans	–	–	–	–	–
Keith Barnes	–	–	–	–	–
Sir Bob Kerslake	–	–	–	–	–
Vanessa Lawrence	–	–	–	–	–

### Civil Service Pensions

3.17 Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

3.18 Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

- 3.19 The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 3.20 Further details about the civil service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

#### **Cash Equivalent Transfer Value (CETV)**

- 3.21 A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements, and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
- 3.22 Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 (in the disclosed information for 2005/06) has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

#### **The Real Increase in the Value of the CETV**

- 3.23 This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

*Peter Housden*  
Principal Accounting Officer  
Office of the Deputy Prime Minister

6 July 2006

## Statement of Accounting Officers' Responsibilities

- 1 Under the Government Resource and Accounting Act 2000, the Office is required to prepare Resource Accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Office during the year.
- 2 The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
- 3 HM Treasury has appointed the Permanent Head of the Office as Principal Accounting Officer of the Office with overall responsibility for preparing the Office's accounts and for transmitting them to the Comptroller and Auditor General.
- 4 In preparing the Resource Accounts, the Principal Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to:
  - a. Observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b. Make judgements and estimates on a reasonable basis;
  - c. State whether applicable accounting standards, as set out in the *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
  - d. Prepare the accounts on a going-concern basis.
- 5 In addition, HM Treasury has appointed an additional Accounting Officer to be accountable for that part of the Office's accounts that related to a specified Request for Resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Head of ODPM's overall responsibility as Accounting Officer for the Office's Resource Accounts.
- 6 The allocation of Accounting Officer responsibilities in the Office was as follows:

**Request for Resources 1:** Peter Housden, Permanent Secretary and Principal Accounting Officer for ODPM (Dame Mavis McDonald DCB until 14 October 2005)

**Request for Resources 2:** Neil Kinghan, Additional Accounting Officer
- 7 The responsibilities of an Accounting Officer, include my responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Office's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*. Under the terms of the Accounting Officers' Memorandum, the relationship between the Office's Principal and additional Accounting Officers, together with their respective responsibilities, is set out in writing.

## Statement on Internal Control

### Scope of Responsibility

1. As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supported ODPM, and supports the achievement of DCLG's policies, aims and objectives as set by the Department's Ministers. I have a duty to safeguard the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.
2. In addition, some of the responsibilities are delegated to an Additional Accounting Officer, and the relationship with the Principal Accounting Officer is set out in written statements.
3. Ministers set the vision and political direction of the Department's policies within which many calculated risks are taken. My senior managers and I ensure that Ministers are able to take informed decisions on the basis of policy options that have clear statements on implications attached to the various courses of action.
4. The Chief Executive of the Department's Executive Agency, the Planning Inspectorate, is responsible for risk management and the maintenance and operation of the system of internal control and has signed a statement relating to that system which is reproduced in the accounts of the body.

### The Purpose of the System of Internal Control

5. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Department's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in ODPM for the year ended 31 March 2006, and following the creation of the new department, in DCLG from 5 May 2006, up to the date of approval of the annual report and accounts. This statement accords with Treasury guidance.

### Capacity to Handle Risk – Risk and Control Framework

6. Risk is identified, assessed, managed and reviewed within the Department to ensure the efficient, effective, and economical delivery of the objectives, targets and business.
7. During 2005-06 risk processes and assurance continued to be applied as follows:
  - To December 2005, the ODPM Board reviewed corporate risks, drawn from PSA targets, business critical projects and corporate operational activities, through the monthly Performance Monitoring Report;
  - From January 2006, Programme Executives developed the capability to review strategic and cross-cutting risks and those escalated from within their areas of influence. These risks are reported monthly to Ministers and the Board Executive;
  - An Audit and Risk Committee, under independent chairmanship of one of the non executive directors, that reviews on an on-going basis the approach to risk management and corporate governance across the Department and approves the assessments of progress on embedding risk management reported to the Civil Service/Permanent Secretaries Management Board sub-committee on Risk annually in July. The balance of non-executive and executive members was changed in April 2006 when I appointed a third non-executive



director and made a further reduction in the overall number of senior executives on the Committee. The Committee complies with all of the requirements of the Audit Committee Handbook with the exception of the recommendations on the size of the Committee and the balance of Non-Executive and Executive members. I will consider the effectiveness of the Committee during the course of 2006-07; and

- Senior managers within the Department's Headquarters (including the Director General with responsibility for the RCU/GO Network) and the Chief Executive of the Executive Agency, reported how they were managing risk through their interim Statements on Internal Control which were provided on a half-yearly basis. From April 2006, this will be complemented by provision of directorate risk registers quarterly.
8. Throughout the year, processes were in place to identify, assess and manage risk through various planning and progress monitoring processes: through project and programme management, driven by the Centre of Excellence; through policy development and implementation; and through audit and in the context of preparations for CSR07.
  9. During 2005-06 work continued on addressing elements of the Treasury's risk framework – leadership, strategy and policies, people, partnerships, processes, outcomes and handling. Following changes in the governance and structure of the Department, more emphasis will be placed on ensuring the timely application of risk management to the development and implementation of policy and to delivery.
  10. The Department sometimes works with partners in often long and complex delivery chains to make a difference on the ground. Partnership working (including Local Area Agreements, housing programmes, etc) brings clear benefits, though there are risks that need to be managed. We are working with the National Audit Office and the Audit Commission to ensure suitable assurance arrangements are in place.

### Review of Effectiveness

11. As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control, including contingency planning arrangements, is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. Following the financial irregularity, reported in the 2004/05 accounts, enhanced controls were introduced to prevent a reoccurrence and the perpetrators of the fraud were successfully prosecuted.
12. Mechanisms exist to ensure the effectiveness of the system of internal control is regularly reviewed:
  - A Management Board, that includes two Non-Executive Directors, meets monthly to consider the plans and strategic direction of the Department, including strategic challenges and opportunities;
  - From January 2006, I created within the Management Board, a Board Executive to co-ordinate the operations of the Department, oversee organisational development and to offer advice to Ministers and the main Board on overall strategy;
  - An Audit and Risk Committee considers the adequacy of the internal control system and the risk management framework. It is chaired by a Non-Executive Director who also sits on the Management Board. In 2005-06 the Committee reviewed the approach to risk management,

agreed the Internal Audit work programme, and the Department's own system for obtaining assurances from senior managers. I (and my predecessor before me) attend meetings of the Committee in the role of Principal Accounting Officer;

- The effectiveness of the Department's risk management, control and governance processes are kept under regular review by the Department's Internal Audit Services. Regular reports are made to the Audit and Risk Committee. DCLG Internal Audit operates to the standards defined in the Government Internal Audit Manual; and
- My senior managers provide me with a statement every six months on the effectiveness of their internal control and risk management arrangements.

13. There are no significant internal control problems to report.

*Peter Housden*  
Principal Accounting Officer  
Office of the Deputy Prime Minister

6 July 2006

## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Office of the Deputy Prime Minister for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Financial Statements and the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on Pages 23 to 25 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Review, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the

expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006, and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*

Comptroller and Auditor General  
National Audit Office  
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Victoria  
London SW1W 9SP

18 July 2006

The maintenance and integrity of the Department's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Statement of Parliamentary Supply

### Summary of Parliamentary Outturn for the year ended 31 March 2006

Request for resources	Estimate			Outturn			Net Total compared with Estimate savings/(excess) £000	2004-05 Prior-year Outturn £000	
	Note	Gross expenditure £000	A-in-A £000	NET TOTAL £000	Gross expenditure £000	A-in-A £000			Net Total £000
RfR 1	2	8,901,735	(188,169)	8,713,566	8,684,861	(151,981)	8,532,880	180,686	8,546,187
RfR 2	2	47,243,854	(719)	47,243,135	46,999,626	(320)	46,999,306	243,829	43,949,191
<b>Total Resources</b>	<b>3</b>	<b>56,145,589</b>	<b>(188,888)</b>	<b>55,956,701</b>	<b>55,684,487</b>	<b>(152,301)</b>	<b>55,532,186</b>	<b>424,515</b>	<b>52,495,378</b>
<b>Non Operating Cost A in A</b>				<b>2,720</b>			<b>430</b>		<b>125</b>

#### Net cash requirement 2005-06

	Note	2005-06		2005-06 Net outturn compared with Estimate: outturn savings/(excess) £000	2004-05 Outturn £000
		Estimate	Outturn		
		£000	£000		
Net cash requirement	4	56,085,667	55,173,704	911,963	52,575,789

#### Summary of Income Payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Office and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	2005-06 Forecast		2005-06 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Total	5	<u>2,364,916</u>	<u>2,364,715</u>	<u>1,515,373</u>	<u>1,641,390</u>

Explanations of variances between Estimate and outturn are given in Note 2.

The notes of pages 33 to 68 form part of these accounts

**Operating Cost Statement***for the year ended 31 March 2006*

	Note	2005-06						2004-05	
		Core Department			Consolidated			Core Department	Consolidated
		Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Administration Costs</b>									
Staff costs	7	210,848		210,848			206,705	206,705	
Other administration costs	8		131,851		131,851		148,565	148,565	
Operating income	10		(34,776)			(34,776)	(34,719)	(34,719)	
<b>Programme Costs</b>									
<b>Request for Resources 1</b>									
Staff costs	7	12,461		48,477			8,774	40,706	
Programme costs	9		8,783,870		8,799,576		8,920,833	8,936,506	
Less: EU Income	10		(508,791)			(508,791)	(634,383)	(634,383)	
Less: Other Income (including CFERs)	10		(1,618,155)			(1,628,103)	(2,491,742)	(2,504,868)	
<b>Request for Resources 2</b>									
Staff costs	7	–		–			31	31	
Expenditure	9		46,999,626		46,999,626		43,953,656	43,953,658	
Less: Income	10		(320)			(320)	(4,498)	(4,498)	
Dividend Receivable	10		(4,070)			(4,070)	(2,099)	(2,099)	
Interest Receivable	10		(471)			(471)	(467)	(467)	
Interest Payable	9		66		66		53	53	
<b>Totals</b>		<b>223,309</b>	<b>55,915,413</b>	<b>(2,166,583)</b>	<b>259,325</b>	<b>55,931,119</b>	<b>(2,176,531)</b>	<b>50,070,709</b>	<b>50,105,190</b>
<b>Net Operating Costs</b>	3, 11, 19		<b>53,972,139</b>			<b>54,013,913</b>	<b>50,070,709</b>	<b>50,105,190</b>	

**Statement of Recognised Gains and Losses***for the year ended 31 March 2006*

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Net gain (loss) on revaluation of tangible fixed assets	5,370	5,336	1,740	1,919
Net gain (loss) on revaluation of intangible fixed assets	–	–	–	–
Net gain (loss) on revaluation of investments	(315)	(315)	–	–
Receipt of donated assets	–	–	–	–
<b>Total Recognised Gains and Losses for the Financial Year</b>	<b>5,055</b>	<b>5,021</b>	<b>1,740</b>	<b>1,919</b>

In addition, there was a prior period adjustment relating to the Deposit held within creditors of £32,895k (See Note 1.18.1 for details).

The notes of pages 33 to 68 form part of these accounts

**Balance Sheet***as at 31 March 2006*

	Note	2005-06		2004-05	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	12	156,634	165,546	154,183	162,521
Intangible assets	13	1,036	1,036	427	427
Investments	14	45,888	45,888	46,312	46,312
<b>Debtors falling due after more than one year</b>	15	–	8	3,120	3,132
<b>Current Assets</b>					
Debtors	15	1,148,922	1,154,681	2,430,200	2,439,258
Cash at bank and in hand	16	(33,507)	(33,507)	63,211	63,385
		1,115,415	1,121,174	2,493,411	2,502,643
<b>Creditors: amounts falling due within one year</b>	17	(1,531,245)	(1,534,619)	(2,524,646)	(2,530,857)
<b>Net Current Liabilities</b>		(415,830)	(413,445)	(31,235)	(28,214)
<b>Total Assets less Current Liabilities</b>		(212,272)	(200,967)	172,807	184,178
<b>Creditors: amounts falling due after more than one year</b>	17	(265,913)	(265,913)	(240,002)	(240,002)
<b>Provisions for Liabilities and Charges</b>	18	(20,972)	(21,211)	(31,732)	(32,454)
		<b>(499,157)</b>	<b>(488,091)</b>	<b>(98,927)</b>	<b>(88,278)</b>
<b>Taxpayers' Equity</b>					
General fund	19	(503,966)	(492,900)	(101,371)	(90,722)
Revaluation reserve	20	4,809	4,809	2,444	2,444
		<b>(499,157)</b>	<b>(488,091)</b>	<b>(98,927)</b>	<b>(88,278)</b>

*Peter Housden*  
Principal Accounting Officer  
Office of the Deputy Prime Minister

Approved on 6 July 2006

The Notes of pages 33 to 68 form part of these accounts

**Consolidated Cash Flow Statement**  
for the year ended 31 March 2006

		2005-06	2004-05
	Note	£000	£000
Net cash outflow from Operating Activities	21a	(53,498,404)	(50,527,958)
Capital expenditure and financial investment	21b	(36,443)	(63,627)
Receipts due to the Consolidated Fund which are outside the scope of Office's activities		-	-
Payments of amounts due to the Consolidated Fund		(1,845,188)	(1,581,354)
Financing	21d	55,283,143	52,129,166
Decrease in cash in the period	21e	(96,892)	(43,773)

The notes of pages 33 to 68 form part of these accounts



**Consolidated Statement of Operating Costs by Departmental Aim and Objectives**  
for the year ended 31 March 2006

	2005-06			2004-05		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
<b>Main Objectives</b>						
Objective 1	3,060,178	(23,510)	3,036,668	4,581,135	(99,256)	4,481,879
Objective 2	1,334,579	(1,592,106)	(257,527)	962,798	(2,443,349)	(1,480,551)
Objective 3	2,916,150	(8,588)	2,907,562	3,035,849	(19,828)	3,016,021
Objective 4	204,788	(17,263)	187,525	708,837	(11,204)	697,633
Objective 5	2,199,992	(534,744)	1,665,248	1,028,334	(603,001)	425,333
<b>Total Resources</b>	<b>9,715,687</b>	<b>(2,176,211)</b>	<b>7,539,476</b>	<b>10,316,953</b>	<b>(3,176,638)</b>	<b>7,140,315</b>
Local government support (Aggregate External Finance – AEF)*	46,474,757	(320)	46,474,437	42,969,271	(4,396)	42,964,875
<b>Net Operating Costs</b>	<b>56,190,444</b>	<b>(2,176,531)</b>	<b>54,013,913</b>	<b>53,286,224</b>	<b>(3,181,034)</b>	<b>50,105,190</b>

\*The AEF is the amount of general financial support Local Authorities receive from the Government. Some of this also contributed to delivering the Office's key objectives.

The Office's objectives were as follows:

Objective 1 – Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.

Objective 2 – Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.

Objective 3 – Tackling disadvantages by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.

Objective 4 – Delivering better services, by devolving decision making to the most effective level-regional, local or neighbourhood.

Objective 5 – Promoting the development of English regions by improving economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance by taking account of the public's view of what is best for their area.

Included in the above figures is expenditure of £37,398k and income of £14,578k relating to Ordnance Survey and QEII Conference Centre that did not apply to any of the objectives. Therefore, these amounts have been apportioned equally across the 5 main objectives.

The notes of pages 33 to 68 form part of these accounts

**Notes to the Departmental Resource Accounts**

for the Year ended 31 March 2006

**1. Statement of Accounting Policies**

The Financial Statements have been prepared in accordance with the 2005-06 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Office to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Office's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Office for the purpose of giving a true and fair view has been selected. The Office's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

**1.1 Accounting Convention**

- 1.1.1 These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

**1.2 Basis of Consolidation**

- 1.2.1 These accounts comprise a consolidation of the non-agency parts of the Office (the core Department), including its non-executive NDPBs accounted for as supply-financed agencies, and those entities which fall within the Office's boundary as defined in the FReM (chapter 1.5). Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Office's boundary is given at Note 32.

**1.3 Tangible and Intangible Fixed Assets**

- 1.3.1 Title to the freehold land and buildings shown in the accounts is held as follows:
- (i) Property on the Departmental estate, the title to which is held by the Office; and
  - (ii) Civil Estate property for which the Office assumed responsibility on 29 May 2002 as major occupier. The Office pays a charge for this accommodation to the Consolidated Fund in its capacity as major occupier.
- 1.3.2 Freehold land and buildings are restated at current value using professional valuations in accordance with FRS 15 every 5 years and values are adjusted using the appropriate indices in intervening years. Assets under construction are held at the balance sheet date at their historic cost until they become operational. Thereafter, they are depreciated over five years and are subject to annual revaluation. Other tangible assets have been stated at current cost using appropriate indices annually.
- 1.3.3 Revaluations of fixed assets are charged to the appropriate revaluation reserve in the year of revaluation. Impairments in fixed assets are charged to the operating cost statement except where the downwards revaluation is due to fluctuations in the market. In this case the charge will be made to the revaluation reserve.

**Notes to the Departmental Resource Accounts** *(continued)*

1.3.4 The core Office's capitalisation threshold is £5,000. The threshold for the Agency is £3,000, except for land, for which there is no minimum

1.3.5 The Office allows grouping of items as follows:

- Networked computer infrastructure;
- Strategic IT equipment; and
- Civil resilience strategic material.

1.3.6 Where the Office replaces key components of grouped assets, the replacement is depreciated over the remaining useful life of the asset. Where regular maintenance is performed, this is expensed during the year.

1.3.7 Intangible fixed assets comprise the capitalised value of software licences, however, software developed in-house, or by a third party, is treated as tangible. Intangible assets have been valued at depreciated replacement cost.

**1.4 Depreciation & Amortisation**

1.4.1 No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life. Assets under construction are not depreciated until the asset is brought into use.

1.4.2 For all assets the Office calculated depreciation on a straight-line method in accordance with Financial Reporting Standard (FRS) 15 – Tangible Fixed Assets.

1.4.3 Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets on a straight-line depreciation basis over their estimated useful lives. Asset lives are in the following ranges:

- Land and Buildings                      50 years or length of lease
- Information Technology                2 to 5 years
- Plant and Machinery                    3 to 10 years
- Furniture and Fittings                 2 to 10 years

1.4.4 Software licences are amortised over the shorter of the term of the licence and the useful economic life.

**1.5 Investments**

1.5.1 Financial interests in public sector bodies, which are outside the Office's Departmental boundary, are treated as fixed-asset investments since they are held for the long term. These investments comprise public dividend capital (PDC) of Ordnance Survey, QEII Conference Centre and the Fire Service College, and loans issued to QEII Conference Centre and the Fire Service College which are made from the Secretary of State. Ordnance Survey, the QEII Conference Centre and Fire Service College are Trading Funds. Trading Funds and executive NDPBs are outside the Departmental boundary and their accounts are not consolidated with those of the Office. Loans, PDC and loans to other public bodies are included at historic cost.

**Notes to the Departmental Resource Accounts** *(continued)*

1.5.2 During 2004-05 the Office invested £10m in a capital venture fund, known as the Coalfield Enterprise Fund (CEF), with the objective to invest in businesses with growth potential in, or employing people from, the former coalfield areas in England. The CEF is part of the Government's package of measures to regenerate the former coalfield areas and was established on 28 May 2004. Management of the CEF is undertaken by Enterprise Venture Ltd on behalf of ODPM. The total value of the fund dropped by £315k, but is expected to recover in the medium to long term.

**1.6 Stocks and Work in Progress**

1.6.1 There are no stocks, or work in progress.

**1.7 Operating Income**

1.7.1 Income is recorded on an accruals basis at the transacted amounts, or the amounts at which customers are committed to pay.

1.7.2 Operating income is income which relates directly to the operating activities of the Office. It principally comprises EU income, fees and charges for services provided on a full-cost basis to external customers, public repayment work and income from investments. Operating income includes income appropriated-in-aid of the Estimate and income payable to the Consolidated Fund in accordance with the FReM requirements. Operating income is stated net of VAT (refer section 1.10).

**1.8 Administration and Programme Expenditure**

1.8.1 The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

**1.9 Capital Charge**

1.9.1 A charge, reflecting the cost of capital utilised by the Office, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets, less liabilities, except for:

- a) Tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - Additions at cost;
  - Disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);
  - Impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure); and
  - Depreciation of tangible and amortisation of intangible fixed assets.
- b) Donated assets, and cash balances with the Office of Paymaster General, where the charge is nil.
- c) The Office's investment in the Queen Elizabeth II Conference Centre, Fire Service College and Ordnance Survey, where the charge is equal to 6%, 4% and 5.5% respectively of the net relevant assets of the recipient body.

**Notes to the Departmental Resource Accounts** *(continued)***1.10 Value Added Tax**

- 1.10.1 Most of the activities of the Office are outside the scope of VAT and, in general output tax does not apply. Input VAT on certain contracted-out services is recovered under annual Treasury Direction. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

**1.11 Foreign Exchange**

- 1.11.1 Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. These translation differences are dealt within the Operating Cost Statement.

**1.12 Pensions**

- 1.12.1 Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Office recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Office recognises the contributions payable for the year.

**1.13 Provisions**

- 1.13.1 The Office provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required in settling the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2% for provisions and 2.8% for pension schemes). At the balance sheet date the Office had the following provisions:

(i) Early Retirement & Pension Commitments:

The Office meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefit for employees who retire before the formal retirement age of 60 years. An amount is paid annually to the PCSPS for the period between early departure and the normal retirement date. The Office provides for this in full, as the binding agreement for each early retirement becomes a liability on the last day of service. Each liability is based on the estimated payments discounted at the Treasury discount rate for provisions of 2.2% in real terms.

(ii) Compensation Payments:

These relate to claims made by staff and third parties against the Office. The majority represent claims by ex Property Services Agency employees who may have contracted an industrial lung disease. It is expected that half of these cases may be settled in the next financial year with the remainder settled in the following year.

(iii) Housing Mobility Grant (HOMES):

Ministers made a decision to terminate the grant funded HOMES mobility services and to let an enhanced employment and mobility service. The former HOMES staff transferred on public employee terms (Transfer of Undertakings of Public Employees). The provision relates to the winding-up costs for which the Office is liable under Agreement, including a pension deficit.

**Notes to the Departmental Resource Accounts** *(continued)*

- (iv) Dilapidations:  
The provision relates to complying with lease clauses for buildings which are occupied by the Emergency Fire Service and other ODPM buildings.
- (v) Firefighter's Pensions:  
The Fireman's Pension Scheme is a small scheme that has similar conditions to the Principal Civil Service Pension Scheme that was inherited from the Home Office for 16 ex-firefighters and their widows. The Treasury real rate for this pension scheme is 2.8%.
- (vi) Fire & Rescue Services:  
Fire Inspectors transferred to the Office as a result of a machinery of government change in June 2001. Around half of the Inspectors submitted formal grievances in 2004, and the issue is still being resolved with the unions.
- (vii) Black & Minority Ethnic Support:  
The provision related to the Black & Minority Ethnic Registered Social Landlords (BEM RSLs) programme, which is in respect of one RSL Foundation. Payment was made in 2005-06 following the RSL being released from regulatory supervision by the Housing Corporation.

**1.14 Grants Payable**

- 1.14.1 Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Where conditions, such as a specified milestone, attaching to a grant are waived then the amount is treated as having been incurred.

**1.15 Leases**

- 1.15.1 Operating leases are charged to the Operating Cost Statement on a straight-line basis over the term of the lease, or in the year to which the payment relates. Leases that satisfy the definition of finance leases are recognised in the accounts.

**1.16 Contingent Liabilities**

- 1.16.1 In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard (FRS) 12 – Provisions, contingent liabilities and contingent assets, the Office discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting. These comprise:
- Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business; and
  - All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM, to be noted in the resource accounts.
- 1.16.2 Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12, are stated as discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities, that are not required to be disclosed by FRS 12, are stated at the amounts reported to Parliament.

**Notes to the Departmental Resource Accounts** *(continued)***1.17 Third Party Assets**

- 1.17.1 The Office holds as custodian or trustee, certain assets belonging to third parties. These are not recognised in the accounts since neither the Office nor Government, more generally, has a direct beneficial interest in them.

**1.18 Comparatives**

- 1.18.1 A prior year adjustment was made relating to the Deposit held, within creditors. This related to the pre-funding of the European Regional Development Fund (ERDF) programmes that was received in Euros. The recognition of the exchange rate gains/losses was recorded for the first time in 2005-06 and so represented a change in accounting policy. This led to a restatement to reserves of £32,895k.

- 1.18.2 The following items for 2004-05 have been restated:

- a) Staff numbers (Note 7) – The split by objective has been restated to show numbers employed on Local Government Support.
  - b) Programme Costs (Note 9) – In accordance with the Treasury's FReM, Programme costs have been stated gross, and so no longer include programme income.
  - c) Tangible Fixed Assets (Note 12) – The opening balances for Information Technology and Payments on Account & Assets under construction have been restated to more accurately reflect the position. There was no change to the overall net book value.
  - d) Creditors (Note 17) – The Deposit held, relating to the ERDF, has been restated as a creditor – amounts falling due after more than one year.
  - e) Capital Commitments (Note 23), and Other financial commitments (Note 25) have been restated, as previously they incorporated grants.
-

## Notes to the Departmental Resource Accounts (continued)

## 2. Analysis of net resource outturn by section

	2005-06						Estimate		2004-05
	Outturn						Net Total outturn compared with		Prior year
	Admin	Other	Grants	Gross	A-in-A	Net total	Net Total	Estimate	Outturn
£000	£000	£000	Resource Expenditure £000	£000	£000	£000	£000	£000	£000
<b>RfR 1 Spending in Departmental Expenditure Limits (DEL)</b>									
<b>Central Government Expenditure</b>									
A Housing Supply and Demand	2,960	96,366	7,078	106,404	(11,056)	95,348	97,051	1,703	88,115
B Decent Places to Live	-	11,759	66,824	78,583	(316)	78,267	87,402	9,135	136,407
C Tackling Disadvantage	-	29,560	79,723	109,283	(9)	109,274	143,655	34,381	142,622
D Better Services	-	87,670	8,913	96,583	(8,543)	88,040	80,891	(7,149)	89,926
E Development of English Regions	-	515	1,222,092	1,222,607	-	1,222,607	1,230,561	7,954	1,189,582
F Central Administration	183,856	38,802	-	222,658	(31,572)	191,086	218,384	27,298	194,647
G Government Office Administration	155,052	-	-	155,052	(16,209)	138,843	139,873	1,030	141,410
H European Structural Funds – net	-	22	137	159	(5,496)	(5,337)	1	5,338	-
I European Structural Funds – ODPM	-	3,282	-	3,282	-	3,282	5,294	2,012	1,140
J Ordnance Survey	-	2,559	-	2,559	(2,620)	(61)	(20)	41	1,297
K Queen Elizabeth II Conference Centre Executive Agency	-	-	-	-	(1,462)	(1,462)	(1,289)	173	(1,001)
<b>Support for Local Authorities</b>									
L Housing Supply and Demand	-	(615)	142,631	142,016	-	142,016	142,240	224	110,661
M Housing Supply and Demand (capital grants to Local Authorities)	-	789	517,220	518,009	-	518,009	511,812	(6,197)	416,763
N Decent Places to Live (capital grant to Local Authorities)	-	-	44,214	44,214	(69,404)	(25,190)	(59,773)	(34,583)	92,111
O Tackling Disadvantage	-	29	1,993,886	1,993,915	-	1,993,915	1,963,911	(30,004)	2,084,493
P Tackling Disadvantage (capital grants to Local Authorities)	-	-	250,353	250,353	-	250,353	257,378	7,025	120,920
Q Better Services	-	358	27,443	27,801	(1)	27,800	28,003	203	42,705
R Better Services (capital grants to Local Authorities)	-	-	6,399	6,399	-	6,399	6,560	161	5,000
S Development of English Regions (capital grant to Local Authorities)	-	350	105,248	105,598	(1,228)	104,370	102,163	(2,207)	109,959
T Development of English Regions (capital grant to Local Authorities)	-	-	174,390	174,390	-	174,390	170,500	(3,890)	170,104
U European Structural Funds – net	-	-	-	-	-	-	1	1	-
V European Structural Funds – net (capital grants to Local Authorities)	-	-	-	-	-	-	1	1	-
AB Decent Places to Live	-	27	-	27	(28)	(1)	1,351	1,352	-
<b>Spending in Annually Managed Expenditure (AME) Central Government Spending</b>									
W Decent Places to Live	-	792,899	-	792,899	-	792,899	804,367	11,468	691,291
X Better Services	-	57	278	335	-	335	50	(285)	700
<b>Support for Local Authorities</b>									
Y Housing Supply and Demand	-	-	11,000	11,000	-	11,000	18,800	7,800	17,500
Z Decent Places to Live (capital grant to Local Authorities)	-	-	368,113	368,113	-	368,113	616,000	247,887	610,260
<b>Non-Budget</b>									
AA Housing Supply and Demand	-	-	2,252,621	2,252,621	(4,037)	2,248,584	2,148,398	(100,186)	2,089,575
AC Better Services	-	1	-	1	-	1	1	-	-
<b>Resource Outturn</b>	<b>341,868</b>	<b>1,064,430</b>	<b>7,278,563</b>	<b>8,684,861</b>	<b>(151,981)</b>	<b>8,532,880</b>	<b>8,713,566</b>	<b>180,686</b>	<b>8,546,187</b>



## Notes to the Departmental Resource Accounts (continued)

	2005-06						Estimate		2004-05	
	Outturn						Net Total outturn compared with		Prior year	
	Admin	Other	Grants	Gross	A-in-A	Net total	Net Total	Estimate	Outturn	
£000	£000	£000	Resource Expenditure £000	£000	£000	£000	£000	£000	£000	
<b>RfR 2 Spending in Departmental Expenditure Limits (DEL)</b>										
<b>Central Government Spending</b>										
A	Valuation services	-	193,450	-	193,450	-	<b>193,450</b>	193,450	-	162,756
B	Best value inspection subsidies to Public Corporations and best value intervention costs	-	20,565	-	20,565	-	<b>20,565</b>	21,487	922	25,515
C	Local government research and publicity, mapping costs and electoral law	-	5,451	2,072	7,523	(320)	<b>7,203</b>	7,885	682	4,993
D	Local governance	-	4	-	4	-	<b>4</b>	33	29	74
<b>Support for Local Authorities</b>										
E	Revenue support grants	-	27,141,918	27,141,918	-	<b>27,141,918</b>	27,151,321	9,403		27,433,196
F	Non-domestic rates payments	-	18,000,000	18,000,000	-	<b>18,000,000</b>	18,000,000	-		15,000,000
G	London Governance	-	37,493	37,493	-	<b>37,493</b>	37,493	-		36,328
H	Other grants and payments (resource grants)	-	7,304	730,227	737,531	-	<b>737,531</b>	775,428	37,897	549,105
I	Other grants and payments (capital grants)	-	-	315,094	315,094	-	<b>315,094</b>	379,240	64,146	256,375
J	Non-domestic rates outturn adjustments and LABGIS	-	-	524,292	524,292	-	<b>524,292</b>	655,000	130,708	460,861
<b>Non-Budget</b>										
K	Non-Departmental public bodies	-	-	21,756	21,756	-	<b>21,756</b>	21,798	42	19,988
<b>Resource Outturn</b>										
		-	<b>226,774</b>	<b>46,772,852</b>	<b>46,999,626</b>	<b>(320)</b>	<b>46,999,306</b>	<b>47,243,135</b>	<b>243,829</b>	<b>43,949,191</b>
<b>Total Resource Outturn</b>										
		<b>341,868</b>	<b>1,291,204</b>	<b>54,051,415</b>	<b>55,684,487</b>	<b>(152,301)</b>	<b>55,532,186</b>	<b>55,956,701</b>	<b>424,515</b>	<b>52,495,378</b>

The analysis for RfR1 differs when compared to 2004-05 to align with the Strategic Priorities, following a request by the Select Committee. RfR2 remains unchanged.

**Explanations for Variances between Actual and Estimates:**

The Statement of Parliamentary Supply shows an underspend on RfR1 and 2 of £180.7m and £243.8m respectively. Variance explanations have been provided where the comparison of outturn against Estimate has resulted in an overspend, or an underspend of the greater of £500k and 10% of the Estimate.

**RfR 1****B – Decent Places to Live – £9,135k underspend**

This was caused by a delay in the signing of the contract for Stonebridge Housing Action Trust – the contract will now be signed in 2006-07. In addition, Gap funding for Tower Hamlets will now take place in 2006-07, and work relating to Procurement Efficiency and Social Housing has not taken place as fast as expected.

**C – Tackling Disadvantage – £34,381k underspend**

There are different strands relating to the New Deal for Communities and New Ventures Fund, with the Estimate and actual figures contained within sections C, O and P. Overall, the outturn for these programmes was £6.5m less than the budget of £357.7m. The underspend in Section C is largely offset by the overspend in Section O.

**Notes to the Departmental Resource Accounts** *(continued)***F – Central Administration – £27,298k underspend**

The underspend comprises £13.8m of non-cash relating to the large Cost of Capital credit for the Office, due to the negative working capital balance. There was a further £10m underspend on near cash as a result of drawing down End Year flexibility to cover forecast expenditure which was not, in the event, incurred during 2005-06.

**H – European Structural Funds (net) – £5,338k underspend**

Exchange gains relating to Euro transactions, and the pre-funding deposit held on EDRF programmes was recognised, that was not estimated originally.

**I – European Structural Fund – ODPM – £2,012k underspend**

Expenditure relating to ERDF (Inter-Regional) programmes has been less than the initial forecast spend. The budget has therefore been reduced for 2006-07.

**N – Decent Places to Live (Capital Grants to LAs) – £34,583k overspend**

There were fewer than expected receipts relating to Capital Pooled Housing Receipts. This was due to the downturn in the housing market, and therefore there was a reduction in the level of sales of Local Authority housing.

**AB – Decent Places to Live – £1,352k underspend**

The underspend related to Invest to Save, where there was no spend due to difficulties in concluding the funding agreement. It was discovered at a late stage that the Office did not have the power to fund recipient bodies directly, and had to set up the Local Authority (LA) to act as Accountable Body instead. This has now been resolved, and payments are being made to the LA. The project remains on course.

**Y – Housing Supply and Demand – £7,800k underspend**

There was an over-accrual in 2004-05, which resulted in less spend than anticipated for 2005-06 relating to the Local Authority Social Housing Grant transitional compensation arrangements, subsequent to the scheme being abolished.

**Z – Decent Places to Live (Capital Grant to LAs) – £247,887k underspend**

The underspend is due to slippage on transfers relating to Overhanging Debt. Such debt arises where the net capital receipt from the sale of Local Authority housing and associated assets, is less than the attributable housing debt.

**RfR 2****I – Other grants and payments (capital grants) – £64,146k underspend**

The bulk of this underspend relates to the Local Public Service Agreement (LPSA) Programme. Payments are made to Local Authorities on the basis of the achievement of agreed targets over a number of years. The available provision reflects the estimated maximum profile of achievement. Underspends occur when the timing of achievement varies from estimate, and also reflects the fact that actual achievement is usually lower than maximum. Delays in delivery can be addressed in subsequent years and this is usually reflected in the carry-forward of any underspends as End Year Flexibility.

**J – Non-domestic rates outturn adjustments – £130,708k underspend**

This relates to LABGI (Local Authority Business Growth Incentive Scheme). This was the first year of operation, and the initial forecast was found to be overstated.

## Notes to the Departmental Resource Accounts (continued)

## 3. Reconciliation of outturn to net operating cost and against Administration Budget

## 3(a) Reconciliation of net resource outturn to net operating cost

	Note	2005-06		Outturn compared with Estimate £000	2004-05
		Outturn	Supply Estimate		Outturn
		£000	£000		£000
Net Resource Outturn	2	55,532,186	55,956,701	424,515	52,495,378
Non-supply income (CFERs)	5	(1,515,373)	(2,364,916)	(849,543)	(2,393,582)
Non-supply Expenditure		(2,900)	–	2,900	3,394
<b>Net operating cost</b>		<b>54,013,913</b>	<b>53,591,785</b>	<b>(422,128)</b>	<b>50,105,190</b>

## 3(b) Outturn against final Administration Budget

	2005-06		2004-05
	Budget	Outturn	Outturn
	£000	£000	£000
Gross Administration Budget	355,839	341,868	344,427
Income allowable against the Administration Budget	(20,027)	(34,651)	(33,683)
<b>Net Outturn against final Administration Budget</b>	<b>335,812</b>	<b>307,217</b>	<b>310,744</b>

## 4. Reconciliation of resources to cash requirement

	Note			Net total outturn compared with Estimate saving/(excess)
		Estimate	Outturn	
		£000	£000	£000
<b>Resources Outturn</b>	2	<b>55,956,701</b>	<b>55,532,186</b>	<b>424,515</b>
<b>Capital:</b>				
Acquisition of fixed assets		90,947	36,839	54,108
Investments		–	–	–
<b>Non-Operating A in A</b>				
Proceeds of fixed asset disposal		(2,720)	(395)	(2,325)
Repayment of loans (QEII & Fire Service)		–	–	–
<b>Accruals Adjustments:</b>				
Non-cash items	8/9	(34,818)	(33,211)	(1,607)
Changes in working capital other than cash		63,111	(347,490)	410,601
Changes in creditors falling due after more than one year	17	–	(25,911)	25,911
Dilapidation liability transferred to creditors		–	700	(700)
Use of provision	18	12,446	13,886	(1,440)
<b>Consolidated Fund Standing Services – NE Referendum</b>		–	(2,900)	2,900
<b>Excess cash receipts surrenderable to the Consolidated Fund</b>	5	–	–	–
<b>Net Cash Requirement</b>		<b>56,085,667</b>	<b>55,173,704</b>	<b>911,963</b>

## Notes to the Departmental Resource Accounts (continued)

## 5. Analysis of Income payable to the Consolidated Fund

In addition to Appropriation in Aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	2005-06 Forecast		2005-06 Outturn	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts – excess appropriation in aid		–	–	–	<i>2,535</i>
Other operating income and receipts not classified as A in A	10	2,364,916	<i>2,364,715</i>	1,515,373	<i>1,638,855</i>
<b>Subtotal</b>	19	<b>2,364,916</b>	<b>2,364,715</b>	<b>1,515,373</b>	<b>1,641,390</b>
Other amounts collectable on behalf of the Consolidated Fund		–	–	–	–
Excess cash surrenderable to the Consolidated Fund	4	–	–	–	–
<b>Total income payable to the Consolidated Fund</b>		<b>2,364,916</b>	<b>2,364,715</b>	<b>1,515,373</b>	<b>1,641,390</b>

## 6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Operating income	10	2,176,531	3,181,034
Adjustments for transactions between RfRs			
Netted off gross expenditure in sub head		(508,791)	(634,383)
Income payable to NLF		(66)	(53)
Gross Income		<b>1,667,674</b>	<b>2,546,598</b>
Income authorised to be appropriated-in-aid	2	(152,301)	(153,016)
Operating income payable to the Consolidated Fund	5	<b>1,515,373</b>	<b>2,393,582</b>

## Notes to the Departmental Resource Accounts (continued)

## 7 Staff Numbers and Related Costs

Staff costs comprise:

	2005-06					2004-05
	Total	Permanently- employed staff	Ministers	Special Advisers	Others	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	187,776	186,013	378	260	1,125	186,002
Social security costs	15,558	15,475	36	26	21	15,246
Other pension costs	35,899	35,737	–	40	122	25,395
<b>Sub Total</b>	<b>239,233</b>	<b>237,225</b>	<b>414</b>	<b>326</b>	<b>1,268</b>	<b>226,643</b>
Inward secondments/Agency and Temp Staff	20,092	14,503	–	–	5,589	20,799
<b>Total</b>	<b>259,325</b>	<b>251,728</b>	<b>414</b>	<b>326</b>	<b>6,857</b>	<b>247,442</b>
Less recoveries in respect of outward secondments	(3,486)	(3,486)	–	–	–	(3,204)
<b>Total Net Costs</b>	<b>255,839</b>	<b>248,242</b>	<b>414</b>	<b>326</b>	<b>6,857</b>	<b>244,238</b>
Of which: ODPM(Core)	223,309					215,510

- 7.1 The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but The Office of the Deputy Prime Minister is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).
- 7.2 For 2005-06, employers' contributions of £36,407,034.79 were payable to the PCSPS (2004-05: £25,337,297) at one of four rates in the range 16.2 to 24.6% (2004-05: 12 to 18.5%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.
- 7.3 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £77,375 (2004-05: £57,799) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% (2004-05: 3 to 12.5%) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £6,861, (2004-05: £8,343) 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.
- 7.4 Five people retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £9,411 (2004-05 £12,706).

## Notes to the Departmental Resource Accounts (continued)

## Average number of persons employed

The average number of whole-time equivalent persons during the year was as follows. These figures include those working in the Office as well as in its Agency and other bodies included within the consolidated Departmental resource account.

Objectives	Total	2005-2006 Number			Special Advisers	2004-05 Number
		Permanent staff	Others	Ministers		
1.	1,574	1,448	124	1	1	1,785
2.	293	252	40	1	–	224
3.	447	419	27	1	–	453
4.	499	401	96	1	1	610
5.	3,198	2,971	226	1	–	3,222
<b>Total</b>	<b>6,011</b>	<b>5,491</b>	<b>513</b>	<b>5</b>	<b>2</b>	<b>6,294</b>
Local Government support	549	524	23	1	1	539
	<b>6,560</b>	<b>6,015</b>	<b>536</b>	<b>6</b>	<b>3</b>	<b>6,833</b>
Of which:						
Core department	5,710					5,976

The Department does not collect data relating to staff engaged on capital projects.

**Objective 1:** Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.

**Objective 2:** Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.

**Objective 3:** Tackling disadvantages by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.

**Objective 4:** Delivering better services, by devolving decision making to the most effective level—regional, local or neighbourhood.

**Objective 5:** Promoting the development of English regions by improving economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance by taking account of the public's view of what is best for their area.

Local Government support represents amount of general financial support Local Authorities receive from the Government. Some of this also contributed to delivering the Office's key objectives.

## Notes to the Departmental Resource Accounts (continued)

## 8 Other Administration Costs

	Note	2005-06		2004-05	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
<b>Rentals under operating leases:</b>					
Hire of plant and machinery		1,464	1,464	1,352	1,352
Other operating leases		13,531	13,531	14,347	14,347
Research and Development expenditure		75	75	–	–
		<b>15,070</b>	<b>15,070</b>	<b>15,699</b>	<b>15,699</b>
<b>Non Cash Items:</b>					
Depreciation		6,197	6,197	6,514	6,514
Amortisation		106	106	90	90
Profit on disposal of fixed assets (where netted off within the OCS)		(10)	(10)	370	370
Loss on disposal of fixed assets		80	80	16	16
Expenditure on reclassification of fixtures and fittings		–	–	801	801
Impairment of fixed assets		3,079	3,079	69	69
Cost of capital charge		(20,392)	(20,392)	(5,368)	(5,368)
Auditor's remuneration and expenses*		365	365	440	440
Provisions:					
Provided for in year	18	10,800	10,800	6,678	6,678
Written back	18	(4,315)	(4,315)	–	–
Unwinding of discount on provisions	18	193	193	151	151
Bad debts provision		172	172	386	386
		<b>(3,725)</b>	<b>(3,725)</b>	<b>10,147</b>	<b>10,147</b>
<b>Other expenditure</b>					
Accommodation		57,635	57,635	54,073	54,073
IT expenditure		16,730	16,730	23,747	23,747
Legal, professional and consultancy		26,789	26,789	23,671	23,671
Travel, subsistence and hospitality		7,696	7,696	8,027	8,027
Professional services		3,564	3,564	4,618	4,618
Other		8,092	8,092	8,583	8,583
		<b>120,506</b>	<b>120,506</b>	<b>122,719</b>	<b>122,719</b>
<b>Total</b>		<b>131,851</b>	<b>131,851</b>	<b>148,565</b>	<b>148,565</b>

\*Auditor's remuneration and expenses were incurred by the National Audit Office for which there was no cost to the Office.

## Notes to the Departmental Resource Accounts (continued)

## 9 Programme Costs

	Note	2005-06		2004-05	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
<b>Rentals under operating leases:</b>					
Hire of Plant and Machinery		769	774	1,192	1,192
Other operating leases		–	1,567	–	–
Research and Development expenditure		19,667	19,667	–	–
Interest charges		66	66	53	53
		<b>20,502</b>	<b>22,074</b>	<b>1,245</b>	<b>1,245</b>
<b>Non Cash Items:</b>					
Depreciation		11,598	13,908	11,680	12,905
Amortisation		49	49	–	–
Profit on disposal of fixed assets (where netted off within the OCS)		–	–	–	–
Loss on disposal of fixed assets		2,643	2,643	12,257	12,411
De-capitalisation of fixed assets		9,818	9,818	–	–
Impairment of fixed assets		315	349	–	(179)
Cost of capital charge		8,391	8,770	–	330
Auditor's remuneration and expenses		–	35	–	35
<b>Provisions:</b>					
Provided for in year	18	1,648	1,890	(21,920)	(21,144)
Written back	18	(707)	(707)	–	–
Unwinding of discount on provisions	18	164	164	120	120
Provision for doubtful debt		–	–	9	9
		<b>33,919</b>	<b>36,919</b>	<b>2,146</b>	<b>4,487</b>
<b>Other expenditure</b>					
Accommodation		20,401	22,498	–	–
IT expenditure		35,113	37,654	–	–
Legal, professional and consultancy		274,468	274,468	–	–
Travel, subsistence and hospitality		1,862	4,508	–	–
Professional services		3,696	3,696	–	–
Grants and subsidies		36,850,782	36,850,782	–	–
Non National Domestic Rates		18,524,292	18,524,292	–	–
Other		18,527	22,377	–	–
		<b>55,729,141</b>	<b>55,740,275</b>	<b>52,871,151</b>	<b>52,884,485</b>
<b>Total</b>		<b>55,783,562</b>	<b>55,799,268</b>	<b>52,874,542</b>	<b>52,890,217</b>

The analysis of Other Expenditure was not required in 2004-05 and has not been provided.



## Notes to the Departmental Resource Accounts (continued)

## 10 Income

	2005-06		Total £000	2004-05
	RfR1	RfR2		Total
	£000	£000		£000
CFER income	1,515,373	–	1,515,373	2,393,582
EU funding*	508,866	–	508,866	634,383
Recovery of grants	74,582	–	74,582	90,396
Goods and services	26,303	66	26,369	35,639
Rent	11,328	–	11,328	8,170
Fees	6,899	–	6,899	4,737
Professional services	4,120	–	4,120	3,750
Reimbursement of expenditure	13,220	254	13,474	3,390
Interest and dividends	4,541	–	4,541	2,566
Foreign currency exchange gains	5,497	–	5,497	–
Miscellaneous	5,482	–	5,482	4,421
Other non trading income	–	–	–	–
	<b>2,176,211</b>	<b>320</b>	<b>2,176,531</b>	<b>3,181,034</b>

All of the rental income relates to operating leases.

\*£75k of the EU Funding relates to administration, and is shown within Administration Costs – Operating income

The following information relates to services for which a fee is charged, and is not provided for Statement of Standard Accounting Practice (SSAP) 25 – Segmental Reporting, purposes.

## Objectives

	Full Cost	Income	Surplus (Deficit)
	£000	£000	£000
Obtain full cost recovery relating to accommodation space occupied by third parties	8,964	8,964	–
Obtain full cost recovery of accounting services provided to third parties	4,592	4,592	–
Obtain full cost recovery of information management services, including library services, archiving and storage	2,072	1,675	(397)
To recover full cost, less £5 million, which is incurred by the Office, to provide access to Ordnance Survey data.	22,000	17,000	(5,000)
Note – the £5m gap funding will be removed for 2006-07			

The financial objectives have been met, for all services, apart from the objective of recovery of full costs relating to information management services, where the accommodation element relating to the full costs was not recovered.

Notes to the Departmental Resource Accounts *(continued)*

## 11 Analysis of net operating cost by spending body

	<b>2005-06</b>		<b>2004-05</b>
	Estimate	Outturn	Outturn
	£000	£000	£000
<b>Spending body:</b>			
Core Department	453,423	1,141,481	240,678
Non-Departmental public bodies	2,176,809	2,273,919	2,159,462
Other central government	-	-	-
Local Authorities	50,899,369	50,537,791	47,669,117
Agency	41,982	41,774	34,481
Other bodies	20,202	18,948	1,452
<b>Net Operating Cost</b>	<b><u>53,591,785</u></b>	<b><u>54,013,913</u></b>	<b><u>50,105,190</u></b>

The large variance in the Core Department outturn, when compared to previous year, and the Estimate is due to the under-receipt of £800m relating to Capital Pooled Housing Receipts, which are classed as CFERs.

## 12 Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2005	38,089	57,902	97,131	525	25,488	219,135
Additions	366	5,701	5,451	20	24,895	36,433
(Disposals)	(56)	(6,787)	(15,266)	–	(929)	(23,038)
Impairment	(3,079)	–	–	–	–	(3,079)
Revaluation	5,533	(552)	317	(12)	–	5,286
Reclassification	490	1,663	16,467	(56)	(18,564)	–
Transfers	(1,987)	–	(710)	–	(151)	(2,848)
<b>At 31 March 2006</b>	<b>39,356</b>	<b>57,927</b>	<b>103,390</b>	<b>477</b>	<b>30,739</b>	<b>231,889</b>
<b>Depreciation</b>						
At 1 April 2005	10,087	28,500	17,825	202	–	56,614
Charged in year	532	7,876	11,594	83	–	20,085
(Disposals)	–	(6,784)	(3,327)	–	–	(10,111)
Impairment	–	–	–	–	–	–
Revaluation	–	(49)	–	–	–	(49)
Reclassifications	(3)	61	(18)	(40)	–	–
Transfers	–	–	(196)	–	–	(196)
<b>At 31 March 2006</b>	<b>10,616</b>	<b>29,604</b>	<b>25,878</b>	<b>245</b>	<b>–</b>	<b>66,343</b>
<b>Net book value:</b>						
<b>31 March 2006</b>	<b>28,740</b>	<b>28,323</b>	<b>77,512</b>	<b>232</b>	<b>30,739</b>	<b>165,546</b>
<b>31 March 2005</b>	<b>28,002</b>	<b>29,402</b>	<b>79,306</b>	<b>323</b>	<b>25,488</b>	<b>162,521</b>
<b>Asset Financing:</b>						
Owned	28,740	28,323	77,512	232	30,739	165,546
Finance Leased	–	–	–	–	–	–
<b>Net book value at 31 March 2006</b>	<b>28,740</b>	<b>28,323</b>	<b>77,512</b>	<b>232</b>	<b>30,739</b>	<b>165,546</b>

**Analysis of Tangible Fixed Assets:**

The net book value of tangible fixed assets comprises:

	£000
<b>Core Department 2006</b>	<b>156,634</b>
<b>Agency 2006</b>	<b>8,912</b>
<b>Core Department 2005</b>	<b>154,183</b>
<b>Agency 2005</b>	<b>8,338</b>

There are no donated assets within the Office.

As at the 31st March 2006 the following properties were revalued professionally by Atisreal Limited – Chartered Surveyors and international real estate consultants:

*Queen Elizabeth II Conference Centre*, Broad Sanctuary, London was inspected on 13 March 2006, with a valuation report produced by Wendy Robertson BA (Hons) DipSurv MRICS. The total value was put at £28,800,000, but with a value in ODPM's accounts of £25,840,000, due to a trading fund outside interest in the property.

*Burlington House*, Piccadilly, London was inspected on a number of occasions, most recently on 5 January 2005, with a valuation report produced by Mark Gerold BSc FRICS. The total value of the 2 properties was put at £400,000 (net of liability works).

*Hangar 97*, Little Rissington and *Fire Experimental Unit Offices and Stores*, and *Fire Service College*, Moreton in Marsh, was inspected on 14 March 2006, with a valuation report produced by Wendy Robertson BA (Hons) DipSurv MRICS. The total values were put at £2,300,000.

Notes to the Departmental Resource Accounts *(continued)***13 Intangible fixed assets**

Intangible fixed assets comprise software and licenses for the Department.

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
<b>Cost or valuation</b>		
At 1 April 2005	<b>680</b>	<b>532</b>
Additions	764	157
(Disposals)	–	(9)
Revaluation	–	–
<b>At 31 March 2006</b>	<b><u>1,444</u></b>	<b><u>680</u></b>
<b>Amortisation</b>		
At 1 April 2005	<b>253</b>	<b>172</b>
Charged in year	155	90
(Disposals)	–	(9)
Revaluation	–	–
<b>At 31 March 2006</b>	<b><u>408</u></b>	<b><u>253</u></b>
<b>Net book value at 31 March</b>	<b>1,036</b>	<b>427</b>
<b>Analysis of intangible fixed assets</b>		
The net book value of intangible fixed assets comprises:		<u>£000</u>
<b>Core Department 2006</b>		<b>1,036</b>
<b>Agency 2006</b>		<b>–</b>
<b>Core Department 2005</b>		<b><u>427</u></b>
<b>Agency 2005</b>		<b>–</b>

## Notes to the Departmental Resource Accounts (continued)

## 14 Investments

	Coal Fields Fund	Ordnance Survey PDC	PDC	Queen Elizabeth II Conference Centre Loan	PDC	Fire Service College Loan	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2005	10,000	14,000	821	82	16,721	4,688	46,312
Reserve movement	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-
Revaluation	(315)	-	-	-	-	-	(315)
	<b>9,685</b>	<b>14,000</b>	<b>821</b>	<b>82</b>	<b>16,721</b>	<b>4,688</b>	<b>45,997</b>
Loans repayable within 12 months transferred to debtors	-	-	-	(82)	-	(27)	(109)
<b>Balance at 31 March 2006</b>	<b>9,685</b>	<b>14,000</b>	<b>821</b>	<b>-</b>	<b>16,721</b>	<b>4,661</b>	<b>45,888</b>

All investments relate to the Core Department

The Department's share of the net assets and results of the above bodies are summarised below.

	Ordnance Survey	Queen Elizabeth II Conference Centre	Fire Service College
	£000	£000	£000
Net assets at 31 March 2006	56,984	6,381	41,189
Turnover	118,158	10,845	21,830
Surplus/profit for the year (before financing)	7,676	2,349	(1,735)

## Notes to the Departmental Resource Accounts (continued)

## 15 Debtors

## 15(a) Analysis by type

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	3,298	4,024	10,550	11,543
Deposits and advances	150	150	150	150
VAT Debtors	468	468	2,472	2,865
Other debtors	15,800	17,431	7,849	10,039
Prepayments and accrued income	664,658	668,060	1,010,990	1,016,472
Current part of NLF loan	1,400	1,400	1,400	1,400
NNDR (National Non-Domestic rates)	1,444	1,444	-	-
Amount due from the Consolidated Fund in respect of supply	461,704	461,704	1,396,789	1,396,789
	<b>1,148,922</b>	<b>1,154,681</b>	<b>2,430,200</b>	<b>2,439,258</b>
<b>Amounts falling due after more than one year:</b>				
Prepayments and accrued income	-	8	3,120	3,132
	<b>-</b>	<b>8</b>	<b>3,120</b>	<b>3,132</b>
	<b>1,148,922</b>	<b>1,154,689</b>	<b>2,433,320</b>	<b>2,442,390</b>

Included in "trade debtors" is an amount of £231,676.40 (2004-05: £2,562,878.38), in "other debtors" an amount of £4,357,274.48 (2004-05: £nil) and in "prepayments and accrued income" an amount of £292,513,976.64 (2004-05: £420,588,046.20) which are payable to the Consolidated Fund when collected.

## 15(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06	2004-05	2005-06	2004-05
	£000	£000	£000	£000
Balances with other central government bodies	479,610	1,433,936	-	3,123
Balances with Local Authorities	322,295	441,106	-	-
NHS Trusts	17	-	-	-
Balances with public corporations and trading funds	2,777	927	-	-
<b>Sub-total</b>	<b>804,699</b>	<b>1,875,969</b>	<b>-</b>	<b>3,123</b>
Balances with bodies external to government	349,982	563,289	8	9
<b>Total debtors at 31 March</b>	<b>1,154,681</b>	<b>2,439,258</b>	<b>8</b>	<b>3,132</b>

## Notes to the Departmental Resource Accounts (continued)

## 16 Cash at bank and in hand

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	63,211	63,385	106,970	107,158
Net change in cash balances:	(96,718)	(96,892)	(43,759)	(43,773)
<b>Balance at 31 March</b>	<b>(33,507)</b>	<b>(33,507)</b>	<b>63,211</b>	<b>63,385</b>
<b>The following balances at 31 March were held at:</b>				
Office of HM Paymaster General	(33,629)	(33,629)	63,088	63,262
Commercial banks and cash in hand	122	122	123	123
<b>Balance at 31 March</b>	<b>(33,507)</b>	<b>(33,507)</b>	<b>63,211</b>	<b>63,385</b>

## 17 Creditors

## 17(a) Analysis by type

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
VAT	5,938	6,320	–	–
Other taxation and social security	64	64	50	50
Trade creditors	6,929	7,831	9,117	9,854
Other creditors	111,638	112,133	41,940	42,282
Accruals and deferred income	821,030	822,287	731,059	733,454
Consolidated Fund standing services – NE Referendum	–	–	2,900	2,900
NNDR Liability	64	64	824,267	824,267
Current part of NLF loans	1,400	1,400	1,400	1,400
Consolidated fund extra receipts to be paid to the Consolidated Fund:				
– received	287,079	287,079	493,325	493,499
– receivable	297,103	297,441	420,588	423,151
	<b>1,531,245</b>	<b>1,534,619</b>	<b>2,524,646</b>	<b>2,530,857</b>
<b>Amounts falling due after more than one year:</b>				
Other Creditors	250	250	–	–
Deposit Held	265,663	265,663	240,002	240,002
	<b>265,913</b>	<b>265,913</b>	<b>240,002</b>	<b>240,002</b>
<b>Total</b>	<b>1,797,158</b>	<b>1,800,532</b>	<b>2,764,648</b>	<b>2,770,859</b>

## 17(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06	2004-05	2005-06	2004-05
	£000	£000	£000	£000
Balances with other central government bodies	623,004	1,775,117	–	–
Balances with Local Authorities	591,232	555,632	–	–
NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	5,583	16,459	–	–
<b>Sub-total</b>	<b>1,219,819</b>	<b>2,347,208</b>	<b>–</b>	<b>–</b>
Balances with bodies external to government	314,800	183,649	265,913	240,002
<b>Total creditors at 31 March</b>	<b>1,534,619</b>	<b>2,530,857</b>	<b>265,913</b>	<b>240,002</b>

Notes to the Departmental Resource Accounts *(continued)***18 Provisions for Liabilities and Charges**

	Core Department			Consolidated		
	Early departure costs	Other	Total	Early departure costs	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2005	8,870	22,862	31,732	8,929	23,525	32,454
Provided in the year	7,674	4,774	12,448	7,751	4,939	12,690
Provisions not required written back	(849)	(6,963)	(7,812)	(849)	(6,963)	(7,812)
Provisions utilised in the year	(6,343)	(6,819)	(13,162)	(6,405)	(7,481)	(13,886)
Utilised – pre-funding	(1,465)	(1,126)	(2,591)	(1,465)	(1,127)	(2,592)
Unwinding of discount	193	164	357	193	164	357
<b>Balance at 31 March 2006</b>	<b>8,080</b>	<b>12,892</b>	<b>20,972</b>	<b>8,154</b>	<b>13,057</b>	<b>21,211</b>

**18.1 Early departure costs**

The Office and its Executive Agency, the Planning Inspectorate, meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Office and its Agency provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 per cent in real terms. In past years the Office paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

**18.2** Details of other provisions are provided in Note 1.13.



## Notes to the Departmental Resource Accounts (continued)

## 19 General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(101,371)	(90,722)	(100,286)	(86,953)
Prior Period Adjustment*	(32,895)	(32,895)	-	-
Adjusted Opening Balance	(134,266)	(123,617)	(100,286)	(86,953)
Net Parliamentary Funding				
Drawn Down	54,669,960	54,712,000	51,142,279	51,179,000
MOG transfer	(3,252)	(3,252)	(3,097)	(3,097)
Consolidated Fund Standing Services	-	-	494	494
Release from General Fund	-	(263)	(73,642)	(73,642)
Year end adjustment				
Supply Debtor – current year	461,704	461,704	1,396,789	1,396,789
Net Transfer from Operating Activities				
Net Operating Cost	(53,972,139)	(54,013,913)	(50,070,709)	(50,105,190)
CFERs repayable to Consolidated Fund	(1,515,373)	(1,515,373)	(2,390,756)	(2,393,582)
Non Cash Charges				
Cost of Capital	(12,001)	(11,622)	(5,368)	(5,038)
Auditors' remuneration	365	400	440	475
Transfer from Revaluation Reserve	3,005	3,005	-	-
Transfer of assets	(1,969)	(1,969)	2,485	22
<b>Balance at 31 March</b>	<b>(503,966)</b>	<b>(492,900)</b>	<b>(101,371)</b>	<b>(90,722)</b>

\*An explanation of the Prior Period Adjustment is to be found at Note 1.18.1.

## 20 Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	2,444	2,444	634	634
Arising on revaluation during the year (net)	5,370	5,370	1,810	1,810
Transferred to General Fund in respect of realised element	(3,005)	(3,005)	-	-
<b>Balance at 31 March</b>	<b>4,809</b>	<b>4,809</b>	<b>2,444</b>	<b>2,444</b>

## Notes to the Departmental Resource Accounts (continued)

## 21 Notes to the Consolidated Cash Flow Statement

## 21(a) Reconciliation of operating cost to operating cash flows

	Note	2005-06 £000	2004-05 £000
Net operating cost	11	(54,013,913)	(50,105,190)
Adjustments for non-cash transactions	8,9	33,211	14,634
Decrease in Stock		-	2,322
Decrease/(Increase) in Debtors		1,287,701	(1,577,586)
<i>Less: movements in debtors relating to items not passing the OCS</i>		<i>(939,561)</i>	-
(Decrease)/Increase in Creditors		(970,327)	1,584,446
<i>Less: movements in creditors relating to items not passing through the OCS</i>		<i>1,118,371</i>	<i>(438,881)</i>
Use of provisions	18	(13,886)	(7,703)
<b>Net cash outflow from operating activities</b>		<b>(53,498,404)</b>	<b>(50,527,958)</b>

## 21(b) Analysis of capital expenditure and financial investment

	Note	2005-06 £000	2004-05 £000
Tangible fixed asset additions	12	(36,433)	(53,627)
Intangible fixed asset additions	13	(764)	(157)
Proceeds of disposal of fixed assets		395	20
Loans to other bodies		-	(10,000)
Repayments from other bodies		-	105
Adjustment for movement in capital creditors		359	32
<b>Net cash outflow from investing activities</b>		<b>(36,443)</b>	<b>(63,627)</b>

## 21(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	A in A £000	Net total £000
Request for resources 1	37,197	-	-	37,197
Request for resources 2	-	-	-	-
Net movement in debtors/creditors	(359)	-	-	(359)
<b>Total 2005-06</b>	<b>36,838</b>	<b>-</b>	<b>-</b>	<b>36,838</b>
<b>Total 2004-05</b>	<b>53,784</b>	<b>-</b>	<b>-</b>	<b>53,784</b>

## 21(d) Analysis of financing

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) current year	19	54,712,000	51,179,000
From the Consolidated Fund (Supply) prior year	19	1,396,789	74,555
From the Consolidated Fund (non-Supply)	19	-	494
Repayments to the Contingencies Fund		-	(554)
NNDR – non supply funding		(825,646)	824,201
Repayments received from the National Loans Fund		-	51,590
Machinery of Government Transfer		-	(120)
<b>Net financing</b>		<b>55,283,143</b>	<b>52,129,166</b>

Notes to the Departmental Resource Accounts *(continued)***21(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	Note	<u>2005-06</u> £000	<u>2004-05</u> £000
Net cash requirement		(55,173,704)	(52,575,789)
From the Consolidated Fund (Supply) – current year		54,712,000	51,179,000
From the Consolidated Fund – prior year		1,396,789	74,555
Non supply funding		(825,646)	876,284
Machinery of Government Transfer		–	(120)
Repayments to the Contingencies Fund		–	(554)
Amounts due to the Consolidated Fund received in a prior year and paid over		(492,144)	(90,648)
Amounts due to the Consolidated Fund received and not paid		285,813	493,499
<b>Decrease in cash</b>	<b>16</b>	<b><u>(96,892)</u></b>	<b><u>(43,773)</u></b>

**22 Analysis of Net Resource Outturn by Estimate Subhead and Reconciliation to Operating Cost Statement**

Programme grants and other current expenditure have been allocated as follows:

	<u>2005-06</u> £000	<u>2004-05</u> £000
1. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	2,973,858	4,482,129
2. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.	1,305,729	948,758
3. Tackling disadvantages by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	2,873,197	3,001,909
4. Delivering better services, by devolving decision making to the most effective level – regional, local or neighbourhood.	143,257	633,321
5. Promoting the development of English regions by improving economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance by taking account of the public's view of what is best for their area.	2,019,558	854,829
	<b><u>9,315,599</u></b>	<b><u>9,920,946</u></b>
Local Government support	46,483,669	42,969,271
	<b><u>55,799,268</u></b>	<b><u>52,890,217</u></b>

As referred to in the Consolidated Statement of Operating Costs by Departmental Aim and Objectives, expenditure and income relating to Ordnance Survey and QEII Conference Centre does not apply directly to any of the objectives, and so it has been apportioned equally across the 5 main objectives.

Notes to the Departmental Resource Accounts *(continued)*

## Capital Employed by Departmental Aim and Objectives at 31 March 2006

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
1. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	(158,677)	215,442
2. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.	(508,654)	(854,916)
3. Tackling disadvantages by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	(137,343)	41,439
4. Delivering better services, by devolving decision making to the most effective level – regional, local or neighbourhood.	32,092	1,202,311
5. Promoting the development of English regions by improving economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance by taking account of the public's view of what is best for their area.	(183,898)	(692,554)
	<u>(956,480)</u>	<u>(88,278)</u>
Local Government support	468,389	–
	<u>(488,091)</u>	<u>(88,278)</u>

The capital employed for Local Government support was not obtained for 2004-05, and so no comparative is available.

### 23 Capital commitments

Contracted capital commitments at 31 March 2006 for which no provision has been made in these accounts were as follows:

	2005-06		2004-05 (Restated)	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Contracted capital commitments at 31 March 2006 for which no provision has been made				
Contracted	23,103	23,145	4,618	5,241
Authorised by Mgt Board but not contracted	259	259	1,949	1,949
	<u>23,362</u>	<u>23,404</u>	<u>6,567</u>	<u>7,190</u>

Prior Year figures have been restated, as the basis for recording capital commitments changed, so that they no longer include commitments relating to grants.

## Notes to the Departmental Resource Accounts (continued)

## 24 Commitments Under Leases

## 24.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are analysed according to the period in which the lease expires.

Obligations under operating leases comprise:	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	916	916	1,116	1,116
Expiry after 1 year but not more than 5 years	4,662	4,662	4,691	4,691
Expiry thereafter	342,523	344,081	361,685	363,243
	<b>348,101</b>	<b>349,659</b>	<b>367,492</b>	<b>369,050</b>
Other:				
Expiry within 1 year	71	71	58	58
Expiry after 1 year but not more than 5 years	343	358	342	355
Expiry thereafter	-	-	-	-
	<b>414</b>	<b>429</b>	<b>400</b>	<b>413</b>

## 24.2 Finance Leases

The Office had no finance lease commitments at 31 March 2006.

## 25 Other financial commitments

The Office has entered into non-cancellable contracts (which are not operating leases or PFI contracts). The payments to which the Office is committed during 2005-06, analysed by the period during which the commitment expires are as follows:

Obligations under operating leases comprise:	2005-06		2004-05 (Restated)	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	21,684	21,684	-	-
Expiry after 1 year but not more than 5 years	20,974	21,546	50,148	50,720
Expiry thereafter	420	420	-	-
	<b>43,078</b>	<b>43,650</b>	<b>50,148</b>	<b>50,720</b>

Prior Year figures have been restated, as the basis for recording other financial commitments changed, so that they no longer include commitments relating to grants.

## Notes to the Departmental Resource Accounts (continued)

**26 Financial Instruments**

26.1 FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government Departments are financed, the Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Office has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities, but do not affect the risks facing the Office in undertaking its activities.

**Currency Risk**

26.2 A creditor balance of €390,000,000 has been translated at the Balance Sheet date to £265,662,551.76. This relates to a prepayment from the EU for European Regional Development Fund (ERDF) Programmes. This will be utilised as the programmes near completion. In addition, as ongoing funding for these programmes are processed through the EU there are exchange rate gains and losses, as the sterling equivalent is settled. The Office is therefore exposed to a risk relating to the gain or loss associated with this balance and transactions, but it is not considered to be significant.

**Liquidity Risk**

26.3 The Office's net resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Office is not therefore exposed to significant liquidity risks.

**Interest Rate Risk**

26.4 The Office is not exposed to significant interest-rate risk as its financial assets and financial liabilities carry nil or fixed rates of interest.

**Interest Rate Profile**

26.5 The following tables show the interest rate profile of the Office's financial liabilities and assets.

**Financial Liabilities**

Currency	Total	Floating-rate financial liabilities	Non-interest bearing financial liabilities
	£000	£000	£000
<b>At 31 March 2006:</b>			
Sterling – Cash at Bank	33,507	–	33,507
Euro – European Regional Development Fund	265,663	265,663	–
<b>Gross Financial Liabilities</b>	<b>299,170</b>	<b>265,663</b>	<b>33,507</b>
<b>Restated At 31 March 2005:</b>			
Euro – European Regional Development Fund	272,897	272,897	–
<b>Gross Financial Liabilities</b>	<b>272,897</b>	<b>272,897</b>	–

## Notes to the Departmental Resource Accounts (continued)

## Financial Assets

All in Sterling	Fixed-rate financial assets				
	Total	Fixed-rate financial assets	Non-interest bearing financial assets (Note a)	Weighted-average interest rate	Weighted-average period for which rate is fixed
	£000	£000	£000	%	Years
<b>At 31 March 2006:</b>					
QEII Conference Centre	903	82	821	7.6	1.0
Fire Service College	21,409	4,688	16,721	8.3	45.0
Ordnance Survey	14,000	–	14,000	–	–
Coalfields Enterprise Fund	9,685	–	9,685	–	–
<b>Gross Financial Assets</b>	<b>45,997</b>	<b>4,770</b>	<b>41,227</b>	<b>7.95</b>	<b>23.0</b>
<b>Restated at 31 March 2005:</b>					
Cash at bank and in hand	63,385	–	63,385	–	–
QEII Conference Centre	985	164	821	7.6	2.0
Fire Service College	21,433	4,712	16,721	8.3	46.0
Ordnance Survey	14,000	–	14,000	–	–
Coalfields Enterprise Fund	10,000	–	10,000	–	–
<b>Gross Financial Assets</b>	<b>109,803</b>	<b>4,876</b>	<b>104,927</b>	<b>7.95</b>	<b>24.0</b>

## Note (a):

The Office's non-interest bearing financial assets comprise the Public Dividend Capital of the Queen Elizabeth II Conference Centre, Fire Service College and Ordnance Survey, which is of unlimited term.

## Fair Values

26.6 Set out below is a comparison by category of book values and fair values of the Office's financial assets and liabilities as at 31 March 2006.

	Book value	Fair value	Basis of fair valuation
	£000	£000	
<b>Primary Financial Instruments:</b>			
<b>Financial Assets:</b>			
Queen Elizabeth II Conference Centre			
Public Dividend Capital	821	6,299	Note b
Fire Service College Public Dividend Capital	16,721	38,264	Note b
Ordnance Survey Public Dividend Capital	14,000	42,408	Note b
Coalfields Enterprise Fund	9,685	9,685	Note b
<b>Financial Liabilities:</b>			
Cash at bank	33,507	33,507	
European Regional Development Fund	265,663	265,663	

## Note (b):

Fair value amounts to net assets less the amount of any loan included in the balance sheet.

Notes to the Departmental Resource Accounts *(continued)***27 Contingent liabilities disclosed under FRS 12**

In accordance with Government policy, none of the buildings included in Fixed Assets in the balance sheet are insured. Other contingent liabilities are set out below.

	<u>2005-06</u>	<u>2004-05</u>
	£m	£m
27.1 Where bodies outside the boundary (see Note 32) are unable to meet their own liabilities, then there is no reason to believe that the Office's future sponsorship and future parliamentary approval will not be forthcoming.	Unquantifiable	Unquantifiable
27.2 Possible obligations to repay EC funds in respect of 1994-2001 for projects which were formally closed by 31 March 2003.	19.00	25.00 – 38.00
27.3 Possible obligations from Employment Tribunal decision including asbestos claims against the Office.	Unquantifiable	Unquantifiable
27.4 Potential payments under the Housing Revenue Account Subsidy (HRAS) scheme that is unable to be reliably measured at year end.	Unquantifiable	Unquantifiable
27.5 Liability to pay grant in future years relating to annual gap-funding agreements for negative value transfers of council housing stocks.	94.0	9.40
27.6 Guarantee in respect of Commission for New Towns bank overdraft facility.	–	2.00
27.7 Liability to litigation by Fire Authorities results from delays in processing of appeals to the Secretary of State under legislation.	0.20	0.20
27.8 Possible ex-gratia payments.	Unquantifiable	Unquantifiable
27.9 Judicial Review – relating to development at the White City. This case has been referred to the European Court of Justice.	Unquantifiable	Unquantifiable
27.10 Payments to Local Authorities under the Housing Defects Scheme	0.75 – 1.00	0.75 – 1.00
27.11 Possible obligations in respect of Local Authorities meeting conditions, as set out in Section 31 grant determinations issued by the Department	195.00	–
27.12 Possible obligations from employment tribunal decisions	Unquantifiable	–
27.13 Possible compensation in relation to Midlands Co-op/Thurmaston planning case (Parliamentary Ombudsman case).	5.20 – 26.00	–
27.14 Other employment tribunal decisions	0.03	–
27.15 Litigation costs which may possibly be incurred following unsuccessful attempts to resist a High Court challenge into an Inspector's decision.	0.35	0.20



## Notes to the Departmental Resource Accounts (continued)

**28 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes****28.1 Quantifiable:**

The Office has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2005	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2006	Amount reported to Parliament by Departmental minute
	£000	£000	£000	£000	£000	£000
<b>Indemnities</b>						
Indemnity given by the Housing Corporation to building societies under Section 84 of Housing Association Act 1985.	350	-	-	(99)	251	35,000
Indemnity given by ODPM for the Land Stabilisation Project to proceed in Northwich under Section 1 of the Derelict Land Act 1982	150,000	-	-	-	150,000	150,000
	<b>150,350</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>150,251</b>	

**28.2 Unquantifiable:**

The Office has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

Indemnity given to the Nationwide Building Society as lender for claims relating to the treatment or removal of asbestos in connection with housing stock transfers.

Indemnity given to the Fire and Rescue Services in respect of possible incidents as a result of mass decontamination.

**29 Losses, Special Payments and Gifts**

29.1 Government Accounting and the FReM requires a statement showing losses and special payments by value and by type to be shown where they exceed £250k in total and those which individually exceed £250k. These relate to cash losses, stores, fruitless payments and claims abandoned as well as frauds. The amounts involved are as follows:

	2005-06		2004-05	
	Cases	£000	Cases	£000
Losses	139	372	136	7,016
Special Payments	176	1,476	132	958

29.2 There were no individual losses, nor special payments that were over £250,000.

29.3 During the year the Office gifted 215 individual items with a book value of £1,046k. There were no individual items over £250k. This included the gift of 200 Green Goddess fire engines to museums and foreign governments.

**Notes to the Departmental Resource Accounts** *(continued)***30 Related Party Transactions**

- 30.1 The Office was the parent Department of the Planning Inspectorate and a number of sponsored bodies listed in Note 32. These bodies are regarded as related parties with which the Office has had various material transactions during the year.
- 30.2 In addition, the Group has made a number of transactions with other Government Departments and other Central Government bodies.
- 30.3 Sir Bob Kerslake, a Non-Executive Board member of the Office, is Chief Executive of Sheffield City Council. Sheffield City Council, along with other local councils received funding from ODPM. If an issue were to arise at the Board which has a direct or indirect bearing on the position of Sheffield City Council, the Chief Executive would immediately withdraw and take no part in the discussion thus avoiding any actual or perceived conflict of interest.
- 30.4 Vanessa Lawrence, a Non-Executive Board member of the Office, is Director General and Chief Executive of the Ordnance Survey, which is a Government Department. The Deputy Prime Minister has ministerial responsibility for the Ordnance Survey. The Office, along with the rest of government is a customer of Ordnance Survey. If an issue were to arise at the Board which has a direct or indirect bearing on the position of Ordnance Survey, the Director General would immediately withdraw and take no part in the discussion thus avoiding any actual or perceived conflict of interest.
- 30.5 Julian Bowrey, currently a divisional manager in the Urban Policy Directorate, was until February 2006 head of Local e-Government. One of the 23 national projects funded by the local e-Government programme was the local e-democracy project, which employed his partner as Marketing and Communications Manager. From 2004 to 2006 the project received grant funding for £57,000 from the Local e-Government Programme. Although responsible for the local e-Government programme overall, Julian delegated operational responsibility for the e-democracy project, and had no involvement in the recruitment of his partner.
- 30.6 Lucy Dawes, head of Crime and Drugs, within the Government Offices. The Office made a payment for £227,707 to Ashton Mansfield under ODPM's Single Community Programme where her partner is the Chief Executive of the company. She was not directly involved in seeking this grant or in decisions relating to it within the Office.
- 30.7 John Curtis works in the Home Office Division of the Government Offices West Midlands, and is also a Director of the charity CARP (Childrens Activity and Recreational Projects). Part of the funding for CARP comes from Wolverhampton New Deals for Communities (NDC) which receives its funding from the Department for Education & Skills. CARP received approximately £50,000 from the NDC but John Curtis has no input on how the NDC funding is distributed.
- 30.8 Board members and key managerial staff are related to persons employed by bodies with which the Office has financial dealings. These related party relationships, although between two organisations which have a financial interest, do not involve any personal financial gain by the individuals concerned. No Board members or key managerial staff had any direct interests with organisations or suppliers in receipt of grants or other payments.
- 30.9 None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Office during the year other than those reported.

Notes to the Departmental Resource Accounts *(continued)***31 Third Party Assets:****Twinning with EU Accession States**

- 31.1 Twinning projects involve the secondment of one or more experts (Resident Twinning Advisers (RTAs)) from EU Member States, to new member states or pre-accession states (beneficiary countries), for a period of at least 12 months. The desired outcome, for projects where the Office is involved, is to improve institutional capacity for a particular country or region, to prepare to effectively manage significant levels of Structural Funds receipts under post-accession European programmes. This is achieved through training and expert advice from Medium Term Experts (MTEs) provided by the successful Member State and a variety of missions by Short Term Experts (STEs).
- 31.2 The projects were funded by the Commission and were bid for, in competition amongst Member States. The beneficiary countries decided which bids were successful. The Office won six Structural Fund Twinning projects in 2004-05. There were two in Romania, two in Bulgaria, one in Hungary and one in Poland. There were no additional bids for projects in 2005-06. They involved provision of a Project Leader, RTAs, MTEs, and numerous STEs.
- 31.3 A Euro account has been established (with Lloyds TSB, under the Office's Corporate Banking Contract) for each of the Polish, Romanian, Hungarian and Bulgarian Twinning projects. The purpose of such an account is to facilitate the receipt of funds from the Central Finance and Contracts Unit (EC payments unit) in the beneficiary country, which takes place in euros, the payment of monies to persons and organisations, and to reimburse the Office for any vote-attributable expenditure.
- 31.4 These are not Departmental assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below:

**Projects**

	1 April 2005	Gross Inflows	Gross (Outflows)	31 March 2006
	£000	£000	£000	£000
North East Romania	147	72	(180)	39
South Muntenia – Romania	71	102	(170)	3
Bulgaria Cohesion Structural Funds	272	395	(412)	255
Bulgaria Regional Development	0	27	(1)	26
Hungary Technical Assistants	37	46	(75)	8
Hungary	172	1	(87)	86
Poland Cohesion Funds	306	83	(288)	101
	<b>1,005</b>	<b>726</b>	<b>(1,213)</b>	<b>518</b>

**Notes to the Departmental Resource Accounts** *(continued)***32 Entities within the Departmental boundary**

32.1 The entities within the boundary during 2005-06 were as follows:

*Executive Agencies*

Planning Inspectorate

Financial information on the Planning Inspectorate can be found in its own published Annual Report and Accounts. More information can be found by visiting their website: [www.planning-inspectorate.gov.uk](http://www.planning-inspectorate.gov.uk).

*Advisory Bodies*

Advisory Panel on Beacon Councils

Advisory Panel on Standards for the Planning Inspectorate

Building Regulations Advisory Committee

Community Forum

Parliamentary Boundary Commission for England

Parliamentary Boundary Commission for Wales

Advisory NDPBs are expert bodies normally established to advise Ministers and Officials on specific policy areas where the expertise does not exist within the Office. Most members of such bodies are unpaid, although several bodies' chairman and members do receive a daily fee for attendance of meetings and other work.

*Tribunals*

Rent Assessment Panels

32.2 The following bodies have not been consolidated within the accounts of the Office. Financial information on these bodies can be obtained from their separately published Annual Report and Accounts.

*Trading Funds*

Ordnance Survey

Queen Elizabeth II Conference Centre

The Fire Service College

*Public Corporations*

Architects Registration Board

Audit Commission for Local Authorities in England & Wales

London Pension Fund Authority

*Executive Non-Departmental Public Bodies*

English Partnerships

Housing Action Trusts

Housing Corporation

London Thames Gateway Development Corporation

The Standards Board for England

Thurrock Development Corporation

Valuation Tribunals Service

West Northamptonshire Development Corporation

Independent Housing Ombudsman Ltd

Firebuy Ltd

*Other Bodies Not Classed as NDPBs*

Commission for Local Administration

Leasehold Advisory Service

**Notes to the Departmental Resource Accounts** *(continued)*

- 32.3 Under a Dissolution Order presented to Parliament the Castle Vale Housing Action Trust and the Liverpool Housing Action Trust were closed for public business on 30 June 2005, and 30 September 2005 respectively, and their residual function became the responsibility of the Commission for New Towns, which is part of English Partnerships. On 20 September 2005, Firebuy Ltd was incorporated as a company limited by guarantee, and became an executive non-Departmental public body from 30 March 2006. The Leasehold Advisory Service will be reclassified as an executive non-Departmental public body from 1 April 2006.

## Glossary: Government Accounting

**Accounting Officer:** In accordance with section 5(6) of the Government Resources and Accounts Act 2000, the Treasury appoints an Accounting Officer for each Department which is obliged, by section 5(1) of that Act, to prepare a resource account. For ODPM Treasury appointed an additional Accounting Officer. The permanent head is appointed as the Principal Accounting Officer. Under the Minister, it is the Principal Accounting Officer who has personal responsibility for the overall organisation, management and staffing of the Department, and is the principal witness on behalf of the Department before the Committee of Public Accounts to deal with questions arising from those accounts.

**Appropriations in Aid:** Non-tax receipts arising from and incidental to the ordinary business of a Government Department, which have been authorised, up to the amount specified in the Estimates, as funds available to meet expenditure.

**Boundary:** The term to describe which entities are included in the consolidated resource accounts of the Department. The boundary is based upon in-year budgetary control rather than on control of financial and operating policies.

**Consolidated Fund:** The central fund into which the produce of taxation and other public revenues and receipts are paid, and out of which government expenditure is met.

**Consolidated Fund Extra Receipt (CFER):** Receipts related to expenditure in the Supply Estimates which Parliament has not authorised to be used as appropriations-in-aid and are therefore surrendered to the Consolidated Fund.

**Estimates:** Annual statements prepared by Government Departments, containing the Government's proposals for expenditure on the Supply Services for the coming financial year.

**Excess Vote:** A grant made by Parliament to cover expenditure in excess of the original Estimate not foreseen in time for a Supplementary Estimate to be presented.

**Grant:** Money voted (i.e. Granted) by Parliament to meet the services shown in Supply Estimates.

**Grant-in-aid:** A grant from voted money to a particular body usually a Non-Departmental Public Body, where certain unexpended balances of the sums issued will not be liable for surrender to the Consolidated Fund at the end of the financial year.

**National Loans Fund:** The Government's account with the Bank of England through which all government borrowing transactions (including payment of debt interest) and most lending transactions are handled.

**National Non-Domestic Rates (NNDR):** Sometimes called Business Rates, are the means by which local businesses contribute to the cost of providing Local Authority services. All business rates are paid into a central pool. The pool is then divided between all authorities depending on the number of residents.

**Non-Departmental Public Body:** An entity that has a role in the process of Government, but is not a Government Department, nor forms part of a Department. It can incur expenditure on its own account and is usually financed at least in part from public funds.

**Outturn:** Actual expenditure.

**Permanent Secretary:** The permanent head of the Department.

**Programme Main:** One of the main functional programmes within the public expenditure survey, for example defence, housing, social security. Most programmes are further divided into sub-programmes.

**Propriety:** This is a requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control, including the conventions agreed with Parliament and, in particular, the Public Accounts Committee.

**Public Accounts Committee:** An all-party Select Committee of the House of Commons which is empowered to inquire into the financial administration of Government Departments and examine their accounts. The Committee reports on its findings to Parliament.

**Public Dividend Capital (PDC):** Given to Trading Funds and Public Corporations which are expected to be both fully viable and subject to cyclical fluctuations in their returns as a result of their trading conditions operating in highly competitive markets.

**Public Expenditure Survey:** The annual review of public expenditure plans.

**Public Expenditure Survey Committee:** A co-ordinating committee of officials chaired by the Treasury.

**Regularity:** This is a requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

**Request for Resources (RfR):** The major subdivision of the Supply Estimates.

**Revenue Support Grant (RSG):** A Government grant to make up the shortfall between a Local Authority's Formula Spending Share (formerly Standard Spending Assessment) and the amount it would receive from Assumed National Council Tax and redistributed business rates. The total amount is set out in Section 2 of the Local Government Finance Report published as a House of Commons Paper and available from the Stationery Office.

**Sub-Programmes:** A subdivision of the functional programmes in the Public Expenditure Surveys.

**Subsidy:** A grant (i.e., an unrequited payment) to a producer or trader which is deemed to benefit the consumer by reducing the selling price of the products. See also 'grant'.

**Supplementary Estimate:** A supplementary Estimate is presented to Parliament during the course of the financial year to obtain additional money either for a new service or to make good an under-provision for existing services.

**Supply Expenditure:** Expenditure by Central Government, which is financed by money, voted by Parliament in the Supply Estimates.

**Supply Grants:** Grants covering the financial year 1 April to 31 March, approved annually by Parliament for the Supply Services and based on the Estimates. They are accounted for in the annual Resource Accounts.

**Trading Fund:** These are bodies established under the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990. Organisations that are so designated normally earn their income from fees and charges, with more than 50% coming from trading activities.

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