Department for Communities and Local Government

Annual Report and Accounts 2011-12

(For the year ended 31 March 2012)

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Foreword from the Secretary of State

When people look back at the past twelve months I hope they will see it as a landmark year for my Department and its Group.

A year when we passed the Localism Act - the most radical shift in power for a generation, giving local people powerful new rights to run services and help shape planning in their neighbourhoods. A year when we brought in the National Planning Policy Framework - reducing nearly 1,300 pages of guidance to around 50 pages. A year when we introduced our far-reaching Housing Strategy - setting out how we will make housing more affordable, support new building and tackle empty homes.

And, as you'll read in this report, these were far from the only highlights. Our City Deals are allowing our great cities to rise from the shadow of the capital. Our Local Government Finance Bill will support local economic growth, letting councils keep part of their business rates to support local firms and jobs. We led the Government recovery effort from last August's riots, in support of councils whose initial response was very effective. We're piloting plans to revive the high street and turn round the lives of troubled families. We're supporting local areas to help them improve weekly bin collections. And we're helping set up new Enterprise Zones and Local Enterprise Partnerships across England, and stimulating local business through the Growing Places Fund.

This is all done by taking a novel approach for Whitehall - cutting red tape and regulation. But what really matters is the results of all that backroom activity. We're giving communities and neighbourhoods the power to turn their lives around. We're helping hard working families buy a home and vulnerable people keep their heads above water. We're enabling local people to reshape their areas so they don't simply have great homes but great parks, shops and play areas to be proud of. And, by empowering councils and local businesses, we're strengthening the economy and creating jobs.

And, as we look forward to the next twelve months, we must not slacken the pace. We must keep giving power back, keep cutting red tape, keep putting the local interest first, leaving no stone unturned until growth returns to Britain.

Right Honourable Eric Pickles, MP
Secretary of State for Communities and Local Government

Foreword from the Permanent Secretary

The Departmental Group faces a major challenge: moving away from central management and putting more power in the hands of people and communities, being transparent about public spending, and delivering more for less. We are becoming a smaller and stronger Group that uses its resources – people, public money and property assets – as efficiently and creatively as possible to deliver real change.

The Department has restructured itself efficiently and fairly, reducing its workforce by 37% against the starting baseline. Staff exits will complete by October 2012. Our administration budget will reduce by one third over the Spending Review period. The Departmental Group will reduce by two thirds - already, 11 of our 26 Arm's Length Bodies have been closed or transferred, including in March 2012 the Tenant Services Authority, Standards Board for England and Infrastructure Planning Commission.

In 2011-12 the Department was given additional responsibilities and funding, which indicates the importance of our work and growing confidence in our ability to deliver. We announced the Growing Places Fund, Right to Buy, NewBuy, Get Britain Building and City Deals, and the Regional Growth Fund was brought into the Department. We have also established a new unit and programme to turn round the lives of 120,000 most troubled families.

Our achievements this year, outlined in the Report, are testament to the professionalism and dedication of staff across the Department and Group, and I would like to commend them.

In particular, we successfully completed the Localism Act 2011, launched the Housing Strategy and National Planning Policy Framework and introduced the Local Government Finance Bill. We delivered the major new programmes and savings mentioned above. I would also single out our major achievements in bringing transparency to local housing finance by abolishing the Housing Revenue Account subsidy system, and reducing our liabilities on the 2000-2006 European Regional Development Fund.

Drawing on the high levels of drive and commitment that have enabled us to achieve so much this year, I am confident that we will continue to deliver on our business plan.

Sir Bob Kerslake
Head of the Civil Service and Permanent Secretary
Department for Communities and Local Government

Foreword from the Lead Non-Executive Director

DCLG has had a very challenging and busy year, successfully delivering strong progress against its major Structural Reform Plan priorities: Localism, Housing, Planning and Local Growth, whilst, at the same time, undertaking a substantial streamlining of its organisation.

The DCLG Board, chaired by the Secretary of State, has now been in place for over a year and has met six times in 2011-12. The Board supports and challenges the Department, to enable successful delivery of its part in the Government's Structural Reform Plan. In December 2011, we welcomed one new Non-Executive Director, Stewart Gilliland, whose strong commercial experience will add further to the Board's expertise.

On behalf of the Secretary of State, I completed a review of the Board's effectiveness in spring 2012. The review sought comments from all Board members, and concluded:

- that the Board, and its independent Non-Executive Directors, have added tangible value over the year:
  - bringing external perspective on the Department's strategic priorities,
  - adding experience in effective implementation to the major programmes including the Housing Strategy and Local Growth initiatives,
  - using its commercial expertise to aid reviews of the Audit function; the options for the QEII Conference Centre and the Fire Service College,
  - providing input and challenge to the Department's Capability review and staff development plans.
- through a year of considerable change, the DCLG leadership have remained focused on a clear set of priorities, implementing through a new, more decentralised way of working; feedback from DCLG's key partners has confirmed that the Department has become more collaborative, engaging and effective as a result.
- the Board should continue to seek ways by collective dialogue between Ministers, Executives and Non-Executive Directors to increase its impact and challenge to the Department's plans.
- actions arising from the Effectiveness Review for the year ahead will see:
  - greater external stimulus and cross-departmental input to Board discussions,
  - continued focus on improving management information clarity and actionability
  - focus on improving the engagement of all staff in the Department's strategy, priorities and progress,
  - an increased focus on measuring the impact of the Department's actions to feed into future plans.

Sara Weller
Lead Non Executive Director

Introduction

This is the combined Departmental Annual Report and Accounts covering the period from 1 April 2011 to 31 March 2012.

The Annual Report provides an overview of the Department's performance in 2011-12, structured around the five Coalition Priorities set out in the Business Plan, and the role the Department is playing in reducing the deficit. The Report aims to be accessible and also easy to navigate online (as it uses weblinks to provide access to further detail – often the relevant news release which may include links to other sources).

The Accounts provide detailed accounting and expenditure information. There are also two annexes: a list of indicator measurements and a glossary.

If you cannot find the information you want, either in this document or online via the web links provided, please email the relevant policy contact listed at:
http://www.communities.gov.uk/corporate/about/who/policycontacts

or email the general enquiry address at contactus@communities.gsi.gov.uk.

Key achievements

A list of the Department's key achievements in 2011-12 is as follows:

- **On decentralising power as far as possible…**
  - introduced the Local Government Finance Bill, including business rate retention
  - reduced regulatory costs to business by £14m per year through the Localism Act
  - proposals to turn around the lives of 120,000 troubled families
  - setting up the Whole-Place and neighbourhood Community Budget pilots.

- **On reinvigorating accountability, democracy, participation and transparency…**
  - Localism Act was passed, including community right to bid for assets and services
  - support for rebuilding after riots, and a cross-government approach on integration
  - provision of up to £250m to improve waste collection services for communities
  - local audit reform including disbanding Audit Commission will save around £650m
  - empowered fire and rescue authorities to deliver the services communities expect

- actions to make central and local government spend and assets more transparent.

- **On supporting and incentivising local growth…**
  - set up 24 Enterprise Zones, with business rate discounts and simplified planning
  - support to Local Enterprise Partnerships, setting up £730m Growing Places Fund
  - transfer of powers to London, and completion of City Deals to other core cities
  - response to the Portas review of high streets, including funding innovative pilots.

- **On meeting people's housing aspirations…**
  - far-reaching Housing Strategy, incentivising new build and tackling empty homes
  - promotion of home ownership through NewBuy and reformed Right to Buy
  - removal of the bureaucratic Housing Revenue Account subsidy system.

- **On putting communities in charge of planning…**
  - issued National Planning Policy Framework to replace current policy
  - introduced neighbourhood planning to give communities more say.

- **On tackling the budget deficit…**
  - completed change programme, identifying 37% workforce reductions
  - reduced inherited European Regional Development Fund liability by £195m
  - completed abolition of Government Offices for the Regions, saving £190m.

Annual Report

1. About the Department for Communities and Local Government

Organisational Structure and Accountability

1.1 The Secretary of State, the Right Honourable Eric Pickles MP has overall responsibility for the Department for Communities and Local Government. The Secretary of State leads the following team of Ministers:

- The Rt Hon Greg Clark MP – Minister for Decentralisation and Cities (also a Minister in the Department of Business, Innovation and Skills)
- The Rt Hon Grant Shapps MP – Minister for Housing and Local Government
- Andrew Stunell OBE MP – Parliamentary Under Secretary of State
- Bob Neill MP – Parliamentary Under Secretary of State
- Baroness Hanham CBE – Parliamentary Under Secretary of State.

1.2 Ministers are supported by a Departmental Board, which meets six times a year. The Board is chaired by the Secretary of State and attended by Baroness Hanham, two other Ministers on rotation, the Non-Executive Directors, and members of the Executive Team (who lead the day-to-day operations of the Department). The Board's role is to advise on and supervise five key areas: strategic clarity; commercial sense; talented people; results focus; and management information.

1.3 Non-Executive Directors are responsible for contributing to the collective decisions of the Department's Board. They chair two committees which carry out some of these activities: an Audit and Risk Committee, which reviews financial performance, interfaces with external auditors and reviews the management of the Department's key risks; and the Nominations and Governance Committee, which advises on People strategy, including staff capability, engagement, succession planning and reward. They bring their particular knowledge, skills and experience to discussions, as well as providing independent advice and challenge to decision making. They are:

- Sara Weller (Lead Non-Executive Director)
- Stephen Hay (Chair of the Audit and Risk Committee)
- Diana Brightmore-Armour (Chair of the Nominations and Governance Committee)
- Stewart Gilliland (appointed in 2011-12).

1.4 The Board is supported by an Executive Team responsible for managing the Department's daily business, and has three sub-committees: People, Finance and Performance.

1.5 The Department has become smaller: it is organised into three Groups, a cross-cutting strategy function, and the new Troubled Families Team. One reason for these structural changes is so the Department can provide stronger leadership across government on the key agenda of localism and decentralisation. The Department has also established a number of Programme Boards to manage various aspects of the Department's business, particularly the change agenda. These Boards provide a formal structure for risk management and ensure effective delivery.

Sir Bob Kerslake,
Head of the Civil Service and Permanent Secretary

Peter Schofield Director General, Neighbourhoods Group	**David Prout** Director General, Localism Group	**Sue Higgins** Director General, Finance & Corporate Services Group	**Andrew Campbell** Director, Strategy	**Louise Casey CB** Director General Troubled Families
Responsible for creating the conditions which re-energise and empower individuals, communities and business to build successful cities, towns and neighbourhoods. **Terrie Alafat** Director, Housing Growth & Affordable Housing **Jon Bright** Director, Homelessness and Support, Building Standards and Climate Change **Shona Dunn** Director, Planning **Philip Cox** Director, Local Economies, Regeneration and European Programmes **Sir Michael Pitt** Chief Executive, The Planning Inspectorate	Responsible for the transfer of power and funding from Whitehall to individuals and communities and building the Big Society. **Patrick White** Director, Local Government Policy and Productivity **Simon Ridley** Director, Local Government Finance **Mark Carroll** Director, Decentralisation and the Big Society **Neil O'Connor** Director, Fire, Resilience and Emergencies **Sir Ken Knight CBE QFSM DL** Chief Fire and Rescue Adviser	Responsible for support services. Expected to deliver efficiency savings by internal consolidation and setting up shared services with other departments. **Jon Whitfield** Director, Internal Audit **Susanna McGibbon** Director, Legal and People Capability and Change **David Rossington** Director, Finance **Stephen Aldridge** Director, Analysis and Innovation **Prof. Jeremy Watson** Chief Scientific Adviser **George Eykyn** Director, Communication	Responsible for Business Plan implementation; corporate governance; localities; London policy; and Departmental strategy.	Responsible for driving forward the Prime Minister's commitment to turn around the lives of 120,000 most troubled families. **Joe Tuke** Director, Troubled Families Team

1.6 Further detail on the financial organisation of the Department can be found at paragraph 6.1 in the Management Commentary of the Accounts. More general information and biographies can also be found on our website: http://www.communities.gov.uk/corporate/about/who/ .

The Departmental Group

1.7 The Department is reducing the number of its Arm's Length Bodies by around two thirds through abolition, merger or reform (see 2.63 below). Ongoing reform to remaining bodies means the Group now includes a sharply focused and enabling Homes and Communities Agency and integration of major infrastructure planning into the Planning Inspectorate. The Group will continue to play a crucial role in delivering Ministerial priorities and empowering communities.

1.8 From autumn 2012, the Cabinet Office will produce a comprehensive annual Public Bodies directory providing details of Non Departmental Public Bodies and similar bodies. This information will be published online. A list of those which the Department sponsors, including a summary of their responsibilities, can also be found in Note 36.

Delivering Coalition Priorities

1.9 In May 2010 the Coalition Agreement set out that the Department would lead a radical redistribution of power and funding from Government to local people, transforming public services and ensuring that all communities are equipped and incentivised to grow and prosper. Its five specific priorities, as amended for 2011-12, are to:

- decentralise power as far as possible (paragraphs 2.1 – 2.12 below, covered in the Localism Estimate line);
- reinvigorate accountability, democracy, participation and transparency (paragraphs 2.13 – 2.27 below, Localism Estimate line);
- support and incentivise local growth (paragraphs 2.28 – 2.39 below, Local Economies, Regeneration and European Programmes Estimate line);
- meet people's housing aspirations (paragraphs 2.40 – 2.54 below, Neighbourhoods Estimate line); and
- put communities in charge of planning (paragraphs 2.55 – 2.59 below, Neighbourhoods Estimate line).

1.10 This Annual Report is structured around performance against these five priorities, alongside the role the Department is playing in helping to tackle the deficit.

1.11 Individual actions to deliver these five priorities are in the Department's Structural Reform Plan, first published in July 2010 and later updated as part of a comprehensive Business Plan for 2011-2015[1]. This sets out the Department's vision and how it is being delivered through the Structural Reform Plan and increased transparency.

1.12 The Department has made good progress so far with work started (and in some cases completed) on its Coalition Agreement actions. By the end of March 2012, the Department had delivered 85% of its challenging Structural Reform Plan actions in line with its Plan dates. At the same time, we have delivered on implementation of the challenging Housing Strategy and Growth Review agendas which have developed over the year.

1.13 The Department's Refreshed Business Plan was published on 31 May 2012 on our website. It includes actions to be delivered between 2012 and 2015, a breakdown of the completed actions in our Structural Reform Plan and also key indicators for each of our priorities.

1.14 We have been at the forefront of delivering greater transparency and enabling the public to hold Government to account, such as by publishing all departmental spend over £500.

[1] /http://www.communities.gov.uk/publications/corporate/businessplan2012

2. How the Department Performed in 2011-12

Decentralising Power As Far As Possible (2.1 - 2.12)

2.1 The Department has the lead across central Government on decentralising power and funding. Our approach is that decisions should be made at the lowest possible level, and local authorities need to be able to get on with making the right decisions for their area. In 2011-12, we helped achieve this by: providing greater financial freedoms and flexibilities to local government; taking powers to create directly elected mayors; establishing community budgets; and proposals to turn around the lives of 120,000 troubled families.

Financial freedoms and flexibilities

2.2 The Department introduced the Local Government Finance Bill on 19 December 2011, to encourage local economic growth; reduce the deficit; and drive decentralisation so that more decisions over how public money is spent can be taken locally.

2.3 The Bill will enable the local government sector to retain 50 percent of locally generated business rates, freeing councils to generate more income and support local firms and jobs. At present, £19 billion in business rates are redistributed each year in England. The reforms will establish a direct link between the effort that councils put into growing local economies and the money they have to spend on local people, while ensuring that the changes are fair to councils and the interests of the vulnerable and local taxpayers are protected.

2.4 The Bill enables councils to potentially use Tax Increment Finance, which lets councils pay for infrastructure by borrowing against forecast growth in business rates. Ministers have announced that this will be supported by up to £150m for large scale infrastructure projects in core cities. It provides a framework for localising council tax support in England, giving more financial autonomy to councils and saving Government over £400m. Changes to the council tax system, including incentivising owners of empty properties to bring them into use, allow councils to help keep bills down for hard-working families and pensioners.

2.5 The Department delivered other important amendments to local taxation outside the Bill. Helping small shops and businesses grow is a crucial part of rebalancing and rebuilding the economy. We doubled Small Business Rate relief, saving about £390m for 500,000 businesses and making it easier to apply. We introduced measures to cancel unexpected backdated business rate liabilities, including for some businesses based in ports.

2.6 The Department’s Local Government Finance settlement ensured that the councils most dependent on central government funding received smaller reductions in Formula Grant than less dependent ones. Transition Grant ensured that the average reduction in spending power for 2011-12 remained at 4.4 per cent. The removal of ring-fencing from local government grants has given councils the freedom and flexibility to manage their budgets to fit the needs of their local communities.

2.7 The Government introduced a voluntary council tax freeze in 2011-12, giving councils a grant equivalent to a 2.5 to 3 per cent increase on Band D council tax if they choose not to raise council tax. This offer was baselined across all the years of the Spending Review. All eligible councils accepted the deal. We announced a new one-year deal for 2012-13, and 85% of eligible councils accepted it. The freeze in 2011-12 and average 0.3% Band D rise in 2012-13 represents a real terms cut in council tax in both years.

Non-financial freedoms and flexibilities

2.8 The Government took powers in the Localism Act 2011 (paragraph 2.14 below) to enable local people to choose whether their city should be run by a directly elected mayor in England's twelve largest cities outside of London. Such mayors can help shift power away from central government, improve the governance of our cities, provide better local public services, and give strong and accountable democratic local leadership. Leicester and Liverpool have already elected a Mayor and Bristol will hold a mayoral election in November 2012. In May 2012 people in the other nine cities chose not to change the way their city is governed.

2.9 A Community Budget enables local public service providers to come together and agree how services can be better delivered, how the money to fund them should be managed and how they will organise themselves. In December 2011, Ministers selected fourteen areas to pioneer a local public service revolution. Four areas (Cheshire West and Chester, Essex, Greater Manchester, the Tri-Borough[2] partnership) are developing a Whole-Place Community Budget to see what a single budget comprising all funding on local public services might look like and how it could enable radical reform and transformation of local services in each area. Saving just 2 per cent of local budgets will free up over £1 billion. The other ten areas are developing a Neighbourhood Community Budget. These are about giving people more power over local services and budgets in a neighbourhood and aligning these with all the other resources that the local community can bring.

2.10 The Department published the single data list for 2012-13, which reduces the number of central government data demands on councils to 156, from 193 in 2011-12. We have also developed a gateway system with the Local Government Association to challenge new and existing demands and prevent future build up.

2.11 The Department is helping to create the conditions for businesses to grow by implementing reductions to the cost to business over the last three Statements of New Regulation which bring our total reduction to £4.52m per year. The Localism Act 2011 made important changes on Neighbourhood Development Orders and Community Right to Build which will benefit business by about £14m per year. Through the Red Tape Challenge, we have reviewed all regulations on the housing and construction sector to help remove barriers to growth. We received over 200 comments and suggestions, and aim to launch a deregulatory package in summer 2012.

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[2] The Boroughs of Hammersmith and Fulham, Kensington and Chelsea and Westminster.

2.12 The Department has a new responsibility to lead a cross-government drive to improve the prospects of the country's most troubled families, and reduce the cost. Children in troubled families are far more likely to be excluded from school, go into care, or have contact with the police, costing the taxpayer about £9bn per year. Beginning in 2012, the Government will invest almost £450m to turn around the lives of 120,000 families over this Parliament, covering up to 40% of the cost. This is intended to drive a radical shift in the way services are configured and money is spent in local areas. We are using a new payment by results basis, paying on success in reducing crime and anti-social behaviour, getting adults on the path to work, and children back into school. Councils have agreed to appoint a network of co-ordinators to oversee each area's action programme, and every upper tier council has accepted an offer of £20,000 preparatory funding in this financial year for the programme.

Achievement	Link to more detail
Local Government Finance Bill	http://www.communities.gov.uk/localgovernment/localgovernmentfinance/lgfinancebill/
Business rates retention	http://www.communities.gov.uk/news/corporate/2054393
Small business rate relief	http://www.communities.gov.uk/news/corporate/1972646
Ports – backdated business rates	http://www.communities.gov.uk/news/corporate/2100112
Local Government Finance Settlement	http://www.local.communities.gov.uk/finance/1213/grant.htm#set
Council tax freeze	http://www.communities.gov.uk/news/corporate/2111070
Direct election of mayors	http://www.communities.gov.uk/news/newsroom/2085395
Community Budgets	http://www.communities.gov.uk/news/newsroom/2056449
Red Tape Challenge	http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/housing-and-construction/
Troubled Families	http://www.communities.gov.uk/publications/communities/troubledfamiliesframework

Reinvigorating Accountability, Democracy, Participation and Transparency (2.13-2.27)

2.13 To enable the Big Society to flourish, the Department is working to empower communities by creating rights for people to get more involved, encouraging community activism, giving more choice and better service standards in public services, and opening up government to public scrutiny. The Department is delivering these mainly through the Localism Act 2011.

Localism Act 2011

2.14 The Department secured powers to deliver this new accountability in the Localism Act 2011. The Act gives councils a general power of competence allowing them to do anything an individual can do, from holding formal prayers to working together creatively to improve services. A similar power was secured for fire and rescue and other types of authority.

2.15 The Act abolishes the Standards Board for England, replacing it with local codes of conduct. It enables councillors to participate freely in local debate without fear of legal challenge, legislates for directly elected mayors (see paragraph 2.8 above), and takes forward reforms to strengthen and streamline London's governance.

2.16 The Act also gives local communities new powers, such as the Right to Bid to buy local assets like local pubs and shops and keep them as part of local life, and the Right to Challenge makes it easier for communities to bid to run council services. Local people will have powers to approve or veto excessive council tax rises in a binding referendum.

2.17 The Act provides for a more democratic, effective and clear planning system. It removes central controls on plan making, introduces arrangements for neighbourhood planning and strengthens enforcement powers for councils to tackle unauthorised development. It allows more decisions about housing to be taken locally, allowing councils to offer flexible tenancy agreements and manage their own waiting lists, and tenants to move home and hold landlords to account (see paragraphs 2.40 to 2.59 below). Communities can also bring forward proposals for development they want, such as homes, shops, playgrounds or meeting halls, through the Community Right to Build.

Encouraging community activism

2.18 The Department published Creating the Conditions for Integration in February 2012. Integration is a local issue and creating the conditions for local leadership and action is central to our work. When there has been a clear role for Government we have acted, including by supporting: the Big Jubilee Lunch; national youth organisations such as the Guides; additional English language provision (with £10m funding); the integration of Gurkhas into Britain; tackling the inequalities facing Gypsies and Travellers; a review of barriers to Black and Minority Ethnic individuals accessing business finance; and locally-led community activism through the Church of England-led Near Neighbours programme.

2.19 Baroness Helen Newlove joined the Department from the Home Office in April 2011 as Government Champion for Active Safer Communities, to encourage and champion community activism. One of her top priorities is tackling binge and underage drinking, and the Baroness launched a new £1m fund in February 2012 to support ten community partnerships taking forward projects to tackle alcohol abuse.

Recovery from the August 2011 public disorder

2.20 Following the public disorder in August 2011, the Department took the lead in supporting councils both in their very effective initial response, and the subsequent joint recovery effort. The Secretary of State set up and chaired a Ministerial Recovery Group to ensure residents and local firms could quickly access funding to rebuild their communities. We provided just under £3m to help with immediate clean-up costs, £7.4m to help get firms trading again (jointly funded with the Department for Business, Innovation and Skills); and reimbursed councils for the cost of business rate relief and emergency accommodation.

2.21 During the disorder, we co-ordinated information flows between the national crisis response committee and local partners. This year, our Resilience Advisers supported local action to make places more resilient and manage risks for themselves, reflecting the National Risk Assessment for UK civil contingencies.

Standards in public services

2.22 The Government is committed to diversifying the supply of public services, giving more choice and better service standards. The Department outsourced the Audit Commission's centralised audit practice for councils through contracts to four firms to begin in September 2012. Most Commission staff will transfer to the winning bidders. It is our intention to abolish the Commission when Parliamentary time allows, replacing it with a decentralised framework which will refocus audit to help people hold councils to account. Local audit reforms, together with the end of inspection work and disbanding the Commission, would save the public purse around £650m over five years.

2.23 The Department supports better weekly bin collections for residents through the £250m Weekly Collection Support Scheme, to start in 2012-13, and following on from the Government's Waste Review.

2.24 The Government's response to the independent sector-led Fire Futures review of fire and rescue provision in England sets out how we will take forward reform in the context of strengthening national resilience, especially by changing the relationship with Government and improving local accountability. We are also providing up to £81m to support locally-led projects to improve the resilience and efficiency of fire and rescue control rooms across England. We are selling the Fire Service College as a going concern to generate new business and to provide the capital investment that it needs to secure its long term future as a national resilience and emergency services training and exercise centre.

Increasing Transparency

2.25 The Department is committed to open up central and local government to public scrutiny, by releasing government information into the public domain, so that people can know how their money is spent, how it is used and to what effect. Our new Code of Recommended Practice covers transparency in key council data such as salaries over £58,200, contracts and grants, and public land, encouraging councils to be accountable to local people.

2.26 To accompany the Localism Act's pay accountability measures, the Department issued new guidance stating that in their local pay policies, councils should vote in public on salary packages over £100,000 per year, and should review their approach to senior appointments, in particular to root out inappropriate tax avoidance measures.

2.27 In August 2011, the Department published a map of 180,000 assets owned by almost 600 public sector bodies. The map shows public sector assets are worth an estimated £385bn, almost two thirds owned by councils, and savings through better property management could potentially save £35 billion over 10 years. The public could use this alongside their new community rights to protect local treasures.

Achievement	Link to more detail
Localism Act 2011	http://www.communities.gov.uk/publications/

Achievement	Link to more detail
	localgovernment/localismplainenglishguide
Response to the public disorder	http://www.communities.gov.uk/news/corporate/1964306
Active Safer Communities	http://www.communities.gov.uk/news/newsroom/2088542
Creating the conditions for integration	http://www.communities.gov.uk/news/corporate/2092147
Training volunteer leaders	http://www.communities.gov.uk/news/corporate/2078960
Supporting Gurkhas	http://www.communities.gov.uk/news/corporate/2028939
English Language Support	http://www.communities.gov.uk/news/corporate/2097253
Near Neighbours Fund	http://www.communities.gov.uk/news/corporate/20288651
Audit Commission outsourcing savings	http://www.communities.gov.uk/news/localgovernment/2141890
Waste Collection	http://www.communities.gov.uk/news/corporate/2122211
Fire and Rescue	http://www.communities.gov.uk/fire/firerescueservice/firefutures/
Local pay accountability	http://www.communities.gov.uk/news/newsroom/2032134
Code of Recommended Practice on Data Transparency	http://www.communities.gov.uk/publications/localgovernment/transparencycode
Public property map	http://www.communities.gov.uk/news/corporate/1960911

Supporting and Incentivising Local Growth (2.28 - 2.39)

2.28 The Government is committed to promoting strong local economies by putting power in the hands of councils and local businesses, rather than regional agencies. We aim to stimulate private growth and employment, catalysing investment, encouraging enterprise and creating the right conditions for long term sustainable growth.

2.29 The Government's Growth Plan of March 2011 highlights the urgent need for the United Kingdom to remove barriers to growth and boost competitiveness, and sets out actions. Growth is a cross-Government objective, supported by the Department through radical reforms (such as Local Enterprise Partnerships, National Planning Policy Framework and New Homes Bonus) and focused interventions (such as the Regional Growth Fund and Growing Places Fund).

2.30 The Department's economic development role has expanded following the transfer of former Regional Development Agency land and property assets (outside London) to the Homes and Communities Agency. The Department published a regeneration 'toolkit', highlighting the powers and tools devolved to local residents and business as incentives to drive growth and improve the social and physical quality of their areas.

2.31 The Department has established 24 new Enterprise Zones in England, to encourage investment, growth and the creation of new jobs and businesses. The Zones will attract hundreds of new and expanding firms with over £150m in tax breaks available over the next four years. Ambitious planning simplification proposals are being taken forward in the zones, with 18 Local Development Orders having already been put in place and about 40 more to come. These Orders provide certainty to businesses, and make the process of developing in the Zones quicker and cheaper.

2.32 The Government is on target with the current European Regional Development Fund programme. Funds must be spent by 2015 and we have already invested some two-thirds of the money, at a point when we are two-thirds of the way through the duration of the programme. All areas have met their 2011 spending targets, and some 93% of the total allocation is contracted or awaiting contract.

2.33 The Department encouraged the creation of Local Enterprise Partnerships, which operate within an area that makes economic sense, and enable local business and civic leaders to decide on local economic priorities and deliver growth and job creation. The inaugural conference for the national network for the 38 Partnerships was held in September 2011.

2.34 Local Enterprise Partnerships received £730m from across Government, including £175m from the Department, in up-front, flexible funding through the Growing Places Fund. We set up the Fund to boost economic growth by building infrastructure, getting stalled projects moving, and creating new homes and jobs. Partnerships decide what to prioritise, and are encouraged to secure a return and reinvest their money.

2.35 The Department will contribute £1.9 billion over three years to the Regional Growth Fund (of a total £2.4 billion) for key projects which deliver economic growth and jobs. Local Enterprise Partnerships have advised companies bidding for the Fund.

2.36 Improved productivity in cities is crucial to economic success. Government has offered bespoke ‘City Deals’ with eight core cities and their Local Enterprise Partnerships, which grant freedoms from central control such as a consolidated capital funding pot and powers to lower business rates for certain companies. Cities will need to offer something in return such as strong, accountable leadership and increased efficiency. We have agreed deals with Liverpool and Manchester; the latter includes an infrastructure fund, investment framework, apprenticeship and skills hub, low carbon hub, and housing investment board.

2.37 In February 2012 the Government agreed to decentralise power to the Greater London Authority by transferring housing and regeneration responsibilities in the Localism Act 2011. The Department made a settlement worth about £3 billion to support the transfer of power. The Mayor is committed to building 55,000 affordable homes by March 2015, and to bring 45,000 existing social homes up to standard. The settlement will also support the Mayor’s London Legacy Development Corporation in delivering new homes for East London, through new receipt sharing arrangements.

2.38 The Department is granting £52m to the Coalfields Regeneration Trust over four years to support coalfield communities, and transform the Trust into a self-sustaining organisation. The Department will also lead on delivering England’s share of a £23.7m fund to support new opportunities in struggling coastal communities.

2.39 In March 2012, the Government responded to Mary Portas’ independent review into the future of high streets. We provided councils with £10m through a High Street Innovation Fund, and announced other measures including support for pilot areas, a

£1m High Street Challenge Fund for the most creative solutions, and £1m for high street Neighbourhood Plans.

Achievement	**Link to more detail**
The Plan for Growth	http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf
Regional Development Agency Assets	http://www.homesandcommunities.co.uk/news/growth-boost-hca-launches-new-economic-assets-programme
Regeneration toolkit	http://www.communities.gov.uk/publications/regeneration/communityledregenerationtoolkit
Enterprise Zones	http://www.communities.gov.uk/regeneration/economicgrowth/enterprisezones
Local Enterprise Partnerships	http://www.communities.gov.uk/news/corporate/1881523
Growing Places Fund, Tax Increment Financing	http://www.communities.gov.uk/news/corporate/2118875 http://www.communities.gov.uk/news/corporate/2079177
Regional Growth Fund	http://nds.coi.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=423400&SubjectId=2
City Deals (Manchester)	http://www.communities.gov.uk/news/corporate/2110432
London settlement and the Olympics legacy	http://www.communities.gov.uk/news/newsroom/2082928
Coalfield communities	http://www.communities.gov.uk/news/corporate/2075333
Coastal communities	http://www.communities.gov.uk/news/corporate/2085781
Portas Review of high streets	http://www.communities.gov.uk/news/corporate/2120114

Meeting People's Housing Aspirations (paragraphs 2.40 – 2.54)

2.40 The Department leads on the Government's commitment to provide support to get house building going again; take action to improve affordability and support aspiration, choice and quality for tenants; tackle empty homes and seek to improve the quality and sustainability of homes. In November 2011, we launched the Housing Strategy.

Reforming the Housing Revenue Account

2.41 The Government abolished the bureaucratic and complex Housing Revenue Account subsidy system. Under this funding model, rent income was redistributed between councils based on complex calculations made by Government. Under the new devolved self-financing system, councils now fund their own housing from their own rents, giving them the flexibility and resources necessary to plan long term and drive efficiency. It also provides a transparent link between the rents tenants pay and the services they receive. Self-financing was implemented through a one-off series of payments between 168 local authorities and Government on 28 March 2012 with a total value over £19 billion. As a result of close working with councils and across Government, this complex transaction went smoothly and the new system started as planned on 1 April.

Promoting homeownership

2.42 In March 2012, Ministers launched the NewBuy Guarantee to enable up to 100,000 buyers frozen out of the housing market to secure loans on newly built homes with only a 5% deposit. Government and housebuilders will provide security for the loan, so if the house is sold for less than the outstanding mortgage total, the lender can recover most of its loss. From May 2012, the scheme will be supported by banks covering 73% of the new build mortgage market. Many of the United Kingdom's biggest housebuilders are participating, and nearly 30,000 homebuyers have registered an interest, potentially providing 25,000 new homes.

2.43 The Government also published the revised Right to Buy with an increased discount of up to £75,000, giving most social tenants the opportunity to buy the homes they live in. Our aim is that every additional home sold be replaced by a new affordable rent home.

2.44 The Department is giving up to £180m over two years to help over 10,000 aspiring home-owners through the FirstBuy scheme (launched June 2011), which makes equity loans for up to 20% of a home. This is co-funded by housebuilders, and repaid on sale of the home.

Strong incentives to build new homes

2.45 Over 200 stalled building projects will share the £570m Get Britain Building fund, helping to deliver up to 16,000 new homes and 30,000 construction jobs. The Government has also announced £30m additional funding to support provision of short term project finance for self-build housing on a repayable basis.

2.46 The Government is providing £100m of funding to bring empty homes back into use as affordable housing. £70m of that will bring over 5,600 empty homes back into use and £30m is available to community and voluntary groups. It wastes resources if, for every two families who need a home, there is one standing empty. A further £50m will tackle large clusters of empty homes.

2.47 Departments with significant landholdings have published strategies for how their land can be used to build up to 100,000 new homes by 2015. As part of this, the Homes and Communities Agency will deliver over 11,000 housing starts on land they are releasing. The public will be able to request a sale of unused or underused public land through a simple form as part of Community Right to Reclaim Land.

2.48 The New Homes Bonus incentivises housing growth through grant based on the council tax raised from additional homes and long-term empty homes brought into use. This ensures that growing areas have resources to meet the needs of new and existing residents, replacing top down development targets with transparent cash incentives. Ministers confirmed in February 2012 that 353 councils will receive £432m of match funding in 2012-13 in respect of 159,000 homes provided.

2.49 The Housing Strategy will support greater investment in the private rented sector, driving large scale investment through changes to the tax rules for bulk purchases of buy-to-let homes, and encouraging the growth of Real Estate Investment Trusts, which provide low cost access to capital. An independent review will also consider whether there are barriers to greater large-scale investment in rented housing. We launched a consultation in April 2012 on the potential for Trusts to support private investment in the social housing sector.

2.50 The Department launched a consultation in January 2012 on changes to Building Regulations to streamline and simplify parts of the Regulations and to deliver on the Structural Reform Plan commitment to improve the energy efficiency of new homes.

Protecting the most vulnerable

2.51 Appetite for the Affordable Homes Programme surpassed expectations in 2011-12, with 146 providers sharing almost £1.8 billion to build 80,000 homes under the programme. This is part of an overall investment of £4.5 billion, and puts Government on track to deliver up to 170,000 new homes by 2015, safeguarding 80,000 jobs (mainly construction).

2.52 Funding has been maintained in priority areas to protect vulnerable and disadvantaged people and ensure more decent social homes, including:

- £6.5 billion for Supporting People, protected in the 2010 Spending Review, and now provided through Formula Grant. £1 spent on Supporting People saves £3 in reduced costs for homelessness, crime, health and other costs;
- £725m for Disabled Facilities Grant over the 2010 Spending Review period, enabling councils to fund adaptations to peoples' homes, helping people live independently; and
- £2.1bn over four years for Decent Homes (£1.6 billion for councils) to make much-needed improvements to social housing. The Department is ahead of schedule, and 93% of all homes now meet the Decent standard, up from 90% in 2009.

2.53 In addition to £100m homelessness prevention funding for councils in 2011-12 to meet their statutory duties, the Department also made £70m available to assist households:

- £20m to help protect vital front line homelessness services and to help councils adopt London’s 'No Second Night Out' rough sleeping standard across England;
- £20m to enable local authorities to offer small loans or grants to help people stay in their homes, including £1m for free on-the-day legal advice from court desks;
- £20m for housing advice for single homeless people;
- £5m for improved hostel provision and for 1,500 new and improved bed spaces;
- £5m for a Social Impact Bond using payment by results to help persistent rough sleepers in London.

2.54 The Department is radically reforming social housing tenancies, making the system fairer by striking a sensible balance between the needs of new and existing tenants, and allowing more decisions about housing to be taken locally. Reforms include:

- allowing councils to offer flexible agreements for new tenancies instead of a home for life, ensuring more social homes are available to people who need them;
- allowing tenants wanting to swap their home to see every available home online;
- abolishing the Tenant Services Authority;
- helping landlords to combat anti-social behaviour through new court statements;
- offering responsible tenants extra cash and basic DIY training to do minor repairs;

- consulting on reform to the Right to Manage, which allows tenants to bid to take over day-to-day maintenance, and Right to Transfer, which requires councils to work with tenants who want their homes transferred to a housing association.

Achievement	Link to more detail
Housing Strategy	http://www.communities.gov.uk/news/corporate/2033724
Housing Revenue Account Self-financing	http://www.communities.gov.uk/publications/housing/draftdeterminationsselffinancing
NewBuy Guarantee and Right to Buy	http://www.communities.gov.uk/news/corporate/2104121
FirstBuy: equity loans for first time buyers	http://www.communities.gov.uk/news/corporate/1926856
Get Britain Building	http://www.communities.gov.uk/news/corporate/2109358
Empty Homes	http://www.communities.gov.uk/news/corporate/2099450
Government land for new homes	http://www.communities.gov.uk/news/corporate/2001971
New Homes Bonus	http://www.communities.gov.uk/housing/housingsupply/newhomesbonus/
Preventing Repossessions Fund	http://www.communities.gov.uk/news/corporate/2086207
Support for homelessness	http://www.communities.gov.uk/news/corporate/2102160
Affordable Housing Programme	http://www.communities.gov.uk/news/newsroom/2124305
Supporting People	http://www.communities.gov.uk/news/corporate/2110095
Decent Homes	http://www.communities.gov.uk/news/corporate/2040762
Social housing allocations policy	http://www.communities.gov.uk/news/corporate/2060987
HomeSwap Direct	http://www.communities.gov.uk/news/corporate/201468712
Tackling neighbours from hell	http://www.communities.gov.uk/news/corporate/2108492
Right to Manage and Right to Transfer	http://www.communities.gov.uk/news/corporate/2107148

Putting Communities in Charge of Planning (paragraphs 2.55 – 2.59)

2.55 The Department is committed to putting power into the hands of communities to shape the places where they live, by reforming the planning system. The purpose of planning is to help achieve sustainable development, which is about positive growth - making economic, environmental and social progress for this and future generations including by helping to create the homes and jobs which people need.

2.56 In March 2012 Ministers published the new National Planning Policy Framework, which:

- enshrines the local plan as the keystone of the planning system;
- makes planning much simpler and more accessible – reducing nearly 1,300 pages into a clear, readable guide of around 50 pages;
- establishes a powerful presumption in favour of sustainable development;
- maintains robust protection for our natural environment, including the Green Belt;
- encourages the use of brownfield land in a way determined locally;

- remove national parking restrictions to help high streets attract customers; and
- strengthens the requirement for new development to be of good design.

2.57 The Localism Act 2011 introduces neighbourhood planning powers. 108 areas announced in March 2012 will trial these new rights. Before Royal Assent, 125 'front runners' tested neighbourhood planning, helped by free expert planning advice and £20,000 for their local council. For example, in Sherston, Wiltshire, the Parish Council aims to deliver affordable homes for elderly and disabled residents, and is looking at the need for key infrastructure such as high speed broadband and new schools, and at developing a community orchard.

2.58 The first councils started charging Community Infrastructure Levy to support development by funding infrastructure that councils and communities want. The Localism Act 2011 introduced a requirement for councils to pass part of the Levy to neighbourhoods, giving far more ability to shape their area and accommodate the impact of new development.

2.59 To ensure the planning system for delivery of major infrastructure is rapid, transparent and accountable, the Localism Act 2011 abolished the Infrastructure Planning Commission. The Department closed it in March 2012, returning responsibility for decisions to elected Ministers, advised by a Major Infrastructure Planning Unit within the Planning Inspectorate.

Achievement	Link to more detail
Simplification of planning policy	http://www.communities.gov.uk/news/corporate/2115421
Neighbourhood Planning	http://www.communities.gov.uk/news/corporate/20075571
Community Infrastructure Levy	http://www.communities.gov.uk/planningandbuilding/planningsystem/communityinfrastructurelevy/

Tackling the Budget Deficit (paragraphs 2.60 – 2.66)

2.60 At the beginning of 2011-12, the Department implemented its reduction in planned programme spending to contribute to the Government's plans to stabilise the public finances. This reduced the Department's budgets in real terms by 33% on resource[3] and 74% on capital by 2014-15 (compared to 2010-11), and transferred over £6.7 billion of funding to local government.

2.61 In 2011-12, the Department was given additional responsibilities and funding beyond our Spending Review Settlement. We announced the following new significant programmes: Growing Places Fund, Right to Buy, Troubled Families, NewBuy, Get Britain Building and City Deals. We provided £500m of an extra £1 billion for the Regional Growth Fund, and the remaining round 1 funding was centralised in the Department.

3 Or 51% if reflecting the transfer of Supporting People grant to Local Government.

2.62 The Department is implementing a 33% saving in real terms on administration costs. Our Change Programme has concluded. Alongside reductions to estates and other non-pay costs, this required that we cut paybill costs by 34% and reduce our workforce by 37% against the starting baseline. By October 2011, reductions had been identified through selection exercises carried out by grade and a number of voluntary exit opportunities. Staff exits will be complete by October 2012, as planned.

2.63 The Department announced plans in March 2011 to rationalise the Departmental Group by two thirds, which is estimated to save around £170m by 2014-15 on our main budget and £60m on our Local Government budget. The number of Arm's Length Bodies will reduce from 26 to nine, of which eleven have now closed or transferred – the Tenant Services Authority, Infrastructure Planning Commission and Standards Board for England closed in March 2012 as a result of the Localism Act 2011. The bodies which will remain are putting in place measures to increase efficiency, including securing better value for money in procurement and reducing running costs. For savings from local audit reforms see paragraph 2.22 above.

2.64 Internally, the Department has also:

- completed abolition of the Government Offices for the Regions, saving £190m over four years;
- cut spend on consultancy to £3.4m in 2011-12, from £60m in 2009-10 and £19m in 2010-11, and cut spend on agency staff by two thirds since 2010-11;
- cut Government Procurement Card spending by 64%;
- consolidated our presence in Eland House by vacating two floors, giving additional income of £1.2m in 2011-12 (increasing in later years); and
- entered into a joint Facilities Management contract with the Department for Education which will save this Department £2.1m per year.

2.65 The Government inherited £236m in potential liabilities for the 2000-06 European Regional Development Fund. By the end of March 2012, the Department had reduced this to just over £41m of which £26.3m is a specific charge to 2011-12. This has been delivered against a backdrop of a well managed major transition programme (from the Government Office structure to a smaller centralised Department-led team) and continued negotiations with the Commission, leading to closure of seven of the 20 programmes on a significantly faster timetable than the 1994-99 programme.

2.66 The Department will continue to develop more commercial approaches to raise private sector investment, such as NewBuy, and approaches that invest and secure a financial return rather than simply spend taxpayer money, such as Getting Britain Building.

Achievement	Link to more detail
Rationalising the Departmental Group	http://www.communities.gov.uk/news/newsroom/1865652
European Regional Development Funding	http://www.communities.gov.uk/news/corporate/1957698

3 Progress on the Structural Reform Plan and input / impact indicators

Structural Reform Plan

3.1 Progress against the Structural Reform Plan actions due to complete in 2011-12 (as of 31 March) is set out at the end of the Results table below.

3.2 At the end of March, the Department had completed 85% of our actions (166 out of 196), including completing 18 actions early. The one delayed action by year end was consulting on proposals to simplify information required to support planning applications, particularly at outline stage. This has been integrated within a package on wider planning reforms. The Budget 2012 included a commitment to implement simplification proposals by 2013.

3.3 All the monthly implementation reports and latest data, including details on the actions due to start and complete each month, can be found on the Department's website: http://www.communities.gov.uk/publications/corporate/structuralreformplan

3.4 The actions in the Results table below are those from the Structural Reform Plan published in May 2011 as part of the Department's Business Plan and can be found on the Department's website: http://www.communities.gov.uk/publications/corporate/businessplan2011

Input and Impact Indicators

3.5 The Business Plan also sets out the Department's input and impact indicators, as required for all departments which have published a Plan as part of the Transparency Framework. The Results table below outlines progress on each of the indicators over 2011-12.

3.6 Where available we have provided annual rather than quarterly figures. In cases where annual data is not yet available we have presented figures for those quarters where data is available. Details on when these will be available are in the table footnotes. Quarterly data is available for some indicators in the Quarterly Data Summaries at http://www.communities.gov.uk/corporate/about/howwework/corporatereports/businessplans/

3.7 The Department's commentary on the results is as follows:

- In 2011-12 the Homes and Communities Agency (HCA) delivered 15,698 affordable housing starts on site. Whilst this was a decrease from 2010-11 (49,363) the figures reflect a period of transition following the ending of the National Affordable Housing Programme (NAHP) and the launch of our new Affordable Homes Programme (AHP). In 2011-12 the HCA delivered 51,665 affordable housing completions, a small decrease (7.5%) on 2010/11, but significantly exceeding their target of 35,000. The number of starts on site in the second half of the year has been very encouraging and the numbers are consistent with expectations to deliver the 80,000 completions anticipated through the AHP.

- The total number of house building starts and completions indicators show that house building performance has been broadly steady between 2010-11 and 2011-12.
- The average New Homes Bonus grant payable per dwelling per year has risen moderately in 2011-12 compared to 2010-11 (5% in England) driven by the affordable homes premium.
- The energy efficiency of new build housing (average Standard Assessment Procedure energy rating score) has fallen slightly to 79.6 from 81.3. Since the time series began in 2008, the vast majority of private sector homes will have been built to the 2006 Building Regulations standard. However, affordable homes supported by the HCA have been built to a higher standard (what is now the 2010 Building Regulations standard). It is possible therefore that the reduction in affordable housing completions (see above) in proportion to the private sector may have decreased the SAP average. Over the next year, we can expect to see the impact of the higher standards of the 2010 Building Regulations start to have an effect as new home homes built to those standards are completed.
- There were 50,510 households in temporary accommodation on 31 March 2012 (seasonally adjusted), compared with 48,310 at the same date last year. Whilst this represents a rise of 5 per cent in the number of households in temporary accommodation over the year, the figure represents a 50 per cent decrease from the peak quarterly figure in 2004.
- The number of planning applications granted as a percentage of all applications for major and minor schemes in the October to December quarter 2011 has shown a small increase compared with the corresponding quarter in 2010.
- The quarterly fire-related casualties (per 100,000 population) figures show little change year-on-year compared with 2010-11.

3.8 The following tables provide data on the Structural Reform Plan for 2011-12 and 2010-11.

Results

Input Indicators	2011-12	2010-11
1. Affordable Rent payment per dwelling by the HCA [a]	N/A	- [j]
2. Percentage of local authority revenue expenditure funded by central government grants, broken down by class of authority [b]		
England	N/A	76.0%
i) London boroughs	N/A	80.8%
ii) Metropolitan districts	N/A	81.1%
iii) Unitary authorities	N/A	75.2%
iv) Shire counties	N/A	70.8%
v) Shire districts	N/A	57.9%
vi) Greater London Authority	N/A	85.2%
vii) (a) Other authorities - fire authorities	N/A	55.2%
vii) (b) Other authorities - excluding fire authorities & GLA	N/A	76.5%
3. Expenditure per head on the Fire and Rescue Service [b]	N/A	£41.44
4. Average New Homes Bonus grant payable per dwelling per year to different classes of authority [c]		
England	£1,400	£1,334
i) Shire areas	£1,427	£1,351
ii) Metropolitan areas	£1,269	£1,223
iii) London	£1,528	£1,452
5. Formula Grant per head as a percentage of England average [d]		
i) Inner London boroughs and City	188.7%	187.5%
ii) Outer London boroughs	97.8%	99.1%
iii) London (including City)	131.0%	131.8%
iv) GLA - fire	7.8%	8.3%
v) Metropolitan districts	127.0%	127.9%
vi) Joint fire authorities (metropolitan districts)	6.5%	7.3%
vii) Unitary authorities (act as fire authorities)	100.6%	99.4%
viii) Unitary authorities (do not act as fire authorities)	92.2%	91.7%
ix) Shire counties (act as fire authorities)	67.7%	67.3%
x) Shire counties (do not act as fire authorities)	66.1%	64.7%
areas)	4.5%	4.8%

(for notes, see next page)

Impact Indicators	**2011-12**	**2010-11**
1. Total number of housing starts and completions, seasonally- adjusted (as a leading indicator of net additions)		
Starts: total for year (e)	104,970	112,060
Completions: total for year (e)	117,870	111,250
2. Number of net additions to the housing stock(f)	N/A	121,200
3. Number of affordable housing starts and completions delivered through the Homes and Communities Agency		
Starts: total for year	15,698	49,363
Completions: total for year	51,665	55,860
4. Energy efficiency of new build housing (average Standard Assessment Procedure energy rating score)		
Weighted annual mean of published quarterly average scores (g)	79.6	81.28
5. Households in temporary accommodation, seasonally-adjusted *		
Total for year	50,510	48,310
6. Fire-related casualties (h) *		
1 April to 30 June	3.8	3.6
1 July to 30 September	3.6	3.5
1 October to 31 December	N/A	4.2
1 January to 31 March	N/A	3.7
Average for year	N/A	3.7
7. Decentralisation of central government funding through percentage of un-ring fenced grants(b)	N/A	92.2%
8. The number of planning applications granted as a percentage of all applications for major and minor schemes(i)		
1 April to 30 June	83.6%	82.6%
1 July to 30 September	83.6%	82.5%
1 October to 31 December	83.8%	83.3%
1 January to 31 March	N/A	82.5%
Average for year	N/A	83.6%

Structural Reform Plan Actions	2011-12	2010-11
Total number of actions completed during the year	166	81
Total number of actions overdue at the end of the year	1	17
Number of overdue actions that are attributable to external factors	0	0
Total number of actions ongoing	30	46

Notes: Full technical details for each indicator, and contextual information on the indicators, can be found in the Indicator Measurement Annex A and at: http://www.communities.gov.uk/corporate/about/howwework/corporatereports/businessplans/

* Provisional Figures

N/A = not available at the time of publication (but see footnotes for publication dates)

(a) Data not available until Q2 2012-13.

(b) Outturn figures for 2011-12 will be published in August 2012.

(c) Figures reported for 2011-12 relate to payments made in April 2012 but relate to new homes in 2011-12.

(d) Excluding police funding. City of London non-police figures have been estimated for 2010-11.

(e) The annual total is not necessarily equal to the sum of the seasonally-adjusted figures for each quarter, as published in the Quarterly Data Summary (QDS).

(f) Figures for 2011-12 will be published in autumn 2012 – see http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/stockincludingvacants/housingstockpublications/ .

(g) The annual figures have not been calculated using the underlying data and so are not precise averages but they are nevertheless fit for purpose. A weighted average has been calculated using the number of seasonally adjusted housing completions in each quarter.

(h) Provisional data for last two quarters 2011-12 are published In July 2012: http://www.communities.gov.uk/fire/researchandstatistics/firestatistics/firestatisticsmonitors/ .

(i) Figures for the last two quarters 2011-12 will be published in late June 2012: http://www.communities.gov.uk/planningandbuilding/planningbuilding/planningstatistics/statisticsplanning/ .

(j) Not available because the Affordable Rent scheme did not exist before 2011.

3.9 Full technical details for each indicator, and contextual information on the indicators, can be found in the Indicator Measurement Annex A and at: http://www.communities.gov.uk/corporate/about/howwework/corporatereports/businessplans/

3.10 The following tables provide data on the items included in the Quarterly Data Summary which is published four times a year by the Department. Latest versions of these tables can be downloaded from http://www.communities.gov.uk/corporate/publications/corporate-reports/ together with the Indicator Measurement Annex for these tables.

Spend Indicators

Budget		DCLG Communities 2011-12	DCLG Communities 2010-11	DCLG Local Government 2011-12	DCLG Local Government 2010-11
Total Departmental Expenditure Limit (DEL)		5,642,328	9,915,408	26,549,931	28,797,909
	of which Resource DEL	1,821,401	3,845,324	26,557,648	25,865,615
Up to top 5 contributory elements	A: New Homes Bonus / NNDR Payments	81,145	-	19,000,000	21,500,000
	B: Regional growth fund / Revenue Support Grant	234,260	-	5,905,455	3,167,008
	C: local support services grant / Council Tax freeze	190,531	2,165,807	1,327,222	-
	D: Homes & Community Agency / Valuation Office	60,373	82,050	152,000	150,196
	E: Fire Future Controls	56,586	70,194	-	-
Purchase of goods and services within Resource DEL		273,474	349,524	172,671	156,150
Payroll within Resource DEL		250,402	386,594	15,200	21,944
Grants within Resource DEL		1,048,248	2,483,895	26,366,794	25,694,001
of which Capital DEL		3,820,921	6,458,741	(7,716)	-66,793
Up to top 5 contributory elements	A: HCA Affordable Housing Programme	1,621,646	2,887,710	-	-
	B: Decent Homes (LAs)	300,000	622,191	-	-
	C: HCA: Property and Regeneration	453,083	-	-	-
	D: Disabled Facilities Grant	180,007	168,802	-	-
	E: Decent Homes Gap Funding	194,247	133,675	-	-
Total Annually Managed Expenditure (AME)		(197,287)	594,611	732,307	1,292,624
Up to top 5 contributory elements	A: Overhanging Debt Repayment / NNDR outturn	152,824	842,973	744,304	1,110,845
	B: Fire Superannuation	315,776	383,844	-	-
	C: HRAS Housing Revenue Account Subsidy	(704,179)	(581,662)	-	-
	D: HCA: Affordable Homes Programme	64,255	-	-	-
	E: HCA: Property & Regeneration	60,579	-	-	-

Financial Indicators

	2011-12	2010-11
Accuracy of Cash Forecasting (+/- %)	2.01	5.70
Working Capital Forecast (% variance of Actual v Forecast)	N/A(1)	N/A(1)
Net Book Value (% variance of Actual v Forecast)	N/A(1)	N/A(1)

Note 1: The Department does not forecast working capital or net book value

Common Areas of Spend

		2011-12	2010-11
Estate Costs	Total office estate (m^2)	17,783	26,667
	Total cost of office estate (£m)	21.8	20.5
	Cost per FTE (£) [(1)]	13,018	7,929
	Cost per m^2 (£)	1,113	767
Procurement	Total Procurement Spend (£m)	253.3	310.3
	Price of standard box of A4 white copier paper (£/2500 sheets)	11.34	9.18
	Average price of energy (£/KWH)	0.07	0.07
IT	Total 3rd Party ICT Cost (£m)	51.0	68.4
	Cost of desktop provision per FTE (£)	2,445	2,270
Corporate Service Cost	Human Resources (£m)	3.9	4.5
	Finance (£m)	7.8	8.3
	Procurement (£m)	1.4	1.5
	Legal (£m)	6.2	8.4
	Communications (£m)	3.3	3.8
Fraud, Error, Debt	Total Identified Fraud (£m)	0.00	0.04
	Total known Errors (£m)	7.9	4.0
	Total Debt (£m)	242.8	369.7
	Debtor Days	6.8	11.8
Voluntary and community sector (VCS)/ Small and medium enterprises (SME)	Procurement spend with SME (£m)	49.5	24.4
	Procurement spend with VCS (£m)	1.4	5.6
	Grants to VCS (£m)	50.4	104.7

Note 1 The cost of the DCLG estate per FTE and per metre squared has risen in 2011-12 due to cost increases outside of the Department's control and because of existing sub-tenancy agreements expiring. The cost per full time equivalent figures have also been impacted by the significant reduction in staff.

Major Projects

Major projects expected cost (top 5)	2011-12	Whole life cost
	£m	£m
Reform of the Audit Commission	12.1	53.1
ICT re-let	0.2	36.6
Housing Investment and Regulatory Reform Programme	16.7	25.5
PINS/IPC Integration Programme	1.4	8.1
Housing Revenue Account reform	0.8	1.9
Total (all major projects)	39.9	123.3

People			
Whole Department Family - Workforce Size		31 March 12	31 March 11
Payroll Staff	Department and Agency	2,422	3,474
	Non-departmental public bodies	1,175	1,542
	Department Family	3,597	5,016
	Average Staff Costs	£55,581	£52,018
Contingent Labour	Department and Agencies	53	37
	Non-departmental public bodies	23	23
	Department Family	76	60
Department and Agencies Only		Year ended 31 March 12	Year ended 31 March 11
Workforce Shape	Administrative Assistants and Administrative Officers	14%	15%
	Executive Officers	16%	16%
	Higher and Senior Executive Officers	35%	33%
	Grades 6 & 7	32%	31%
	Senior Civil Servants	4%	4%
	Part Time	16.6%	16.5%
Workforce Dynamics	Recruitment Exceptions	N/A	N/A
	Annual Turnover Rate	23.7%	13.0%
Workforce Diversity	Black and Minority Ethnic	20.2%	17.9%
	Women	48.2%	48.5%
	Disabled	6.3%	6.9%
Workforce Diversity (Senior Civil Servants only)	Black and Minority Ethnic	7.8%	8.0%
	Women	37.2%	39.8%
	Women (Top Management Posts)	27.3%	29.2%
	Disabled	3.9%	7.1%
Attendance (AWDL)	Actual	6.3%	6.8%
	Standardised	N/A	N/A
Department only; People Survey Metrics		2011 survey	2010 survey
Engagement Index		40%	53%
Theme scores	Leadership and Managing Change	26%	38%
	My Work	65%	74%
	My Line Manager	63%	66%
	Organisational Objectives & Purpose	57%	70%

Note: Entries with N/A are where data is not yet available. This will be published in Q1 12-13 QDS

4 Other Information

Personal Data Related Incidents

4.1 The Department, its Agency and NDPBs manage a range of data which relates to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals. Procedures and processes are in place to protect information and data and to ensure it is only used for the purposes for which it was collected. The recommendations of the Data Handling Review have been implemented and a coordinated approach to compliance adopted across the Group.

4.2 The Department had no significant Personal Data Related Incidents to report in 2011-12. The following table summarises minor Personal Data Related Incidents in the year.

Table 1: Summary of Other Protected Personal Data Related Incidents in 2011-12

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other(*)	1

Note * relates to an incident involving the transmission of personal data to an insecure internet address.

Complaints to the Parliamentary Ombudsman

4.3 There have been no cases against the Department accepted for investigation by the Parliamentary Ombudsman. Consequently there have been no investigations reported nor recommendations made.

Performance in responding to correspondence from the public

4.4 In 2011-12 the Department received 16,509 pieces of correspondence from members of the public and external organisations[4]. Of these 9,604 (58%) were answered within fifteen working days.

[4] These figures exclude correspondence from Members of Parliament and Peers, details of which are reported separately to Parliament on an annual basis. The latest Written Ministerial Statement on departmental performance can be found at:
http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120315/wmstext/120315m0001.htm#12031546000003

5 Introduction to the accounts

5.1 The Report and Accounts present the consolidated results for the financial year 2011-12 of the following principal entities: the Department for Communities and Local Government – the core department – its Executive Agency, the Planning Inspectorate (PINS), 11 non-Departmental Public Bodies (NDPBs) and one other body (The Commission for Local Administration). Note 36 to these Accounts provides a full list of public bodies sponsored by the Department and identifies those that make up the Departmental Group.

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

5.3 The Department produces a number of performance reports during the year and these can be found on the corporate publications section of the Department's website: http://www.communities.gov.uk/corporate/publications/corporate-reports

5.4 PINS and all other bodies included in this consolidation publish separate Annual Reports and Accounts which are available on their website. Relevant links are included against each body at Note 36.

6 Management Commentary

Financial Organisation of the Department

6.1 The Department operates a system of delegated resource management responsibilities for programme and administrative expenditure, the aim being to give managers as much discretion as possible to make the most effective use of resources while still securing propriety, regularity and best value for money. Senior managers are held accountable through a requirement to report periodically on the discharge of their management responsibilities and control of resources entrusted to them. These arrangements are set out in the Department's Governance Statement, which can be found in section 10.

6.2 In 2011-12, the Department strengthened these controls and expanded the principles to include its Arms Length Bodies, in particular in relation to the new Administration budget controls.

6.3 The Department has a number of management systems in place designed to ensure that objectives are met efficiently and effectively. The business planning process allows Ministers and the Board to review and agree key priorities and how these should be delivered in the context of the Department's objectives and budgets.

6.4 The HM Treasury led Clear Line of Sight project is aligning budgets, estimates and accounting definitions. From 2011-12, accounts of the Department's Non Departmental Public bodies have been consolidated with the Department's accounts and the tables have been prepared on this consolidated basis.

The Future

6.5 The Department's core budget (the Communities DEL) over the current Spending Review period is now £18.3bn, of which £7.0bn is resource and £11.3bn is capital. These totals have increased from £16.2bn at the beginning of 2011-12 (£6.7bn resource and £9.5bn capital) as a result of additional funding being provided to support troubled families, the Growing Places Fund, the Regional Growth Fund and other new or expanded programmes. Further details of changes to budgets are provided at paragraph 6.8 to 6.16 below. As part of the settlement, the Department transferred £6.7bn over the Spending Review period into Formula Grant.

6.6 The Department is also responsible for the Local Government resource budget (LG DEL) and the settlement over the Spending Review period is a real-terms decrease of 28 per cent. When grants from other departments are included, the overall reduction in revenue grants will be 26 per cent in real terms. Local authorities also receive income from other sources, such as council tax. Through a transition grant from Communities DEL, the Department has ensured that no council's overall spending power has been reduced by more than 8.8 per cent in either 2011-12 or 2012-13.

6.7 The expenditure plans in Tables 1a and 1b represent the Department's position following Budget 2012. As noted above, both capital and resource budgets have increased since the 2010-11 accounts.

Key budget changes for 2011-12 and future years

6.8 In December 2011 the Government announced a £465m fund to support Troubled Families to reduce the burden they place on public services over the Spending Review 2010 (SR10) period. The Department has received an additional £227m from other Departments in the Supplementary Estimate and provided £150m from its own resources. The remaining element will be funded by other Departments.

6.9 The Department was also awarded funding for two new economic growth programmes during 2011-12. Treasury provided the Department with an additional £570m capital to support the Get Britain Building programme, which aims to encourage the development of stalled housing sites and £42m towards Empty Homes. Government funded the £730m Growing Places Fund in 2011-12 to stimulate housing growth through investment in infrastructure. £510m of this funding was paid out by the Department, including contributions of £375m from the Department for Transport and Treasury.

6.10 Initial funding for the Regional Growth Fund is now centralised within DCLG DEL. The Department for Transport and the Department for Environment, Food and Rural Affairs have transferred £245m resource and £265m capital to DCLG DEL. Following Budget 2012, an additional £1bn has been provided by the Treasury for the Regional Growth Fund, which has been split at the 2012-13 Main Estimate between DCLG and BIS DELs. The Department has received £500m capital.

6.11 Treasury also provided LG DEL with an additional £675m in 2011-12 towards the Council Tax Freeze.

6.12 The 2011-12 Supplementary Estimate, also reflected a number of Machinery of Government changes and transfer to other departments and DELs. £13m resource was transferred to Local Government DEL in relation to the Riots Recovery Scheme and High Street Support Scheme and £30m was transferred to Treasury to cover borrowing in relation to the Local Authority Social Housing Programme.

6.13 Machinery of Government changes included the transfer of the Residential Property Tribunal Service to the Ministry of Justice, while the Ordnance Survey Trading Fund was transferred to BIS in order to help prepare the ground for the establishment of a Public Data Corporation. Following the closure of the Regional Development Agencies, BIS transferred their land and property assets to the Homes and Communities Agency.

6.14 The Department used the new Budget Exchange mechanism to transfer some unspent funding from 2011-12 into 2012-13 - £20m resource and £69m capital on Communities DEL and £45m resource on Local Government DEL.

6.15 In line with the Housing Revenue Account Self-financing deal, which completed in March, £462m of AME costs were transferred into Communities DEL for council housing PFI projects. A further £30m was transferred from AME to Communities DEL to cover a change in the treatment of foreign exchange rate gains and losses on ERDF.

6.16 £15m from Communities Administration DEL and £737m from Local Government DEL was returned to the Treasury to contribute towards public sector pay restraint.

Table 1a: Past, current and future departmental resource spending

£'000

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 plan	2013-14 plan	2014-15 plan
Spending in DEL - DCLG Communities							
Voted expenditure							
Of which:							
A: Localism	967,803	1,013,667	2,433,954	669,921	347,525	307,621	300,440
B: Neighbourhoods	1,932,603	2,038,148	202,255	346,829	643,312	502,998	505,756
C: Local Economies, Regeneration & European Programmes	605,166	480,040	618,851	319,857	200,472	426,502	8,877
D: Troubled Families	-	-	-	10,377	103,000	128,000	129,000
E: Research, Data and Trading Funds	21,781	34,226	4,169	34,404	43,414	61,951	61,332
F: DCLG Staff, Building and Infrastructure Costs	317,920	290,137	308,793	209,410	241,446	226,096	201,805
G: Departmental Unallocated Provision	-	-	-	-	59,138	224,497	62,270
H: Neighbourhoods (NDPB)(net)	243,613	271,672	199,232	119,262	157,633	114,496	102,142
I: Local Economies, Regeneration & European Programmes (NDPB) (net)	33,325	202,410	76,853	110,377	1,874	(6,287)	431
Localism (NDPB) (net)	7,812	3,546	1,217	964	-	-	-
Total Spending in DEL - DCLG Communities	4,130,023	4,333,846	3,845,324	1,821,401	1,797,814	1,985,874	1,372,053
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
J: Revenue Support Grant	2,909,446	4,547,431	3,167,008	5,905,455	477,407	22,943,143	21,347,266
K: Non-Domestic Rates Payments	20,500,000	19,500,000	21,500,000	19,000,000	23,119,000	-	-
L: London Governance	46,432	46,472	46,540	63,423	55,313	46,173	44,430
M: Other grants and payments	1,009,187	1,227,682	980,458	1,383,277	170,687	770,982	769,115
N: Valuation Services	166,000	163,800	150,196	152,000	149,000	154,000	150,000
O: Audit Commission and Disbanding	1,315	1,322	517	12,080	24,993	-	-
P: Local Government (NDPB)(net)	18,495	30,020	20,896	41,413	22,759	24,569	22,459
Total Spending in DEL - DCLG Local Govt	24,650,875	25,516,727	25,865,615	26,557,648	24,019,159	23,938,867	22,333,270
Total Resource DEL	28,780,898	29,850,573	29,710,939	28,379,049	25,816,973	25,924,741	23,705,323

Table 1a: Past, current and future departmental resource spending (continued)

£'000

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 plan	2013-14 plan	2014-15 plan
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
Of which:							
Q: Localism	251,603	260,268	383,803	315,743	345,303	382,873	396,311
R: Neighbourhoods	(228,680)	(86,530)	(581,415)	(703,440)	(843,542)	(1,172,839)	(1,339,164)
S: Local Economies, Regeneration & European Programmes	94	35,401	-	-	1	-	-
T: Research, Data and Trading Funds	3,212	31,190	(71,450)	(61,446)	4,000	-	-
U: DCLG Staff, Building and Infrastructure Costs	12,968	(10,869)	20,701	(20,329)	(6,585)	(5,814)	(4,544)
V: Non-Domestic Rates Outturn adjustments	661,327	283,895	1,110,845	741,929	300,000	300,000	300,000
W: Local Government (NDPB) (net)	-	-	38	(9,616)	1	-	-
X: Neighbourhoods (NDPB)	-	-	11,068	64,190	45,362	45,000	45,000
Y: Local Economies, Regeneration & European Programmes (NDPB) (net)	574,079	25,885	170,673	55,165	50,000	25,000	12,000
Total Resource AME	1,274,603	539,240	1,044,263	382,196	(105,460)	(425,780)	(590,397)
Total Resource	30,055,501	30,389,813	30,755,202	28,761,245	25,711,513	25,498,961	23,114,926

Table 1b: Past, current and future departmental capital spending

£'000

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 plan	2013-14 plan	2014-15 plan
Spending in DEL - DCLG Communities							
Voted expenditure							
Of which:							
A: Localism	317,123	251,245	92,288	148,879	953,253	776,974	810,409
B: Neighbourhoods	1,671,759	1,779,660	1,565,450	922,582	193,484	183,607	130,610
C: Local Economies, Regeneration & European Programmes	1,353,714	1,254,515	336,000	688,313	386,375	178,150	353,725
F: DCLG Staff, Building and Infrastructure Costs	9,891	19,342	3,117	1,329	10,000	10,000	10,000
G: Departmental Unallocated Provision	-	-	-	-	101,784	86,238	63,714
H: Neighbourhoods (NDPB)(net)	3,413,400	4,957,408	3,561,378	1,836,730	1,245,965	1,060,141	906,802
I: Local Economies, Regeneration & European Programmes (NDPB) (net)	400,958	728,856	498,169	223,094	103,994	(82,140)	(13,866)
E: Research, Data and Trading Funds	-	-	(1,418)	-	-	-	-
Total Spending in DEL - DCLG Communities	7,166,845	8,991,026	6,054,984	3,820,927	2,994,855	2,212,970	2,261,394
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
Localism (NDPB) (net)	317	1,382	15,100	-	-	-	-
L: London Governance	1,600	1,600	1,600	-	-	-	-
M: Other grants and payments	119,992	256,737	(69,109)	(7,846)	-	-	-
P: Local Government (NDPB) (net)	484	2,017	(197)	129	-	-	-
Total Spending in DEL - DCLG Local Govt	122,393	261,736	(52,606)	(7,717)	-	-	-
Total Capital DEL	7,289,238	9,252,762	6,002,378	3,813,210	2,994,855	2,212,970	2,261,394

Table 1b: Past, current and future departmental capital spending (continued)

£'000

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 plan	2013-14 plan	2014-15 plan
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
Neighbourhoods	516,448	170,736	842,972	152,824	946,000	658,000	658,000
Total Spending in AME	516,448	170,736	842,972	152,824	658,000	658,000	658,000
Total Capital	7,748,005	9,365,817	6,845,350	3,966,034	2,951,000	2,472,000	2,619,000

Table 2: Administration budgets

£'000

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
E: DCLG Staff, Building & Infrastructure Costs	305,455	276,944	252,221	194,124	235,196	220,096	195,805
G: Neighbourhoods (NDPB) (net)	173,667	190,381	153,814	117,521	152,563	113,423	101,067
H: Local Economies, Regeneration & European Programmes (NDPB) (net)	13,412	13,548	12,480	26,370	5,620	-	-
Localism (NDPB) (net)	7,812	3,548	1,118	964	-	-	-
Total administration expenditure	500,346	484,421	419,633	338,979	393,379	333,519	296,872

6.17 The administration costs regime has been reformed to capture the costs of policy, funding and regulation more accurately.

6.18 The Spending Review resulted in the allocation of a Single Administration Budget to cover administration expenditure in Arm's Length Bodies, the core Department and the initial costs arising from the closure of the Government Office Network. The Single Administration Budget allocated for 2014-15 is a third lower in real terms than the 2010-11 baseline. The Department has started its delivery of this challenging target by adopting a number of measures including:

- a phased programme of staff reductions, controlled carefully to avoid an adverse impact on operational delivery combined with close scrutiny of all proposals for the use of consultants and temporary staff to ensure they are unavoidable
- delivery of back office savings, including shared service initiatives both within the group and with other government organisations.

6.19 The Department has an established quarterly review process. Arrangements have been made to include Arm's Length Bodies in the process, thereby enabling them to give up budgets which are not needed so that those funds can be used elsewhere in the group or for other bodies to seek additional funding when new pressures have arisen.

Capital

6.20 Table 3 below provides detail of the capital employed by the Department.

Table 3: Capital employed

£'000

Assets and liabilities in the Statement of Financial Position at year end:	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Assets							
Non-Current Assets (>1 year)							
Intangible Assets	69,345	79,936	24,734	16,832	10,404	8,797	6,275
Property, plant and equipment	69,263	71,945	118,661	109,004	101,022	94,122	86,481
of which							
Land and Buildings	10,531	12,808	73,992	79,640	75,973	71,853	67,221
Plant and machinery	8,287	9,349	7,893	4,587	3,057	2,641	2,489
Vehicles	26,666	24,171	21,674	11,176			
Information technology	4,262	7,136	4,572	3,366	9,247	9,273	8,008
Payments on account and assets under construction	16,919	13,952	6,698	7,617	10,956	9,133	7,928
Other	2,599	4,527	3,832	2,618	1,789	1,222	835
Investment Property	-	-	28,806	28,511	29,281	30,013	30,763
Financial assets: investments	66,420	69,791	32,767	31,348	32,194	32,999	33,824
Trade and other receivables	125,551	170,334	174,328	14,346	14,562	14,783	15,009
Current Assets (<1 year)	678,931	711,507	762,968	826,673	719,541	700,094	663,631
Liabilities							
Current liabilities (<1 year)	(1,040,014)	(1,157,656)	(1,218,131)	(1,798,683)	(1,394,887)	(1,357,188)	(1,286,501)
Provisions (<1 year)	(92,997)	(121,941)	(57,530)	(10,061)	(8,120)	(6,881)	(5,810)
Non-current liabilities (>1 year)	(503,495)	(194,997)	(297,636)	(301,928)	(304,142)	(308,279)	(312,507)
Provisions	(62,401)	(29,341)	(29,713)	(22,079)	(20,070)	(14,623)	(10,235)
Capital employed within core Department and Agency	(689,395)	(400,422)	(460,746)	(1,106,037)	(820,215)	(806,162)	(779,068)
Non-Departmental Public Bodies' total assets less liabilities	1,002,448	1,225,960	1,867,509	1,720,134	2,276,993	2,426,987	2,299,760
Total capital employed in departmental group	313,053	825,538	1,406,763	614,097	1,456,778	1,620,825	1,520,692

Notes:

Capital employed is the funding required by an organisation to set it up and continue its existence. Capital consists of funding invested in the organisation (shareholders' equity in private sector organisations) and loans to the organisation (either directly as money lent or indirectly as credit allowed in business activity e.g. time allowed to pay invoices).

The capital employed by an organisation is reported in the Statement of Financial Position in its financial statements. The Statement of Financial Position lists the organisation's assets and its liabilities.

Assets can be "non-current assets" (providing benefit for more than one year after acquisition) or "current assets" providing benefit within one year of acquisition.

From 2009-10 the figures are based on International Financial Reporting Standards (IFRS) and International Generally Accepted Accounting Practice (IGAAP). 2007-08 and 2008-09 are restated in IFRS/IGAAP.

Investments are assets that represent funding provided to other organisations as equity (e.g. public dividend capital) or as loans.

Liabilities show payment owed by the Department to third parties. Liabilities are analysed between those having to be paid within one year, and those for which payment will be after one year.

Capital employed for entities joining or leaving the department under Machinery of Government changes is not included until the year in which the change takes place.

Investment and Funding

6.21 The Department is 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 Department then drew down funds in year from the Consolidated Fund as required.

6.22 Tables 4a to 4e on pages 41 – 45 of this Report and the Statement of Parliamentary Supply, on Page 101 of the Accounts, show outturn figures against Estimates.

6.23 The Consolidated Statement of Cash Flows on Pages 104 & 105, analyses the net cash flow from operating activities, identifies cash spent by the Department on capital expenditure and investment and shows the funding that the Department drew down from the Consolidated Fund in order to finance its activities during the year.

Table 4a: 2011-12 Resource outturn against budget

£'000

	2011-12			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
Localism	413,558	568,449	669,921	(101,472)
Neighbourhoods	305,237	353,640	346,829	6,811
Local Economies, Regeneration & European Programmes	354,696	415,455	319,857	95,598
Troubled Families	-	16,524	10,377	6,147
Research, Data and Trading Funds	76,593	63,762	34,404	29,358
DCLG Staff, Building and Infrastructure Costs	525,849	262,473	209,410	53,063
Departmental unallocated provision	106,824	-	-	-
Localism (NDPB)(net)	1,566	1,718	964	754
Neighbourhoods (NDPB)(net)	33,060	181,235	119,262	61,973
Local Economies, Regeneration & European Programmes (NDPB) (net)	236,894	86,915	110,377	(23,462)
Total Spending in DEL - DCLG Communities	2,054,277	1,950,171	1,821,401	128,770
Spending in DEL - DCLG Local Govt				
Voted expenditure				
Revenue Support Grant	5,905,455	5,905,455	5,905,455	-
Non-Domestic Rates Payments	19,000,000	19,000,000	19,000,000	-
London Governance	63,419	63,419	63,423	(4)
Other grants and payments	779,759	1,466,038	1,383,277	82,761
Valuation Services	152,000	152,000	152,000	-
Audit Commission and Disbanding	56,100	20,090	12,080	8,010
Local Government (NDPB)(net)	44,739	44,689	41,413	3,276
Total Spending in DEL - DCLG Local Govt	26,001,472	26,651,691	26,557,648	94,043
Total Spending in DEL	28,055,749	28,601,862	28,379,049	222,813
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
Localism	323,091	323,091	315,743	7,348
Neighbourhoods	(642,156)	(630,172)	(703,440)	73,268
Local Economies, Regeneration & European Programmes	-	-	-	-
Research, Data and Trading Funds	-	(30,000)	(61,446)	31,446
DCLG Staff, Building and Infrastructure Costs	-	(20,000)	(20,329)	329
Non-Domestic Rates Outturn adjustments	300,000	750,000	741,929	8,071
Localism (NDPB)	-	1	-	1
Local Government (NDPB)(net)	-	-	(9,616)	9,616
Neighbourhoods (NDPB)	35,503	23,419	64,190	(40,771)
Local Economies, Regeneration & European Programmes (NDPB) (net)	34,827	94,827	55,165	39,662
Total Spending in AME	51,265	511,166	382,196	128,970
Total for Estimate	28,107,014	29,113,028	28,761,245	351,783
Of which:				
Voted expenditure	26,687,987	29,113,028	28,761,245	351,783
Non-voted expenditure	-	-	-	-

Table 4b: 2011-12 Capital outturn against budget

£'000

	2011-12			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
Localism	115,400	249,149	148,879	100,270
Neighbourhoods	578,810	919,119	922,582	(3,463)
Local Economies, Regeneration & European Programmes	158,782	491,521	688,313	(196,792)
Troubled Families	-	-	-	-
Research, Data and Trading Funds	15,000	-	-	-
DCLG Staff, Building and Infrastructure Costs	10,000	4,441	1,329	3,112
Departmental unallocated provision	29,890	-	-	-
Localism (NDPB) (net)		-	-	-
Neighbourhoods (NDPB) (net)	2,126,000	1,870,320	1,836,730	33,590
Local Economies, Regeneration & European Programmes (NDPB) (net)	428,718	320,447	223,094	97,353
Total Spending in DEL - DCLG Communities	3,462,600	3,854,997	3,820,927	34,070
Spending in DEL - DCLG Local Govt				
Voted expenditure				
Other grants and payments	-	-	(7,846)	7,846
Local Government (NDPB) (net)	-	50	129	(79)
Total Spending in DEL - DCLG Local Govt	-	50	(7,717)	7,767
Total Spending in DEL	-	3,855,047	3,813,210	41,837
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
Neighbourhoods	658,000	370,000	152,824	217,176
Total Spending in AME	658,000	370,000	152,824	217,176
Total for Estimate	4,120,600	4,225,047	3,966,034	259,013
Of which:				
Voted expenditure	4,120,600	4,225,047	3,966,034	259,013
Non-voted expenditure	-	-	-	-

Note: In tables 4a and 4b 'original budget' = Estimates provision and 'final budget' = Supplementary Estimates provision, both recast to 2012-13 Estimates format.

6.24 The outturn shows the resources consumed by the Department. As well as the Resource Requirement in the departmental Estimates the Department also has a Resource Budget, which is split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

Table 4c: Reconciliation of Statement of Consolidated Net Expenditure to resource Estimate and budget

£'000

	2011-12 Plans	2011-12 Outturn
Gross Administration Costs	**406,063**	**359,455**
Less:		
Administration DEL (DCLG Communities) Income	(29,017)	(20,476)
Administration DEL (DCLG Local Govt) Income	-	-
Net Administration Costs	**377,046**	**338,979**
Gross Programme Costs	**41,631,199**	**40,667,407**
Less:		
Programme DEL (DCLG Communities) Income	(570,249)	(569,527)
Programme DEL (DCLG Local Govt) Income	(1,373)	(6,840)
Programme AME Income	(8,252,057)	(8,021,067)
Non-budget income	(6,404,300)	(6,479,415)
Net Programme Costs	**26,780,466**	**25,590,558**
Total Net Operating Costs	**27,157,152**	**25,929,537**
Of which:		
Resource DEL (DCLG Communities)	1,949,522	1,482,422
Resource DEL (DCLG Local Govt)	26,651,691	26,557,648
Capital DEL (DCLG Communities)	3,715,145	3,502,729
Capital DEL (DCLG Local Govt)	-	(7,846)
Resource AME	498,408	382,196
Capital AME	370,000	152,824
Non-budget	(6,404,300)	(6,479,415)
Adjustments to include:		
Departmental Unallocated Provision (resource)	-	-
OCS	-	-
Adjustments to remove:		
Capital in the SoCNE	(3,980,845)	(3,647,707)
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	6,404,300	6,479,415
Other adjustments	(90,893)	-
Total Resource Budget	**29,113,028**	**28,761,245**
Of which:		
Resource DEL (DCLG Communities)	1,950,171	1,821,401
Resource DEL (DCLG Local Govt)	26,651,691	26,557,648
Resource AME	511,166	382,196
Adjustments to remove:		
Consolidated Fund Extra Receipts in the resource budget	-	-
Total Resource (Estimate)	**29,113,028**	**28,761,245**

Table 4d: Reconciliation of net resource requirement to net cash requirement

£'000

	2011-12 Final budget	2011-12 Outturn
Net Resource Requirement	**29,113,028**	**28,761,245**
Net Capital Requirement	**4,225,047**	**3,966,034**
Accruals to cash adjustments	**25,574**	**(1,289,070)**
of which		
Adjustments to remove non-cash items		
Depreciation	(34,734)	(21,399)
New provisions and adjustments to previous	49,683	35,662
Departmental Unallocated Provision	-	-
Supported capital expenditure (revenue)	-	(290,809)
Prior period adjustments	-	-
Other non-cash items	(20,000)	13,760
Adjustment for NDPBs		
Remove voted resource and capital	(2,607,528)	(2,431,919)
Add cash grant in aid	2,639,153	2,270,765
Adjustments to reflect movements in working balances		
Increase (+)/ decrease (-) in inventories	-	66,792
Increase (+)/ decrease (-) in receivables	(1,000)	(365,600)
Increase (-)/ decrease (+) in payables	-	(585,763)
Use of provisions	-	19,441
Removal of non-voted budget items		
of which		
Consolidated Fund Standing Services	-	-
Other adjustments	-	-
Net Cash Requirement	**33,363,649**	**31,438,209**

Table 4e: Reconciliation of resource expenditure between Estimates, accounts and budgets

£'000

	2011-12 Outturn	2010-11 Outturn
Net Resource Outturn	**28,761,245**	**30,755,202**
Adjustments to remove non-budget elements:		
Prior period adjustments	-	-
Adjustments include		
Consolidated Fund Extra Receipts in the budget but not in the OCS	-	-
Total Resource Budget Outturn	**28,761,245**	**30,755,202**
of which		
Departmental Expenditure Limits (DEL)	28,379,049	29,710,939
Annually Managed Expenditure (AME)	382,196	1,044,263
Adjustments include:		
Capital grants	3,647,707	6,061,870
Consolidated Fund Extra Receipts in the SoCNE	(6,479,415)	(118,478)
Grant in aid to NDPBs	-	1,423
Total Net Operating Costs	**25,929,537**	**36,700,017**

2011-12 Variances of outturn against Estimate

6.25 Variance explanations are provided below where the comparison of outturn against Estimate has shown an overspend or an underspend of more than £0.5m and 10 per cent of the Estimate.

Table 4f: Subhead variance against Estimate – resource

Subhead Variance	Explanation
Line A Localism: overspend of £95.575m	There was a £143.4m increase in resource spend on the London Settlement which arose from changes post Supplementary Estimate to the final quantum of the settlement and the need to adjust the resource / capital split on the Regional Growth Fund (RGF), see Line C. A £17.8m underspend on the Communities budget arising after the Supplementary Estimate from funding to support the introduction of measures in the Localism Act on community rights and a number of initiatives related to Decentralisation and the Big Society. A £6.1m underspend on the Troubled Families programme which is a new programme run primarily on a payment-by-results basis. A £17.6m underspend on Fire Programmes because spend was held back after the Supplementary Estimate to cover potential asset revaluations and some emerging new pressures, including managing the profile of the Resilience and Efficiency grant. The remaining difference is due to a number of small under-spends against a collection of minor Programmes.

Subhead Variance	Explanation
Line C Local Economies, Regeneration & European Programmes: underspend of £123.219m.	The Regional Growth Fund secretariat informed the Department after the Supplementary Estimate process was complete that the resource / capital split for the budget did not match likely expenditure (-£134m / +£134m). To resolve this DCLG brought forward projects from future years and agreed with local authorities, including the GLA and Fire and Rescue Authorities, exchanges of resource for capital for scheduled payments to manage this. The remaining difference is mainly due to a credit back from the European Union under the ERDF programme post Supplementary Estimate.
Line D Research, Data & Trading Funds: underspend of £1.737m	An underspend of £1.7m against research and communication planned spending post Supplementary Estimate.
Line E Staff, Building and Infrastructure Costs: underspend of £53.063m	The main part of this underspend (£36m) arose because the restructuring process in DCLG progressed faster than had been initially expected, resulting in a significant number of voluntary departures accruing in 2010-11. Other savings of about £13m arose from the Department's drive to make savings on non pay costs and reduce the reliance on external support services. There was also an underspend on depreciation (£4m).
Line F Localism (NDPB) (net): underspend of £0.754m	This underspend arose because closure costs relating to FiRebuy came in under provision.
Line G Neighbourhoods (NDPB) (net): underspend of £58.980m	This variance arose because of a underspend by the Homes and Community Agency and Tenant Services Authority arising because of lower than expected restructuring costs and reclassification of restructuring expenditure post Supplementary Estimate from Line G to Line H.
Line H Local Economies, Regeneration & European Programmes: overspend of £23.462m	The overspend mainly relations to £23m of restructuring costs for the Homes and Communities agency, budgeted for under Line G above.
Line N Audit Commission Disbanding: underspend of £8.009m	Most of the 2011-12 AC disbanding budget was transferred into 2012-13 as part of the Budget Exchange process. £8m was held to provide against possible AC disbanding costs in 2011-12 and as a contingency which in the event was not required.
Line R Local Economies, Regeneration & European Programmes: over-recovery of £31.438m	Late favourable movement in the Euro / Sterling exchange rate resulted in ERDF unrealised foreign exchange gains that were higher than expected.
Line V Neighbourhoods (NDPB): overspend of £28.350m	HCA pension provision actuarial costs, which are only assessed after year end, came in higher than expected.
Line W Local Economies, Regeneration & European Programmes: underspend of £39.662m	Underspend represents a reversal of a provision for the Homes and Communities Agency which arose post Supplementary Estimate.

Table 4g: Subhead variance against Estimate – capital

Subhead Variance	Explanation
Line A Localism: underspend	Underspends of £48.3m on Fire Programmes and £56.5m London Settlement. The reduction in capital was to help manage the resource / capital split on the

Subhead Variance	Explanation
of £100.270m	Regional Growth Fund (RGF), see Line C. The remainder of the difference is due to a number of small over spends against a collection of programmes.
Line C Local Economies, Regeneration & European Programmes: overspend of £208.384m.	Overspend of £84.9m on Regional Development Agencies expenditure from April to June 2012 reclassified as DCLG expenditure following the transfer of responsibility for ERDF. An equivalent underspend is shown in Line H. Overspend of £123.4m on Regional Growth Fund (RGF). The RGF secretariat informed the Department after the Supplementary that the resource / capital split for the budget did not match likely expenditure. DCLG had to agree with local authorities exchanges of resource for capital for scheduled payments to manage this.
Line E Staff, Building and Infrastructure Costs: underspend of £3.112m	Budget retained after the Supplementary Estimate as a contingency against emerging pressures. Pressures did not materialise.
Line H Local Economies, Regeneration & European Programmes (NDPB) (net): underspend of £97.353m	Underspend of £84.9m on Regional Development Agencies – see Line C above. The remainder of the difference is due to a number of small variances against a collection of programmes.
Line M Other Grants & Payments: underspend of £7.846m	This relates to a 10-11 accrual for the former Local Government Reward Grant Scheme for possible legal challenge. This has now fallen away.
Line Q Neighbourhoods: underspend of £217.176m	Underspend of £217.1m on Overhanging Debt. DCLG pays the remaining overhanging housing debt for authorities transferring their council housing stock to Housing Associations. Some LA's were not able to complete before the end of March 2012.

6.26 The Department's Net Cash Requirement is the amount of cash needed to support the Department's activities. The Statement of Parliamentary Supply provides a reconciliation of the Estimate to the Net Cash Requirement and shows an overall variance of £1,925m (5.8 per cent) against the Estimate provision for the Net Cash Requirement of £33,363m (2010-11: £328m (0.9 per cent) against an Estimate of £39.5bn). Table 4d above provides more detail and variance explanations are provided below where the comparison of outturn against Estimate has resulted in a variance of the greater of £0.5m and 10 per cent of the Estimate.

Table 4h: Variance against net cash requirement Estimate

Variance	Explanation
Non-cash items: variance of £257.7m against the Estimate of £5.1m	This non-cash category includes a number of items which are difficult to forecast. Depreciation was lower than expected because of reduced holdings of assets. The main variances however arose because £300m of Supported Capital Expenditure was not included in this table in the Estimates and from the change in management of the 2007-13 ERDF Programme transferring transfer of the administration of the 2007-13 Programme to the Department. This resulted in a reduced advances balance of £187m which had not been included in Estimates.
Adjustment for NDPBs: variance of £161.2m against the Estimate of £31.6m	The voted expenditure removed was £175.6m less than in Estimates and the cash grant in aid added required to support net NDPB expenditure was £368.4m less than in Estimates. Therefore the variance arose because the removal of the

Variance	Explanation
	NDPB voted expenditure was smaller than the addition of grant in aid required to support this expenditure.
Adjustments to reflect movements in working balances; variance of £865.1m against the Estimate of £1m	These items report balances at the accounting date and are subject to significant daily variances depending on timing of cash payments and receipts. To reflect this uncertainty the Department includes a notional £1m in the Estimate. In the outturn there were net movements in inventories of £66.8m arising from the transfer of management of the 2007-13 ERDF Programme to the Department. The overall net movement in receivables and payables was £951.3m.

6.27 A National Statistical analysis of departmental expenditure by the countries within the UK and by English areas for the years to 2010-11 can be accessed via the Treasury website (http://www.hm-treasury.gov.uk/pespub_index.htm).

Significant Events since the End of the Financial Year

6.28 The Queen Elizabeth II Conference Centre is a departmental executive agency with trading fund status; it is not within the consolidation boundary. Ministers announced on 23 April 2012 that the Department would be undertaking pre-market engagement during this year to explore options for the future of the Queen Elizabeth II Conference Centre business. Following that, ministers would decide whether it should continue under existing arrangements, or be marketed to external providers as a going concern. The announcement also stated that the Department would retain the freehold of the building (see Note 34).

6.29 The Fire Service College is a departmental executive agency with trading fund status. On 10 April 2012, following a period of pre-market engagement, Ministers announced it was commencing the sale process for the Fire Service College and that it welcomed expressions of interest from potential bidders. This follows the Government's announcement in March 2012 that to secure the future of the College it intended to dispose of it as a going concern (see Note 34).

Payment Performance

6.30 From April 2010 the Department’s policy has been to pay all undisputed supplier invoices within 5 days of receipt, or within contractual terms if less, in line with the cross Whitehall policy and in line with the Confederation of British Industry’s "Prompt Payment Code”. Previously, it had been the Department’s policy to pay all undisputed supplier invoices within 10 days of receipt, or within contractual terms if less. The Department discloses the following information in accordance with Regulations SI 1997/571.

6.31 The combined 5 day prompt payment performance for the core Department and PINS was 82.14 per cent in 2011-12 against a target of 80 per cent. This represents 13,989 invoices being paid to target from a total of 17,030 invoices processed in 2011-12. Overall year on year performance improved compared to 2010-11 when the percentage of invoice payments made on time was 79.33 per cent (representing 24,700 invoices paid on time from a total of 31,135 invoices paid).

Payments to Charities

6.32 Section 70 of the Charities Act 2006 sets out a power for Ministers to give financial assistance to charitable, benevolent or philanthropic institutions and requires that payments made under this power are reported.

6.33 In the normal course of business, the Department provides financial assistance to a range of bodies which provide services in support of the Department's objectives. Organisations supported include charities and funding is mostly to community related bodies.

6.34 The following table sets out the financial assistance provided by the Secretary of State under this power for the year 2011-12, totalling £7.4m (2010-11, £71.2m).

Table 4f: Payments to Charities

£'000

Institution	Payments 2011-12	Purpose
BCC Local Enterprise Partnership Network		
British Chamber of Commerce (BCC)	68	To promote Local Enterprise Partnership Networks in deprived areas thereby engendering job creation and developing avenues for wealth creation and prosperity.
Big Society Vanguard		
Voluntary Action – Cumbria	20	To support community led projects in Eden Vanguard, they range from transport studies to renewable projects.
British Youth Council		
British Youth Council	25	The funding is to cover the cost of 3 young BYC volunteers working jointly with DCLG Barrier Busting officials and the Minister for Decentralisation Greg Clark MP, to address and explore young people's role in the Big Society and the barriers they may face to getting involved with their local communities.
Civic Voice Transitional Funding Grant		
Civic Voice	25	Transitional funding for Civic Voice was agreed as a form of seed funding to help the organisation develop and transition to a self sustaining model. The grant will help them to strengthen and develop their unique network of community groups, build confidence within the sector, raise awareness of and support the take up by communities of the new rights and opportunities provided by the Localism Act and the Big Society.
Cohesion & Faith Grant		
Al-Haqq Education Trust	2	These grants were to allow the organisations to take part in the National Inter Faith Week 2011. The events were held on 20 & 21 November 2011.
Al-Khoei Benevolent Foundation	1	
British Sikh Consultative Forum	1	

£'000

Institution	Payments 2011-12	Purpose
Christian Muslim Forum	2	
Churches Together in England	1	
Council of Christians and Jews	2	
Council of Dharmic Faiths	2	
Faith Based Regeneration Network UK	2	
FaithnetSouthwest	1	
Faiths Forum for London	2	
Hindu Christian Forum	2	
Hindu Council UK		
Hindu Forum Britain	1	
Interfaith Action	2	
Jain Network UK	1	
Joseph Interfaith Foundation	2	
Minorities Europe	2	
Mitzvah Day	1	
Multi-Faith Centre at the University of Derby	2	
Nishkam Civic Association	2	
North East Regional Faiths Network	2	
North West Faiths Forum (Faiths 4 Change)	2	
South East England Faiths Forum	2	
St Ethelburga's Centre	1	
St Philip's Centre	2	
Three Faiths Forum	2	
United Religions Initiative UK	2	
Woman's Interfaith Faith Network	2	
Zoroastrian Trust Funds of Europe	1	
INFORM (Information Network Focus On Religious Movements)	45	Transitional funding agreement to meet the running cost of the receipient - Information Network on Religious Movements (INFORM) from April to June 2011.

£'000

Institution	Payments 2011-12	Purpose
Communities Engagement & Integration		
INFORM (Information Network Focus On Religious Movements)	65	Grant funding to provide reliable and up to date information on minority religions and fringe political movements.
Community Leadership Fund		
Prince's Trust	176	DCLG are giving £10 million over 2.5 years to Youth United, a coalition of the major youth volunteering organisations, established by the HRH The Prince of Wales and supported by The Prince of Wales's Charitable Foundation, to increase the number of volunteering opportunities for young people. The fund will support Youth United in recruiting and training 2,700 new adult volunteers to run 400 new youth groups in communities across the country that will mean over 10,000 more young people will be able to join a pack or troop.
Community Music		
Superact	40	The Department has provided funding of £240,000 to Superact and Making music to expand and enhance their existing annual Bandstand Marathon community music events. The grant is to enable Bandstand Marathon to double the length of the local events to four hours, and to provide an enhanced offer to potential participants to develop the events from being a celebration into a community-led engagement event. Bandstand Marathon are aiming for 500 community music events to take place across the UK at 1pm on Sunday 9 September 2012 to coincide with the final day of the Paralympics. An initial grant of £40,000 was made in 2011-12, with the balance of £200,000 due to be paid this financial year.
Connecting Lives Project Grant		
Jewish Museum	10	The Jewish Museum's will address "casual" anti-Semitism in schools through a project entitled 'Connecting Lives'. The Museum provides a safe environment in which to ask questions, and aims to address any negative preconceptions about Judaism and Jewish people and to build positive connections and understanding.
Digital Inclusion & Sheltered Housing Grant		
National Institute of Adult Continuing Education (NIACE)	54	This programme is designed to help older people in sheltered accommodation learn how to use digital technology.
Employment Mobility Grant		
Northern Housing Consortium	43	Pilot social housing and employment mobility scheme.
Empowerment Fund		
Action for Market Towns	80	The Empowerment Fund is supporting organisations with charitable, philanthropic or benevolent purposes working across the country, to assist local communities to take
Carnegie UK Trust	100	

£'000

Institution	Payments 2011-12	Purpose
Centre for Sustainable Energy	100	forward the key themes of empowerment. It is designed to support the Voluntary and Social Enterprise sector as it works towards helping build more, cohesive, empowered and active communities.
Community Matters	100	
Environmental Law Foundation	80	
HACT (Housing Associations Charitable Trust)	100	
LOCALITY	100	
Media Trust	100	
Novas Scarman	100	
Operation Black Vote	80	
Oxfam UK	100	
Platform 51	100	
RADAR (The Royal Association for DisAbility Rights)	50	
Royal Society for Arts (RSA)	100	
School for Social Entrepreneurs	100	
Sheila McKechnie Foundation	80	
Social Firms UK	80	
TPAS (Tenant Participation Advisory Service)	100	
Urban Forum	100	
Workers Education Association	100	
Young Foundation	100	
<u>Enterprise Business Connectors</u>		
Business in The Community (BiTC)	130	The Enterprise Business Connectors scheme aims to help small businesses in these areas to survive and to thrive through identifying the barriers and difficulties they are currently facing. "Business Connectors" will be seconded into each area from large companies (such as BT and Boots) who will work with both small and large firms locally to encourage them to work together in the interests of both themselves and the local area. This scheme contributes to the social mobility and participation strands of DCLG's Approach to Integration, and also has clear links to the High Streets Agenda and Portas Review. A second payment to match-fund the scheme for 2012-13 (£170,584) is due to be paid to BiTC in May/June 2012.

£'000

Institution	Payments 2011-12	Purpose
Enterprise Challenge		
Business in The Community(BiTC)	28	The Enterprise Challenge encourages enterprise and entrepreneurship in schools in disadvantaged communities by bringing together young people from different backgrounds to engage in an online business game with professional business mentors. The purpose of the grant is to help pay for the cost of expanding an already successful programme, Enterprise Challenge, enabling it to reach a greater number of beneficiaries, drawn from a wider group of communities.
Housing Management		
Chartered Institute of Housing (CIH)	200	To take forward the work of the CIH Anti Social Behaviour team with stronger focus on tenant, as well as landlord capacity building.
NCRC (National Communities Resource Centre)	136	To provide a range of free, professionally delivered, residential training courses to empower social housing tenants.
TPAS (Tenant Participation Advisory Service)	28	To produce a framework for delivering credible tenant panels.
Integration Division Strategic Funding Grant		
Faith Based Regeneration Network UK	75	The Faith based Regeneration Network is a key delivery partner of the Department. It exists to encourage, resource and link up faith-based regeneration and renewal projects, particularly in urban areas.
Holocaust Memorial Day Trust	750	The grant is Strategic Funding for the recipient to promote, aid and raise awareness to a large range of organisations, individuals and groups across the UK. HMD also organise the events for the annual Holocaust Memorial Day activities.
Muslim Hate Crime Reporting (MAMA)		
Faith Matters	92	MAMA (Measuring Anti-Muslim Attacks) collates and analyses anti-Muslim incidents in England and offers support to victims. This project will contribute to the tolerance and extremism pillar of integration and improve the evidence base and understanding of anti-Muslim hatred.
National Citizens Legacy Project		
Young Advisors Company	30	The funding enabled the Charity to provide Young Advisors training to a range of National Citizen Service (NCS) graduates, post their NCS participation. This training provided trained participants with an opportunity to continue volunteering in their local communities, therefore providing a legacy of the NCS programme.
Near Neighbours Initiative Grant		
Church Urban Fund	1,882	The purpose of the Near Neighbours grant is to enable the Church Urban Fund to make small grants to projects that

£'000

Institution	Payments 2011-12	Purpose
		bring together people from different faiths to improve their neighbourhoods, using the resources and infrastructure of the Church of England, and also to run training and mentoring programmes for clergy, young people and community activists.
<u>Older People Programme</u>		
EAC	843	The aim is to deliver quality advice on housing and related areas for older people in England. It delivers a national telephone and website service and works with local services. The advice line is staffed by specialist advisors who cover the areas of housing and related areas including care, support, finance and entitlements.
<u>Promoting Enterprises</u>		
Anne Frank Trust	58	The Anne Frank Trust's programmes use Anne Frank's life, times and diary to promote her message of compassion, respect, tolerance and understanding. The programmes address real problems in British society and opens up the debate about the social problems experienced in many communities. This is achieved through education and highlighting the dangers of prejudice and discrimination. This exposure leads to a change in attitude and behaviour. This is achieved by running a combination of exhibitions focusing on Anne Frank and interactive workshops which explore the issues from stereotyping and intolerance, through to freedom of speech and individual identity. Over the last three years the Anne Frank Trust has worked in a number of local authority areas facing the most significant challenges to integration and extremism.
<u>Strategic Funding</u>		
Inter Faith Network for UK	282	The Inter Faith Network is a key delivery partner of the Department. It exists to encourage, resource and link up inter faith groups at the local, regional and national levels; and to take forward projects designed to improve understanding and cooperation between people of different faiths.
<u>Tackling on line anti-Semitism</u>		
European Institute for the Study of Contemporary Anti-Semitism (EISCA)	16	The purpose of the grant is to enable EISCA to: 1 document, for the first time, the scale of anti-Semitic comments on mainstream news websites, 2. analyse the originating sources and context of these comments and 3 make recommendations on how organisations that produce online media can best deal with anti-Semitic content.
<u>The Big Lunch Project</u>		
Eden Project	36	The Department is providing £185,000 to the Eden Project over the two financial years 2011-12 and 2012-13. This funding will enable the Eden Project to provide targeted

£'000

Institution	Payments 2011-12	Purpose
		support to selected deprived areas in the run up to The Big Lunch annual events in 2012 and 2013. Work has already started in twenty areas which have been selected on the basis that there has been little or no activity to date compared with more affluent and engaged communities. Organisers from the Big Lunch will work with community volunteers and leaders to help encourage local residents to plan and organise their own Big Lunch celebrations, which will help foster better community relations and engagement.
Transitional Funding		
Inter Faith Network for UK	104	The Inter Faith Network is a key delivery partner of the Department. It exists to encourage, resource and link up inter faith groups at the local, regional and national levels; and to take forward projects designed to improve understanding and cooperation between people of different faiths.
Young Advisors Grant Scheme		
Young Advisors Company	34	The funding will enable training of 40 new Young Advisors, who will work with more than 400 young people, affecting the lives of thousands of young people from deprived communities. In addition to this the company will deliver training to further enhance young people's awareness of Big Society and the localism agenda so as they too will be able to take advantage of the new rights offered to them.
Your Square Mile Project		
Your Square Mile	18	The grant is to fund the project, namely a conference aimed at the local project and stream leaders of the 16 involved in 16 pilot areas and similar projects across the UK.
Total	7,480	

Auditors

6.35 These accounts have been audited by the Comptroller and Auditor General (C&AG). The total cost of audit across the departmental group is £1,203,100 of which £540,100 is a cash charge and £663,000 is a notional charge (2010-11: total £932,600 comprising £477,600 cash costs and £455,000 notional charge).

6.36 The audit fee for the core Department is £562,000 in total (2010-11: £357,000), broken down as £351,000 for the departmental audit, £110,000 for consolidation work within the Department and £101,000 for the cost of consolidation at Designated Bodies. In the prior year, charges were for the departmental audit work only.

6.37 In addition, the Department meets the costs of the NNDR audits which were £22,000 for the White Paper account (2010-11: £22,000) and £36,000 for the Trust Statement (2010-11: £35,000). These fees and those detailed in paragraph 6.36 above are notional charges.

6.38 The National Audit Office also performed other statutory audit work, including value for money studies, and other reports to management at no cost to the Department.

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

6.40 The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the Department's auditors are aware of that information.

6.41 The audit of the designated bodies was carried out by NAO under various statutes and the costs are included in paragraph 6.35 above. Further details are given in the accounts of the bodies concerned.

Human resources[5]

Overview of key HR activities for 2011-12

6.42 The principal focus of the majority of this year was the conclusion of the departmental restructuring begun in October 2010. Selection exercises were run for staff at Grades 6 and below (i.e. all staff below Senior Civil Service (SCS) level) which included opportunities for requesting voluntary redundancy. The main selection processes were completed by October 2011. Staff exits are phased and will complete by October 2012. All staff leaving the Department will have had the opportunity to access a programme of redeployment support, to assist them in finding alternative employment. Overall, the restructuring process has achieved the required level of staffing reductions.

6.43 Alongside restructuring, there has been a strong ongoing focus on building the Department's overall capability in response to changing Government priorities and to a reduced level of staffing. This has centred around four key themes: strong leadership, powerful influencing, staff development, and consistently getting the basics of departmental life right. During the final quarter, the Department held a series of staff engagement sessions to give all staff the opportunity to contribute to devising departmental priorities and a change plan. The detailed plan was published in the first quarter of 2012-13.

6.44 Other key HR activities in 2011-12 have included:

- a sustained focus on improving the quality and consistency of performance management within the Department, including through developing and piloting changes to DCLG's performance management system for 2012-13 onwards. The changes were subject to a major staff consultation and engagement process, and are intended to enable staff to better own their own performance and development, allied with producing a more rounded assessment of their overall performance. Alongside this, we have also announced policy and process

5 For clarity, and unless shown otherwise, this section relates to the core Department only. Please refer to the Annual Report and Accounts of the individual bodies for information on HR issues in the Department's ALBs.

changes to better support and enable managers to address poor and under-performance;
- introducing a new Exceptional Performance Scheme, whereby staff can be nominated for outstanding performance and achievements at any point in the year. This has replaced both of the previous Annual Performance Bonus (linked to performance reports) and in year Special Performance Bonus schemes;
- greater emphasis on learning and development in the restructured Department, including specific development events and providing webtools for staff;
- publication of a Workforce Diversity Data Report for 2010-11, providing a statistical overview and analysis of the Department's staffing by each of the protected characteristics described in the Equality Act 2010;
- management of exemptions to the recruitment freeze in the main Department, its agencies and NDPBs, to deliver a balance between control and continuity of business delivery; and
- continuing to promote transparency by publishing organisational and staff information on a regular basis, including a greater degree of information about staff salaries over £58,200

(http://www.communities.gov.uk/corporate/transparencyingovernment/staffdata/seniorstaffsalaries/).

Civil Service People Survey 2011

6.45 In October 2011 76 per cent of the Department's staff completed questionnaires in the third civil service-wide staff engagement survey. Overall the results were disappointing, showing a drop in the Department's "engagement index" and in thematic areas relating to "Leadership and Managing Change", "Organisational Objectives and Purpose" and "Learning and Development". Staff were most positive in their responses to questions in three theme areas, relating to "My Team", "My Work" and "My Line Manager".

6.46 2011-12 was a very challenging year for DCLG staff, given the significant restructuring process referred to above and which directly affected almost every member of staff. While this will undoubtedly have had an impact on survey results, there was clear consistency in the pattern of responses at theme level with previous surveys, which suggests that staff views of the Department's strengths and the challenges it faces remain broadly constant. It remains a priority of the Department's leadership team to boost levels of staff engagement significantly in the current year, as set out in the Department's Capability Action Plan.

Staffing - restructuring

6.47 The staffing reductions that took place in 2011-12 should be viewed in the context of the departmental restructuring programme that commenced in the previous year (October 2010), and which aimed to reduce headcount by up to 40% against a starting baseline of 2,216 FTE staff. This baseline was based on the number of people directly employed by the Department – ie everyone with a right to a job in DCLG, including those out on loan, maternity leave, career break etc.

6.48 By 31 March 2011, the total number of people employed by the Department had reduced to 2,087 FTE, representing a reduction of 129 FTE staff (5.8%). By 31 March 2012, this figure had reduced further to 1,876 FTE, representing a total reduction of

340 FTE staff (15.34%) from the October 2010 baseline. Further exits took place at the end of April and will take place at the end of October 2012.

6.49 However, this figure includes 347 FTE who joined the Department as a result of Machinery of Government changes - primarily the closure of the Government Office Network and the Regional Development Agencies. If they are not included, then, on a like-for-like basis, the Department reduced by 687 FTE (31.0%) against the October 2010 baseline.

6.50 The Department's original headcount target was 1,398 FTE (ie fully funded posts), on a like for like basis with the October 2010 baseline position, representing an overall reduction of 818 FTE (37%). The Department's actual planned establishment for 1 November 2012 is now 1,757 FTE. The increase arises from the transfer in of work from the closures of the Government Office Network and Regional Development Agencies, the transfer in of additional roles in the Troubled Families Unit, and the need to provide posts to cover other urgent business, recognising that not all permanent staff are immediately available for deployment.

Staffing – staff in post

6.51 The officially reported staffing figures for the Department are based on Office for National Statistics (ONS) definitions of staff, which exclude any staff who are on unpaid leave out of the Department (e.g. career break) but include any staff on loan or secondment into the Department where they are paid directly through the Department's payroll. This differs to the methodology used for the Department's restructuring process above.

6.52 The following table illustrates the staffing position for the past three years using ONS definitions of staff:

Table 5.1: Staff in Post – full time equivalents

Year	2009-10	2010-11	2011-12
	Actual (1)	Actual (2)	Actual (3)
DCLG – Central Department			
Permanent Staff (4)	2,068	1,892	1,807
Fixed Term Appointments	41	42	15
Total	2,109	1,934	1,822
Government Office Network (GON)			
Permanent Staff (4)	1,625	923	0
Fixed Term Appointments	47	7	0
Total	1,672	930	0
Total Core Department	**3,781**	**2,864**	**1,822**
Planning Inspectorate			
Permanent Staff (4)	719	610	600

Fixed Term Appointments	2	0	0
Total	721	610	600
Total Department			
Permanent Staff (4)	4,412	3,425	2,407
Fixed Term Appointments	90	49	15
Total	**4,502**	**3,474**	**2,422**

(1) Full Time Equivalent Figures (FTE) (rounded) as at 31 March 2010
(2) FTE figures (rounded) as at 31 March 2011
(3) FTE figures (rounded) as at 31 March 2012
(4) Includes staff on inward loan and inward secondment and staff on paid maternity leave, paid outward loans and secondment and long-term sick.

Note: The Department now publishes monthly workforce management information, including numbers of payroll and non-payroll staff, for the Main Department, Executive Agencies and Executive NDPBs on the departmental website. This information can be found here:
http://www.communities.gov.uk/corporate/transparencyingovernment/staffdata/workforceinformation/

The figures above differ from those reported in Note 7 for two reasons.

- Note 7 figures, in accordance with the Financial Reporting Manual (FReM) requirements show average numbers for the year whereas the figures above are staff in post at 31 March 2012.
- Note 7 figures are compiled according to FReM definitions whereas the figures above follow Office for National Statistics (ONS) definitions.

Reconciliation between the table above and numbers in Note 7 for core Department staff is below:

Table 5.2: Staff in Post – reconciliation

	Core	PINS
2011-12 Average Number of persons employed as per Note 7	**2,014**	**614**
Difference arising from use of Staff in Post figures	151	14
March Actual	**1,863**	**600**
Excluded from ONS numbers:		
Excluded as not paid through DCLG payroll:		
Reimbursed Secondment In	21	
Reimbursed Loan In	12	
Career Break		
Excluded as not defined as civil servants:		
Ministers	6	
Special Advisers	2	
ONS FTE Staff Numbers Table 5.1 above	**1,822**	**600**

6.53 The table below provides details of staff recruited to the Department from outside the civil service by type of appointment and diversity. The Department has been operating a recruitment freeze since May 2010. The figures in the table represent recruitment activities carried out prior to the freeze and those that have been granted exception since. All recruitment is carried out in line with the Civil Service Commissioners' Recruitment Principles.

6.54 While all staff are encouraged to complete their diversity details, this is not a mandatory requirement and so details of the number of BME and disabled staff is based only on the information provided.

Table 5.3: Recruitment 2011-12

Pay Band	Non-Civil Servants	Fixed Term Appointments	Permanent	Casual	Total Recruitment	Women	BME	Disabled
1	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-
4	-	4	10	-	14	8	1	-
5	-	-	3	-	3	1	-	-
6	-	-	4	-	4	-	-	-
7	-	-	3	-	3	2	-	-
SCS	-	-	6	-	6	3	-	-
Totals	**-**	**4**	**26**	**-**	**30**	**14**	**1**	**-**

Note: The figures above relate to the core Department only. Fast Stream staff have been included in Pay Band 4 in the table above.

SCS salaries and staffing

Table 5.4: SCS Salaries as at 31 March 2012

Salary band	Number	Salary band	Number
£55,000 – £59,999	5	£120,000 – £124,999	-
£60,000 – £64,999	14	£125,000 – £129,999	2
£65,000 – £69,999	20	£130,000 – £134,999	3
£70,000 – £74,999	15	£135,000 – £139,999	1
£75,000 – £79,999	7	£140,000 – £144,999	-
£80,000 – £84,999	5	£145,000 – £149,999	-
£85,000 – £89,999	2	£150,000 – £154,999	-
£90,000 – £94,999	2	£155,000 – £159,999	-
£95,000 – £99,999	5	£160,000 – £164,999	-
£100,000 – £104,999	1	£165,000 – £169,999	1
£105,000 – £109,999	4	£170,000 – £174,999	-
£110,000 – £114,999	2	£175,000 – £179,999	-
£115,000 – £119,999	-	Total SCS	89

Not including Permanent Secretary

Note: The figures above reflect full time equivalent salaries for those staff on the Department's payroll. Where individuals work part time they will receive a pro-rated salary.

6.55 The Department has published details on those staff earning over £58,200 as at September 2011 on the Department's website. Please note that not all staff earning over £58,200 are SCS staff. This information can be found here:
http://www.communities.gov.uk/corporate/transparencyingovernment/staffdata/seniorstaffsalaries/

6.56 As at 31 March 2012, there were 90 SCS staff on the DCLG payroll, including the Permanent Secretary, one member of staff on loan to another department and one on maternity leave. These figures are derived from the ONS definitions of staff in post.

6.57 In addition, there were five SCS members who were not on the Department's payroll as of 31 March 2012. Of these, two were shared with another department as part of a shared service arrangement and three were on loan or secondment in or outside DCLG.

Table 5.5: Number of SCS by Pay Band as at 31 March 2012

SCS pay band	On DCLG Payroll	Shared Service	Loan or Secondment
SCSPB1	67	1	2
SCSPB1A	2		
SCSPB2	16	1	1
SCSPB3	4		
Permanent Secretary	1		
	90	2	3

Sickness Absence

6.58 The quarterly sickness absence statistics produced by the Department contribute to Cabinet Office's analysis of absence for the civil service as a whole. An aggregate data set is produced for the departmental group, excluding Non-Departmental Public Bodies but including executive agencies. The data draws from individual and manager recorded sickness absence and is broken down into a number of categories including location, age, gender, short v long-term absence and reasons for absence.

6.59 The quarterly statistics for the year to 30 June 2011 show that the overall Average Working Days Lost (AWDL) for the civil service was 8.0. The figure for the DCLG Group at 31 December 2011 stood at 6.9 and at 6.5 for the core Department.

6.60 The DCLG Group has reported an increase across the last four quarters from 5.8 in Q4 2010 to 6.9 in Q4 2011, although the rate for the core Department only has risen to 6.5. The percentage of civil servants taking no sick leave during the calendar year 2011 for the DCLG Group was 53 percent and 57 percent for the core Department only.

Sustainable Development

Introduction

6.61 DCLG is fully committed to operating an efficient estate and to reducing the environmental impact of its operations and their associated costs. This is the second year that DCLG has reported non-financial and financial indicators of its sustainability performance in its Annual Report and Accounts, and follows the HM Treasury guidance: ‘Public Sector Sustainability Reporting’ published at www.financial-reporting.gov.uk. Furthermore, this is the first year that the Department is reporting a full data set including its executive agencies and non-Departmental Public Bodies (NDPBs). Sustainability data and delivery plans are also reported more frequently to the Cabinet Office.

Scope

6.62 This section of the report seeks to align the Greening Government Commitments (GGC) and the Department’s accounting boundaries. However, where differences exist, financial data has been aligned to the Department’s accounting boundary and non-financial data aligned to GGC. As such, non-financial data includes information from the Audit Commission, QEII Conferencing Centre (QEIICC) and Fire Service College (FSC).

6.63 FSC and QEIICC are primarily non-office sites and while included in the Department’s total water consumption data, fall outside the office benchmark figures.

Targets and Summary of 2011-12 Performance

6.64 DCLG has aligned its Sustainable Operations delivery plan and targets to the requirements of GGC (http://sd.defra.gov.uk/gov/green-government/commitments/), and 2011-12 performance is summarised in the following tables. Where the GGC framework does not set specific targets, the Department has defined its own aspirational targets, including a total estate water reduction target and a target recycling rate. These are detailed in relevant sections and in Table 1a.

Table 1a: Non-financial 2011-12 performance against key Greening Government 2015 targets, measured against 2009-10 baseline

	Reduce GHG (scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%	Achieve Recycling Rate of 85%
Performance (2011-12 measured against 2009-10)	-37%	-35%	-32%	75%

Table 1b: Financial benefits of our Greening Government programme

£’000

	Energy	UK Business Travel	Waste Disposal	Water Use	Total
2011-12 cost comparison vs. 2009-10	-981	-3,075	-21	-25	-4,102
2011-12 cost comparison vs. 2010-11	-381	-1,346	-39	-3	-1,738

Greenhouse Gas Emissions

6.65 Targets for Greenhouse Gas (GHG) emission reductions:

- reduce GHG emissions by 25% by 2015 from a 2009-10 baseline from the whole estate and business-related transport; and
- cut domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

Table 2: Greenhouse Gas Emissions Summary

Greenhouse Gas Emissions		**2009-10**	**2010-11**	**2011-12**
Non-Financial Indicators (tonnesCO_2e)	Total Gross Emissions for Scopes 1 & 2.	22,680	19,666	15,314
	Total Gross Emissions attributable to Scope 3 official UK business travel	5,146	3,916	2,172
	Number of domestic air travel flights	1,530	655	198
Related Energy Consumption (kWh)	Electricity: Non-Renewable	29,287,161	25,939,024	21,593,528
	Electricity: Renewable	1,695,042	2,524,916	1,030,648
	Gas	30,984,844	25,780,798	18,600,762
	LPG	0	0	0
	Other	186,257	131,310	74,943
Financial Indicators (£'000)	Total expenditure on energy	2,944	2,344	1,963
	CRC Licence Expenditure (2010 onwards)	N/A	0	1
	Expenditure on accredited offsets (e.g. GCOF).	1	1	0
	Total expenditure on official UK business travel	6,160	4,431	3,085
	Expenditure on domestic air travel	270	97	22

6.66 DCLG has continued to reduce its total in-scope gross GHG emissions through 2011-12, achieving a total 37% reduction since the 2009-10 baseline year. The Department has also met the previous Administration's Sustainable Operations on the Government Estate (SOGE) targets for carbon emissions related to both energy use (gas and electricity) and administrative road travel. DCLG also met the Prime Minister's target to reduce carbon emissions from offices by 10% over 12 months from May 2010, achieving a 18.6% reduction.

6.67 Reductions have largely been realised through low cost energy efficiency measures, for example through estate rationalisation (by using space more efficiently and co-locating with other organisations), and operating our remaining buildings even more efficiently.

6.68 The most significant aspects of DCLG's GHG are from electricity use and fuel consumption by vehicles and gas boilers. Point of use hot water heaters has enabled main gas boilers to be switched off during warmer periods in some buildings.

6.69 The Department has produced its delivery plans to ensure emissions are reduced in line with GGC requirements.

6.70 The Department has a significant influence on delivering sustainable development through the National Planning Policy Framework, published in March 2012, which has at its heart the presumption in favour of sustainable development which should be embedded into plan-making and decision-taking at both a national and local scale.

6.71 The Department influences greenhouse gas reduction in the built environment through its responsibilities for housing and the building regulations. Specific policies include: enabling new homes to be Zero Carbon from 2016 and new non-domestic buildings from 2019 and Part L of the Building Regulations (Conservation of fuel and power). The Department is responsible for implementing the EU Energy Performance of Buildings Directive, including through maintaining Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs), which can help improve the energy efficiency of buildings. The Department is also responsible for the Code for Sustainable Homes (the Code), the national voluntary standard for the sustainable design and construction of new homes.

6.72 The Department has also been working with its suppliers to reduce the emissions of their goods and services, in particular with its facilities management providers. New ICT technologies are also facilitating emissions reductions and decreasing embedded carbon. For example, 373 printers, scanners, photocopiers and fax machines have been replaced by 50 multi-functional devices at DCLG's HQ site.

6.73 Where appropriate, sustainability clauses are being incorporated into all new contracts to help ensure suppliers are meeting the Government Buying Standards and supporting the Department's efficiency work.

Waste Management

6.74 Targets for waste management:

- reduce the amount of waste generated by 25% from a 2009-10 baseline by 2015;
- cut paper use by 10% in 2011-12;
- implement a closed loop[6] recycled paper service; and
- ensure that redundant ICT equipment is reused (within government, the public sector or wider society) or recycled responsibly.

An internal DCLG target to recycle 85% of waste by 2015 has also been introduced.

[6] Closed loop paper allows for the safe and secure disposal of confidential and non-confidential waste paper; the very same paper is then recycled and supplied back to the department at a lower cost than standard recycled paper supplies.

Table 3: Waste Disposal Summary

Waste			2009-10	2010-11	2011-12
Non-Financial Indicators (tonnes)	Total Waste Production		2,272	2,819	1,542
	Hazardous waste	Total	1	2	3
	Non-hazardous waste	Landfill	367	368	233
		Incinerated/energy from waste	189	359	154
		Total reused/ recycled	1,606	1,972	1,075
		Composted	109	116	77
	Total ICT waste reused/recycled		1	1	24
	Paper Procured	Total A4 equivalent reams	92,148	57,385	44,648
Financial Indicators (£'000)	Total Disposal Costs		252	239	231
	Non-hazardous waste - Total disposal cost	Landfill	7	7	10
		Reused/Recycled	168	319	187
		Composted	1	1	1
	Paper Procured	Total Spend	202	174	136

6.75 The Department has successfully reversed the recent upward trend in waste generation, reducing total waste by over a third since last year. This reduction is largely down to estate rationalisation and the closure of the regional Government Offices Network. The Department has achieved a high recycling rate of 75%; this is based on total reused, recycled and composted materials compared to our total waste produced.

6.76 The Department is currently developing waste management plans to maintain high recycling rates and further reduce waste wherever possible. In rationalising the estate, the Department has sought to redeploy equipment within the DCLG group and its main ICT contracts require that all redundant ICT equipment is either reused or recycled.

6.77 The Department has met the in-year 10% paper reduction commitment by reducing the total quantity of A4-equivalent reams purchased by 52% in 2011-12 compared to the 2009-10 baseline year. The Department is also working towards adopting the cross-Government closed loop paper recycling and supply framework by summer 2012, and has already amended procurement processes to purchase closed loop recycled paper.

6.78 The Department continually reviews its waste management processes to identify more sustainable solutions for reducing waste and for processing unavoidable waste in the most sustainable manner. In early 2012, the Department entered a joint WRAP/Defra-led voluntary agreement to work with catering suppliers to reduce food and packaging waste by 5%, and to increase volumes sent to anaerobic digestion (AD) or composting to at least 70%, both by 2015. Progress will be reported next year.

6.79 The Department also has an impact on waste management through its responsibility for national waste planning policy, currently set out in PPS10: Planning for Sustainable Waste Management. Positive planning has an important role in delivering sustainable waste management and driving waste up the waste hierarchy: through the development of appropriate strategies for growth, regeneration and the prudent use of resources; and, by providing sufficient opportunities for new waste management facilities of the right type, in the right place and at the right time.

Finite Resource Consumption – Water

6.80 The Department's total water consumption has been reduced over recent years to successfully meet the SOGE reduction target; however, further work is required to achieve the GGC good practice benchmark.

6.81 Water efficiency targets include an internal target to reduce total consumption by 25% by 2015 from a 2009-10 baseline, and to report on office water use against the following GGC benchmarks:

- ≥6 m^3 water consumption per Full Time Equivalent – poor practice;
- $4m^3$ to $6m^3$ per FTE – good practice;
- ≤$4m^3$ per FTE – best practice;
- percentage of offices meeting the best/good/poor practice benchmark.

Table 4: Water Consumption Summary

Finite Resource Consumption – Water			**2009-10**	**2010-11**	**2011-12**
Non-Financial Indicators (M^3)	Water Consumption	Office Estate	62,710	56,840	46,383
		Office Estate per FTE	7.84	6.92	7.24
		Whole Estate	114,890	101,385	94,307
Financial Indicators (£'000)	Water Supply Costs		122	100	97

6.82 DCLG's water office consumption is primarily from tea points, canteens and toilets, and cooling plant. Reductions to date have largely been achieved through staff awareness work and leak reduction activity. The Department is also trialling the efficacy of a number of water efficiency devices across its estate, with a view to rolling these out more broadly. In 2011-12 the Department's water consumption per FTE increased compared to the previous year. This was due to a reduction in total number of staff following the Department's restructuring process.

6.83 Further work is required to align DCLG's office water consumption per FTE with good practice benchmarks. In response the Department will be auditing all key sites in 2012, to identify further water savings. And in response to the current drought, the Department will be running an awareness campaign to ensure that all staff and contractors are aware of the Department's policy on water efficiency, as well as the actions needed to save water in the office and at home.

6.84 The Department has an impact on water efficiency in new homes through its responsibilities for the Building Regulations and the Code for Sustainable Homes (the Code). Building Regulations[7] require all new homes to have a calculated wholesome water demand of not more than 125 litres per person per day (compared to the current average consumption of 145 litres per person per day).

6.85 The Code (mentioned above) measures the sustainability of a new home against nine categories of sustainable design, including the consumption of potable water. It encourages the use of water efficient fittings and appliances, and water recycling systems.

Transparency Commitments

6.86 The Department has an impact on meeting the challenge of climate change through its National Planning Policy Framework, which came into force in March 2012. The Framework expects local authorities to demonstrate a move to a low carbon future with plans for new developments to be located in locations and ways which reduce greenhouse gas emissions, actively support energy efficiency improvements to existing buildings and when setting any local requirement for a building's sustainability, do so in a way consistent with the Government's zero carbon buildings policy and adopt nationally described standards.

6.87 The Framework provides a positive contribution to biodiversity, setting out criteria for local planning policies to ensure they contribute to the Government's commitment to halt the overall decline in biodiversity and provide net gains where possible, including by establishing coherent ecological networks that are more resilient to current and future pressures.

6.88 The Department is also required to report against a number of transparency commitments as part of GGC. Progress is summarised in Table 5.

Table 5: Summary Table of Transparency Commitments

Transparency Commitment	Action Taken
Climate Change Adaptation: steps taken to adapt the estate to a changing climate.	DCLG is using the Environment Agency flood map service to inform lease and tenancy agreements. Sustainable Operations policies require that CCA is considered when making estates and property decisions. These policies are currently being reviewed in response to the

[7] The relevant regulations are Regulation 36 & 37 of the Building Regulations 2010 and Regulation 20 of the Building (Approved Inspectors) Regulations 2010.

Transparency Commitment	Action Taken
	GGC Framework. The Department has compiled robust business continuity plans for coping with extreme weather conditions. DCLG has also incorporated climate resilient design in retrofit projects and new builds, including rain water harvesting, green roof, heat recovery heating and ventilation systems. Innovative energy efficiency technologies have also been trialled such as next generation window film for reducing solar heat gain, and behaviour change ICT efficiency devices.
Biodiversity and Natural Environment: including action taken to promote, conserve and enhance biodiversity, including use of Biodiversity Action Plans or equivalent and the management of Sites of Special Scientific Interest.	The Department implements Biodiversity Action Plans where applicable across the estate. For example, the Fire Service College has an action plan in place for a number of years to promote conservation and enhance biodiversity on the College estate. This has included creating a nature reserve and installing bird nesting boxes.
Procurement of food and catering services: including action taken within the context of overarching priorities of value for money and streamlining procurement, to encourage the procurement of food that meets British or equivalent production standards where this does not lead to an overall increase in costs; and to reduce the environmental impacts of food and catering services and support a healthy balanced diet.	Staff are required to ensure that all purchasing is channelled through Government Procurement Services using Government Buying Standards (GBS). The requirement to comply with GBS and GGC commitments is a core theme of the department's new total facilities management contract. Standard contract clauses include requiring suppliers to provide environmental policies, method statements, organisational objectives and practices and to cooperate in seeking reasonable and practical ways to improve the sustainability of delivering goods or services. Tender evaluations include consideration of whole-life costs, including operational, maintenance and disposal costs.
Sustainable Construction: including the management of construction waste to best practice standards, the application of BRE's Environmental Assessment Methodology (BREEAM), and the extent to which standards used at the London 2012 Games are being applied/exceeded.	The Department has not undertaken any construction in 2011-12, nor major refurbishments requiring a BREEAM assessment.
People: including for example, reporting on	The Department has delivered events through

Transparency Commitment	Action Taken
social and environmental assessment of office re-locations, and action taken to promote staff wellbeing. In addition to reporting on actions taken to promote staff wellbeing, staff volunteering is a priority within the work on Big Society, on which the Cabinet Office Leads.	the 'Green Champions Network' to engage staff to support the delivery of the Greening Government Commitments and encourage positive behaviour change.
Environmental Management System (EMS): information on whether they have implemented an EMS such as ISO14001, EMAS or BS8555. This can include information on whether an accredited certified EMS has been applied to the whole estate, or in selected buildings only, or plans for obtaining a certified EMS in the future.	The Department operates an EMS modelled on ISO14001:2004.

Note on calculations: The majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter reading (AMR) data with manual meter reads, and periodic audits of data gathering processes conducted by the department's Internal Audit Services (IAS) team undertaking. Where complete data sets have not been available, (for example through lack of granularity, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

Climate Change

6.89 The Department is taking action to ensure that its policies and delivery address the need to adapt to climate change. In May 2011 the Department published a review and update of the Departmental Adaptation Plan which set out priorities. Since then the Department has:

- Published the National Planning Policy Framework in March 2012 which stresses that local planning authorities should adopt proactive strategies to mitigate and adapt to climate change, taking full account of flood risk, coastal change and water supply and demand considerations; and

- Published the Housing Strategy in November 2011 which emphasises the importance of new and existing homes fit for a future climate. Consultation on building regulations in early 2012 considered the impacts of climate change and explained that as part of Government's wider built environment resilience work the evidence on overheating in homes was under review – with a focus on the causes and impacts of overheating and initial consideration of potential policy options.

6.90 The Department is working with other government departments to contribute to the National Adaptation Programme scheduled for 2013.

7 Other Financial Information

7.1 The information in the following paragraphs gives additional information about entries included in the financial statements and notes.

Clear Line of Sight (CLoS) boundary and Machinery of Government (MoG)

7.2 The accounts of the Departmental Group have been impacted in 2011-12 by the changes in the accounting boundary under the Treasury CLoS initiative, Transfers of Functions following MoG changes and by classification changes introduced as part of the 2010 spending review. Further details are given in paragraphs 7.3 – 7.6 below and where there is an impact on the Department's accounts this is shown in Note 32.

CLoS Boundary changes

7.3 Under the CLoS initiative to align the rules governing budgets, accounts and estimates the accounts of Departmental bodies included in the Designation Order (The Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2011 - SI 3004) have been consolidated with those of the Department. Transactions between the bodies within the consolidation have been eliminated.

MoG changes

7.4 MoG changes are applied to the accounts under merger accounting principles in line with the FReM and HMT requirements. Where a transfer of function is applied under merger accounting principles, the accounts are produced to reflect the position as if the function had always been in existence in the receiving body's accounts and, conversely, as if it had never been in existence in the transferring body's accounts. The impact of this application is that prior year comparative data is restated. Four MoG changes have been incorporated in the Department's accounts during 2011-12:

(1) with effect from 18 July 2011 sponsorship of the Ordnance Survey moved from DCLG to the Department for Business, Innovation and Skills (BIS);

(2) with effect from 1 July 2011 responsibility for the Residential Property Tribunal Service has moved from DCLG to the Ministry of Justice;

(3) with effect from 19 September 2011 responsibility for control and management of regeneration assets has moved from the Regional Development Agencies, which are NDPBs of BIS, to the Homes and Community Agency, a Departmental NDPB included in the DCLG consolidation; and

(4) in November 2011 the policy function for tackling troubled families transferred from the Department for Education to DCLG, which included the transfer of the budget for the Families with Multiple Problems programme. This was a new programme in 2011-12 so no adjustments to 2010-11 were required but 2011-12 year to date expenditure incurred by DfE totalling £7,489k was transferred to DCLG. There were no assets or liabilities included in the transfer.

Classification changes

7.5 As a result of the 2010 spending review the classification of programme and administration income and expenditure has been changed to ensure that expenditure and income which is administration in nature, eg agency running costs, forms part of the Departmental administration costs. This change requires that 2010-11 outturn reported last year is restated to align with the new definitions. The impact of this change is a reclassification of programme expenditure and income to administration expenditure and income of £39,944k.

Accounting policy change

7.6 As reported in Note 1.8 to the accounts the treatment of government grants and donated assets has changed and such accounting policy changes would be expected to result in prior period adjustments. In the Department's case neither change requires adjustment in the amounts reported since separate balances were not maintained for either a government grant or donated asset reserve, the relevant balances being held within the general reserve. The abolition of these reserves therefore does not affect balances reported in reserves at 31 March 2010 or 31 March 2011.

Retention of Income previously paid over to the Consolidated Fund

7.7 As a result of the 2010 spending review, Departments are allowed to retain income which is within the ambit of the Vote and where the income does not exceed 20% of the overall income allowable within the Estimate. In order to provide meaningful comparative data, these accounts have been restated to present the prior year position as if income, previously surrendered to the Consolidated Fund, had been retained. This is recognised as 'Housing Revenue Account' income of £996m in 2010-11 in Note 11 of these accounts with the impact of this retention also reflected in the Statement of Cash Flows, Statement of Taxpayers' Equity and Note 4.

Housing Revenue Account Subsidy (HRAS)

7.8 In addition to the changes brought about in paragraph 7.7 above, the Housing Revenue Account Subsidy system for payment and recovery of subsidy to and from Local Authorities has been replaced with a self financing system in 2012-13. In order to implement this, at the end of 2011-12, local authorities either took on additional debt or repaid outstanding debt with amounts payable to the Consolidated Fund as required. The impact of this on the Department accounts has been an increase of HRAS retainable income recognised in Note 11 of £7.994 bn in 2011-12 and an increase of CFER income of £6.479 bn which has since been paid over to the Consolidated Fund under the terms of the agreement.

ERDF Liabilities: Accrual, Provisions and Contingent Liabilities

7.9 The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). For the past 10 years, the Department has been managing the 2000-06 ERDF programmes in England. The 2000-06 programmes were completed at 31 March 2010 when final declarations and reports were forwarded to the European Commission (EC). These are subject to audit and challenge by the EC before final sign off that the programmes are closed.

7.10 Where project spending is not in conformity with ERDF Regulations it becomes ineligible for ERDF grant funding. The liabilities in respect of such ineligible expenditure are recovered from grant recipients but fall to the Department where such recovery is not possible. In parallel with the closure process, the Department undertook a full review of the current state of ERDF supported projects to identify all potential liabilities. The liabilities were then categorised as accruals or provisions with possible liabilities either recorded as contingent liabilities or, where sufficiently remote, not disclosed in the accounts.

7.11 For example if a possible requirement to repay grant is identified:

- an accrual is raised as a charge to the Consolidated Statement of Comprehensive Net Expenditure (SoCNE) when a payment is expected to be made, although the amount payable may remain an estimate;
- a provision is raised where the amount of a known overpayment is in dispute, but where it is considered probable (i.e. more likely than not) that the dispute will be lost; and
- in other cases where a liability to repay grant may exist but the occurrence of the repayment is dependent on the outcome of a future event, (e.g. an EC hearing, or result of a court case) such that it is considered that it is unlikely that payments will be made will either be treated as a contingent liability or not disclosed.

7.12 As part of the closure process, the Department has calculated potential liabilities from the following three categories (labelled a to c below):

a) Debt at risk - background

7.13 Debt at risk relates to recognised debt that the Department is seeking to recover from grant recipients who have failed to comply with the requirements of the grant. Where recovery does not prove possible the amount may need to be written off, but before any amount is agreed to be written off, proposals must be submitted to a Department debt panel for approval. Additionally, material write offs (>£500,000) must be approved by the Treasury. Only after this process has been followed can write offs be sanctioned and charged to the SoCNE. This category has a potential liability of £21.6m.

a) Debt at risk - accounting treatment

7.14 The Department has thoroughly reviewed the current debt list, and has taken the view that, although the recovery and write-off process has not been completed in all cases, there is little hope of recovery of £7.9m and has categorised this as a charge. The balance of £13.7m remains as being currently expected to be recovered.

b) Capping - background

7.15 Capping relates to the proportion of match funding against the ERDF grant funding, which was agreed at the start of or during the programmes by the EC. Failure to deliver the agreed proportion of match funding can lead to a liability for the Department.

7.16 Details of final match funding were included in the closing statements for the grants submitted by 31 March 2010. The EC will determine the actual liability based on a standard formulaic approach using the information provided in the closing statements for the programmes. The maximum liability for this category has been estimated at £6.2m.

b) Capping - accounting treatment

7.17 The fact that the regulations state that a capping penalty will apply, and is calculable using prescribed formulae applied to figures from the final declarations, allows the amount of liability anticipated by programme to be calculated and categorised. The anticipated penalty is £6.1m and this has been accrued as a charge to the SoCNE – the likelihood that the remaining balance (£13k) will need to be recognised as a liability is considered remote and immaterial and so has not, therefore, been disclosed as a contingent liability.

c) Estimated potential corrections - background

7.18 The estimated potential corrections relate to either:

- the outcome of audit work carried out by the Audit Authority, European Commission, or European Court of Auditors on records held for the ERDF programmes. The audit bodies identify potential liabilities arising from a failure to comply with ERDF regulations or requirements and it is then for the Managing Authority to either prove there is no liability (usually through providing adequate additional evidence), or the scale of the liability has to be negotiated and agreed with the audit bodies and/or the EC; or
- potential corrections being investigated by the Managing Authority relating to handling of asset disposals.

c) Estimated potential corrections - accounting treatment

7.19 There is an accrual charged to the SoCNE of £2.3m relating to known corrections arising from audit work – with a further £1.5m not now expected to be charged to the accounts (and thus not disclosed as a contingent liability). In respect of corrections related to error rate amounts up to 2 per cent there is an expected liability of £10m which has been accrued. This amends the provision that had been entered in the accounts in 2010-11 when the position was less clear. During the year the EC has been given further evidence which has resulted in the clearance of the outstanding points noted last year and their response and the greater clarity about cases means there is now no requirement for a contingent liability arising from those cases.

Summary of ERDF liabilities

7.20 The above changes result in a total charge to the Department's accounts in 2011-12 of £26.3m.

7.21 Final closure of all 2000-06 ERDF programmes is expected during 2012-13.

ERDF 2007-13 programme

7.22 The Department is responsible for managing the ERDF 2007-13 programmes. Until 30 June 2011 administration of these programmes was delegated by the Department to the Regional Development Agencies (RDAs). During 2010 the Government decided to abolish the RDAs and as a result these responsibilities were taken back in house and have been delivered by DCLG staff since 1 July 2011. This change was not considered a Machinery of Government change and so in accounting terms has been treated as an acquisition, whereby ERDF balances held by the RDAs at 30 June 2011 have been taken onto DCLG's books. In London ERDF continues to be delivered by an intermediary body, the Greater London Authority, so no changes to the previous accounting treatment have been made.

7.23 The treatment of ERDF grant income has not altered as a result of this change. ERDF income is recognised once the relevant claim has been certified by the Department's ERDF Certifying Authority team. But the treatment of grant supported expenditure has changed. Prior to 30 June 2011 payments to projects were made by the RDAs who then submitted aggregated claims to the Department. On certification these claims were paid and the ERDF expenditure recognised in the Department's accounts. From 1 July 2011, however, payments to projects have been made by the Department but, so as to maintain the policy that ERDF supported expenditure can only be recognised as an expense once certified, these payments have been treated as current asset inventories on the Statement of Financial Position and only transferred to expenditure on certification. In the event that the payments fail certification the amounts are reclaimed from projects.

7.24 All programmes have an associated intervention rate, which is the percentage of eligible project expenditure which attracts ERDF funding. This intervention rate is applied over the programme at regional level and must be achieved by the end of the programme period, and any surplus income would need to be returned to the EU. Claims are made to the EU based on this intervention rate, but since individual projects within a programme may have different intervention rates differences arise between the amount of certified expenditure recognised for income purposes and that paid out to projects. The differences between these amounts are posted to the Statement of Financial Position either as current asset inventories or deferred income within current payables.

7.25 At the start of the programme 7.5% of the value of the programme was paid by the EU to the Department as an advance payment. This payment is to provide working capital and any interest gained on the cash balances is to be used as match funding within the programme, and where not so utilised returned to the EU. Initially the Department paid over these amounts to the RDAs in proportion to their share of the programme and the amounts were retained in bank accounts by the RDAs with interest received retained by the RDAs and utilised to support eligible project expenditure. From 1 July the advances were repaid by the RDAs to the Department together with unutilised interest. The Department now retains the advances in a specific interest paying bank account set up for the purpose together with unutilised interest. This latter amount is treated as deferred income until used.

7.26 The following table shows the relevant balances on the Statement of Financial Position reported in these accounts

£'000

Item	At 31 March 2011	At 1 July 2011	At 31 March 2012
Project payments:			
Inventories	-	-	66,792

Item	At 31 March 2011	At 1 July 2011	At 31 March 2012
Intervention rate:			
Inventories	-	-	-
Deferred income	-	(46,990)	(62,224)
Interest received:			
Deferred income[1]	-	(4,868)	(5,383)
Advances to RDAs	173,889[2]	13,151	13,570[3]
ERDF bank account	-	187,187[4]	187,252[5]

(Debit values are shown as positive and credit values as negative in brackets)

Note 1: This amount relates to interest earned by the former RDAs' and combined with DCLG interest earned on the bank deposit is available for use as ERDF match funding

Note 2: This amount was classified as a non-current receivable and was, therefore, discounted from nominal value in accordance with IAS 39. The discounting was unwound on repayment.

Note 3: Balance relating to London has not been repaid. The difference between the 1 July and 31 March values arises from the unwinding of the discount.

Note 4: Amount shown is the assumed cash balance as at 1 July, the cash being returned to the Department by the RDAs at later dates.

Note 5: Increase 1 July to 31 March is the interest earned on those bank deposits remitted back to DCLG.

NDPB Closure

7.27 During or at the end of 2011-12 five departmental NDPBs were closed or were reorganised such that they lost operational activities. The Department has considered these changes against the requirements of IFRS 5 - Non-current assets held for sale and discontinued operations. It has determined that none of these changes should be recognised as a discontinued operation because neither of the criteria expressed in IFRS 5 – that the change represents a separate major line of business or major geographical area of operations – has been met.

7.28 The impact of these closures on these accounts is as below.

Standards Board for England (SBE)

7.29 Under the Localism Act 2011 SBE was abolished and it closed completely on 31 March 2012. As far as possible it had cleared all its assets and paid off all liabilities at this point. All SBE bank balances were returned to the Department on 30 March 2012. To achieve closure by 31 March SBE had to close some contracts early, and where this required additional payments these have been recorded as constructive losses, the total amount so recorded was £104k and is recorded in Note 31. On closure, pension liabilities for SBE's staff crystallised and the cessation payment of £8.3m has been accrued in their accounts. The Department has taken on SBE's final closing receivables, liabilities and reserves and will receive cash for the receivables and discharge the liabilities in 2012-13.

Thurrock Thames Gateway Development Corporation (TTGDC)

7.30 Under the terms of a Transfer Order made under the terms of the Local Government Planning and Land Act 1980 TTGDC 's operational activities and associated assets and liabilities were transferred to Thurrock District Council on 31 March 2012. The main change was that holdings of development land and buildings, recognised as inventories in these accounts on consolidation, were transferred to Thurrock Council on that date for nil consideration. The total value of these inventories was £49.6m. These transfers were accounted for by crediting the inventories account with the full value. The matching debit to the Consolidated Statement of Comprehensive Net Expenditure was treated as a capital grant in kind. This treatment, which has been agreed by HM Treasury, results in a nil impact on budgets. It should be noted that this transfer results in a transfer of assets from central government to local government which has different lines of Parliamentary accountability. Therefore the Department has given full consideration to the terms of Managing Public Money to determine whether the transfer of these assets should be recorded as a gifts but has concluded that the terms of the Order makes clear that the transfer is part of a transfer of functions which not only includes the assets but also other staff and other accounting entries. Consequently the Department does not view these transfers as gifts and no entry in the Gifts Note has been made.

7.31 TTGDC will remain in existence until 31 October 2012 to wind up its affairs. At that point any remaining assets, including bank balances, liabilities and reserves will be incorporated into those of the Department

Infrastructure Planning Commission (IPC) and Tenants Services Authority (TSA)

7.32 The IPC and TSA were both abolished on 31 March 2012 but in both cases their functions were incorporated in other bodies in the DCLG group – the Planning Inspectorate and Homes and Community Agency respectively. Because abolition involved a merger into another body rather than a cessation of activities directors of both bodies determined that they should continue to operate as going concerns. Therefore there were no implications for IPC or TSA accounts in 2011-12.

7.33 These mergers will be accounted for as Machinery of Government changes in the Department's 2012-13 accounts.

Firebuy

7.34 The functions of Firebuy Ltd, a departmental NDPB and limited company, were closed or passed to other bodies in early 2011. Firebuy went into voluntary liquidation on 13 July 2011 when liquidators were appointed. This process is expected to be completed in the first half of 2012-13 and Firebuy will then be formally wound up. Firebuy's accounts to 31 March 2012 include all liabilities expected to be recognised before final closure and are consolidated into these accounts.

8 Remuneration Report[8]

Remuneration Policy

8.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

8.2 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com

Service contracts

8.3 The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

8.4 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

8.5 Further information about the work of the Civil Service Commissioner can be found at http://civilservicecommission.independent.gov.uk

Remuneration (including salary) and pension entitlements

8.6 The following sections provide details of the remuneration and pension interests of the ministers and most senior management (ie Board members) of the Department and are subject to audit. Equivalent information relating to the other bodies within the departmental group consolidated into the Department's accounts is provided in their own separate published accounts. The Non-Executive Directors did not receive a salary in their capacity as Board Members and details of fees paid to them are in paragraph 8.11.

8 The Remuneration Report refers to the core Department only. Similar Remuneration Reports are available in the Annual Reports and Accounts of the individual ALBs.

Remuneration (salary and payments in kind)

Ministers	2011-12		2010-11	
	Salary	Benefit-in-Kind	Salary	Benefit-in-Kind
	£	(to nearest £100)	£	(to nearest £100)
The Rt Hon Eric Pickles MP	68,827	-	61,056[1]	-
The Rt Hon Grant Shapps MP	33,002	-	29,099[2]	-
The Rt Hon Greg Clark MP	33,002	-	29,099[3]	-
Bob Neill MP	23,697	-	20,894[4]	-
Andrew Stunell MP	23,697	-	20,894[5]	-
Baroness Hanham CBE	72,470	-	63,898[6]	-

2010-11

1 Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £68,827

2 Figure quoted is for the period 14 May 2010 to 31 March 2011. The full year equivalent is £33,002

3 Figure quoted is for the period 14 May 2010 to 31 March 2011. The full year equivalent is £33,002

4 Figure quoted is for the period 14 May 2010 to 31 March 2011. The full year equivalent is £23,697

5 Figure quoted is for the period 14 May 2010 to 31 March 2011. The full year equivalent is £23,697

6 Figure quoted is for the period 14 May 2010 to 31 March 2011. The full year equivalent is £72,470

Paragraph 8.8 gives information on the salaries of Ministers shared between departments.

Paragraph 8.9 gives information on the remuneration of Ministers who are members of the House of Lords.

A full month's salary is paid if a Minister leaves part-way through a month.

Officials	2011-12			2010-11		
	Salary	Bonus Payments	Benefit-in-Kind	Salary	Bonus Payments	Benefit-in-Kind
	£'000	£'000	to nearest £100	£'000	£'000	to nearest £100
Sir Bob Kerslake Permanent Secretary	175-179[1]	-	-	70-74[6]	-	-
Sue Higgins Director General	90-94[2]	-	-	-	-	-
David Prout Director General	130-134	-	-	130-134	5-9	-
Andrew Campbell Director	95-99[3]	10-14	-	20-24[7]	-	-
Richard McCarthy Director General	160-164[4]	10-14	-	175-179	10-14	-
David Rossington Acting Director General	40-44[5]	10-14	-	120-124	10-14	-
Band of highest paid Director's total remuneration (FTE)	200-204			185-189		
Median total actual (FTE)	36,022			35,295		
Remuneration ratio	5.62			5.31		

2011-12

1. Figure quoted includes an additional payment from 1 January 2012 on appointment as Head of the Civil Service. The full year equivalent is in the range £200k - £204k
2. Figure quoted is for the period 1 August 2011 to 31 March 2012. The full year equivalent is in the range £135k - £139k.
3. Figure quoted includes the period 13 November 2011 to 23 March 2012 as acting Director General during which time temporary responsibility allowance was paid.
4. Figure quoted is for the period 1 April 2011 to 10 November 2011 and includes compensation in lieu of notice. The full year equivalent is in the range £175k - £179k
5. Figure quoted is for the period 1 April 2011 to 31 July 2011. The full year equivalent is in the range £120k- £124.

2010-11

6 Figure quoted is for the period 1 November 2010 to 31 March 2011. The full year equivalent is in the range £170,000 - £174,999.

7. Figure quoted is for the period 4 January 2011 to 31 March 2011. The full year equivalent is in the range £90k - £94k.

Details of Benefits-in-Kind are explained in paragraph 8.12.

Salary

8.7 'Salary' includes gross salary; 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 is subject to UK taxation.

8.8 This report is based on payments made by the Department, 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 (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. Greg Clark MP also had joint responsibilities with the Department of Business, Innovation and Skills but was paid by the Department for Communities and Local Government and his full salary and pension details are shown in this report.

8.9 The arrangement for Ministers in the House of Lords is different. They do not receive a salary as a member of the House of Lords but an additional remuneration as part of their ministerial salaries which cannot be quantified separately. This total remuneration for Baroness Hanham, as well as any allowances to which she was entitled, was paid by the Department and is, therefore, shown in full in the figures in this report.

8.10 Peter Schofield joined the Department and was appointed to the Board as Director General on 26 March 2012. He had not been paid by the Department on 31 March 2012 and, therefore, has not been included in the remuneration report for 2011-12. Louise Casey CB was appointed as a Director General in the Department in November 2011 and is a member of the senior management team. However she is not a member of the Board and so her remuneration for 2011-12 is not included in this report.

8.11 Non-Executive Directors received the following fees for their work during 2011-12:

Sara Weller – £5,806 for the period 1 December 2011 to 31 March 2012

Stephen Hay - £10,000 in 2011-12

Diana Brightmore-Armour - £7,500 in 2011-12

Stewart Gilliland - £3,172 for period 7 December 2011 to 31 March 2012.

Benefits in Kind

8.12 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind during the year.

Bonuses

8.13 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2011-12 relate to performance in 2010-11 and the comparative bonuses reported for 2010-11 relate to the performance in 2009-10.

Pay Multiples

8.14 Reporting bodies are required to disclose the relationship between the remuneration of the most highly-paid director in their organisation and the median remuneration of the organisation's workforce.

8.15 The banded remuneration of the most-highly paid director in DCLG in the financial year 2011-12 was £200k - £204k (2010-11 £185 - £189k). This was 5.62 times (2010-11 5.31 times) the median remuneration of the workforce, which was £36,022 (2010-11 £35,295).

8.16 For the financial year 2011-12 the most-highly paid individual was not the same as in 2010-11. The change to the remuneration of the most-highly paid individual in 2011-12, reflects the appointment of the Permanent Secretary as Head of the Civil Service. Without the additional payment for this role, the multiple is reduced to 4.79.

8.17 DCLG entered a 2 year pay freeze in 2010 -11. The slight increase in median salary for 2011-12 arises because of the payment of contractual milestones.

Pension benefits

£

Ministerial pensions	Accrued pension at age 65 as at 31/03/12	Real increase in pension at age 65	CETV at 31/03/12	CETV at 31/03/11	Real increase in CETV
The Rt Hon Eric Pickles MP	2,880	1,530	47,646	20,639	17,711
The Rt Hon Grant Shapps MP	1,797	837	19,228	9,498	4,750
The Rt Hon Greg Clark MP	1,797	837	19,744	9,760	4,990
Bob Neill MP	1,339	611	22,162	11,133	7,033
Andrew Stunell MP	1,339	611	23,031	12,237	7,430

8.18 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

8.19 Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

8.20 Benefits for ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes with Pensions Increase Legislation. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution of 28.7% of the ministerial salary paid by the Exchequer representing the balance of cost as advised by the Government Actuary. Increases to member and Exchequer contributions will apply from 1 April 2012.

8.21 The accrued pension quoted is the pension the minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

8.22 This 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 pension benefits they have 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Real increase in the value of the CETV

8.23 This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

Civil Service pensions

£'000

Officials	Accrued pension at pension age at 31/03/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/12	CETV at 31/03/11*	Real increase in CETV
Sir Bob Kerslake	5-10 plus nil lump sum	2.5-5.0 plus nil lump sum	68	18	42
Sue Higgins (from 1 August 2011)	5-10 plus nil lump sum	0-2.5 plus nil lump sum	61	59	(1)[(1)]
David Prout	5-10 plus nil lump sum	0-2.5 plus nil lump sum	78	44	26
Andrew Campbell	35-40 plus 65-70 lump sum	0-(2.5) plus (2.5)-(5) lump sum	691	646	(12)[(1)]
Richard McCarthy (to 10 November 2011)	30-35 plus nil lump sum	0-2.5 plus nil lump sum	557	497	28
David Rossington (to 31 July 2011)	30-35 plus 50-55 lump sum	0-2.5 plus 0-2.5 lump sum	518	492	13

Note 1: Taking account of inflation, the CETV funded by the employer has decreased in real terms.

(*) The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011, therefore, differs from the corresponding figure in last year's report which was calculated using the previous factors.

8.24 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

8.25 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

8.26 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 panel of three providers. 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).

8.27 The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

8.28 Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions

Cash Equivalent Transfer Value

8.29 A Cash Equivalent Transfer Value (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.

8.30 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Real increase in the value of the CETV

8.31 This reflects the increase in CETV that is funded by the employer. It does not include 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.

Sir Bob Kerslake **27 June 2012**
Accounting Officer
Department for Communities and Local Government

9 Statement of Accounting Officer's Responsibilities

9.1 Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Communities and Local Government to prepare, for each financial year, consolidated accounts detailing the resources acquired, held, or disposed of and the use of resources during the year by the Department (inclusive of its executive agency) and its sponsored non-departmental and other arms length public bodies designated by order made under the GRAA by Statutory Instrument 2011 nos 723 and 2004 (together known as the 'departmental group', consisting of the Department and bodies listed in Note 36 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the departmental group and of the net resource outturn, resources applied to objectives, recognized gains and losses and cash flows of the departmental group for the financial year.

9.2 In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis including those judgements involved in consolidating the accounting information provided by non departmental and other arms length public bodies;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

9.3 The Treasury has appointed Sir Bob Kerslake, the Permanent Head of the Department, as Accounting Officer of the Department for Communities and Local Government.

9.4 The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arms length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that all income and expenditure of the sponsored bodies is properly accounted for, for the purposes of consolidation within the accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of their organisation.

9.5 The responsibilities of an Accounting Officer, including 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 assets of the Department or sponsored body, are set out in Managing Public Money published by the Treasury.

10 Governance Statement

Introduction

10.1 During the year, the Department continued to support housing and regeneration activity and looked at policy areas to ensure that, together with local delivery partners, it was responding effectively to difficult economic circumstances. We also faced the challenges of restructuring the business and managed the risk of challenging programmes such as the Olympics, Troubled Families, the National Planning Policy Framework and the delivery of a consolidated set of accounts for the first time. An important theme for the next reporting year (2012-13) will be the implementation of our "Change Plan" to become a top performing Department.

10.2 The Department is supported in delivering this challenging agenda by a number of Arms Length Bodies (ALBs). The Homes and Communities Agency (HCA) and the Planning Inspectorate (PINS) are the Department's largest ALBs and as such impact most materially on the Department's delivery of its objectives, financial planning and risk management.

Compliance with the Corporate Governance Code

10.3 The detailed provisions of the *Corporate Governance Code* published by HM Treasury and the Cabinet Office relate to Ministerial departments, of which the Department for Communities and Local Government (DCLG) is one. This Governance Statement sets out DCLG's compliance with the principles set out in the Code.

Scope of responsibility

10.4 As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives for the Department for Communities and Local Government (DCLG), whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

10.5 I am also responsible for ensuring that there is a high standard of financial management in the Department as a whole. Therefore I have a duty to be satisfied that ALBs sponsored by DCLG have adequate financial systems and procedures in place to promote the efficient and economical conduct of their business and to safeguard financial propriety and regularity. I am also responsible for the effective management of the single administration budget across the Departmental Group.

Local accountability frameworks

10.6 The report Accountability: Adapting to decentralisation, published in September 2011, proposed that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the grants they distribute to local bodies. This allows Accounting Officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are still in place. The Treasury included this requirement in the *Managing Public Money* guidance, via a letter to departments on 17 February 2012.

10.7 The accountability system statement sets out the accountability system for local authorities and fire and rescue authorities for the financial year 2012-13. It sets out current funding systems, legislation and guidance which forms the system at present, and it signposts changes which are expected to be made during the year. As DCLG Accounting Officer I am the lead accounting officer for local authorities and Fire and Rescue authorities. That statement therefore covers the core accountability system for local authorities, which is concerned with issues such as their financial management and democratic accountability. The statement is available on DCLG's website.

10.8 Departments which oversee other services run by local government will publish statements in relation to these services. The main additional systems cover education and children's services (Department for Education), adult social care (Department of Health), public health (Department of Health), transport (Department for Transport) and waste (DEFRA). These statements will explain any other grants made to local authorities, and relevant legislation and regulation in respect of those services.

The purpose of the system of internal control

10.9 The system of internal control is the set of processes and procedures in place in the Department for Communities and Local Government and the wider DCLG Group to ensure that the Group delivers its policies, aims and objectives. It is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

10.10 The system of internal control manages risk to a reasonable level rather than eliminating 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 has been in place in the Department for the year ended 31 March 2012 and up to the date of approval of the annual report and consolidated accounts, and accords with Treasury guidance.

The Group governance framework

The Board

10.11 The DCLG Board is chaired by the Secretary of State and another Minister permanently attends. Other DCLG Ministers attend in rotation. This is a slight divergence from the Code which recommends that all Ministers attend the Board. However this approach has been agreed with the Secretary of State and the ministerial team and the arrangement works well. The Board's role is to advise and support Ministers on the operational implications and effectiveness of policy proposals, focusing on getting policy translated into results. In accordance with Cabinet Office guidance, 6 Board meetings were held throughout the year and the Board discussed a variety of issues affecting the Department including Housing Growth and the Department's restructure.

10.12 Lead Non- Executive Director (NED), Sara Weller conducted a Board Effectiveness Evaluation in accordance with Cabinet Office requirements. The conclusions of the evaluation are outlined in her Foreword to the Annual Report.

Sub-Committees to the Board

10.13 There are two sub-committees to the Board

- The Audit and Risk Committee (chaired by Stephen Hay, who is a Non-Executive Member of the departmental Board) is responsible for assessing and assuring the Department's overall risk management framework and for ensuring financial propriety. The Committee gives independent advice to the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the assurances received on the existence and effectiveness of systems for accountability and control in the organisation. Its remit applies across the whole of the DCLG Group and it is assisted in this context through the close working relationships with the HCA and PINS.
- The Nominations and Governance Committee (chaired by Diana Brightmore-Armour, who is a Non Executive member of the departmental Board) is responsible for providing governance for the Department's senior civil service performance and rewards as required by the Cabinet Office.

The Executive Team

10.14 The Board is also supported by an Executive Team which is responsible for driving and managing the daily business of the Department. The Executive Team is responsible for reviewing those issues escalated to it and issuing instructions regarding them. It can also raise any issue for discussion and will also determine which issues to escalate to the Board.

Sub-Committees to the Executive Team

10.15 There are three sub-committees to the Executive team:

- The Finance Sub-Committee is responsible for detailed financial monitoring reviewing investment proposals over £50m across the Spending Review period and maintaining oversight of the governance arrangements for ALBs. It determines which issues should be escalated for review by the Executive Team and is supported in discharging its responsibilities by the Investment Sub-Committee (see paragraphs 10.33 – 10.34 below)
- The Performance Sub-Committee is responsible for scrutinising in detail the progress and delivery of the full range of policy commitments and responsibilities – including whether the staff and resources applied to commitments are appropriate and cost effective determining which issues should be escalated to the Executive Team
- The People Sub-Committee is responsible for overseeing the development and delivery of a business-focussed people strategy and the people aspects of the next phase of the Business Change programme. It will be responsible for governance of SCS performance.

Programme boards

10.16 Programme Boards are responsible for scrutinising in detail the progress and delivery of specific relevant policy commitments and responsibilities and submitting reports to the Performance Sub-Committee.

Sponsorship arrangements

10.17 Through its sponsorship teams, the Department engages directly with each body proportionate to the level of risk the body poses to the Department. Sponsor teams attend regular meetings with Finance colleagues, formal delegations are in place where bodies are funded from the single administration budget and I meet regularly with the Accounting Officers of the ALBs. There is a regular Forum for Arms Length Bodies in the DCLG Group.

Risk management

10.18 Throughout the reporting year the Board, the Executive Team, and key Sub-Committees of the Board continued to take an active lead in embedding risk management in the organisation.

10.19 Senior Responsible Owners were accountable for the effective management and escalation of risks within their groups and programmes.

10.20 The Executive Team has used the Corporate Risk Register to review the critical risks to Departmental business and the actions being taken to mitigate them and as a result has called in policy teams for a more detailed discussion of risks such as the Department’s work on Welfare Reform.

10.21 The Audit and Risk Committee has taken an active interest in the way in which the Department has managed risk. During the year the Committee has considered the Department's overall risk register and also reviewed in detail the Department's approach to particular risks.

10.22 The key Programme Boards across the Department have regularly reviewed their risks and escalated strategic and cross-cutting risks to the Finance, Performance and People Sub Committees for discussion and potential inclusion on the Corporate Risk Register.

10.23 The Performance Sub-Committee has provided scrutiny for the highest risk programmes, with focus on assuring that the biggest financial and delivery risks were being effectively managed and to determine whether an issue should be escalated to the Executive Team.

10.24 OGC Gateway reviews have been used to provide external assurance for the most important programmes and their management of risk. These reviews have been complemented by a number of internal assurance reviews which have provided an independent assessment of risk.

10.25 Internal Audit reviewed the adequacy and effectiveness of the Department’s risk, control and governance framework through a programme of audits and advisory work.

10.26 National Audit Office (NAO) Value for Money (VfM) Studies on Fire Control and the Mortgage Rescue Scheme and a Landscape Review on Formula Funding of Local Public Services were published in the period.

10.27 The Department has carried out a risk review which has improved the way risks are reported to provide more detail of underlying risks and also implemented a new risk escalation procedure which ensures that risks are managed at the appropriate level.

10.28 The Department has challenged Governance Statements produced by each Director half way during the year, and at the end of the year. This challenge was exercised by Assurance Panels chaired by the Director General Finance and Corporate Services or the Finance Director, and including NEDs for a sample of Directorates.

10.29 The Department ensured that appropriate policies and guidance were in place to assure compliance with Cabinet Office mandates on electronic and physical data security. A small number of minor suspected security breaches were identified in the period; each was investigated and no loss of personal or proprietary data was identified.

10.30 During the period, DCLG management teams have sought to integrate Homes and Communities Agency and the Planning Inspectorate as much as possible into the governance framework of the Department to engender a DCLG Group approach. For example, the Finance Directors of both the Homes and Communities Agency and the Planning Inspectorate are attendees of the Department's Finance Sub-Committee and attend the quarterly business review meetings with Executive Team. The HCA Audit and Risk Committee Chair is now a member of the Departmental Audit and Risk Committee and HCA officials attend too. These closer working relationships have helped significantly in terms of engendering Group-wide financial planning, risk management and decision making.

10.31 Capacity to handle risk within the Homes and Communities Agency is embedded within the non executive and executive governance structures, policies and procedures established within the organisation to manage strategic and operational business and within the core risk management policy and through guidance and training. Key methods of embedding risk management in the activity of the business include -

- risk identification, assessment and mitigation plans included in Corporate and Business Plans
- routine consideration of risk in all investment decision making processes
- regular review of risk registers for programmes, operating areas, corporate directorates and projects
- research and analysis of the property and housing market to help inform strategy development and investment decisions
- regular risk reporting to senior management, the Audit and Risk Committee and the Board

10.32 A key element of the way the Planning Inspectorate (PINS) approached the management of risk during the reporting period was to incorporate risk mitigation as a part of 'business as usual'. This included close liaison with policy and sponsorship teams in DCLG, clear communication with its staff and stakeholders, and proactive in-house forecasting of future demand. As a result the key strategic risks faced by the organisation during the period, were appropriately managed.

Evidence based decision making

10.33 The Investment Sub-Committee (ISC) supports the Finance Sub-Committee in its responsibilities on reviewing investment decisions within the Department, and its Arms Length Bodies where these decisions exceed their agreed delegation levels. In particular, the ISC is responsible for reviewing and approving investment proposals for the Department of between £1m and £50m in value (or those proposals judged sensitive by the Finance Director) across the Spending Review (SR) period, and the associated business cases, taking into account deliverability, affordability, value for money, risk management and transparency of procurement. The ISC makes recommendations to the Finance Sub-Committee.

10.34 The ISC met very frequently in the reporting period. It has reviewed high profile policies and programmes such as Troubled Families, the London Settlement, Right to Buy, Get Britain Building, NewBuy and the issues arising from the closure of the Audit Commission. Investment appraisals outside the delegation frameworks of the Homes and Communities Agency and the Planning Inspectorate were also scrutinised.

Facing challenges

10.35 The *Annual Report* talks about the policy and delivery challenges which the Department and its Group have faced over the reporting period and highlights our achievements. Below are some examples of how the governance, control and risk management framework has assisted delivery of our policies and programmes.

Departmental Restructure

10.36 A Change Programme Board which I chaired provided senior governance for the duration of the restructuring process, managing risks to delivery and taking decisions on progress. The Department's exit schemes were the subject of an Internal Audit review in September 2011, which provided an independent opinion on how processes and controls were managed. This concluded that departmental procedures for exits management were fit for purpose and were being followed, including in relation to value for money; and awarded a substantial assurance level for each of risk management, control and governance.

Review of Arms Length Bodies (ALBs)

10.37 Throughout the reporting period work continued on Arms Length Body reform and the Arms Length Bodies Reform Board continued to focus on top programme risks and challenges in relation to reform projects and the robustness of implementation plans and progress. Financial risks have continued to receive significant management time. The DCLG Board discussed the ALB reform in August and was content with the level of governance and assurance the programme provided. The Department's Audit and Risk Committee also considered the ALB reform programme and decided to de-escalate the ALB risk off the top level corporate risk register.

Homes and Communities Agency (HCA)

10.38 Key challenges for the HCA during the year have been the development of the Affordable Homes Programme 2011-15, delivering a new form of social housing Affordable Rent and the development of further programmes to support the Government's Housing Strategy including Get Britain Building. The HCA has also implemented a substantial and complex change and restructuring programme which has reduced the size of the organisation which will enable it to live within its administration budget. This has in part included preparation to absorb functions and staff from the Tenant Services Authority (TSA) and to transfer staff and assets to the Greater London Authority (GLA). In all cases procedures have been established to help ensure that the internal control environment remains effective.

10.39 The governance arrangements in place within the HCA in the period were the HCA Board, its Committees and Advisory Groups and also included executive level fora. The Board set the strategic direction of the business, ensuring the effective operation of risk management and that a sound system of internal control was in place. Committees to the Board included the Audit & Risk Committee, the Remuneration Committee and the Investment Committee which is the key non executive decision making committee as it considers all of the HCA's major investment proposals.

10.40 In addition to these committees, there were a range of Advisory Groups which provided focus and challenge to the HCA's work in key, cross-cutting areas.

10.41 The executive governance / decision making arrangements that have operated in the period included:

- Programme Boards which reviewed and updated the risk registers for the programmes within their oversight and ensured that actions were taken to mitigate risks. The Housing and Land and Regeneration Programme Boards met frequently throughout the year. Following the transfer of RDA assets to the HCA on 19 September 2011, these assets were combined with HCA assets within the Economic Assets Programme (EAP). This Programme is monitored by the Land and Regeneration Programme Board and also reports to an oversight board which includes the HCA, DCLG and the Department for Business, Innovation and Skills (BIS);
- The Directors Group which includes all HCA Directors, and;
- The Projects Executive which meets monthly to consider and approve investments within the Chief Executive's delegated authority and which convened additional meetings throughout the financial year to discuss investments related to the Economic Assets Programme.

Merger of the Infrastructure Planning Commission with the Planning Inspectorate

10.42 One of the key challenges for the organisation in the reporting period was in relation to the merger of Infrastructure Planning Commission The Government's decision to abolish the Infrastructure Planning Commission was confirmed through the Localism Act 2011, and the Commission's functions transferred to a unit within a restructured Planning Inspectorate (PINS) on 1 April 2012. This process was managed through a programme of extensive engagement with external stakeholders, staff and DCLG and culminated in a smooth transition, with the Commission and the Inspectorate both maintaining their service levels.

10.43 During the year the Board provided the strategic direction of the organisation. The Board was supported by two standing sub-committees, plus working groups responsible for taking forward two main strategic themes – Communications &

Engagement and Workforce Planning. There were a number of executive level fora designed to manage the organisation at a tactical level.

10.44 Within the framework of the strategic direction, Directors met on a regular basis to make decisions. In preparation for integration and to ensure consistency between the Planning Inspectorate and the Infrastructure Planning Commission, Directors' meetings were attended by Directors of both organisations. Directors of the Infrastructure Planning Commission attended in an advisory capacity.

Audit Commission closure

10.45 Following the announcement of the closure of the Audit Commission, the Department set up a dual-purpose Future of Local Audit project, supported by two Boards. The purpose of the project is twofold, the management of the closure of the Audit Commission, with oversight and scrutiny provided by a Closedown Board and to formulate the new audit arrangements following closure, to ensure there is robust framework that will uphold high audit standards as a key way of assuring accountability to Parliament for Local Authority spending. This is led by a cross-Whitehall Programme Board, chaired by the Director of Local Government Policy.

Regional Growth Fund (RGF)

10.46 The Regional Growth Fund programme has been reviewed by National Audit Office (NAO), Internal Audit and HM Treasury (HMT) during the year. The NAO report was issued in May 2012. The management of RGF has been simplified, with ownership consolidated from 4 departments to 2, adding a further £1bn funding at the same time. From a DCLG perspective, the key issues faced during the year have been to ensure the RGF Secretariat had adequate resource to deliver the various stages of handling and that the Budget profile could be delivered as well. Both of these activities have been challenging and taken considerable effort to resolve to the satisfaction of all parties.

European Regional Development (ERDF)

<u>ERDF 2000-06 Programmes</u>

10.47 The reductions in liabilities set out in paragraph 2.65 have been achieved through the rigorous oversight of a Programme Board. There has been continued focus on reducing the levels of liabilities associated with the programme through challenge of EC interpretations of complex Fund rules where this is appropriate, and debt collection procedures against grant applicants who have breached the EC's compliance framework. Internal Audit Services have worked in conjunction with the ERDF Managing Authority based in DCLG throughout the year to resolve numerous queries raised by the EC.

<u>ERDF 2007-13 Programmes</u>

10.48 For 2007-13 Programmes, ongoing monitoring and audit work is in place. In March 2011, the EC interrupted payments (to the Department) for six (of ten) programmes, as they did not have sufficient assurance that management and control systems were working effectively (which at the time were devolved to Regional Development Agencies). This interruption was lifted in July 2011, the EC being satisfied with the Department's plans to improve management and control systems - the key tenet being the establishment of a single national integrated management structure for the ERDF programme (post abolition of the Regional Development Agencies).

10.49 In December 2011, the Audit Authority for the ERDF programme issued its Annual Control Report. This offered an unqualified audit opinion of the management and control systems for the English ERDF programme, reporting a concluded error rate of 1.57% (which is below the EC's 2% materiality threshold). In their February 2012 response, the EC considered that the annual control report and annual audit opinion submitted were acceptable and met their requirements

10.50 The ERDF Transition team is responsible for mitigating risks relating to transfer of scheme records and achieving correct novation of contracts relating to ERDF 2007-13 programmes. Prior to the winding up of the Regional Development Agencies, the programme boards for ERDF 2000-06 programme and the ERDF 2007-13 programme were brought together. In April 2012, the Managing Authority functions of the two programmes were also merged.

Managing the Risk of Financial Loss

10.51 The Executive Team approved the methodology for the Managing Risk of Financial Loss (MRoFL) project, to implement a mandatory, but internally driven review of our key financial systems (namely payroll and expenses, procurement and grants) to assess the extent to which they might be vulnerable to fraud and to implement any counter-measures deemed necessary as a result. It was agreed that two of the work streams, on procurement and grants, would be subject to a full review using the HM Treasury MRoFL toolkit; and that the other workstream, on payroll and expenses, would be reviewed as part of the Department's Internal Audit work programme. The assessments of the three workstreams did not reveal any major control issues. However, action plans have been put in place and are being taken forward to strengthen governance and provide a higher level of assurance. DCLG participates in the National Fraud initiative and the results have provided further assurance about the counter fraud controls in place within the Department.

Review of effectiveness of the system of internal control

10.52 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. Executive managers within the Department have responsibility for the development and maintenance of the internal control framework. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the comments made by the external auditors in their management letter and other reports, including Value for Money reviews; recommendations are implemented on a timely basis. Internal Audit updates the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Committee.

10.53 I have been advised, in my review of the effectiveness of the system of internal control, by the Executive Team and its committees and by the Department's Audit and Risk Committee. The priority for 2012-13, in terms of risk management, will continue to be the delivery of the Departmental Business Plan.

Significant internal control issues

10.54 Following Internal Audit Service reviews, the following issues have been identified.

- Information Technology (IT) Governance – following Internal Audit Service's review of Information Technology Governance, IT Strategy and Risk Management, opportunities were identified (and have been taken forward) to strengthen overall corporate governance arrangements and their relationship to IT governance, and to review IT resourcing levels in relation to overall demand and the requirements for specialist skills/roles.
- IT Disaster Recovery (DR) Planning Arrangements – management arrangements are to be strengthened to improve governance, risk management and control in relation to the Department's DR provision. Specifically, this will involve:
    - Clearly defining and effectively empowering responsibility for IT DR management and ownership of the associated processes, roles etc, and constructing an appropriate Department-wide IT DR framework;
    - Framing a consistent view of business requirements against which to set IT DR capability / effectiveness; and
    - Mapping end to end departmental critical processes in order to identify interdependent services that need to be provided for in DR terms.
- Personnel Information Management System (PIMS) Application Controls - actions are in train to address shortfalls in risk management concerning the lack of formal disaster recovery arrangements, including testing of plans, and gaps in control in particular regarding a lack of monitoring of system administrator accounts.

10.55 There were two instances in the reporting period where procedures for laying financial minutes before Parliament were not followed correctly. Actions are in train to address this moving forwards. There are no further significant control issues to report.

Role of Internal Audit

10.56 The Department's Internal Audit Service (IAS) plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

- focusing audit activity on the key business risks;
- being available to guide managers and staff through improvements in internal controls;
- auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
- providing advice to management on internal control implications of proposed and emerging changes.

10.57 IAS also has extensive links across the Group, acting as the audit service to PINS, and has been liaising with HCA's Internal Audit provider around possible joint reviews and sharing assurances. The DCLG Director of Internal Audit has regular discussions with the HCA Head of Internal Audit.

10.58 The Department's Internal Auditors operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit and Risk Committee. Internal Audit updates the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Committee. Internal Audit submits regular reports on the adequacy and effectiveness of the Department's systems of internal control and the management of key business risks, together with recommendations for improvement. These recommendations have been accepted by Management including an agreed timetable for implementation. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is reported to the Audit and Risk Committee.

Internal Audit Opinion

The Department

10.59 Following completion of the planned audit work for 2011-12 for the Department, the Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management, governance and internal control. It stated that:

"We have completed the programme of internal audit work for the year ended 31 March 2012 and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control. However, we have identified significant control weaknesses in some specific systems and processes covering Information Technology (IT) Governance, IT Disaster Recovery and the Department's Personnel Information Management System (PIMS) (see paragraph 10.54)."

For the ERDF programmes, Internal Audit Services can give a substantial assurance. For the 2000-06 programme, sufficient controls are in place to ensure financial risks are gradually being reduced. For the ERDF 2007-13 programme, there has been an increased assurance on the management and control system, including the implementation of agreed actions to lift the payment interruption for 6 of the 10 operational programmes. Further work will be required to embed the single national integrated management structure and standardised management controls fully.

On that basis we give substantial assurance on the adequacy and effectiveness of the system of internal control throughout the year. In the majority of individual areas we were able to give substantial (and in some cases full) assurance".

The Homes and Communities Agency

10.60 The Homes and Communities Agency's Internal Audit opinion supports strong assurance for the Agency's governance and risk management arrangements in 2011-12, particularly in relation to Change Programme activities. There are areas highlighted within the overall control framework which are considered insufficient to manage the associated risks where either the existing controls are not considered sufficient or more frequently where existing requirements are not being complied with. These issues are not considered to have seriously undermined the overall control framework during 2011-12.

The Planning Inspectorate

10.61 Internal Audit's opinion in relation to the Planning Inspectorate gives a substantial (amber/green) assurance as to the overall adequacy and effectiveness of the Inspectorate's systems of risk management, control and governance. These findings reflect the Inspectorate's generally sound governance and control environment. Where there have been amber/green opinions, these indicate areas of further development rather than concern.

Conclusion

10.62 Prior to signing this Governance Statement, the Department's Audit and Risk Committee has confirmed that I have the necessary level of assurance from senior colleagues.

Sir Bob Kerslake **27 June 2012**
Accounting Officer
Department for Communities and Local Government

11 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 Department for Communities and Local Government and of its Departmental Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position and Cash Flows and Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary, Sustainability Report, Other Financial Information and Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SWIW 9SP **27 June 2012**

Statement of Parliamentary Supply

For the year to 31 March 2012

Summary of Resource and Capital Outturn 2011-12

£'000

								2011-12	2010-11
		Estimate			Outturn			Outturn compared with Estimate: saving/ (excess)	Outturn Restated
	Note	**Voted**	**Non-Voted**	**Total**	Voted	Non-Voted	Total		Net Total
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities									
Resource	2.1	**1,950,171**	-	**1,950,171**	1,821,401	-	1,821,401	128,770	3,845,324
Capital	2.2	**3,854,997**	-	**3,854,997**	3,820,927	-	3,820,927	34,070	6,070,084
Spending in DEL - DCLG Local Government									
Resource	2.1	**26,651,691**	-	**26,651,691**	26,557,648	-	26,557,648	94,043	25,865,615
Capital	2.2	**50**	-	**50**	(7,717)	-	(7,717)	7,767	(67,706)
Spending in Annually Managed Expenditure (AME)									
Resource	2.1	**511,166**	-	**511,166**	382,196	-	382,196	128,970	1,044,263
Capital	2.2	**370,000**	-	**370,000**	152,824	-	152,824	217,176	842,972
Total Budget		**33,338,075**		**33,338,075**	32,727,279		32,727,279	610,796	37,600,552
Non Budget: - Resource		**-**	-	**-**	-	-	-	-	-
Total		**33,338,075**		**33,338,075**	32,727,279		32,727,279	610,796	37,600,552
Total Resource	2.1	**29,113,028**	-	**29,113,028**	28,761,245	-	28,761,245	351,783	30,755,202
Total Capital	2.2	**4,225,047**	-	**4,225,047**	3,966,034	-	3,966,034	259,013	6,845,350
Total		**33,338,075**	-	**33,338,075**	32,727,279	-	32,727,279	610,796	37,600,552

Net Cash Requirement 2011-12

£'000

				2011-12	2010-11 Restated
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	4	33,363,649	31,438,209	1,925,440	(36,797,932)

Administration Costs 2011-12

£'000

				2011-12	2010-11 Restated
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Administration Costs	3.2	377,046	338,979	38,067	419,633

The Notes on pages 108-162 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

£'000

	Note	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group	2010-11 restated Core Department	2010-11 restated Core Department & Agency	2010-11 restated Departmental Group
Administration Costs							
Staff Costs	7	105,525	133,673	205,604	171,943	205,120	257,685
Other Costs	8	100,362	113,684	193,725	169,432	182,372	288,293
Income	10	(14,437)	(23,396)	(60,350)	(44,436)	(53,865)	(80,501)
Programme Costs							
Staff Costs	7	3,332	3,338	22,873	11,736	11,736	18,653
Other Costs	9	38,248,714	38,249,897	40,644,534	33,409,854	33,413,088	37,786,341
Income	11	(14,968,019)	(14,968,019)	(15,076,849)	(1,416,699)	(1,416,677)	(1,571,877)
Grant-in-aid to NDPBs		2,270,765	2,270,765	-	4,394,700	4,394,700	1,423
Net Operating Costs for the year ended 31 March		**25,746,242**	**25,779,942**	**25,929,537**	**36,696,530**	**36,736,474**	**36,700,017**
Total Expenditure		40,728,698	40,771,357	41,066,736	38,157,665	38,207,016	38,352,395
Total Income		(14,982,456)	(14,991,415)	(15,137,199)	(1,461,135)	(1,470,542)	(1,652,378)
Net Operating Costs for the year ended 31 March		**25,746,242**	**25,779,942**	**25,929,537**	**36,696,530**	**36,736,474**	**36,700,017**
Other Comprehensive Net Expenditure							
Net (Gain) / Loss on:							
Pension Schemes	24	108	108	32,491	-	-	(28,189)
Disposal of available for sale assets recognised in net expenditure		-	-	3,330	-	-	1,024
Revaluation of property, plant and equipment	12	(1,275)	(1,275)	(1,438)	(231)	(231)	(150)
Revaluation of intangibles		-	-	-	-	-	-
Revaluation of inventories	19	-	-	(72,023)	-	-	42,466
Fair value gain on available for sale assets	16	-	-	17,108	-	-	(14,366)
Income tax on items in other comprehensive expenditure		-	-	16,854	-	-	(7,597)
Total comprehensive expenditure for the year ended 31 March		**25,745,075**	**25,778,775**	**25,925,859**	**36,696,299**	**36,736,243**	**36,693,205**

All activities are continuing, the impact of Clear Line of Sight (CLoS) boundary and Machinery of Government transfers can be found at Note 32

The Notes on pages 108-162 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2012

£'000

	Note	31-Mar-12 Core Department	31-Mar-12 Core Department & Agency	31-Mar-12 Departmental Group	31-Mar-2011 restated Core Department	31-Mar-2011 restated Core Department & Agency	31-Mar-2011 restated Departmental Group	31-Mar-2010 restated Departmental Group
Non-current assets								
Property, plant and equipment	12	108,868	109,004	117,711	118,457	118,661	137,858	94,832
Intangible assets	13	16,722	16,832	20,130	24,554	24,734	29,294	85,288
Investments	15	31,348	31,348	356,160	32,767	32,767	419,005	400,553
Available for sale assets	16	-	-	550,208	-	-	556,556	454,049
Investment properties	17	28,511	28,511	28,511	28,806	28,806	28,806	21,782
Trade and other receivables	20	14,329	14,346	155,947	174,300	174,328	396,807	401,414
Total non-current assets		**199,778**	**200,041**	**1,228,667**	**378,884**	**379,296**	**1,568,326**	**1,457,918**
Current assets								
Assets classified as held for sale		-	-	-	-	-	-	5
Inventories	19	66,792	66,792	1,121,879	-	-	1,109,489	1,425,765
Trade and other receivables	20	361,888	366,795	530,060	567,058	572,783	761,032	646,834
Cash and cash equivalents	21	393,086	393,086	440,682	190,185	190,185	319,365	254,952
Total current assets		**821,766**	**826,673**	**2,092,621**	**757,243**	**762,968**	**2,189,886**	**2,327,556**
Total assets		**1,021,544**	**1,026,714**	**3,321,288**	**1,136,127**	**1,142,264**	**3,758,212**	**3,785,474**
Current liabilities								
Trade and other payables	22	1,795,476	1,798,527	2,103,200	1,212,212	1,217,975	1,614,120	1,585,391
Provisions	23	9,748	10,061	37,696	57,185	57,530	88,486	149,988
Pensions	24	156	156	11,741	156	156	2,155	156
Total current liabilities		**1,805,380**	**1,808,744**	**2,152,637**	**1,269,553**	**1,275,661**	**1,704,761**	**1,735,535**
Non-current assets plus/less net current assets/liabilities		**(783,836)**	**(782,030)**	**1,168,651**	**(133,426)**	**(133,397)**	**2,053,451**	**2,049,939**
Non-current liabilities								
Trade and other payables	22	300,094	300,094	301,866	295,858	295,858	298,420	198,366
Provisions	23	21,989	22,079	176,916	29,536	29,713	199,551	201,299
Pensions	24	1,834	1,834	75,772	1,778	1,778	148,717	244,757
Total non current liabilities		**323,917**	**324,007**	**554,554**	**327,172**	**327,349**	**646,688**	**644,422**
Assets less liabilities		**(1,107,753)**	**(1,106,037)**	**614,097**	**(460,598)**	**(460,746)**	**1,406,763**	**1,405,517**
Taxpayers' equity								
General reserve		(1,126,718)	(1,125,014)	467,894	(479,060)	(479,221)	1,373,138	1,439,170
Revaluation reserve		19,073	19,085	221,107	18,462	18,475	180,182	206,245
Pension reserve		(108)	(108)	(74,904)	-	-	(146,557)	(239,898)
Total taxpayers' equity		**(1,107,753)**	**(1,106,037)**	**614,097**	**(460,598)**	**(460,746)**	**1,406,763**	**1,405,517**

Sir Bob Kerslake **27 June 2012**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 108-162 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

£'000

	Note	2011-12	2010-11 restated
Cash Flows from Operating Activities			
Net Operating Cost	SoCNE	(25,929,537)	(36,700,017)
Movements in receivables not passing through the SoCNE		(178,449)	(20,179)
Movements in payables not passing through the SoCNE		(5,008)	75,067
Cash utilisation of provisions	23	(65,153)	(30,076)
Non cash movement in provisions (excluding utilisation)		(8,272)	(52,569)
Movement on non current asset accruals & payables		45	-
(Increase)/Decrease in trade and other receivables	20	466,069	(92,681)
Increase/(Decrease) in trade payables	22	350,666	124,218
Depreciation and amortisation	8,9	27,213	31,719
Revaluation movement (through the SoCNE)		295	(7,039)
Interest		-	(208)
Impairments	8,9	90,424	63,491
Loss on disposal	8,9	9,922	54,410
Other non-cash transactions	8,9,10,11	9,853	71,178
(Additions) of inventories	19	(307,598)	(87,526)
Disposal of inventories	19	282,142	197,681
Impairment of inventories through the SoCNE	19	85,089	167,683
Pension costs	19	-	(65,343)
Pension movements - non cash	24	(96,621)	-
Income and Corporation Tax		(20,462)	11,230
Net Cash outflow from operating activities		**(25,289,382)**	**(36,258,961)**
Cash flows from Investing Activities			
Purchase of property, plant and equipment	12	(19,227)	(114,813)
Purchase of intangible assets	13	(2,190)	(3,716)
Purchase of additions to financial assets	16	(114,534)	(143,338)
Proceeds from disposal of property, plant and equipment	12	31	64
Proceeds from disposal of intangible assets	13	-	2
Proceeds on disposal of financial assets	16	31,990	15,549
Repayments from other bodies		221,882	16,167
Loans to other bodies	14	(12,127)	(53,148)
Interest	8,9	7	(96)
Finance Lease repayments		-	68
Capital and other financial investments		-	(7,351)
Net Cash inflow / (outflow) from investing activities		**105,832**	**(290,612)**

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2012

£'000

	Note	2011-12	2010-11 restated
Cash Flows from Financing			
From the consolidated fund (supply) - current year		31,824,505	37,626,961
Advances from the contingencies fund		34	-
Repayments to the contingencies fund		(34)	-
NNDR non-supply funding		-	9,323
Receipt of non operating CFERs		389	2,670
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(897)	(844)
Other adjustments - financing activities		(75)	2,093
Interest paid		-	1
Finance charge on pension scheme		1,635	-
Net Financing		**31,825,557**	**37,640,204**
Net increase/decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**6,642,007**	**1,090,631**
Cash flow from Non-Financing activities			
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(2,578)	(533)
Payments due to the Consolidated Fund		(6,665,038)	(122,819)
Other balances surrenderable to the Consolidated Fund		-	(902,866)
Net Non-Financing		**(6,667,616)**	**(1,026,218)**
Net increase/decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(25,609)**	**64,413**
Cash and cash equivalents at the beginning of the period		**319,365**	**254,952**
Cash and cash equivalents at the end of the period		**293,756**	**319,365**

The Notes on pages 108-162 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserve
Balance at 31 March 2010		**815,081**	**165,480**	**(239,898)**	**740,663**
Change in relation to Machinery of Government changes		624,089	40,765		664,854
Restated Balance at 1 April 2010		**1,439,170**	**206,245**	**(239,898)**	**1,405,517**
Changes in taxpayers' equity for 2010-11					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	150	-	150
Net gain / (loss) on revaluation of inventories	19	-	(42,466)	-	(42,466)
Release of reserves to the operating cost statement	SoCNE	(1,024)	-	-	(1,024)
Deferred tax movements		(14,740)	-	-	(14,740)
Transfers between reserves		(58,840)	(6,312)	65,152	-
Recognition of Actuarial gains/losses	24	-	-	28,189	28,189
Net operating cost for the year	SoCNE	(36,700,017)	-	-	(36,700,017)
Additions - other reserves		14,366	-	-	14,366
Tax charge/credit on revaluations		-	22,337	-	22,337
Total comprehensive expenditure		**(36,760,255)**	**(26,291)**	**93,341**	**(36,693,205)**
Non-cash charges - auditor's remuneration	8,9	455	-	-	455
Other adjustments to reserves		4	(3)	-	1
Impairments	8,9	-	231	-	231
Total recognised income and expense for 2010-11		**(36,759,796)**	**(26,063)**	**93,341**	**(36,692,518)**
Net Parliamentary Funding - drawn down		37,626,961	-	-	37,626,961
Net Parliamentary Funding - deemed supply		216,043	-	-	216,043
Supply receivable from the Consolidated Fund		(142,207)	-	-	(142,207)
Supply payable to the Consolidated Fund		(211,331)	-	-	(211,331)
Other balances surrenderable to the Consolidated Fund		(902,865)	-	-	(902,865)
Other General Fund Movements - Transfer of Assets		213	-	-	213
Other General Fund Movements - Other non-asset and liability transfer		106,950	-	-	106,950
Sub Total		**36,693,764**	**-**	**-**	**36,693,764**
Balance at 31 March 2011		**1,373,138**	**180,182**	**(146,557)**	**1,406,763**
Changes in taxpayers' equity for 2011-12					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	1,438	-	1,438
Net gain/(loss) on revaluation of inventories		-	72,023	-	72,023
Release of reserves to the operating cost statement	SoCNE	(3,330)	-	-	(3,330)
Deferred tax movements		2,814	-	-	2,814
Transfers between reserves		(91,272)	(12,872)	104,144	-
Recognition of Actuarial gains/losses	24	-	-	(32,491)	(32,491)
Net operating cost for the year	SoCNE	(25,929,537)	-	-	(25,929,537)
Change arising from revaluations		(17,108)	-	-	(17,108)
Tax charge/credit on revaluations		-	(19,668)	-	(19,668)
Total comprehensive expenditure		**(26,038,433)**	**40,921**	**71,653**	**(25,925,859)**
Non-cash charges - auditor's remuneration	8.9	663	-	-	663
Other adjustments to reserves		(505)	4	-	(501)
Total recognised income and expense for 2011-12		**(26,038,275)**	**40,925**	**71,653**	**(25,925,697)**
Net Parliamentary Funding - drawn down		31,824,505	-	-	31,824,505
Net Parliamentary Funding - deemed supply		142,207	-	-	142,207
Supply payable to the Consolidated Fund					
Supply payable for 2011-12		(528,503)	-	-	(528,503)
Supply adjustment to reserves		174,236			174,236
CFERs payable to the consolidated fund		(6,479,414)	-	-	(6,479,414)
Sub Total		**25,133,031**	**-**	**-**	**25,133,031**
Balance at 31 March 2012		**467,894**	**221,107**	**(74,904)**	**614,097**

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserve
Balance at 31 March 2010		**(455,901)**	**19,399**		**(436,502)**
Change in relation to Machinery of Government changes		18,040			18,040
Restated Balance at 1 April 2010		**(437,861)**	**19,399**		**(418,462)**
Changes in taxpayers' equity for 2010-11					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	231	-	231
Transfers between reserves		1,100	(1,100)	-	-
Net operating cost for the year	SoCNE	(36,736,474)	-	-	(36,736,474)
Total comprehensive expenditure		**(36,735,374)**	**(869)**		**(36,736,243)**
Non-cash charges - auditor's remuneration	8,9	455	-	-	455
Other adjustments to reserves		8	(55)	-	(47)
Total recognised income and expense for 2010-11		**(36,734,911)**	**(924)**	**-**	**(36,735,835)**
Net Parliamentary Funding - drawn down		37,626,961	-	-	37,626,961
Net Parliamentary Funding - deemed supply		216,043	-	-	216,043
Supply receivable from the Consolidated Fund		(142,207)	-	-	(142,207)
Supply payable to the Consolidated Fund		(211,331)	-	-	(211,331)
Other balances surrenderable to the Consolidated Fund		(902,865)	-	-	(902,865)
Other General Fund Movements - Other non-asset and liability transfer		106,950	-	-	106,950
Sub Total		**36,693,551**			**36,693,551**
Balance at 31 March 2011		**(479,221)**	**18,475**		**(460,746)**
Changes in taxpayers' equity for 2011-12					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	1,275	-	1,275
Transfers between reserves		667	(667)	-	-
Recognition of Actuarial gains/losses	24	-	-	(108)	(108)
Net operating cost for the year	SoCNE	(25,779,942)	-	-	(25,779,942)
Total comprehensive expenditure		**(25,779,275)**	**608**	**(108)**	**(25,778,775)**
Non-cash charges - auditor's remuneration	8.9	663	-	-	663
Other adjustments to reserves		(212)	2	-	(210)
Total recognised income and expense for 2011-12		**(25,778,824)**	**610**	**(108)**	**(25,778,322)**
Net Parliamentary Funding - drawn down		31,824,505	-	-	31,824,505
Net Parliamentary Funding - deemed supply		142,207	-	-	142,207
Supply payable to the Consolidated Fund					
Supply payable for 2011-12		(528,503)			(528,503)
Supply adjustment to reserves		174,236	-	-	174,236
CFERs payable to the consolidated fund		(6,479,414)	-	-	(6,479,414)
Sub Total		**25,133,031**			**25,133,031**
Balance at 31 March 2012		**(1,125,014)**	**19,085**	**(108)**	**(1,106,037)**

Note: The line 'Supply adjustment to reserves' relates to the overstatement of supply payable to the Consolidated Fund in previous years with a cumulative total of £174,236k. Parliamentary funding is on a cash basis so the year end Supply payable figure becomes the in-year deemed supply figure for the following year. Therefore the overstatement is corrected within 2011-12 rather than as a prior period adjustment.

The Notes on pages 108-162 form part of these accounts.

Notes to the Departmental Accounts

Note 1. Statement of Accounting Policies

General

N1.1. These consolidated financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

N1.2. The accounting policies adopted are in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury which apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for Communities and Local Government group (the department) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the group are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

N1.3. In addition to the primary statements prepared under IFRS, the FReM also requires the department to prepare an additional primary statement; The Statement of Parliamentary Supply. This Statement, and associated supporting notes, shows outturn against Estimate in terms of the net resource requirement and the net cash requirement.

N1.4. These financial statements represent the department's first time adoption of a change in the consolidation boundary; bodies outside of the core department and executive agency have been designated for consolidation by statutory instrument with agreement of HM Treasury. An explanation of the effect of the transition is given in section 7 of the other financial information on page 70 of these financial statements with the financial impact being reflected in Note 32.

N1.5. The Group Financial Statements incorporate those of the departmental group and subsidiary bodies of members of the group. The group's associated undertakings are bodies in which a member of the group has a participating interest and over whose operating and financial policy it exercises significant influence. The group's joint ventures are all undertakings in which the group exercises joint control. In the Group Financial Statements, investments in associates are accounted for using the equity method. The consolidated Statement of Comprehensive Net Expenditure includes the group's share of associates' profits less losses while its share of net assets of associates is shown in the consolidated Statement of Financial Position. HCA's share of net assets and profit information is based on unaudited Financial Statements or management information to 31 March 2012 except for Priority Sites Limited and English Cities Fund. For these associates, Financial Statements to 31 December 2011 have been used because these do not generally produce significantly different results and are prepared to a reporting date within three months of that of HCA. Significant transactions following this date have been adjusted for. The department considers that all subsidiaries, associates and joint ventures are properly included in the consolidation under the terms of IAS 27, 28, 31 the FReM and the 2011-12 Designation Order.

Accounting convention

N1.6. These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, investment properties, inventories and certain financial assets and liabilities.

Significant estimates and judgements

N1.7. During the preparation of these accounts significant estimates and judgements were made in respect of :

- The determination of the market value of property/development assets. By its nature, this process involves a significant amount of estimation uncertainty, particularly given the complexity of some of the Group's properties, and the current market conditions. Valuations are performed by qualified valuers with independent external valuers appointed for the majority of the portfolio's value and also to value complex properties.
- Available for sale financial assets (HCA) are valued using either published regional house price indices or cash flow forecasts, depending on the scheme. However these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units, and cash flow forecasts by their nature are based on estimates.
- The provision for additional consideration on development land is calculated by estimating the profits from, and timing of, future land disposals. These estimates are based on current market conditions and HCA's current plans for utilisation of the site and any provision included within 'other' provisions.
- During the preparation of these accounts significant estimates and judgements were made in respect of the 2000-06 ERDF programmes, particularly assessments of the extent to which grant expenditure is eligible for grant . Details are in section 7 of the management commentary.

Changes in accounting policies

N1.8. The department has made the following changes to accounting policies during the year. The FReM withdraws the option of offsetting a government grant against the cost of an asset. The option provided in International Accounting Standard (IAS) 20 to defer grant income related to an asset is restricted to income where the funder imposes a condition that the future economic benefits embodied in the grant are consumed as specified by the grantor or must be returned to them. The option to recognise a donated asset through reserves has also been removed by the FReM. The impact of the removal of Government Grant and Donated Asset reserve has been reflected within these statements and the prior year comparators restated to reflect the change in accounting policy. There is no impact on the DCLG group in 2011-12.

N1.9. The department has assessed the following standards, amendments and interpretations that have been issued but are not yet effective and determined not to adopt them before the effective date when adoption would be required on the grounds that the changes would have no, or an immaterial, effect on these accounts and would not provide additional information that would aid the reader:

- IAS 1 Presentation of Financial Statements – Other Comprehensive Expenditure
- IAS 12 Deferred Tax – recovery of underlying assets.
- IAS 19 Post-Employment Benefits – presentation and disclosures concerning defined benefit plans
- IFRS 3 -Business combinations
  - o Amendments resulting from May 2010 Annual improvements
- IFRS 7 Financial instruments disclosures
  - o Disclosures about transfer of financial assets
  - o Enhancing disclosures about offsetting assets and liabilities

  - Enhancing disclosures about initial application of IFRS 9
  - Classification and measurement of financial assets

- IFRS 9 Financial Instruments
  - Classification and measurement of financial assets
  - Accounting for liabilities and deregulation
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of interests in other entities
- IFRS 13 - Fair Value Measurement

Basis of consolidation

N1.10. These accounts comprise a consolidation of the core department, the departmental agency (the Planning Inspectorate – PINS) and those arms length bodies which fall within the departmental boundary as defined by the FReM and make up the 'departmental group'. Transactions between entities included in the consolidation are eliminated.

N1.11. During 2010-11 the Community Development Foundation (CDF) was a departmental NDPB and a charity. It closed with effect from 31 March 2011 transferring its remaining functions to a new body in the charity sector. CDF is not included in the Designation Order for 2011-12 and therefore the accounts of CDF are not consolidated into these accounts. Transactions between the CDF and other members of the departmental group have not been eliminated either in 2011-12 or 2010-11.

N1.12. The Leasehold Advisory Service and Firebuy are departmental NDPBs included in the consolidation and are also companies. These bodies prepare accounts in accordance with the Companies Act 2006 and in accordance with UK GAAP rather than IFRS. There are no material differences arising from the use of UK GAAP rather than IFRS by these bodies. Firebuy entered voluntary liquidation on 13 July 2011 and transactions before that date and incurred by the liquidators on behalf of Firebuy after that date have been included in these accounts. The Independent Housing Ombudsman is also a company producing accounts in accordance with the Companies Act 2006, but it has adopted International Accounting Standards and prepares accounts in accordance with the FReM so there are no differences in policies.

N1.13. The Department for Communities and Local Government (DCLG) is the parent of the departmental group. These 2011-12 Accounts are the first consolidated accounts produced for the DCLG group. Where appropriate restated 2010-11 and 2009-10 comparative figures are also shown. Where material, accounting policies of the group have been aligned.

N1.14. Note 36 includes a list of departmental entities showing those inside and outside the departmental accounting boundary.

Operating segments

N1.15. During 2010-11 the previous performance regime of Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs) was ended and departments are now required to apply the terms of IFRS 8 Operating Segments. IFRS 8 requires that segments are determined based on the entity's business model including the reporting of information to business decisions makers. Although interlocking the department's objectives are separated into three components for management reporting and decision making purposes and it has therefore determined that it has three operating segments: Localism, Neighbourhoods and Local Economies, Regeneration and European Programmes.

N1.16. The department manages administration expenditure as a separate component and does not apportion such costs to its three segments. In line with IFRS 8 therefore it would not be appropriate to apportion administration costs to segments for segmental reporting purposes. Furthermore administration (overhead) expenditure is not valid as a segment in its own right, since it does not directly impact on performance, and it is not therefore reported as a separate segment. Therefore, in accordance with IFRS 8, not all the department's net expenditure is allocated to segments. Details of expenditure and income against these segments are reported in Note 6.

N1.17. As the department is a central government funded body, there is no requirement to raise funds and maintain shareholder value. Therefore, the department does not manage its assets in the same way as the private sector and does not rely on different segments to contribute towards profit by optimising use of assets. Therefore, the department does not report a segmental analysis of net assets.

Property, plant and equipment

N1.18. Property, Plant and Equipment assets are reported under IAS 16. Where appropriate information technology software and development assets have been reported as Intangible Assets under IAS 38 and some buildings and land assets have been reported as Investment Properties under IAS 40.

N1.19. Title to the freehold land and buildings shown in the accounts and recorded as property, plant and equipment and shown in these accounts under core department and agency is held by the Secretary of State. Otherwise title is held by the relevant NDPB.

N1.20. Non-current assets are held at fair value as described in more detail in the paragraphs below.

N1.21. Freehold land and buildings are restated at current value using full professional valuations undertaken every five years in accordance with Royal Institution of Chartered Surveyors (RICS) guidance and IAS 16. In intermediate years such properties are restated at amounts assessed by professional valuers using appropriate indices and other factors relevant to the locality. The department has determined that, given that property asset values are not material, this approach gives an acceptable approximation to fair value. Non-property assets disclosed as property, plant and equipment assets are stated at depreciated historical cost revalued annually using appropriate indices published by the Office for National Statistics. In some NDPBs depreciated historical cost is considered an acceptable proxy for fair value and so property, plant and equipment assets are not restated using indices. Assets under construction are held at the accounting date at their historical cost until they become operational and are not revalued.

N1.22. Upward revaluations of non-current assets are credited to the revaluation reserve in the year of revaluation and downward revaluations are charged to the revaluation reserve except where to do so would result in debit balances for the relevant assets on the reserve in which case, the excess amount over the amount realiseable in the reserve, is charged to the Statement of Comprehensive Net Expenditure (SoCNE). Impairments in property plant and equipment are charged to the SoCNE except where the impairment is due to fluctuations in the market, in which case the treatment is the same as for revaluations.

N1.23. The core department's capitalisation threshold is £5,000. Other entities use capitalisation thresholds between £1,500 and £5,000 depending on their circumstances. These differences have no material impact on the asset values reported in these accounts. There is no minimum threshold in respect of land assets.

N1.24. The department allows grouping of items (including assets under construction) as follows:

- Information technology: Networked computer infrastructure;
  Strategic IT equipment;
- Plant and machinery: Telecommunications assets;
  Civil resilience strategic material; and

- Furniture and fittings: Furniture assets purchased as part of a refurbishment project.

N1.25. Where the department 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.

N1.26. No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life.

N1.27. In accordance with IAS 16 depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment assets on a straight-line basis over their estimated useful lives. Assets under construction are not depreciated until the asset is brought into use. Asset lives are in the following ranges:

- Buildings: 50 years or length of lease
- Information Technology & Strategic Information Technology: 2 to 10 years
- Plant and Machinery: 3 to 15 years
- Motor Vehicles: 5 to 10 years (unspecialised); 5 to 30 years (specialised)
- Furniture and Fittings: 2 to 10 years

Intangible assets

N1.28. Intangible assets comprise the capitalised value of systems developed in-house or bought in software, software licences and systems under development. Intangible assets are valued at cost less amortisation and impairment. Intangible assets are not revalued; the department considers the amortised replacement cost basis of valuation is not materially different from fair value.

N1.29. The core department's capitalisation threshold for intangible assets is £5,000. Other entities use capitalisation thresholds between £1,500 and £5,000 depending on their circumstances. These differences have no material impact on the asset values reported in these accounts.

N1.30. Costs incurred on internally generated intangible assets are recorded as systems under development. On completion of the development, or at such intermediate stage whereby the development is partially in use for its intended purpose, the asset is treated as live and the costs transferred to intangible assets as software.

N1.31. In accordance with IAS 38, software and software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life (3 to 10 years as appropriate). Systems under development are not amortised.

Investments

N1.32. The core department's financial interests in public sector bodies, which are outside the departmental boundary, are treated as investments since they are held for the long term. These investments comprise Public Dividend Capital (PDC) of the QEII Conference Centre, Coalfields Growth and Enterprise Funds and the Fire Service College, and loans issued to the Fire Service College. The QEII Conference Centre and Fire Service College are Trading Funds outside the departmental accounting boundary. Under paragraph 9.2.4 of the FReM PDC is excluded from the Financial Instruments Standards and PDC is, therefore, included at historical cost less impairments. Loans to public sector bodies are valued at nominal value in accordance with the FReM. Coalfields Growth and Enterprise Funds are valued every quarter by Fund Managers and the impact of year end valuations recognised in the Statement of Comprehensive Net Expenditure.

N1.33. Departmental NDPBs have a number of investments in other bodies either as loans or equity. The values of these investments in associates and joint ventures are recognised at cost less provision for impairment.

N1.34. Where possible the share of net asset and profit information is based on audited Financial Statements to 31 March 2012. Unaudited or Financial Statements to 31 December 2011 have been used where audited March Statements are not available because these do not generally produce significantly different results and are prepared to a reporting date within three months of that of the department.

Available for sale financial assets

N1.35. The department's available for sale financial assets are interests in future sales proceeds of properties bought with financial assistance from the Homes and Community Agency. The HCA provides financial assistance to home buyers to buy a share in a new build home. The buyer must contribute a minimum of 50% of the full purchase price of the property and the HCA will assist with up to 50% of the full property price. The assistance is paid to the participating housebuilder, not the buyer. However, as part of the sales agreement, the HCA has an entitlement to a share of the future sales proceeds which will be equal to the initial percentage contribution. This is secured by a second charge on the property and enables the HCA to share future sale proceeds. In accordance with IAS39, the investments are stated at fair value and classified as available for sale financial instruments. The HCA also makes investments in certain private sector developments, where the returns are based on a share of the profitability of the scheme. These investments are also classified as available for sale and are stated at fair value.

N1.36. Gains and losses arising from changes in fair value are recognised directly in reserves, except for impairment losses which are recognised in the SoCNE. On disposal of the asset the cumulative gain or loss previously recognised in reserves is included in the SoCNE for the period.

Investment properties

N1.37. The QEII Conference Centre operates as a Trading Fund but the department has freehold ownership of the QEII Conference Centre land and building. The department also has freehold ownership of the Burlington Houses which are let to tenants. As these properties are not utilised by departmental staff or in delivery of departmental objectives they are considered as Investment Properties under the terms of IAS 40.

N1.38. Investment properties are restated at fair value at the accounting date using annual professional valuations in accordance with IAS 40 and Royal Institution of Chartered Surveyors (RICS) guidance. Fair value equates to market value and valuation is based on the properties' current use and on the assumption that the current use will be maintained as part of a continuing business on a going concern basis and would be exchanged as part of the exchange of all the assets of the business.

N1.39. Changes arising from revaluations are taken direct to the SoCNE. Investment properties are not depreciated.

Financial assets

N1.40. All non-derivative financial assets are initially measured at fair value and, where non current, subsequently measured at amortised cost.

N1.41. Financial assets consist of investments, available for sale assets, trade and other receivables, non-property inventories, cash and cash equivalents and other financial assets. Financial assets are classified as current assets unless settlement is expected to be at least twelve months after the end of the reporting period.

Loans

N1.42. Loans are shown at amortised cost using the effective interest rate and are included within non-current assets.

Trade and other receivables

N1.43. Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured at amortised cost less provisions for bad debts. The net of these balances are classified as either current or non-current 'trade and other receivables' in the consolidated Statement of Financial Position.

N1.44. To reflect the time value of money the valuation of non-current receivables is adjusted by discounting the estimated risk-adjusted cash flows using the real rate set by HM Treasury (currently 2.2%) in accordance with the terms of IAS 39.

N1.45. Under the 2007-13 European Regional Development Fund Programmes the department received advance funding from the European Union at the start of the programme period. The amounts concerned represented 7.5% of the total value of the 2007-13 ERDF Programmes in England. These advance payments were paid over to the Regional Development Agencies (RDA) which, until 30 June 2011, managed the programmes on behalf of the department. The amounts paid to each RDA were in proportion to its share of the programme and, with the exception of the London Development Agency, were repaid to the department during 2011-12 consequent to the decision to transfer management of delivery of the ERDF programmes from the RDAs to the department. The discounting applied to the advances was unwound on repayment.

Inventories

Development Assets

N1.46. Property assets, held for development purposes and consisting of land and buildings, are treated as inventories under the terms of the FReM and IAS2. IAS2 requires that inventories are valued at the lower of cost and net realisable value and the department's policy is to value these inventories at fair (market) value, as allowed by the FReM. The department considers such values are an acceptable approximation of net realisable value. A valuation of the whole portfolio is carried out at the end of each financial year by qualified valuers (who might be internal or external), with independent external valuers appointed to perform the majority of the portfolio's value and also to value complex properties. In all cases the valuations were in accordance with the Statement of Asset Valuation and Guidance Notes (6th Edition) published by the Royal Institution of Chartered Surveyors.

N1.47. Each asset has an individual calculation in order to calculate the net gain or loss on each site following the revaluation. Any increase above historical cost is taken to the revaluation reserve whilst losses are written off against the reserve up to the value of the credit balance in the reserve and are shown in the Statement of Comprehensive Net Expenditure thereafter as an impairment charge. A write back of an impairment charge may occur if the value of an asset increases up to a maximum of its historical cost. Upon disposal of a development asset, any revaluation reserve relating to that asset is transferred to the general reserve.

N1.48. Income (net of VAT) from the disposal of development property assets is recognised when there is a legally binding sale agreement, which has become unconditional and irrevocable by the end of the reporting period, subject to any provisions necessary to cover residual commitments relating to the property.

N1.49. Where proceeds are receivable over a period of more than 12 months after the end of the reporting period, the proceeds are discounted at the Treasury discount rate of 2.2% to reflect the net present value of the receipts. The corresponding receivable is also discounted and the difference between actual cash receipts and the net present value of the receipts is credited to interest receivable over the life of the debt.

ERDF Work in Progress

N1.50. Claims for payment to ERDF projects are initially charged against work in progress and only recognised as expense once certified as compliant with the ERDF Regulations such that the related ERDF income can be recognised. Where any amounts charged to work in progress subsequently fail certification recovery of the cost is sought from projects. Work in progress is valued at the lower of cost and net realisable value.

Cash and cash equivalents

N1.51. In accordance with IAS 7 cash comprises cash in hand, demand deposits and cash equivalents which comprise highly liquid investments that are readily convertible to known amounts of cash and where there is an insignificant risk of changes in value. These items are reported as cash and cash equivalents in the consolidated Statement of Financial Position.

Financial liabilities

N1.52. All non-derivative financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

N1.53. Financial liabilities consist of trade and other payables, finance lease payables and provisions. Financial liabilities are classified as current liabilities unless the department has an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

Trade and other payables

N1.54. Under both the 2000-06 and the 2007-13 ERDF Programmes the department received advance funding from the European Union at the start of the programme period. The advance payments are either used up in support of eligible grant expenditure or, if not so utilised, will be returned by the department to the EU at the end of the programme period. There are no other Regulations which require the repayment of the advances. Accordingly the advance payments when received are treated as long term payables in the department's accounts. However the 2000-06 programmes are closing and no further grant payments are being made. The remaining balances relating to advances for the 2000-06 programmes held by the department have, therefore, been transferred to current liabilities.

N1.55. The advances are paid by the EU in Euros and translated to Sterling when received by HM Treasury using the spot rate applied to such translations on the date of receipt.

N1.56. To reflect the time value of money the valuation of non-current payables is adjusted by discounting the estimated risk-adjusted cash flows using the real rate set by HM Treasury (currently 2.2%) in accordance with the terms of IAS 39. This adjustment is made to the Euro values which are then translated to Sterling at the Bank of England spot rate applicable at the period end date in accordance with IAS 21.

Research and development expenditure

N1.57. Expenditure on research and development, other than development expenditure specifically incurred in the development of IT systems recorded as Intangible non-current assets under IAS 38 (see Note N1.28), is treated as programme expenditure in the SoCNE in the year in which it is incurred.

Administration and programme expenditure

N1.58. Income and expenditure reported in the SoCNE is analysed between administration and programme. The classification of income and expenditure as administration or as programme follows the definitions set by HM Treasury.

N1.59. Income and expenditure of the Planning Inspectorate and NDPBs was categorised as programme in 2010-11. Changes have been made to the administration cost regime for 2011-12 whereby PINS and NDPB income and expenditure is split between administration and programme. Notes 2, 7, 8, 9, and 10 and the Consolidated Statement of Comprehensive Net Expenditure reflect the new definitions and 2010-11 comparatives have been restated.

Operating income

N1.60. Income is recorded on an accruals basis at the transacted amounts, or the amounts at which customers are committed to pay.

N1.61. Some departmental NDPBs included within these accounts have statutory authority to determine planning applications within their area. They receive a fee for applications lodged and monies received are recorded as deferred income. Planning fee receipts are recognised as income over the period from receipt of application to final determination.

N1.62. Operating income is income which relates directly to the operating activities of the department. 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.

N1.63. Operating income includes certain income payable to the Consolidated Fund in accordance with the FReM requirements.

Value Added Tax

N1.64. Most of the activities of the department are outside the scope of VAT and, in general, output tax does not apply. But some NDPBs have trading activities where VAT is charged at the prevailing rate and where related input VAT costs are deemed recoverable. Input VAT is also recovered on certain contracted-out services.

N1.65. 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.

Corporation Tax

N1.66. The core department is not subject to Corporation Tax. However, NDPBs may incur Corporation Tax on profits from activities considered as trading, for instance rental income from land and buildings acquired for regeneration purposes.

N1.67. The tax charge represents the sum of current tax and deferred tax. Both current and deferred Corporation Tax are recognised in the SoCNE except to the extent that they relate to items recognised directly in taxpayers' equity, in which case they are recognised in taxpayers' equity.

N1.68. Current tax is the expected tax payable on the taxable surplus for the year, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

N1.69. Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

N1.70. A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the temporary differences can be utilised.

Foreign exchange

N1.71. The departmental group functional and presentational currency is Sterling.

N1.72. Transactions in foreign currencies are recorded in Sterling at the rate of exchange ruling at the date of the transaction. ERDF balances in the department's SoFP which are Sterling equivalents of a Euro amount are translated at the accounting date at the spot rate in accordance with IAS 21. Translation differences are taken to the SoCNE.

Pensions and other employee benefits

N1.73. Past and present employees of the core department and agency are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This comprises several schemes which are unfunded defined benefit schemes with varying contribution rules and rates. The department recognises the expected cost of employers' contributions on a systematic basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS and not recognised in these accounts. In respect of the defined contribution scheme, the department recognises the contributions payable for the year.

N1.74. Employees of NDPBs are generally members of funded defined benefit schemes shared with other employers. These schemes are valued and where separate shares of assets and liabilities can be identified the actuaries estimate the employer's share of underlying assets and liabilities on a consistent and reasonable basis. For these schemes, plan assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted to present value. The net obligation is recognised as a liability within provisions for pensions. The operating and financing costs of these schemes are recognised separately in the SoCNE. Service costs are spread over the working lives of employees and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised directly in other comprehensive expenditure in full. More details of individual schemes are available in the annual accounts of the bodies concerned.

N1.75. The department accrues for short-term employee benefits (which fall due within twelve months of the period in which they are earned). The department is required to pay, as termination benefits, the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The department provides for the full cost of benefits (including pensions payable up to the normal retirement age and lump sums) when it becomes demonstrably committed to providing those benefits.

Grants payable

N1.76. Grants made by the department are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs, or with unringfenced grants on the occurrence of such other event giving rise to entitlement.

N1.77. Grant in Aid payments from the department to NDPBs are paid only when the need for cash has been demonstrated by the body concerned. NDPBs treat receipts of Grant in Aid as financing. These transactions are eliminated on consolidation.

N1.78. Grant may need to be recovered from recipients for a variety of reasons depending on grant conditions. Where recoveries are made income is recognised at the point that the invoice, or other notice requiring repayment, has been issued.

N1.79. In 2011-12 a new grant – Local Services Support grant (LSSG) – was set up. The department manages this for other central departments in a similar way to Area Based Grant. Receipts from other departments and payments of the associated grants to Local Authorities are accounted for on an agency basis and are not taken through the department's SoCNE.

N1.80. Under the Local Government Finance Act 1988, National Non-domestic Rates (NNDR) are to be paid to the Secretary of State who is then required to redistribute them to local authorities in accordance with the methodology set out each year in the Local Government

Finance Report (England) made under section 78A of the Act. The non-domestic rates are thus, in effect, pooled and redistributed. The operation of the pool is governed by Schedule 8 to the 1988 Act and regulations made under section 141. A White Paper Account, published separately, shows the aggregate cash movements and demonstrates the working of the pool.

N1.81. The department acts as an agent for the Consolidated Fund in respect of NNDR receivable which is paid over to the Consolidated Fund. These receipts do not flow through the department's Statement of Comprehensive Net Expenditure but instead are held on the Statement of Financial Position as a liability until paid over to the Consolidated Fund. Transactions and balances appear in a Trust Statement recording collections received and paid over to the Consolidated Fund account or in these accounts. This Trust Statement is included in pages 163 to 174 of these accounts.

N1.82. The department makes NNDR grant payments to local authorities in lieu of business rates according to a set formula. The amounts of grant payable are included in the department's Consolidated Statement of Comprehensive Net Expenditure for the year, together with adjustments to the previous year's grant which are recognised and payable only once the amounts due are calculated, audited and the entitlement established.

N1.83. The department acts as Managing Authority for ERDF in England. The 2000-06 programme is now complete and will be closed once the department has agreed the final position on each programme with the European Commission. Until this process is complete deferred income, accrued income and receivables balances relating to the 2000-06 programme remain on the department's Statement of Financial Position. The 2007-13 programme is active and from 1 July 2011 the department took on the detailed management of the programme from the Regional Development Agencies. Expenditure is incurred on projects which submit grant claims to the department and these are paid after appropriate checks. However, the department does not recognise expenditure until the claims are certified as compliant with ERDF rules by the department's Certifying Authority team. Prior to certification the amounts are held as work in progress (inventory – see N1.50). On certification the department recognises the ERDF expense and an equivalent amount of ERDF income.

N1.84. Until 1 April 2011 the department managed Area Based Grant (ABG) on behalf of a number of central government departments. Receipts from other departments and payments of the associated grants to Local Authorities were accounted for on an agency basis and were not taken through the department's SoCNE. ABG was abolished from 31 March 2011.

Leases

N1.85. The terms of all departmental leases are reviewed and, where the risks and rewards of ownership rest with the department, leases are treated as finance leases. The capital values of finance leases, together with the current value of future capital repayments are held as assets and liabilities in the department's Statement of Financial Position. Asset values are depreciated in accordance with the policy relating to the asset class to which they are classified. Leases other than finance leases are classified as operating leases. Operating leases are charged to the SoCNE on a straight-line basis over the term of the lease, taking account of any lease incentives in accordance with the terms of IAS 17.

N1.86. The department also reviews all service contracts (eg contracts for the supply of IT services) to determine whether the contracts include an embedded finance lease under the terms of IAS 17 as interpreted by IFRIC 4.

N1.87. Assets owned by the Group which are leased out under finance leases are recorded as disposals at the inception of the lease. Amounts due from lessees are recognised in the consolidated Statement of Financial Position as finance lease receivables at the amount of the net investment in the lease with the valuation reflecting the present value of the minimum future lease payments. Amounts received from finance leases are apportioned between finance income and a reduction in the remaining balance of the lease receivable so as to receive a constant rate of interest on the remaining balance of the receivable. Finance income is recognised in the consolidated Statement of Comprehensive Net Expenditure.

Provisions

N1.88. Under the terms of IAS 37, the department provides for legal or constructive obligations, which are of uncertain timing or amount but where it is considered probable that a liability exists at the year end 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 general provisions and 2.8% for pension schemes).

N1.89. The department reports provisions due within 12 months under current liabilities and those due in more than 12 months under non-current liabilities in accordance with IAS 37. Full details are given in Note 23.

Contingent liabilities

N1.90. In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the department 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 Managing Public Money. These comprise:

- items over £250,000 (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 these accounts) which are required by the FReM to be noted in these accounts.

N1.91. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Third party assets

N1.92. The department holds, as custodian or trustee, certain assets belonging to third parties. These are not recognised in the accounts, since neither the department nor government more generally, has a direct beneficial interest in them. Further information is provided in Note 35.

Machinery of Government changes

N1.93. As part of the transfer of responsibilities to local Fire and Rescue Authorities certain New Dimension project assets were transferred under Machinery of Government (MoG) terms. The net book value of the assets transferred was £38.061m in 2010-11, this reduction in the department's assets and the corresponding change to reserves has been shown in the SoFP and Note 9. 2009-10 comparative years' balances have been restated. Further transfers with a net book value of £8.4m were made in 2011-12 via a Capital Grant in Kind transfer in accordance with treatment agreed with HM Treasury and the Fire and Rescue Authorities. The impact of this transfer is reflected in the SoFP with a change in reserves arising from reflecting the Capital Grant in Kind in Note 9. Final transfers are due to take place in 2012-12.

N1.94. During 2011-12 MoG transfers have occurred as follows

- Economic assets and associated administrative expenditure transferred from the Regional Development Agencies (RDAs) to the HCA;

- The Residential Property Tribunal Service transferred from the core department to the Ministry of Justice;
- Sponsorship of the Ordnance Survey transferred from the core department to the Department for Business, Innovation and Skills, and
- Responsibility for Families with Multiple Problems programme transferred from the Department of Education as part of the Troubled Families initiative.

N1.95. Summary details of the impact of these changes on the financial statements are given in paragraphs 7.3 to 7.6 on pages 70 to 71.

N1.96. Other Changes:

Transfers under acquisition accounting have taken place in respect of

- Management of ERDF programme transferred from Regional Development Agencies to the department
- London Development Agency was abolished under the Localism Act on 1 April 2012 and its functions and assets transferred to Greater London Authority. For the final 3 months of 2011-12, grant funding to the LDA was provided through DCLG rather than its previous sponsoring department BIS. In 2012-13, DCLG will provide grant funding to the GLA.
- Thurrock Thames Gateway Development Corporation transferred assets to Thurrock District Council

The impact of these transfers has been recognised in these financial statements. Acquisition accounting is applied from the date of acquisition and there is no requirement to restate prior year balances.

Note 2. Net Outturn 2.1 Analysis of net resource outturn by section

	2011-12									2010-11 restated
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Total
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities										
Voted expenditure										
A Localism	-	-	-	706,900	(26,602)	680,298	680,298	584,723	(95,575)	2,433,954
B Neighbourhoods	-	-	-	359,079	(2,425)	356,654	356,654	366,708	10,054	202,255
C Local Economies, Regeneration & European Programmes	-	-	-	522,532	(177,806)	344,726	344,726	467,945	123,219	618,851
D Research, Data & Trading Funds	-	-	-	1,162	(1,127)	35	35	1,772	1,737	4,169
E DCLG staff, building and infrastructure costs	205,550	(11,426)	194,124	16,068	(782)	15,286	209,410	262,473	53,063	308,793
F Localism (NDPB)	964	-	964	-	-	-	964	1,718	754	1,217
G Neighbourhoods (NDPB)	126,571	(9,050)	117,521	1,416	-	1,416	118,937	177,917	58,980	199,232
H Local Economies, Regeneration & European Programmes (NDPB)	26,370	-	26,370	84,007	-	84,007	110,377	86,915	(23,462)	76,853
Total spending in DEL - DCLG Communities	**359,455**	**(20,476)**	**338,979**	**1,691,164**	**(208,742)**	**1,482,422**	**1,821,401**	**1,950,171**	**128,770**	**3,845,324**
Spending in DEL - DCLG Local Government										
Voted expenditure										
I Revenue Support Grant	-	-	-	5,905,455	-	5,905,455	5,905,455	5,905,455	-	3,167,008
J Non-Domestic Rate Payments	-	-	-	19,000,000	-	19,000,000	19,000,000	19,000,000	-	21,500,000
K London Governance	-	-	-	63,423	-	63,423	63,423	63,419	(4)	46,540
L Other Grants and Payments	-	-	-	1,384,648	(1,373)	1,383,275	1,383,275	1,466,038	82,763	980,458
M Valuation Service	-	-	-	152,000	-	152,000	152,000	152,000	-	150,196
N Audit Commission Disbanding	-	-	-	12,081	-	12,081	12,081	20,090	8,009	517
O Local Government (NDPB)	-	-	-	41,414	-	41,414	41,414	44,689	3,275	20,896
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**26,559,021**	**(1,373)**	**26,557,648**	**26,557,648**	**26,651,691**	**94,043**	**25,865,615**
TOTAL spending in DEL	**359,455**	**(20,476)**	**338,979**	**28,250,185**	**(210,115)**	**28,040,070**	**28,379,049**	**28,601,862**	**222,813**	**29,710,939**
Spending in Annually Managed Expenditure (AME)										
Voted expenditure										
P Localism	-	-	-	315,743	-	315,743	315,743	323,091	7,348	383,803
Q Neighbourhoods	-	-	-	7,290,882	(7,994,322)	(703,440)	(703,440)	(642,593)	60,847	(581,415)
R Local Economies, Regeneration & Eupropean Programmes	-	-	-	(34,693)	(26,745)	(61,438)	(61,438)	(30,000)	31,438	(71,450)
S DCLG staff, building and infrastructure costs	-	-	-	(20,337)	-	(20,337)	(20,337)	(20,000)	337	20,701
T NNDR Outturn Adjustment	-	-	-	732,313	-	732,313	732,313	750,000	17,687	1,110,883
U Localism (NDPB)	-	-	-	-	-	-	-	1	1	-
V Neighbourhoods (NDPB)	-	-	-	64,190	-	64,190	64,190	35,840	(28,350)	11068
W Local Economies, Regeneration & European Programmes (NDPB)	-	-	-	55,165	-	55,165	55,165	94,827	39,662	170,673
TOTAL spending in AME	**-**	**-**	**-**	**8,403,263**	**(8,021,067)**	**382,196**	**382,196**	**511,166**	**128,970**	**1,044,263**
TOTAL (DEL & AME)	**359,455**	**(20,476)**	**338,979**	**36,653,448**	**(8,231,182)**	**28,422,266**	**28,761,245**	**29,113,028**	**351,783**	**30,755,202**

2.2 Analysis of net capital outturn by section

£'000

	2011-12					2010-11 restated
	Outturn			Estimates		Outturn
	Gross	Income	Net	Net	Net Total Compared with Estimate	Net
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities						
Voted:						
A Localism	157,299	(8,420)	148,879	249,149	100,270	92,288
B Neighbourhoods	1,050,250	(52,363)	997,887	1,020,236	22,349	1,565,450
C Local Economies, Regeneration & European Programmes	794,817	(204,937)	589,880	381,496	(208,384)	336,000
D Research, Data & Trading Funds	-	-	-	-	-	(1,418)
E DCLG staff, building and infrastructure costs	1,702	(373)	1,329	4,441	3,112	3,117
F Localism (NDPB)	-	-	-	-	-	15,100
G Neighbourhoods (NDPB)	1,935,184	(75,326)	1,859,858	1,879,228	19,370	3,561,378
H Local Economies, Regeneration & European Programmes (NDPB)	223,094	-	223,094	320,447	97,353	498,169
Total spending in DEL - DCLG Communities	**4,162,346**	**(341,419)**	**3,820,927**	**3,854,997**	**34,070**	**6,070,084**
Spending in DEL - DCLG Local Government						
Voted:						
K London Governance	-	-	-	-	-	1,600
L Other Grants and Payments	(7,846)	-	(7,846)	-	7,846	(69,109)
O Local Government (NDPB)	134	(5)	129	50	(79)	(197)
Total spending in DEL - DCLG Local Government	**(7,712)**	**(5)**	**(7,717)**	**50**	**7,767**	**(67,706)**
TOTAL spending in DEL	**4,154,634**	**(341,424)**	**3,813,210**	**3,855,047**	**41,837**	**6,002,378**
Annually Managed Expenditure (AME)						
Voted:						
Q Neighbourhoods	152,824	-	152,824	370,000	217,176	842,972
TOTAL (AME)	**152,824**		**152,824**	**370,000**	**217,176**	**842,972**
TOTAL (DEL & AME)	**4,307,458**	**(341,424)**	**3,966,034**	**4,225,047**	**259,013**	**6,845,350**

Note 3. Reconciliation of outturn to net operating cost and against administration budget

3.1 Reconciliation of net resource outturn to net operating cost

£'000

		Notes	2011-12 Outturn	2010-11 as reported Outturn
Total resource outturn in Statement of Parliamentary Supply			-	37,720,702
Less:	Income payable to the Consolidated Fund		-	(1,114,196)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**-**	**36,606,506**
2010-11 Data restated following Clear Line of Sight reclassifications and other changes			**2011-12**	**2010-11** restated
Total resource outturn in Statement of Parliamentary Supply		2.1	28,761,245	30,755,202
Add:	Capital Grants		3,647,706	6,061,870
	Other (Grant in Aid)		-	1,423
Less:	Income payable to the Consolidated Fund	5	(6,479,414)	(118,478)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**25,929,537**	**36,700,017**

3.2 Outturn against final administration budget and Administration net operating cost

£'000

	Notes	Outturn	2010-11 as reported Outturn
Estimate - Administration Costs Limit			**256,351**
Outturn Gross Administration Costs		-	292,068
Outturn - Gross Income Relating to Administration Costs		-	(46,052)
Outturn - Net Administration Costs		-	**246,016**
2010-11 Data restated following Clear Line of Sight reclassifications and other changes		**2011-12**	**2010-11** restated
Estimate - Administration Costs Limit		**377,046**	**450,913**
Outturn Gross Administration Costs	2.1	359,455	500,134
Outturn - Gross Income Relating to Administration Costs	2.1	(20,476)	(80,501)
Outturn - Net Administration Costs		**338,979**	**419,633**
Reconciliation to Operating Costs:			
Plus: non supply income (CFERs)	11	-	-
Less: Net supported capital expenditure		-	-
Plus expenditure classified as 'other current' in 2010-11		-	45,844
Administration Net Operating Costs		**338,979**	**465,477**

Note 4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

£'000

	2011-12 Outturn	2010-11 restated Outturn
Net cash requirement - core department and agency	**(31,438,209)**	**(36,797,932)**
From the Consolidated Fund (Supply) - current year	31,824,505	37,626,961
From the Consolidated Fund (Supply) - prior year	-	-
Amounts due to the Consolidated Fund received and not paid over	38,818	222,213
Amounts due to the Consolidated Fund received in prior year and paid over	(222,213)	(134,987)
NNDR non supply funding	-	9,322
Other balances surrenderable to the Consolidated Fund	-	(902,866)
Increase/(decrease) in cash held by core department and agency	**202,901**	**22,712**
Add - increase/(decrease) in cash held by Designated Bodies	(228,510)	41,701
Net increase/(decrease) in cash held by Departmental Group	**(25,609)**	**64,413**

Note 5. Income payable to the Consolidated Fund

5.1 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).

£'000

	Notes	Outturn 2011-12 Income	Outturn 2011-12 *Receipts*	Outturn 2010-11 restated Income	Outturn 2010-11 restated *Receipts*
Operating Income collected on behalf of the Consolidated Fund	10,11	6,479,414	*6,483,901*	118,478	*118,478*
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		389	*389*	2,670	*2,670*
Total income payable to the Consolidated Fund		**6,479,803**	***6,484,290***	**121,148**	***121,148***

5.2 Consolidated Fund Income

Consolidated Fund income shown in note 5.1 above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement published separately from but alongside these finance statements.

Note 6. Operating costs by operating segment

The department's activities are considered to represent three segments:

- Segment 1 Localism
- Segment 2 Neighbourhoods
- Segment 3 Local economies, regeneration and European programmes

Net programme expenditure against these segments is shown in the following table. Programme expenditure on 'Research, data and trading funds' and 'Audit Commission disbanding' and all Administration expenditure is not allocated to segments.

£'000

	Note	Segment 1	Segment 2	Segment 3	2011-12 Total	Segment 1	Segment 2	Segment 3	2010-11 Restated Total
Gross Expenditure	2	28,443,170	10,746,574	1,768,689	40,958,433	29,876,123	6,747,602	1,764,224	38,387,949
Income	2	(33,437)	(8,069,842)	(492,246)	(8,595,525)	(39,711)	(1,102,235)	(308,362)	(1,450,308)
Net Expenditure		**28,409,733**	**2,676,732**	**1,276,443**	**32,362,908**	**29,836,412**	**5,645,367**	**1,455,862**	**36,937,641**

The department does not consider that assets and liabilities can be meaningfully allocated to segments and therefore manages and reports on assets and liabilities as a single block. Therefore, in accordance with IFRS 8, no breakdown of assets and liabilities by segment is given.

6.1 Reconciliation between operating segments and SoCNE

£'000

	Note	Segment 1	Segment 2	Segment 3	2011-12 Total	Segment 1	Segment 2	Segment 3	2010-11 Restated Total
Total net expenditure per statement of comprehensive net expenditure by operating segment	6	28,409,733	2,676,732	1,276,443	32,362,908	29,836,412	5,645,367	1,455,862	36,937,641
Reconciling items:									
Income					(6,541,674)				(202,070)
Expenditure					104,625				(42,366)
Total comprehensive expenditure per Statement of Comprehensive Net Expenditure	SoCNE				**25,925,859**				**36,693,205**

6.2 Reconciliation between operating segments and SoPS

£'000

	Note	Segment 1	Segment 2	Segment 3	2011-12 Total	Segment 1	Segment 2	Segment 3	2010-11 Restated Total
Total net expenditure per statement of comprehensive net expenditure by operating segment	6	28,409,733	2,676,732	1,276,443	32,362,908	29,836,412	5,645,367	1,455,862	36,937,641
Reconciling items:									
Income					(249,423)				(351,996)
Expenditure					613,794				1,014,907
Net Outturn per Statement of Parliamentary Supply	**SoPS**				**32,727,279**				**37,600,552**

Note 7. Staff numbers and related costs

7.1 Staff costs

£'000

	2011-12					2010-11 restated
	Permanently Employed Staff	Ministers	Special Advisors	Others	Total	Total
Wages & Salaries	168,571	255	129	8,265	177,220	260,932
Social Security Costs	15,575	25	15	23	15,638	20,940
Pension Costs	35,581	-	14	24	35,619	(5,534)
Total Costs	219,727	280	158	8,312	228,477	**276,338**
Less Recoveries in respect of outward secondments	-	-	-	(776)	(776)	(2,032)
Total Net Costs	219,727	280	158	7,536	227,701	**274,306**
Of which:						
Core Department	103,362	280	158	5,069	108,869	183,633
Agency	28,113	-	-	32	28,145	33,177
Designated bodies	88,252	-	-	3,211	91,463	59,528

The split of staff costs per body above includes the impact of intra-group eliminations.

7.2 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 department as well as in its Agency and other bodies included within the consolidated departmental accounts.

					2011-12	2010-11 restated
	Permanent staff	Ministers	Special Advisers	Others	Total	Total
Core Department	1,944	6	2	62	2,014	3,081
Planning Inspectorate	614	-	-	-	614	692
Designated Bodies	1,530	-	-	75	1,605	2,098
Total	4,088	6	2	137	4,233	5,871

7.3 Civil service and other compensation schemes – exit packages

In the core department and agency redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Staff of other bodies in the departmental group are not civil servants and redundancy and other departure costs are paid in accordance with the rules applying to the bodies in question. Further details are contained in the accounts of the bodies concerned.

£000

Exit package cost band	2011-12 Core Department Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2010-11 Total number of exit packages by cost band
<£10,000	1	4	5	126
£10,000 - £25,000	-	51	51	362
£25,000 - £50,000	16	86	102	373
£50,000 - £100,000	2	65	67	364
£100,000 - £150,000	-	12	12	60
£150,000 - £200,000	-	5	5	16
£200,001 onwards	-	3	3	-
Total number of exit packages	**19**	**226**	**245**	**1,301**
Total cost /£	**631**	**11,779**	**12,410**	**74,314**

Exit package cost band	2011-12 Core Department and Agency Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2010-11 Total number of exit packages by cost band
<£10,000	1	5	6	130
£10,000 - £25,000	-	60	60	392
£25,000 - £50,000	16	90	106	403
£50,000 - £100,000	2	68	70	374
£100,000 - £150,000	-	12	12	66
£150,000 - £200,000	-	5	5	13
£200,001 onwards	-	3	3	3
Total number of exit packages	**19**	**243**	**262**	**1,381**
Total cost /£	**631**	**12,201**	**12,832**	**77,301**

Exit package cost band	2011-12 Consolidated Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2010-11 Total number of exit packages by cost band
<£10,000	19	43	62	160
£10,000 - £25,000	15	137	152	412
£25,000 - £50,000	22	181	203	423
£50,000 - £100,000	5	138	143	397
£100,000 - £150,000	1	32	33	80
£150,000 - £200,000	1	17	18	15
£200,001 onwards	-	4	4	8
Total number of exit packages	**63**	**552**	**615**	**1,495**
Total cost /£	**632**	**24,638**	**25,270**	**83,313**

The information contained in the tables above includes accruals for assumed exists and is not a report of actual number of exits during the year.
The tables do not contain exit data in respect of the former GO Network as these were fully accrued for in 2010-11.

Note 8. Other administration costs

£'000

	Notes	Core Department	Core Department & Agency	Departmental Group 2011-12	Core Department	Core Department & Agency	Departmental Group 2010-11 restated
Non-Cash Items							
Depreciation	12	4,345	4,424	6,991	5,522	5,732	8,920
Amortisation	13	5,978	6,083	7,944	6,328	6,751	9,153
Loss on disposal of property, plant and equipment		73	73	5,539	1,878	1,878	2,276
Loss on disposal of intangible assets		298	298	319	502	502	590
Loss on disposal of inventories		-	-	-	-	-	532
Impairment of inventories		-	-	6,723	-	-	-
Revaluation of non-current assets	12,13	295	295	295	(7,024)	(7,038)	(7,038)
Impairment of non-current assets		7	7	4,568	4,892	4,892	6,394
Auditor's remuneration and expenses		620	663	663	414	455	455
Other write offs		-	-	5,217	-	-	-
Movement in provisions	23	-	-	-	-	-	175
Provision for Doubtful Debts write off/(write back)		(35)	(35)	(21)	(24)	(24)	11,268
Other non-cash charges					1,525	1,525	548
Sub Total		**11,581**	**11,808**	**38,238**	**14,013**	**14,673**	**33,273**
Cash Items:							
Rentals under operating leases		239	341	716	414	588	1,056
Research & development		246	246	587	248	248	2,497
Accommodation including rentals under operating leases		47,654	51,293	63,238	48,442	52,186	68,471
IT expenditure		16,996	19,392	19,756	12,897	14,966	16,077
Support Services		1,499	1,499	1,734	1,684	1,684	1,728
Consultancy		5,077	5,077	5,774	1,671	1,680	3,592
Legal and professional		2,482	2,482	4,667	3,718	3,718	9,176
Marketing and communications		480	505	915	1,327	1,248	2,134
Travel, subsistence and hospitality		1,710	3,112	6,834	2,580	4,283	8,837
Training and conferences		408	584	1,092	3,169	3,393	4,060
ERDF Exchange Rate Losses-realised		1	1	1	-	-	-
Early Retirement Costs		7,574	7,574	10,526	64,972	64,972	66,359
Corporation Tax Payable		-	-	(16,727)	-	-	11,954
Interest payable on pension scheme liabilities	24	-	-	23,184	-	-	24,706
Auditors' remuneration		-	-	445	-	-	488
Other cash items		4,415	9,770	32,745	14,297	18,733	33,885
Sub Total		**88,781**	**101,876**	**155,487**	**155,419**	**167,699**	**255,020**
Total		**100,362**	**113,684**	**193,725**	**169,432**	**182,372**	**288,293**

Included within Auditors' remuneration in Notes 8 and 9 is £540k which relates to external audit fees

Note 9. Programme costs

£'000

	Notes	Core Department (2011-12)	Core Department & Agency (2011-12)	Departmental Group (2011-12)	Core Department (2010-11 restated)	Core Department & Agency (2010-11 restated)	Departmental Group (2010-11 restated)
Non-Cash Items							
Depreciation	12	8,710	8,710	9,455	8,841	8,841	9,877
Amortisation	13	2,182	2,182	2,823	3,128	3,128	3,769
Loss on disposal of property, plant and equipment		1	1	2	4,857	4,857	4,857
Loss on disposal of intangible assets		-	-	-	43,603	43,603	43,604
Loss on disposal of investments		-	-	(792)	-	-	3,063
Loss on disposal of inventories		-	-	(976)	-	-	11,531
Write down investments		1,400	1,400	1,400	-	-	-
Revaluation non-current assets	12,13	-	-	-	-	-	-
Impairment of non-current assets		4,215	4,215	162,822	31,591	31,591	225,692
ERDF Write off & disallowances		12,115	12,115	12,115	32,426	32,426	32,426
ERDF Exchange rate losses (unrealised)		-	-	-	3,337	3,337	3,337
Movement in provisions	23	(36,015)	(35,662)	(8,272)	(55,362)	(55,115)	(52,744)
Provision for Doubtful Debts write off/(write back)		14,467	14,853	18,575	4,935	4,935	6,129
Other non-cash charges		(19,125)	(19,597)	(78,480)	(1,525)	(1,525)	18,054
Sub Total		**(12,050)**	**(11,783)**	**118,672**	**75,831**	**76,078**	**309,595**
Cash Items:							
Rentals under operating leases		-	-	-	7	7	23
Research & development		8,483	8,483	8,576	21,173	21,173	20,882
Accommodation including rentals under operating leases		5,876	6,003	8,817	20,677	20,677	23,405
IT expenditure		18,054	18,093	18,586	3,121	3,121	4,531
Support Services		3,247	3,247	4,204	35,483	35,483	35,483
Consultancy		2,673	2,673	2,814	14,730	14,730	14,971
Legal and professional		153,013	153,013	153,182	151,410	151,410	154,881
Marketing and communications		1,187	1,187	1,786	1,668	1,668	2,026
Travel, susbsistence and hospitality		91	91	480	726	726	1,234
Training and conferences		304	304	618	785	785	1,419
Subsidies		7,302,043	7,302,043	7,302,043	428,212	428,212	428,212
National non domestic rates		19,000,000	19,000,000	19,000,000	21,500,000	21,500,000	21,500,000
National non domestic rates outturn adjustment		744,304	744,304	744,304	1,110,845	1,110,845	1,110,845
ERDF Grants		355,233	355,233	355,233	216,874	216,874	216,874
Revenue support grant and PFI grant		5,976,461	5,976,461	5,976,461	4,074,885	4,074,885	4,074,885
Area based grant		-	-	-	2,165,806	2,165,806	2,165,806
Other local authority grants -		1,033,168	1,033,168	1,314,349	1,422,059	1,422,059	2,357,730
Other local authority grants -		2,639,701	2,639,701	2,647,881	707,948	707,948	742,569
Other grants - capital		595,320	595,320	2,426,757	884,052	884,052	3,942,359
Other grants - revenue		380,380	380,380	383,781	551,965	551,965	567,931
ERDF Financial Corrections		947	947	947	1,451	1,451	1,451
ERDF Exchange Rate Losses -		5,814	5,814	5,814	3,004	3,004	3,004
Early Retirement Costs		10,874	10,994	11,064	9,201	9,201	9,201
Interest payable on pension scheme liabilities	24	104	104	6,172	-	-	6,409
Interest payable		6,492	6,492	6,947	-	-	2,318
Auditors' remuneration		-	-	206	-	-	244
Other cash items		16,995	17,625	144,840	7,941	10,928	88,053
Sub Total		**38,260,764**	**38,261,680**	**40,525,862**	**33,334,023**	**33,337,010**	**37,476,746**
Total		**38,248,714**	**38,249,897**	**40,644,534**	**33,409,854**	**33,413,088**	**37,786,341**

Note 10. Administration income

£'000

	Notes	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group	2010-11 restated Core Department	2010-11 restated Core Department & Agency	2010-11 restated Departmental Group
Non Cash Items							
Gain on Sale of non-current assets		-	-	-	30	30	30
Notional Income		53	-	-	58	-	-
Total Non Cash Items		**53**	**-**	**-**	**88**	**30**	**30**
Cash Items							
Goods and Services		4,092	6,277	5,244	5,017	7,526	7,486
Accommodation		9,400	9,400	9,316	10,256	10,256	10,256
Fees		-	6,043	12,243	-	6,556	10,918
Reimbursement of Expenditure		-	-	-	190	190	17
Interest and Dividends		-	-	65	-	-	166
Funded Defined Benefit Schemes		-	-	22,638	-	-	20,962
Grant Income		-	-	5,738	1,089	1,089	1,109
Miscellaneous		892	1,676	5,106	27,796	28,218	29,557
Total Cash Items		**14,384**	**23,396**	**60,350**	**44,348**	**53,835**	**80,471**
Total		**14,437**	**23,396**	**60,350**	**44,436**	**53,865**	**80,501**

The following information relates to services for which a fee is charged and is not provided for the purposes of IFRS 8

Objectives	**Full Cost**	**Income**	**Surplus/ (Deficit)**
PINS : Local development frameworks, compulsory purchase orders, major specialist and other casework	5,519	6,043	524
IHO : Subscription costs to meet full costs of service	3,351	3,900	549
LTGDC : Planning Application Fees	-	435	435
WNDC : Planning Fees	-	407	407
TTGDC : Planning Fees	-	487	487
IPC : Examination of infrastructure planning applications	7,309	971	(6,338)

Note 11. Programme income

£'000

	Notes			2011-12			2010-11 restated
		Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Non Cash Items							
ERDF Exchange Gains		26,745	26,745	26,745	-	-	-
Gain on sale of Non Current Assets		-	-	78	-	-	-
Gain on Sale of Inventories		-	-	-	-	-	1,009
Unwinding of Discount on Advances		26,867	26,867	26,867	-	-	-
Total Non Cash Items		**53,612**	**53,612**	**53,690**	**-**	**-**	**1,009**
Cash Items							
Housing Revenue Account		7,994,323	7,994,323	7,994,323	995,533	995,533	995,533
CFER Income		6,479,414	6,479,414	6,479,414	118,478	118,478	118,478
ERDF Grant Income		355,333	355,333	355,333	216,865	216,865	216,865
Recovery of Grants		875	875	41,678	47,689	47,689	124,260
Goods and Services		11,963	11,963	12,020	5,529	5,529	5,688
Accommodation		-	-	19,361	-	-	22,525
Fees		-	-	-	-	-	1,167
Reimbursement of Expenditure		-	-	-	8,028	8,006	7,801
Interest and Dividends		6,223	6,223	32,003	1,853	1,853	29,433
Funded Pension Schemes - Expected Return on Assets		-	-	5,078	-	-	4,438
Grant Income - Current		2,000	2,000	2,017	-	-	5,652
Grant Income - Capital		52,363	52,363	52,656	-	-	4,967
Miscellaneous		11,913	11,913	29,276	22,724	22,724	34,061
Total Cash Items		**14,914,407**	**14,914,407**	**15,023,159**	**1,416,699**	**1,416,677**	**1,570,868**
Total		**14,968,019**	**14,968,019**	**15,076,849**	**1,416,699**	**1,416,677**	**1,571,877**

Note 12. Property, plant and equipment

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under Construction	Total
							31-Mar-12
Cost or Valuation							
At 1 April 2011	3,404	88,394	17,825	59,593	17,967	12,171	199,354
Additions	3,037	13,643	780	35	592	1,122	19,209
Impairments	(253)	(5,709)	(4)	-	-	-	(5,966)
Disposals	(4,612)	(1,716)	(5,292)	(22,228)	(1,993)	(5,473)	(41,314)
Revaluations	-	1,048	-	476	(65)	(203)	1,256
Transfers	-	-	7	-	-	-	7
At 31 March 2012	**1,576**	**95,660**	**13,316**	**37,876**	**16,501**	**7,617**	**172,546**
Depreciation							
At 1 April 2011	-	9,160	11,381	29,969	10,986	-	61,496
Charged in year	-	5,201	2,635	5,926	2,684	-	16,446
Impairments	-	(436)	-	-	-	-	(436)
Disposals	-	(1,709)	(5,107)	(13,826)	(1,847)	-	(22,489)
Revaluations	-	-	-	-	(182)	-	(182)
At 31 March 2012	**-**	**12,216**	**8,909**	**22,069**	**11,641**	**-**	**54,835**
Net book value:							
31 March 2012	**1,576**	**83,444**	**4,407**	**15,807**	**4,860**	**7,617**	**117,711**
31 March 2011	**3,404**	**79,234**	**6,444**	**29,624**	**6,981**	**12,171**	**137,858**
Asset Financing:							
Owned	1,576	11,942	4,407	15,807	4,860	7,617	46,209
Financed leased	0	71,502	-	-	-	-	71,502
Net book value at 31 March 2012	**1,576**	**83,444**	**4,407**	**15,807**	**4,860**	**7,617**	**117,711**
Of the total:							
Core Department	500	79,144	3,365	15,624	2,618	7,617	108,868
Agency	-	-	136	-	-	-	136
Designated bodies	1,076	4,300	906	183	2,242	-	8,707
Net book value at 31 March 2012	**1,576**	**83,444**	**4,407**	**15,807**	**4,860**	**7,617**	**117,711**

£'000

							31-Mar-11 Restated
	Land	**Buildings**	**Information Technology**	**Plant & Machinery**	**Furniture & Fittings**	**Assets under Construction**	**Total**
Cost or Valuation							
At 1 April 2010	3,494	23,807	20,885	59,334	16,906	19,206	143,632
Additions	5,670	99,337	731	654	583	7,718	114,693
Impairments	(10,717)	(33,655)	(303)	(61)	(35)	(289)	(45,060)
Disposals	-	(991)	(3,629)	(2,609)	(234)	(5,893)	(13,356)
Revaluations	-	(231)	(547)	1,230	11	(889)	(426)
Transfers	-	-	8	-	230	(238)	-
Reclassifications	4,957	6	680	1,045	506	(7,444)	(250)
At 31 March 2011	**3,404**	**88,273**	**17,825**	**59,593**	**17,967**	**12,171**	**199,233**
Depreciation							
At 1 April 2010	-	4,450	10,775	25,508	8,070	-	48,803
Charged in year	-	5,358	3,524	6,828	3,090	-	18,800
Impairments	-	(149)	6	-	55	-	(88)
Disposals	-	(620)	(2,972)	(2,367)	(229)	-	(6,188)
Revaluations	-	-	55	-	-	-	55
Reclassifications	-	-	(7)	-	-	-	(7)
31 March 2011	**-**	**9,039**	**11,381**	**29,969**	**10,986**	**-**	**61,375**
Net book value:							
31 March 2011	**3,404**	**79,234**	**6,444**	**29,624**	**6,981**	**12,171**	**137,858**
31 March 2010	**3,494**	**19,357**	**10,110**	**33,826**	**8,836**	**19,206**	**94,829**
Asset Financing:							
Owned	3,404	14,411	6,444	29,624	6,981	12,171	73,035
Financed leased	-	64,823	-	-	-	-	64,823
Net book value at 31 March 2011	**3,404**	**79,234**	**6,444**	**29,624**	**6,981**	**12,171**	**137,858**
Of the total:							
Core Department	500	73,492	4,572	29,363	3,832	6,698	118,457
Agencies	-	-	204	-	-	-	204
Designated bodies	2,904	5,742	1,668	261	3,149	5,473	19,197
Net book value at 31 March 2011	**3,404**	**79,234**	**6,444**	**29,624**	**6,981**	**12,171**	**137,858**

There are no donated assets within the department.

The department's policy for revaluations is described in Notes 1.21 - 22.

Note 13. Intangible assets

£'000

				31-Mar-12
	Software	**Licences**	**Systems Development**	**Total**
Cost or valuation				
At 1 April 2011	75,443	10,816	306	86,565
Additions	1,355	352	456	2,163
Transfers	263	36	(306)	(7)
Disposals	(4,044)	(2,444)	-	(6,488)
At 31 March 2012	**73,017**	**8,760**	**456**	**82,233**
Amortisation				
At 1 April 2011	50,518	6,753	-	57,271
Charged in year	9,110	1,657	-	10,767
Disposals	(3,525)	(2,410)	-	(5,935)
At 31 March 2012	**56,103**	**6,000**	**-**	**62,103**
Net book value:				
31 March 2012	**16,914**	**2,760**	**456**	**20,130**
31 March 2011	**24,925**	**4,063**	**306**	**29,294**
Asset Financing:				
Owned	16,914	2,760	456	20,130
Finance Leased	-	-	-	-
Net book value at 31 March 2012	**16,914**	**2,760**	**456**	**20,130**
Of Which:				
Core Department	15,294	972	456	16,722
Agencies	110	-	-	110
Designated bodies	1,510	1,788	-	3,298
Net book value at 31 March 2012	**16,914**	**2,760**	**456**	**20,130**

£'000

				31-Mar-11 Restated
	Software	**Licences**	**Systems Development**	**Total**
Cost or valuation				
At 1 April 2010	78,256	11,158	45,307	134,721
Additions	2,562	295	814	3,671
Transfers	-	288	(288)	-
Reclassifications	2,793	253	(2,835)	211
Disposals	(8,095)	(1,095)	(40,098)	(49,288)
Impairment	(74)	(82)	(2,594)	(2,750)
At 31 March 2011	**75,442**	**10,817**	**306**	**86,565**
Amortisation				
At 1 April 2010	44,409	5,022	-	49,431
Charged in year	10,611	2,311	-	12,922
Reclassifications	7	-	-	7
Disposals	(4,510)	(584)	-	(5,094)
Impairment	-	5	-	5
At 31 March 2011	**50,517**	**6,754**	**-**	**57,271**
Net book value:				
31 March 2011	**24,925**	**4,063**	**306**	**29,294**
31 March 2010	**33,846**	**6,136**	**45,306**	**85,288**
Asset Financing:				
Owned	24,925	4,063	306	29,294
Finance Leased	-	-	-	-
Net book value at 31 March 2011	**24,925**	**4,063**	**306**	**29,294**
Of Which:				
Core Department	22,753	1,495	306	24,554
Agencies	171	9	-	180
Designated bodies	2,001	2,559	-	4,560
Net book value at 31 March 2011	**24,925**	**4,063**	**306**	**29,294**

There are no donated assets within the department.

Note 14. Financial instruments

Liquidity Risk

The cash requirements of the department for day-to-day operations and capital investments are met through the Estimates process and by the passing of the annual Appropriation Act. The Estimates process provides an opportunity, during the year (the Supplementary Estimate), to amend funding levels and purposes to reflect changing circumstances and unforeseen events. The department is therefore exposed to little liquidity risk and financial instruments play an insignificant part of the funding of the department and a more limited role in creating risk than would apply to a non-public sector body of a similar size.

Market Risk

HCA is also exposed to market price risk in some of its available for sale financial assets. The financial assets include the Agency's interests in housing units and private sector developments located in geographically diverse areas within the UK. As these assets are classified as available for sale, any market price movements are normally reflected in changes in equity, and have no effect on the reported net expenditure for the period unless an impairment is reported.

HCA has performed a sensitivity analysis that measures the change in fair value of the financial assets held for hypothetical changes in market prices. The sensitivity analysis is based on a proportional change to all prices applied to the relevant financial instrument balances existing at the year end.

At 31 March 2012, if UK house prices had been 10% higher/lower and all other variables were held constant, the effect on the Agency's reserves arising from movements in investments in housing units, before the effects of tax, would have been an increase/decrease of £119.4m/£153.9m from that stated (2011: £31.4m/£52.9m, 2010: £38.2m/£65.9m increase/decrease).

At 31 March 2012, if development returns had been 10% higher/lower and all other variables were held constant, the effect on the Agency's reserves arising from movements in investments in private sector developments, before the effects of tax, would have been an increase/decrease of £10.0m/£11.0m from that stated (2011: £4.2m/£3.8m, 2009: £3.6m/£3.6m increase/decrease).

Currency Risk

A payables balance of £456.9m is the sterling equivalent of a liability of €548.3m translated at the accounting date. This relates to deposits from the European Union (EU) for the 2000-06 and 2007-13 European Regional Development Fund (ERDF) Programmes and the Sterling value is therefore recalculated at the end of each period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. The deposits will be utilised as the programmes near completion, which in relation to the 2000-06 programme is expected to be during 2012-13 but for the 2007-13 programme is not expected before 2015-16. The level of balance, and associated level of risk, is therefore expected to diminish over the coming year.

Within accrued income there is a balance of £262,726m which is the sterling equivalent of an asset of €315,271m representing ERDF grant payments made but yet to be claimed from the EU. These balances are fixed in Euros being the Euro equivalent of the Sterling expenditure applying at the time the expenditure was incurred using the 'Europa' rate in accordance with the regulations. They are recalculated at the end of each accounting period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. In addition, as ongoing funding for these programmes is processed through the EU, there are realised exchange rate gains and losses as the sterling equivalent of the Euro claims are settled. The Department is therefore exposed to currency risks which vary depending on the level of balances, the rate at which claims are submitted and the time taken for them to be processed by the EU.

In 2011-12 there was an overall gain of around £21m arising from these risks compared with a loss of about £6m in 2010-11, £27m in 2009-10 and £4m in 2008-09.

The table below shows the assets and liabilities subject to translation from euros to sterling at the accounting date and in accordance with the Department's policy on foreign exchange translations (Exchange rate at 31 March 2012 £1 = €1.2000 – source Bank of England spot rate) http://www.bankofengland.co.uk/mfsd/iadb/Rates.asp?

Currency Risks	**Floating rate financial liabilities**	
	£'000	€'000
Assets		
At 31 Mar 2012:		
Receivables (ERDF)	0	0
Accrued income (ERDF)	262,726	315,271
Total assets at 31 March 2012	**262,726**	**315,271**
Total assets at 31 March 2011	250,692	283,206
Total assets at 31 March 2010	297,054	332,946
Total assets at 31 March 2009:	397,811	445,493
Liabilities		
At 31 March 2012:		
Deposit from EU (ERDF 2000-06 Programmes)	(272,882)	(327,459)
Deposit from EU (ERDF 2007-13 Programmes)	(184,018)	(220,822)
Total liabilities at 31 March 2012	**(456,901)**	**(548,281)**
Total liabilities at 31 March 2011	(498,236)	(562,857)
Total liabilities at 31 March 2010	529,759	593,767
Total liabilities at 31 March 2009	496,427	553,998

As can be noted from the above the department has significant assets and liabilities affected by the Sterling/Euro exchange rate. To an extent these balances act as a natural hedge whereby the loss that would arise on the liability balance from a weakening of Sterling would be offset by the gain on the asset balance. These effects are reversed from a strengthening of Sterling. This reduces but does not eliminate the risks. There are also variations in the levels of balances caused by differences in the values of quarterly declarations, the time taken for declarations to be paid by the EU and the rate in which the deposits on the 2000-06 programme are utilised. These variations are difficult to assess and, using a model of the likely impacts of variances in exchange rates, the department determined during 2009-10 that active mitigation of the risks, through for instance forward contracts or hedging, would not provide value for money. The department continues to monitor the position and expects to undertake further work on the topic, perhaps in partnership with other departments, during 2012-13. The following table illustrates the impact of changes in the sterling to Euro exchange rate and assumes the level of balances remains constant.

Category	**Balance at 31 Mar 12 €000**	**Rate at 30 Mar 12**	**Impact of rate change to**			
			1:1.00	1:1.10	1:1.30	1:1.40
Assets	315,271	1:1.20	£52m gain	£24m gain	£20m loss	£38m loss
Liabilities	(548,281)	1:1.20	£91m loss	£42m loss	£35m gain	£65m gain
Net gain/ loss			£39m loss	£18m loss	£15m gain	£28m gain

Apart from ERDF the department has no other risks arising from foreign exchange.

Credit Risk

The Department has placed investments in a number of public-sector owned organisations, as shown in Note 15 Investments. As the organisations are within the public sector there is minimal need for the department to manage the risk of default.

Some of these investments have been financed on a statutory basis known as Public Dividend Capital (PDC). The Treasury has advised that PDC is not a financial instrument because financial instruments are contractual whereas PDC is statutory. Therefore these items are outside the scope of this section. See Note 15 for details of PDC investments.

Homes and Communities Agency has guaranteed the payments under loan obligations of other entities, as disclosed in Note 15 (and in Note 43 of HCAs statutory accounts). The total maximum exposure under these guarantees is £21.7m (2010: £21.7m, 2009: £27.3m), of which £21.7m (2010 and 2009: £21.7m) relates to Home Group. This guarantee is backed by the right of HCA to take a first legal charge over Home Group's saleable assets.

The counterparties to other financial assets are generally major developers and housebuilders in the private sector and normally arise from disposals of development assets. However, available for sale financial assets relate mainly to amounts receivable individually from the private owners of housing units when their properties are sold, resulting in a broad spread of credit risk for these assets. Amounts receivable from the disposal of property are always secured by HCA's right to retake possession of the disposed property in the event of a default by the buyer, and in appropriate cases are backed by financial guarantees. Amounts receivable from the owners of housing units are secured by a second charge over their property. Loans to water companies relate to only one receivable. There are no significant credit risks in HCA's other financial instruments.

Interest rate risk

The Department is not exposed to significant interest rate risk as its financial assets and financial liabilities carry nil or fixed rates of interest. No interest is receivable on balances held with the Government Banking Service. Any interest earned on balances with commercial banks is immaterial.

Interest rate profile

The following table shows the interest rate profile of the department's financial assets as at 31 March 2012. All balances are held in sterling.

Fair values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2011 and 31 March 2012. The following criteria have been used to assess the fair value of the Department's financial assets and liabilities.

- Current payables and receivables are based on their nominal amount
- Non-current payables and receivables are valued at discounted cost
- Cash at bank balances are at their book values
- PDC, being statutory, is valued at nominal value
- The investments in the Coalfields Enterprise Fund and the Coalfields Growth Fund are revalued every quarter by the fund managers and the year end valuations reflect the underlying valuations.

	Total	Non-interest bearing	Floating rate	Fixed rate	Weighted average interest rate	Period for which rate is fixed
Primary Financial Instruments:	£'000	£'000	£'000	£'000	%	yrs
Financial Assets:						
Cash at Office of Paymaster General	395,612	187,252	-	-	-	-
Cash held at commercial banks	45,070	45,070		-	-	-
Fire Service College Loan	4,474	-	-	4,474	8.30%	41 years
Coalfields Enterprise Fund	9,332	9,332	-	-	-	-
HCA Loans	344,124	65,227	118,264	160,634	6.74%	20
HCA Local Authority Loans	1,601	-			4.29%	18
TSA loan with co-ownership society	28	-	28	-	-	-
Balance at 31 March 2012	**800,242**	**306,881**	**118,292**	**165,108**	**-**	**-**
Balance at 31 March 2011	602,862	267,234	148,985	182,455	-	-
Balance at 31 March 2010	535,750	237,700	94,655	199,391	-	-
Balance at 1 April 2009	109,982	105,249	167	-	-	-

Note 15. Investments

£'000

	Core Department					Designated bodies			Consolidated
	Coalfields Enterprise	Coalfields Growth Fund	Queen Elizabeth II Conference Centre	Fire Service College		Shares/ Equity (Note 16)	Loans within WGA boundary	Loans - Private Sector	**Total Investments for Consolidated Bodies**
	Investment	Investment	PDC	PDC	Loan				
Balance at 31 March 2010	**6,901**	**5,000**	**821**	**16,721**	**4,566**	**25,028**	**1,728**	**339,788**	**400,553**
Additions	-	-	-	-	-	-	-	62,029	62,029
Write down/ Impairment	(559)	(610)	-	-	-	(3,359)	-	(5,511)	(10,039)
Loan repayments	-	-	-	-	(73)	-	(61)	(14,570)	(14,704)
Disposal	-	-	-	-	-	1,009	-	-	1,009
	6,342	4,390	821	16,721	4,493	22,678	1,667	381,736	**438,848**
Transfer to current assets	-	-	-	-	-	-	-	(19,843)	(19,843)
Balance at 31 March 2011	**6,342**	**4,390**	**821**	**16,721**	**4,493**	**22,678**	**1,667**	**361,893**	**419,005**
Additions	-	-	-	-	-	-	-	12,127	12,127
Write down/ Impairment	(531)	(869)	-	-	-	(9,899)	-	(31,034)	(42,333)
Loan repayments	-	-	-	-	(19)	-	(66)	(34,536)	(34,621)
Revaluation	-	-	-	-	-	-	-	1,548	1,548
	5,811	3,521	821	16,721	4,474	12,779	1,601	309,998	**355,726**
Transfer to current assets	-	-	-	-	-	-	-	434	434
Balance at 31 March 2012	**5,811**	**3,521**	**821**	**16,721**	**4,474**	**12,779**	**1,601**	**310,432**	**356,160**

PDC = Public Dividend Capital.

Share of net assets of associates and joint ventures as detailed below

£'000

Consolidated		
The aggregated movements in the share of net assets of associates are as follows: -	**2011-12**	**2011-12 Restated**
Cost or Valuation: -		
Balance at 1 April	22,678	25,028
Share of gains/(losses) of associates	(9,899)	(3,359)
Net liabilities (added)/disposed	-	1,009
Balance at 31 March	**12,779**	**22,678**

£'000

The aggregated amount of the share of total assets and liabilities of associates are as follows: -	**2011-12**	**2010-11 Restated**
Assets	249,547	123,377
Liabilities	(236,768)	(120,528)
Total group share of net assets of associates	**12,779**	**2,849**

Subsidiary undertakings as detailed below

£'000

Consolidated		
Subsidiary Undertakings	**2011-12**	**2010-11 Restated**
Aggregate capital and reserves as at 31 March	15,222	15,184
Profit / Loss for the reporting period ending March	8,246	-
Total cost or valuation of subsidiary undertakings: -		
Balance at 1 April	15,184	25,000
Movements in Year	-	(9,816)
Balance at 31 March	**15,184**	**15,184**

Please refer to individual bodies annual accounts for information on subsidiary, associates and joint ventures undertakings.

Note 16. Available for sale financial assets

£'000

	2011-12			2010-11 restated		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Cost or valuation						
At 1 April	-	-	556,556	-	-	454,049
Additions	-	-	114,534	-	-	143,338
Impairments	-	-	(69,246)	-	-	(35,774)
Disposals	-	-	(34,528)	-	-	(19,423)
Revaluations	-	-	(17,108)	-	-	14,366
At 31 March	-	-	550,208	-	-	556,556

Available for sale financial assets are assets of the HCA representing their interests in housing developments.

Included in impairment of available for sale financial assets is a £52.6m charge (2010/11: £25.9m) arising on the write-down of certain of the Agency's investments in housing units under HomeBuy Direct and the First Time Buyers' Initiative. This write-down is based on analysis of actual profits and losses experienced on unit sales since the inception of the schemes, and is in addition to fair value changes arising from the factors described below.

Other impairments of available for sale financial assets arise from market movements in property prices in some geographical areas during the year, which are measured with reference to movements in the DCLG regional house price index, or from the reduction in forecast cashflows in the case of the Agency's investments in private sector developments under the Kickstart Housing Initiative.

Note 17. Investment properties

£'000

	2011-12			2010-11		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Cost or valuation						
At 1 April	28,806	28,806	28,806	21,782	21,782	21,782
Additions	-	-	-	-	-	-
Revaluations	(295)	(295)	(295)	7,024	7,024	7,024
At 31 March	**28,511**	**28,511**	**28,511**	**28,806**	**28,806**	**28,806**

As at the 31 March 2012 the following properties were revalued professionally, in accordance with RICS Valuation Standards, by GVA Grimley Limited – Commercial Property and Property Management Consultants.

Queen Elizabeth II Conference Centre, Broad Sanctuary, London was valued during March 2012 by GVA. The total valuation was reported at £29,000,000 but with a value of £27,196,000 in the department's books because of a trading fund outside interest in the property.

Burlington House, Piccadilly, London was valued during March 2012 by GVA, at £1,315,000.

The department received rental income of £5,108 (£6,875, 2010-11) from tenants at Burlington House.

The department does not receive rental income from the Queen Elizabeth II Conference Centre as it receives income as dividend on the Public Dividend Capital investment.

Note 18. Assets held for sale

£'000

			2011-12			2010-11
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Balance at 1 April	-	-	-	5	5	5
Disposals	-	-	-	(5)	(5)	(5)
As at 31 March	-	-	-	-	-	-

Previous holdings in this category related to 'Green Goddess' fire tenders which were all sold in 2010-11. Currently no assets are classified as assets held for sale by the group.

Note 19. Inventories

£'000

			2011-12			2010-11 restated
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Land and buildings						
Opening balance as at 1 April	-	-	1,109,489	102,209	102,209	1,425,765
Additions	-	-	57,458	-	-	78,976
Disposals	-	-	(98,794)	(102,209)	(102,209)	(185,387)
Write off	-	-	(85,089)	-	-	(167,683)
Revaluation	-	-	72,023	-	-	(42,182)
Closing balance as at 31 March	-	-	**1,055,087**	-	-	**1,109,489**
ERDF Work in Progress						
Opening balance as at 1 April	-	-	-	-	-	-
Additions	250,140	250,140	250,140	-	-	-
Certified as expenditure	(183,348)	(183,348)	(183,348)	-	-	-
Closing balance as at 31 March	**66,792**	**66,792**	**66,792**	-	-	-
Closing balance as at 31 March	**66,792**	**66,792**	**1,121,879**	**-**	**-**	**1,109,489**

Details regarding Work in Progress treatment and balances can be found in section 7 - Other Financial Information.

Note 20. Trade and other receivables

20.1 Analysis by type

£'000

	31-Mar-12			31-Mar-11 restated			31-Mar-10 restated
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group	Departmental Group
Amount falling due within one year:							
Trade receivables	1,463	1,833	83,312	457	907	79,426	70,128
Deposits and advances	-	-	61	-	-	69	294
VAT receivables	952	1,082	5,915	246	305	1,008	9,212
Other receivables	173,879	175,100	208,803	244,569	246,436	284,117	279,951
ERDF accrued income	174,368	174,368	174,368	123,954	123,954	123,954	211,528
Prepayments and accrued income	11,226	14,412	23,879	197,832	201,181	214,411	44,188
Government grant receivables	-	-	-	-	-	23,000	31,000
Taxation and duties due	-	-	-	-	-	850	533
Current asset investments	-	-	33,722	-	-	34,197	-
Sub Total	**361,888**	**366,795**	**530,060**	**567,058**	**572,783**	**761,032**	**646,834**
Amounts falling due after more that one year:							
Trade receivables	-	-	81,402	-	-	156,351	142,876
Other receivables	-	-	60,199	-	-	66,128	88,241
ERDF Deposits	13,570	13,570	13,570	173,889	173,889	173,889	170,146
Prepayments and accrued income	759	776	776	411	439	439	151
Sub Total	**14,329**	**14,346**	**155,947**	**174,300**	**174,328**	**396,807**	**401,414**
Total	**376,217**	**381,141**	**686,007**	**741,358**	**747,111**	**1,157,839**	**1,048,248**

Included in "other receivables" is an amount of £2k (£4,488k in 2010-11) which is payable to the Consolidated Fund when collected.

20.2 Intra-government balances

£'000

	Core Department				Core Department & Agency				Consolidated			
	Amounts falling due within one year		Amounts falling due after more than one year		Amounts falling due within one year		Amounts falling due after more than one year		Amounts falling due within one year		Amounts falling due after more than one year	
Balances with:	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Other Central Government bodies	180,645	16,520	8,630	173,889	181,705	18,164	8,630	173,889	185,846	47,988	8,630	173,889
Local authorities	173,420	104,444	1,738	-	175,441	106,503	1,738	-	181,838	114,949	8,973	7,235
NHS bodies	-	4	-	-	-	4	-	-	-	4	-	-
Public Corporations and Trading Funds	890	497	-	-	891	497	-	-	891	497	-	-
Sub-total	**354,955**	**121,465**	**10,368**	**173,889**	**358,037**	**125,168**	**10,368**	**173,889**	**368,575**	**163,438**	**17,603**	**181,124**
Bodies external to Government	6,933	445,593	3,961	411	8,758	447,615	3,978	439	161,485	597,594	138,344	215,683
Total receivables at 31 March	**361,888**	**567,058**	**14,329**	**174,300**	**366,795**	**572,783**	**14,346**	**174,328**	**530,060**	**761,032**	**155,947**	**396,807**

Note 21. Cash and cash equivalents

£'000

			2011-12			2010-11 Restated
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Balance at 1 April	190,185	190,185	319,365	167,474	167,474	254,952
Net change in cash and cash equivalent balances	202,901	202,901	121,317	22,711	22,711	64,413
Bank overdraft	-	-	(146,926)	-	-	-
Balance at 31 March	**393,086**	**393,086**	**293,756**	**190,185**	**190,185**	**319,365**

The bank overdraft shown above is disclosed within Note 22.

			31-Mar-12			31-Mar-11	31-Mar-10 Restated
The following balances at 31 March were held at:	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group	Departmental Group
Other bank and cash	-	-	19,916	-	-	18,601	24,994
Commercial banks and cash in hand	13	13	25,154	597	597	24,756	49,425
Government Banking Service	205,821	205,821	208,360	189,588	189,588	276,008	180,533
Government Banking Service (ERDF)	187,252	187,252	187,252	-	-	-	-
Balance at 31 March	**393,086**	**393,086**	**440,682**	**190,185**	**190,185**	**319,365**	**254,952**

Note 22. Trade and other payables

22.1 Analysis by type

£'000

	31-Mar-12			31-Mar-11 restated			31-Mar-10 restated
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group	Departmental Group
Amounts falling due within one year:							
Vat Payable	-	37	99	3,029	3,031	4,879	729
Taxation and Social Security	2,163	2,163	4,040	5,541	5,541	12,007	9,622
Trade payables	(264)	220	37,626	3,212	3,450	222,872	270,709
Bank Overdraft	-	-	146,926	-	-	-	-
Other payables	742,526	743,086	731,609	215,094	216,842	236,241	47,661
Accruals	315,360	317,206	375,535	308,053	311,714	395,928	567,310
Finance lease	1,497	1,497	2,251	1,457	1,457	2,354	861
Deferred income	697	742	71,538		60	63,959	26,080
Deferred income - ERDF	340,489	340,489	340,489	306,972	306,972	306,972	310,323
Amount issued from the Consolidated Fund for supply but not spent	354,267	354,267	354,267	142,207	142,207	142,207	216,043
Consolidated fund extra receipts to be paid to the Consolidated Fund							
- received	38,739	38,818	38,818	222,159	222,213	222,213	134,987
- receivable	2	2	2	4,488	4,488	4,488	1,066
Sub Total	**1,795,476**	**1,798,527**	**2,103,200**	**1,212,212**	**1,217,975**	**1,614,120**	**1,585,391**
Amounts falling due after more that one year:							
Finance lease	111,032	111,032	112,428	98,888	98,888	101,038	3,049
ERDF Deposits held	184,019	184,019	184,019	191,264	191,264	191,264	188,627
Other Payables	-	-	-	-	-	-	320
Accruals	-	-	376	-	-	412	-
Deferred income	5,043	5,043	5,043	5,706	5,706	5,706	6,370
Sub Total	**300,094**	**300,094**	**301,866**	**295,858**	**295,858**	**298,420**	**198,366**
Total	**2,095,570**	**2,098,621**	**2,405,066**	**1,508,070**	**1,513,833**	**1,912,540**	**1,783,757**

Deferred Income of less than 1 year is made up of £272,882k in respect of 2000-06 programmes and £67,607k in respect of 2007-13 programmes.

22.2 Intra-Government Balances

£'000

	Core Department				Core Department & Agency				Consolidated			
	Amounts falling due within one year		Amounts falling due after more than one year		Amounts falling due within one year		Amounts falling due after more than one year		Amounts falling due within one year		Amounts falling due after more than one year	
Balances with:	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Other Central Government bodies	274,281	394,560	-	-	274,194	394,789	-	-	244,740	422,220	-	-
Local authorities	954,179	591,227	-	-	954,184	591,227	-	-	976,687	717,695	-	-
NHS bodies	1	1	-	-	1	1	-	-	1	1	-	-
Public Corporations and Trading Funds	823	2,027	-	-	826	2,027	-	-	5,032	3,664	-	-
Sub-total	**1,229,284**	**987,815**	**-**	**-**	**1,229,205**	**988,044**	**-**	**-**	**1,226,460**	**1,143,580**	**-**	**-**
Bodies external to Government	566,192	224,397	300,094	295,858	569,322	229,931	300,094	295,858	876,740	470,540	301,866	298,420
Total payables at 31 March	**1,795,476**	**1,212,212**	**300,094**	**295,858**	**1,798,527**	**1,217,975**	**300,094**	**295,858**	**2,103,200**	**1,614,120**	**301,866**	**298,420**

Note 23. Provisions for liabilities and charges

(i) Early departure costs

The department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefit for employees who retire early. An amount is paid annually to the PCSPS for the period between early departure and the normal retirement date. The department provides for this in full when the early retirement becomes a binding liability. Each liability is based on the estimated payments discounted at the Treasury discount rate for provisions of 2.2% in real terms.

£'000

Early Retirement	2011-12			2010-11 restated		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	42,661	42,945	42,945	20,820	21,238	21,238
Increase	-	-	523	29,613	29,627	29,627
Utilisation	(17,003)	(17,123)	(17,123)	(2,344)	(2,543)	(2,543)
Reversal	(2,528)	(2,528)	(3,051)	(4,219)	(4,219)	(4,219)
Unwinding	1,041	1,058	1,058	(1,209)	(1,158)	(1,158)
Balance at 31 March	**24,171**	**24,352**	**24,352**	**42,661**	**42,945**	**42,945**
Comprising:						
Current liabilities	6,728	6,819	6,819	19,349	19,456	19,456
Non-current liabilities	17,443	17,533	17,533	23,312	23,489	23,489
Balance at 31 March	**24,171**	**24,352**	**24,352**	**42,661**	**42,945**	**42,945**

(ii) ERDF

ERDF is a major grant programme with significant assets and liabilities on the Statement of Financial Position. The department reviews outstanding issues monthly and, where it appears possible that grant related expenditure is likely to be disallowed and irrecoverable from grant recipients, raises accruals and provisions as necessary.

£'000

ERDF Financial Corrections	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group	2010-11 restated Core Department	2010-11 restated Core Department & Agency	2010-11 restated Departmental Group
Open balance at 1 April	34,693	34,693	34,693	113,365	113,365	113,365
Increase	-	-	-	16,928	16,928	16,928
Utilisation	-	-	-	-	-	-
Reversal	(34,693)	(34,693)	(34,693)	(95,600)	(95,600)	(95,600)
Unwinding	-	-	-	-	-	-
Balance at 31 March	**-**	**-**	**-**	**34,693**	**34,693**	**34,693**
Comprising:						
Current liabilities	-	-	-	34,693	34,693	34,693
Non-current liabilities	-	-	-	-	-	-
Balance at 31 March	**-**	**-**	**-**	**34,693**	**34,693**	**34,693**

(iii) Other provisions:

In the core department these provisions include claims made by staff and third parties against the department. The provision is calculated based on general experience of what the maximum for each type of claim is worth. Provisions are also made for dilapidations to comply with lease clauses for buildings which are occupied by the department. The department's dilapidation provisions are calculated based on the estimated cost of meeting future expenditure, in order to settle obligations in respect of lease clauses. The cost is apportioned over the term of the lease so as to give a constant periodic charge, and so reflect the best estimate of the obligation at the accounting date. More details of provisions other than those of the core department can be found in the published accounts of each of the bodies concerned.

£'000

Other Provisions	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group	2010-11 restated Core Department	2010-11 restated Core Department & Agency	2010-11 restated Departmental Group
Open balance at 1 April	9,367	9,605	210,399	11,435	11,896	216,684
Increase	2,282	2,702	32,421	3,209	3,476	25,327
Utilisation	(1,966)	(2,318)	(48,030)	(1,364)	(1,769)	(27,533)
Reversal	(2,117)	(2,201)	(6,105)	(3,913)	(3,998)	(4,093)
Unwinding	-	-	1,575	-	-	14
Balance at 31 March	**7,566**	**7,788**	**190,260**	**9,367**	**9,605**	**210,399**
Comprising:						
Current liabilities	3,020	3,242	30,877	3,143	3,381	34,337
Non-current liabilities	4,546	4,546	159,383	6,224	6,224	176,062
Balance at 31 March	**7,566**	**7,788**	**190,260**	**9,367**	**9,605**	**210,399**

(iv) Total provisions

£'000

Total Provisions and Liabilities	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group	2010-11 restated Core Department	2010-11 restated Core Department & Agency	2010-11 restated Departmental Group
Open balance at 1 April	86,721	87,243	288,037	145,620	146,499	351,287
Increase	2,282	2,702	32,944	49,750	50,031	71,882
Utilisation	(18,969)	(19,441)	(65,153)	(3,708)	(4,312)	(30,076)
Reversal	(39,338)	(39,422)	(43,849)	(103,732)	(103,817)	(103,912)
Unwinding	1,041	1,058	2,633	(1,209)	(1,158)	(1,144)
Balance at 31 March	**31,737**	**32,140**	**214,612**	**86,721**	**87,243**	**288,037**
Comprising:						
Current liabilities	9,748	10,061	37,696	57,185	57,530	88,486
Non-current liabilities	21,989	22,079	176,916	29,536	29,713	199,551
Balance at 31 March	**31,737**	**32,140**	**214,612**	**86,721**	**87,243**	**288,037**

£'000

	Early Retirement and Pension Costs	ERDF Financial Corrections	Other	Total
Not later than one year	19,456	34,693	3,602	57,751
Later than one year and not later than five ye	20,748	-	6,135	26,883
Later than five years	2,741	-	4,098	6,839
Balance at 31 March 2011	**42,945**	**34,693**	**13,835**	**91,473**
Not later than one year	6,818	-	30,877	37,695
Later than one year and not later than five ye	16,174	-	113,908	130,082
Later than five years	1,359	-	43,636	44,995
Balance at 31 March 2012	**24,351**	-	**188,421**	**212,772**

Note 24. Pensions

Staff of the core department and PINS are civil servants and pensions are provided under the Principal Civil Service Pension Scheme (PCSPS). The department is also responsible for the Firefighters Pension Scheme (1992). The staff of NDPBs are members of a number of different pensions schemes and full details are available in the accounts of the bodies concerned. Pension liabilities at the end of the year for the relevant schemes are recognised in the Consolidated Statement of Financial Position as shown below.

£'000

	Core department			Core department & Agency			Departmental Group		
	funded	unfunded	total	funded	unfunded	total	funded	unfunded	total
Analysis of movement in scheme liabilites									
at 31 March 2011	-	1,934	1,934	-	1,934	1,934	134,328	16,544	150,872
Current service cost	-	-	-	-	-	-	12,988	-	12,988
Past service cost	-	-	-	-	-	-	-	-	
Adjustment for contributions	-	-	-	-	-	-	(69,484)	(614)	(70,098)
Benefit paid	-	(156)	(156)	-	(156)	(156)	(41,680)	(497)	(42,177)
Actuarial (gain)/loss	-	108	108	-	108	108	30,076	1,190	31,266
Interest charges	-	104	104	-	104	104	29,007	349	29,356
Expected return on assets	-	-	-	-	-	-	(27,716)	-	(27,716)
Expected gains and losses on scheme liabilites	-	-	-	-	-	-	361	-	361
Other asset and liability changes	-	-	-	-	-	-	2,661	-	2,661
at 31 March 2012	-	1,990	1,990	-	1,990	1,990	70,541	16,972	87,513
of which:									
Non Current	-	1,834	1,834	-	1,834	1,834	58,956	16,816	75,772
Current	-	156	156	-	156	156	11,585	156	11,741

£'000

	Core department			Core department & Agency			Departmental Group		
	funded	unfunded	total	funded	unfunded	total	funded	unfunded	total
Analysis of movement in scheme liabilites									
at 31 March 2010 restated	-	2,220	2,220	-	2,220	2,220	226,437	18,476	244,913
Current service cost	-	-	-	-	-	-	17,131	-	17,131
Past service cost	-	(263)	(263)	-	(263)	(263)	(56,096)	(724)	(56,820)
Adjustment for contributions	-	-	-	-	-	-	(26,566)	(560)	(27,126)
Benefit paid	-	(115)	(115)	-	(115)	(115)	(5,992)	(455)	(6,447)
Actuarial (gain)/loss	-	-	-	-	-	-	(27,603)	(549)	(28,152)
Interest charges	-	92	92	-	92	92	31,605	356	31,961
Expected return on assets	-	-	-	-	-	-	(26,022)	-	(26,022)
Expected gains and losses on scheme liabilites	-	-	-	-	-	-	(132)	-	(132)
Other asset and liability changes	-	-	-	-	-	-	1,566	-	1,566
at 31 March 2011 restated	-	1,934	1,934	-	1,934	1,934	134,328	16,544	150,872
of which:									
Non Current	-	1,778	1,778	-	1,778	1,778	132,329	16,388	148,717
Current	-	156	156	-	156	156	1,999	156	2,155

The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme, but the department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions)

For 2011-12, employers' contributions of £21,280,141 (2010-11:£28,012,896) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £42,936 (2010-11: £32,182) 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% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6,022 (2010-11: £2,980) 0.8% 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.

Contributions due to the partnership pension providers at the accounting sheet date were £1,584(2010-11: £600). Contributions prepaid at that date were nil.

Four staff (2010-11: nil) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £nil (2010-11: £nil).

The Firefighters' Pension Scheme 1992 (FPS)

The Department recognises a liability under the FPS for certain individuals who were on secondment to central government at the time of their retirement. The benefits provided by the FPS are set out in the Firemen's Pension Scheme Order 1992 (SI 1992/129) as amended. The scheme is unfunded. There is no surplus or deficit. Benefits are paid as they fall due and are guaranteed by the employer.

Reconciliation of movement of Firefighters' Pension Scheme is shown below:

£'000

Present Value of scheme liabilities	Value at 31.03.2012	Value at 31.03.2011	Value at 31.03.2010
Liability in respect of:			
Active members		-	-
Current pensioners	1,990	1,934	2,220
Total value of scheme liabilities	1,990	1,934	2,220

Note 25. Capital commitments

Contracted capital commitments at 31 March 2012 not otherwise included in these financial statements:

£'000

	2011-12			2010-11 Restated		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Property, Plant and Equipment	211	211	211	2,283	2,283	2,283
Intangible assets	266	266	354	172	172	172
Development assets	-	-	7,785	-	-	10,285
Overall total	**477**	**477**	**8,350**	**2,455**	**2,455**	**12,740**

Note 26. Commitments Under Leases

26.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

£'000

Obligations under operating leases comprise:	2011-12			2010-11 Restated		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Payment due within 1 year	22,998	24,973	30,185	23,018	24,956	32,550
Payment due after 1 year but not more than 5 years	74,849	82,749	89,956	87,793	95,544	113,234
Payment due thereafter	54,239	62,139	62,442	69,990	79,679	92,000
Total value of obligations	**152,086**	**169,861**	**182,583**	**180,801**	**200,179**	**237,784**
Other:						
Payment due within 1 year	8	35	769	46	107	1,366
Payment due after 1 year but not more than 5 years	13	13	226	53	82	973
Payment due thereafter	-	-	-	-	-	-
Total value of obligations	**21**	**48**	**995**	**100**	**190**	**2,340**

Receipts under operating sub-leases comprise:	2011-12			2010-11 Restated		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Receipts due within 1 year	-	-	4,848	-	-	2,340
Receipts due after 1 year but not more than 5 years	-	-	11,740	-	-	4,573
Receipts due thereafter	-	-	122,768	-	-	12,097
Total value of receivables	**-**	**-**	**139,356**	**-**	**-**	**19,010**

26.2 Finance Leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods

£'000

Obligations under finance leases comprise:	Core Department	Core Department & Agency	2011-12 Departmental Group	Core Department	Core Department & Agency	2010-11 Restated Departmental Group
Buildings:						
Payment due within 1 year	8,092	8,092	8,940	6,624	6,624	7,667
Payment due after 1 year but not more than 5 years	44,448	44,448	45,820	29,089	29,089	31,216
Payment due thereafter	149,985	149,985	150,322	139,828	139,828	140,257
Less interest element	(89,996)	(89,996)	(90,403)	(75,197)	(75,197)	(75,197)
Present value of obligations	**112,529**	**112,529**	**114,679**	**100,344**	**100,344**	**103,943**

Present Value of payables under finance leases comprise:	Core Department	Core Department & Agency	2011-12 Departmental Group	Core Department	Core Department & Agency	2010-11 Restated Departmental Group
Buildings:						
Lease liabilities due within 1 year	1,497	1,497	2,251	1,457	1,457	2,354
Lease liabilities due after 1 year but not more than 5 years	13,519	13,519	14,784	9,107	9,107	11,044
Lease liabilities due thereafter	97,513	97,513	97,644	89,780	89,780	89,993
Present value of obligations	**112,529**	**112,529**	**114,679**	**100,344**	**100,344**	**103,391**

Receivables under finance leases comprise:	Core Department	Core Department & Agency	2011-12 Departmental Group	Core Department	Core Department & Agency	2010-11 Restated Departmental Group
Buildings:						
Receipts due within 1 year	-	-	223	-	-	223
Receipts due after 1 year but not more than 5 years	-	-	892	-	-	892
Receipts due thereafter	-	-	2,329	-	-	2,552
Less interest element	-	-	(1,587)	-	-	(1,736)
Present value of receivables	**-**	**-**	**1,857**	**-**	**-**	**1,931**

Present Value of receivables under finance leases comprise:	Core Department	Core Department & Agency	2011-12 Departmental Group	Core Department	Core Department & Agency	2010-11 Restated Departmental Group
Buildings:						
Lease entitlements due within 1 year	-	-	80	-	-	74
Lease entitlements due after 1 year but not more than 5 years	-	-	391	-	-	361
Lease entitlements due thereafter	-	-	1,386	-	-	1,496
Present Value of receivables	**-**	**-**	**1,857**	**-**	**-**	**1,931**

Note 27. Other financial commitments

The department, its agencies and NDPBs have entered into non-cancellable contracts (which are not leases or PFI contracts). The payments to which the department, its agencies and NDPBs are committed, analysed by the period during which the commitment expires are as follows:

£'000

Obligations under financial commitments:	2011-12			2010-11 Restated		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Payment due within 1 year	42,625	42,987	43,026	71,525	71,525	85,183
Payment due after 1 year but not more than 5 years	158,379	158,379	158,379	162,781	163,421	163,905
Payment due thereafter	29,921	29,921	29,921	63,843	63,843	63,843
Total Obligations	**230,925**	**231,287**	**231,326**	**298,148**	**298,788**	**312,930**

Note 28. Contingent liabilities disclosed under IAS 37

In accordance with Government policy, none of the properties included in non-current assets in the Statement of Financial Position is insured. Other contingent liabilities are set out below.

£'000

		31-Mar-12	31-Mar-11
28.1	DCLG - The department has around 200 cases managed by Treasury Solicitors with associated potential adverse costs.	541	475
28.2	DCLG - The Department has made a commitment to fund pension deficits on certain Arms Length Bodies (ALBs). The timing and value of this payment are difficult to predict. The most significant deficit relates to the Audit Commission Pension Scheme. A Crown Guarantee has been provided to the scheme trustees to avoid early crystallisation of the liabilities as a result of the weakening of the employer covenant in the context of the Audit Commission's forth coming closure.	Unquantifiable	Unquantifiable
28.3	DCLG - Claim for repair or repurchase of defective Right To Buy homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
28.4	DCLG - Potential contractual liability arising from the Tenant Deposit Protection Scheme.	Unquantifiable	Unquantifiable
28.5	DCLG - Potential liability for restitution claims in respect of local property enquiry searches.	Unquantifiable	n/a
28.6	DCLG - NewBuy - claims from mortgage lenders. Potential losses from the proposed NewBuy scheme to underwrite a % of mortgage lending risk. Unquantifiable but capped at £1bn.	Unquantifiable	n/a
28.7	DCLG - Statutory Contingent Liability taken on under the provisions of the Banking Act 2009 in respect of Homeowners Support Scheme.	993	993
28.8	DCLG - Formal notice of infraction proceeding against the UK Government for failure to adequately implement the Energy Performance of Buildings Directive, in particular, provisions for ensuring effective compliance and enforcement with its requirements.	Unquantifiable	n/a
28.9	DCLG - The Mayor of London expects to use Community Infrastructure Levy (CIL) to raise £301m between 2012/13 & 2018/19 for the Abbeywood Spur of cross rail through CIL. DCLG could potentially be called on to fund any annual shortfall.	10,000-300,000	10,000-300,000
28.10	LTGDC : Land at Broadway/Ferrylane - valued at £400k at 31 Mar 2011, if the site was developed in a manner(subject to planning approval), such that it can achieve a value above £560k then a claw back provision would apply. This claw back is on a 50:50 basis with the previous owner for any amounts over £560k. However, if 80% of the site is used for public open space, then the claw back provision is not enforceable.	Unquantifiable	n/a
28.11	LTGDC : The total grant received under the agreement with the Greater London Authority (GLA) was £711,000 this is the figure that could be sought to be recovered by the GLA if the Lea River Park Phase 1 Walk project is not delivered.	711	n/a
28.12	PINS - Litigation costs which may possibly be incurred following unsuccessful attempts to resist a High Court challenge to an Inspector's decision. The timing and value of such awards are difficult to predict..	730	n/a

		31-Mar-12	31-Mar-11
28.13	HCA : The HCA, together with 19 other public sector bodies has jointly and severally guaranteed the payment of interest and capital in respect of up to £100m of 8.75% guaranteed loan stock of Home Group. The HCA's currently assessed share of this contingent liability is 21.65%, and the repayment of capital is due in 2037. The guarantee was issued with the Secretary of State's consent. In the event of Home Group failing to make good any default within two months, the HCA and other guarantors are entitled to take a first legal charge on sufficient of Home Group's saleable assets as represents adequate security for the debt.	21,650	21,650
28.14	HCA : The freeholds of several hundred properties on two estates in Washington were transferred to Sunderland City Council on 1 April 1997. The transfer was subject to a HCA indemnity valid for a period of 30 years against costs which may be incurred in remedying shale related defects. This indemnity was issued with the approval of DCLG. The extent of the potential liability is unquantifiable at this time.	Unquantifiable	Unquantifiable
28.15	HCA : The HCA is potentially liable for miscellaneous claims by developers, contractors and individuals in respect of costs and claims not allowed for in development agreements, construction contracts, grants and claims such as Compulsory Purchase Orders. Payment, if any, against these claims may depend on lengthy and complex litigation and potential final settlements cannot be determined with any certainty at this time. As claims reach a more advanced stage they are considered in detail and specific provisions are made in respect of those liabilities to the extent payment is considered probable.	Unquantifiable	n/a
28.16	LTGDC reported a contingent liability in 2010-11 in respect of two Compulsory Purchase Orders (CPOs) – Lea River Park and Bromley by Bow South. In the event neither CPO was completed in the manner expected so this contingent liability is not required to be reported in 2011-12.	n/a	5,300
28.17	Linked to 28.16 above LTGDC also reported a contingent liability in 2010-11 relating to the agreed Bromley by Bow South section 106 planning agreement. As the CPO did not proceed as expected this contingent liability is no longer required in 2011-12.	n/a	1,400
28.18	LTGDC reported a contingent liability in 2010-11 in relation to a site disposal at Dagenham Dock (London Sustainable Industries Park). In the event this disposal did not proceed and this contingent liability is therefore no longer required in 2011-12.	n/a	2,700
28.19	TTGDC - The Corporation reported a contingent liability in its 2010-11 accounts concerning a contractual liability to meet the relocation costs of the Royal Mail Group in relocating its Grays Sorting Office. This contingent liability is not reported in 2011-12 because TTGDC's functional activities were transferred to Thurrock District Council on 31 March 2012 as part of the closure of the Corporation.	n/a	Unquantifiable
28.20	WNDC - The Corporation held a specific provision for existing planning appeals but did not hold a general contingency for appeal costs. However, as part of the closure of the Corporation, the Corporation is no longer the Planning Authority so this contingent liability is not required in 2011-12.	n/a	Unquantifiable
28.21	WNDC - The Corporation recognises that the VAT recovered on the land acquired in 2007-08 may be repayable to HM Revenue & Customs if sold, depending upon the VAT status of the subsequent purchaser.	Unquantifiable	Unquantifiable

Note 29. Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

Quantifiable:

The department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. This is not a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote

£'000

	01-Apr-11	Increase in year	Liabilities crystallised in year	Obligation expired in year	31-Mar-12	Amount reported to Parliament by departmental minute
Indemnities						
Core Department	-	-	-	-	-	-
Core Department & Agency	-	-	-	-	-	-
DCLG Consolidated	-	-	-	-	-	-

Unquantifiable:

The department 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 IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- Indemnity given to the Fire and Rescue Services in respect of possible incidents as a result of mass decontamination.
- Letter of Comfort Provided to the Fire Service College to confirm that the department will act as funder of last resort for the College and will provide financial aid to the college should it be unable to fund its on-going operations from its own resources.

Note 30. Contingent assets disclosed under IAS 37

£'000

		31-Mar-12	31-Mar-11
30.1	LTGDC's agreement with the London Development Agency relating to a substation at Dagenham Dock (LSIP) on LTGDC owned land provides for a 50% overage payment. This would only occur when LTGDC are able to reserve demand capacity from the main electricity sub-station for non LSIP businesses.	Unquantifiable	n/a
30.2	HCA has in certain instances disposed of land on the basis that if there is a subsequent change in use of the land, which materially increases the return to the purchaser, HCA has a right to participate in the returns achieved. The normal term during which this arrangement remains in force is 21 years. For social housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain, therefore it is not possible to quantify the likely income which may ultimately be received by HCA.	Unquantifiable	n/a
30.3	WNDC – the Corporation has entered into a grant funding agreement with Northamptonshire County Council in respect of the London Road Junction Improvements capital project which is due to complete in 2012. This agreement establishes potential income from a project management recharge, the recovery of which is anticipated might be in the next financial year but the timing and amount is uncertain.	n/a	Unquantifiable

Note 31. Losses, Special Payments and Gifts

Managing Public Money and the FReM require a statement showing losses and special payments by value and by type to be shown where they exceed £250,000 in total and those which individually exceed £250,000. These relate to cash losses, stores, fruitless payments and claims abandoned as well as frauds. The amounts involved are as follows:

	31-Mar-12						31-Mar-11					
	Core Department		Core Department & Agency		Consolidated		Core Department		Core Department & Agency		Consolidated	
	Cases	£'000	Cases	£'000	Cases	£’000	Cases	£'000	Cases	£'000	Cases	£'000
Losses	14	17	14	17	14	17	11	6	11	6	11	6
Claims abandoned	84	11,118	84	11,118	84	11,118	64	4,688	64	4,688	64	4,688
Fruitless payments	1	213	20	214	20	214	-	-	-	-	-	-
Constructive losses	-	-	-	-	10	104	20	211,825	20	211,825	20	211,825

In 2011-12 there were 8 individual claims abandoned of over £250,000 worth £8.774m detailed below:

£’000

Claims abandoned over £250k	
ERDF write-off: Business Link Tyne & Wear	2,277
ERDF write-off: Business Link Tees Valley	1,781
ERDF write-off: Groundwork	1,696
ERDF write-off: Ennerdale	921
ERDF write-off: Nottingham City Council	884
ERDF write-off: Sheffield Community Enterprise	437
ERDF write-off: GOWM Automotive Supplier Diversification	410
ERDF write-off: Screen East	368

Special payments	2011-12		2010-11	
	Cases	£’000	Cases	£’000
	59	1,769	115	2,718

No special payments recorded in the accounts for 2011-12 were over £250,000.

During the year the department gifted one item worth less than £1k. There were no individual items over £250,000.

Note 32. Impact of Clear Line of Sight (CLoS) boundary and Machinery of Government transfers

As detailed in section 7 of these accounts, the impact of changes arising from CLoS boundary changes and Machinery of Government transfers is reflected below.

£'000

At 31 March 2011	As reported in DCLG accounts	Changes arising from inclusion of ALBs	Eliminations	Restated for 2011-12
Total assets	1,180,323	1,847,480	-	3,027,803
Total liabilities	1,605,359	576,540	-	2,181,899
Total assets less liabilities	(425,036)	1,270,940	-	845,904
Total reserves	(425,036)	1,270,940	-	845,904
Comprising:				
General reserves	(443,511)	1,285,326	-	841,815
Revaluation reserve	18,475	132,171	-	150,646
Pension reserve	-	(146,557)	-	(146,557)
For 2010-11				
Income	(1,498,268)	(138,653)	2,196	(1,634,725)
Expenditure	33,868,454	4,252,970	(2,196)	38,119,228
Grant in Aid	4,236,319	-	(4,234,896)	1,423
Net expenditure	36,606,506	4,114,317	(4,234,896)	36,485,927

£'000

At 31 March 2011	As restated for CloS – see above	Changes arising from MoGs	Eliminations	Restatement in the 2011-12 DCLG group accounts
Total assets	3,027,803	730,409	-	3,758,212
Total liabilities	2,181,899	169,550	-	2,351,449
Total assets less liabilities	845,904	560,859	-	1,406,763
Total reserves	845,904	560,859	-	1,406,763
Comprising:				
General reserves	841,815	531,323	-	1,373,138
Revaluation reserve	150,646	29,536	-	180,182
Pension reserve	(146,557)	-	-	(146,557)
For 2010-11				
Income	(1,634,725)	(17,653)	-	(1,652,378)
Expenditure	38,119,229	231,743	-	38,350,972
Grant in Aid	1,423	158,381	(158,381)	1,423
Net expenditure	36,485,927	372,471	(158,381)	36,700,017

The most significant element of the above was the transfer of regeneration assets from the RDAs into HCA, full details are in the HCA's published accounts for 2011-12.

Changes arising from prior period adjustments in respect of the de recognition of Government Grant and Donated Asset reserves have no impact on overall reserves and therefore are not separately identified in the tables above.

Comparative data in the SoPS has been restated to reflect the bringing into Estimates of supported Capital Expenditure – in Estimates in 2011-12 but not in Estimates in 2010-11

The impact on outturn of this is reflected below:

£'000

	2010-11 Outturn	2010-11 Outturn Restated
Departmental Expenditure Limit:-		
Capital	5,380,187	6,002,378
Annually Managed Expenditure:-		
Capital	842,972	842,972
Total Capital	**6,223,159**	**6,845,350**

Note 33. Related Party Transactions

The department is the parent department of the Planning Inspectorate and a number of sponsored bodies listed in Note 36. These bodies are regarded as related parties with which the department has had various material transactions during the year.

In addition, the department and its sponsored bodies have made a number of material transactions with other government departments, central government bodies and local government organisations.

Non-Executive Board members must declare to the Permanent Secretary any personal or business interest which may, or may be perceived to, influence their judgement as a Board member.

Stephen Park was employed as Interim Senior Finance Director until 30 June 2011 and owns shares in Ashley Interim Management Limited. Stephen's services were provided through contracts between Ashley Interim Management Limited and Capita plc and between Capita plc and the department. The expenditure through this contract was £110,020 including VAT in 2011-12. There are no outstanding balances with Ashley Interim Management Limited.

Shirley Pointer was a Non Executive Trustee of the Whitehall and Industry Group during 2011-12. This was an unpaid position. The department paid an annual subscription to this group of £3,950 in 2011-12.

During the year no board member, key manager or other related parties, other than those mentioned above, has undertaken any material transactions with the department. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

Note 34. Events after the reporting period

The department's financial statements are laid before the Houses of Commons by HM Treasury. IAS10 requires the department to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the department's management to HM Treasury. The authorised date for issue is 27 June 2012.

On 1 April 2012, the Homes and Communities Agency took on certain regulatory functions from the Tenant Services Authority, and at the same time transferred its London functions to the Greater London Authority.

On 1 April 2012, the Independent Planning Commissions functions were transferred to Planning Inspectorate via a Machinery of Government transfer.

London Thames Gateway transferred assets and liabilities to London Legacy Development Corporation on 01 April 2012 of £596k and to the Greater London Authority on 16 April 2012 of £24,358k.

The Queen Elizabeth II Conference Centre is a departmental executive agency with trading fund status; it is not within the consolidation boundary. Ministers announced on 23 April 2012 that the department would be undertaking pre-market engagement during this year to explore options for the future of the Queen Elizabeth II Conference Centre business. Following that, ministers would decide whether it should continue under existing arrangements, or be marketed to external providers. The announcement also stated that the department would retain the freehold of the building.

The Fire Service College is a departmental executive agency with trading fund status. On 10 April 2012, following a period of pre-market engagement, Ministers announced it was commencing the sale process for the Fire Service College and that it welcomed expressions of interest from potential bidders. This follows the Government's announcement in March 2012 that to secure the future of the College it intended to dispose of it as a going concern.

Note 35. Third Party Assets

Twinning with EU Accession States

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 usually of at least 12 months. The desired outcome is to improve institutional capacity for a particular country or region, managing significant levels of Structural Funds receipts under post-accession European programmes. This is achieved through training and expert advice provided by the successful Member State.

The projects are funded by the European Commission through a competitive bidding process between Member States department won eight Structural Fund Twinning projects between 2004-05 which were completed successfully during 2005-06. In 2006-07 two more twinning projects were won by the department, one in North East Romania and one in Turkey. Both of these projects are now closed.

The projects have bank accounts, which are managed by the department, but these are not departmental assets and are not included in the departmental accounts. The assets held at the accounting date comprised these monetary assets in the bank accounts. The bank accounts are denominated in euros and all transactions through the accounts are in euros. These values are set out in the table below, together with a translation to sterling at the accounts date using the €:£ exchange rate of 1.20:1.

Projects	1 April 2011 €000	Gross Inflows €000	Gross Outflows €000	31 March 2012 €000	31 March 2012 £000
General Twinning	624	-	-	624	520

Note 36. Entities within the departmental boundary

The entities within the boundary during 2011-12 were as follows:

Title	Role & Future	Included in consolidation Y/N
Executive Agencies		
Planning Inspectorate	To help shape well planned environments and deliver sustainable development through examination of local development plans, and processing appeals and other casework arising from planning and allied legislation. From 1 April 2012, to advise ministers on major infrastructure projects. http://www.planningportal.gov.uk/planning/planninginspectorate/	Y
Advisory Bodies - Advisory NDPBs are expert bodies normally established to advise Ministers and Officials on specific policy areas where the expertise does not exist within the department. Most members of such bodies are unpaid, although several bodies' chairpersons and members do receive a daily fee for attendance of meetings and other work.		
Building Regulations Advisory Committee	BRAC advises the relevant Secretary of State on the exercise of his/her power to make Building Regulations and on other related subjects in England and Wales.	Y
Tribunals		
Rent Assessment Panels / Residential Property Tribunal Service.	An umbrella organisation for the five regional offices called Rent Assessment Panels set up to provide an independent, fair and accessible tribunal service in England for settling disputes involving private rented and leasehold property. This body transferred to the Ministry of Justice HM Courts and Tribunal Service – July 2011	N
Valuation Tribunal for England	An independent appeals tribunal, funded by Parliament, to handle council tax and rating appeals in England. Following the public bodies review It is proposed that jurisdiction be transferred to the Land, Property and Housing Chamber in the First-tier Tribunal – Ministry of Justice. Transfer date to be confirmed.	Y
Executive Non-Departmental Public Bodies (NDPBs)		
Community Development Foundation	To promote effective participation of people in the decision-making processes which affect their lives. On 1 April 2011, the Community Development Foundation status as a departmental NDPB ceased - it is now a registered charity.	N
Firebuy Ltd	To deliver English Fire and Rescue Service (FRS) procurement at a national level. Firebuy ceased trading on 13 July 2011.	Y
Homes and Communities Agency	To create opportunity for people to live in high-quality, sustainable places. To provide funding for affordable housing, bring land back into productive use and enable local authorities to achieve housing and regeneration ambitions for their own areas. On 1 April 2012 - Homes and Communities Agency took on regulation of social housing function from the abolished Tenant Services Authority and its London functions devolved to the Mayor of London. http://www.homesandcommunities.co.uk/	Y

Title	Role & Future	Included in consolidation Y/N
Independent Housing Ombudsman Ltd	To provide a free, independent and impartial service to review complaints about registered housing providers, including housing associations and other landlords, managers, and agents. http://www.housing-ombudsman.org.uk/	Y
Infrastructure Planning Commission	Independent body that examined applications for nationally significant infrastructure projects. Abolished 31 March 2012 and replaced by a new unit within the Planning Inspectorate, which will advise ministers on major infrastructure projects.	Y
The Leasehold Advisory Service	Provides free legal advice and information on all aspects of residential leasehold law in England and Wales. The future of this body is under consideration and the Department is looking at the appropriate way to provide its services. http://www.lease-advice.org/	Y
London Thames Gateway Development Corporation	To promote and deliver sustainable regeneration and growth of the London Thames Gateway. By April 2013 this body will no longer be an NDPB – functions to be devolved to local government or other London bodies. http://ltgdc.org.uk/	Y
Standards Board for England	To champion and promote high standards of conduct among local politicians. This body is no longer an NPDB – body and function was abolished on 31 March 2012.	Y
The Office for Tenants and Social Landlords	More commonly known as Tenant Services Authority. To raise the standards of services for affordable housing tenants. This body was abolished on 31 March 2012, with regulatory functions passed to the Homes and Communities Agency. http://www.homesandcommunities.co.uk/	Y
Thurrock Thames Gateway Development Corporation	To drive economic growth in Thurrock and create homes, jobs and opportunities. Following the public bodies review the Development Corporation ceased its functions on 31 March 2012 and final dissolution of the Corporation will be at the end of October 2012.	Y
Valuation Tribunal Service	To provide the administrative function for the Valuation Tribunal for England. Following the public bodies review It is proposed that this body be abolished and functions transferred to the Ministry of Justice HM Courts and Tribunal Service. Date to be confirmed. http://www.valuationtribunal.gov.uk/Home.aspx	Y
West Northamptonshire Development Corporation	To promote and deliver new jobs, homes and investment in the three towns of Northampton, Daventry and Towcester. Following the public bodies review it is proposed that this body will no longer be an NDPB. The functions are to be devolved to local government by March 2014. http://www.wndc.org.uk/	Y
Other Bodies Not Classed as NDPBs		
Commission for Local Administration in England	More commonly known as the Local Government Ombudsman. Investigates complaints about councils (and some other bodies) in England on housing, planning, education, social services, council tax, housing benefit and highways. http://www.lgo.org.uk/	Y

Title	Role & Future	Included in consolidation Y/N
Trading Funds		
Fire Service College	The national training college for the Fire and Rescue Service is a trading fund (ie it makes fees and charges to fund its activities). The department has announced a pre-market engagement with the view to selling the College as a going concern to the private sector by March 2013.	N
Ordnance Survey	The national mapping agency for Great Britain. The body transferred to Department for Business Innovation and Skills in July 2011	N
Queen Elizabeth II Conference Centre	Located in Westminster, the Centre specialises in events for 40 to 1,300 delegates and is a trading fund. DCLG will explore options for the future of the Queen Elizabeth II Conference Centre business during summer 2012	N
Public Corporations		
Architects Registration Board	Independent regulator of all UK-registered architects.	N
Audit Commission for Local Authorities and the National Health Service in England	Independent watchdog, driving economy, efficiency and effectiveness in local public services. From 1 September 2012 local public bodies will have a private sector auditor appointed by the Audit Commission. A much smaller Audit Commission will remain in place to oversee the contracts and other statutory functions until its closure.	N

TS1 Trust Statement in respect of National Non-Domestic Rates collected on behalf of the Consolidated Fund

Foreword

Scope

1.1 This Trust Statement is produced by the Department for Communities and Local Government and is in accordance with the Accounts Direction issued by HM Treasury. This statement is prepared on an accruals basis.

1.2 The Trust Statement presents the results for the financial year 2011-12 in respect of the collection of National Non Domestic Rate receipts from local authorities and businesses and the payment to the Consolidated Fund of those receipts.

1.3 Costs incurred in the collection of National Non Domestic Rates are borne by local authorities and an assessed amount for collection is deducted from amounts remitted.

1.4 From 2012-13 the amount assessed for collection will be reflected as collection costs in the Trust Statement and the amounts collected from local authorities shown gross of the collection costs

Background

1.5 The department acts as an agent for the Consolidated Fund and receives cash in respect of National Non-Domestic Rates which is paid over to the Consolidated Fund. These receipts do not flow through the department's Statement of Comprehensive Net Expenditure but instead are held on the Statement of Financial Position as a liability until paid over to the Consolidated Fund. At the year end, all receipts recognised, for which the cash has been received, have been paid over to the Consolidated Fund. Any receipts recognised but for which the cash has not been received will be shown in the following Trust Statement as current liabilities.

Future events

1.6 The government intends to introduce a system of local business rates retention from 2013-14 onwards. Subject to the passage of legislation, this would mean that the year ending 2012-13 will be the last year that the Trust Statement appears in this format with the same being applicable for the NNDR White Paper account in 2013-14

Financial review

1.7 The results presented in this Trust Statement are limited to this Trust Statement and are not also presented in the department's Accounts although they flow through the department's accounting system.

1.8 Any cash receipts or payments are presented through the Statement of Cash Flows in the Trust Statement only and are excluded from the department's Consolidated Statement of Cash Flows.

Auditors

1.9 The Trust Statement is audited by the Comptroller and Auditor General under Section 7 of the Government Resources and Accounts Act 2000. The audit opinion is on pages

167 to 168. The auditor's notional remuneration of £36,000 for this is included in the department's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

1.10 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department for Communities and Local Government to prepare the Trust Statement to give a true and fair view of the position relating to the receipt and payover of National Non-Domestic Rates. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Events after the reporting period

1.11 There were no events after the reporting period.

Sir Bob Kerslake **27 June 2012**
Accounting Officer
Department for Communities and Local Government

TS2 Statement of the Accounting Officer’s Responsibilities in respect of the Trust Statement

2.1 Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Communities and Local Government to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction. The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of National Non-Domestic Rates collected by the department, together with the net amounts surrendered to the Consolidated Fund.

2.2 In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual prepared by HM Treasury and, in particular, to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the account; and
- prepare the Trust Statement on a going concern basis.

2.3 HM Treasury appointed Sir Bob Kerslake, the permanent head of the department, as principal Accounting Officer of the department on 1 November 2010, and from 14 January 2011 HM Treasury appointed him as the sole Accounting Officer for the department.

2.4 The responsibilities of an Accounting Officer, including 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 department's assets, are set out in the Accounting Officer’s Memorandum issued by HM Treasury and published in Managing Public Money.

TS3 Governance Statement in respect of the Trust Statement

3.1 The Department for Communities and Local Government's Governance Statement, which covers both the department's Accounts and the Trust Statement, is shown on pages 87 to 98 of this document.

TS4 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 National Non-Domestic Rates Trust Statement for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the National Non-Domestic Rates Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Communities and Local Government in preparing the Trust Statement; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Department for Communities and Local Government's Annual Report and the Trust Statement's Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the National Non-Domestic Rates Trust Statement gives a true and fair view of the state of affairs of National Non-Domestic Rates collected by the Department for Communities and Local Government on behalf of the Consolidated Fund at 31 March 2012 and of the total revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Department for Communities and Local Government's Directors' Report and Management Commentary, and the Trust Statement's Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse **27 June 2012**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

TS5 Statement of Revenue, Other Income and Expenditure

For the period ended 31 March 2012

£000

	Note	2011-12	2010-11
Income			
Licence Fees and Taxes		-	-
National Non Domestic Rates	3	21,528,638	20,841,879
Total		21,528,638	20,841,879
Total Revenue		**21,528,638**	**20,841,879**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure. Collection costs in respect of National Non Domestic Rates are borne by local authorities.

The notes at pages 172 to 173 form part of this statement.

TS6 Statement of Financial Position

as at 31 March 2012

£000

	Note	31-Mar-12	31-Mar-11
Current assets			
Receivables	4	418	-
Cash and cash equivalents	CfS	-	-
Total current assets		**418**	**-**
Current liabilities			
Payables		-	-
Total current liabilities		**-**	**-**
Total assets less current liabilities		**418**	**-**
Represented by:			
Balance on Consolidated Fund	2	**418**	**-**

Sir Bob Kerslake **27 June 2012**
Accounting Officer
Department for Communities and Local Government

The notes at pages 172 to 173 form part of this statement

TS7 Statement of Cash Flows

for the period ended 31 March 2012

£000

	Note	2011-12	2010-11
Cash flows from operating activities	3	**21,528,220**	**20,841,879**
Cash paid to the Consolidated Fund		**(21,528,220)**	**(20,832,556)**
Increase/(decrease) in cash in this period		**-**	**9,323**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	21,528,638	20,841,879
Increase in receivables	4	(418)	
Net Cash Flow from Operating Activities		**21,528,220**	**20,841,879**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		**-**	**9,323**
Net funds at 1 April	2	**-**	**(9,323)**
Net funds at 31 March	2	**-**	**-**

The notes at pages 172 to 173 form part of this statement .

TS8 Notes to the Trust Statement

Trust Statement Note 1 Statement of accounting policies

Basis of accounting

1.1 The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury under section 7 (2) of the Government Resources and Accounts Act 2000 and is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department for Communities and Local Government and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to these statements.

1.2 The revenue and associated expenditure contained in these statements are those flows of funds which Department for Communities and Local Government handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

1.3 The financial information contained in the statements and in the notes is rounded to the nearest £000.

Accounting convention

1.4 The Trust Statement has been prepared in accordance with the historical cost convention.

Revenue recognition

1.5 Revenue detailed in this Statement is collected on behalf of the Consolidated Fund in respect of National Non Domestic Rates. Revenue is measured in accordance with IAS 18 and recognised when the underlying event giving rise to the liability to the Consolidated Fund has occurred, can be measured reliably and it is probable that that the economic benefits will flow to the Exchequer. Any adjustments to the amounts to be collected for the Consolidated Fund are not agreed, due or received until the year following the accounting period and are therefore not recognised until that point

Receivables

1.6 Receivables, where applicable, are shown net of impairments in accordance with the requirements of IAS 39.

Costs of collection

1.7 Collection costs are borne by local authorities. An annual allowance is assessed and provided to local authorities via a Statutory Instrument. Local Authorities then deduct this allowance from the amount due to the Consolidated Fund.

Trust Statement Note 2 Balance on the Consolidated Fund

£000

	31-Mar-12	31-Mar-11
Balance on Consolidated Fund Account as at 1 April	-	(9,323)
Net Revenue for the Consolidated Fund	21,528,638	20,841,879
Less amount paid to the Consolidated Fund	(21,528,220)	(20,832,556)
Balance on Consolidated Fund Account as at 31 March	**418**	**-**

Trust Statement Note 3 Revenue collected on behalf of the Consolidated Fund

£000

	2011-12	2010-11
NNDR revenue collectable on behalf of the Consolidated Fund	21,528,638	20,841,879
Total Revenue	**21,528,638**	**20,841,879**

Trust Statement Note 4 Receivables

£000

	31-Mar-12	31-Mar-11
Accrued revenue receivable	418	-
Total receivables	**418**	**-**

Accrued revenue receivable represents the amount of revenue from Central List bodies which relate to the financial year but for which invoices had not been issued. All balances are from bodies external to Government

TS9 Accounts Direction given by HM Treasury in accordance with section 7 (2) of the Government Resources and Accounts Act 2000

1. The department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2012 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2011-12.
2. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
3. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. When preparing the Statement, the department shall comply with the guidance given in the FReM (Chapter 13). The department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
7. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury 20 December 2011

ANNEX A: Indicator measurements

Affordable Rent payment per dwelling by the HCA
This measures the average actual payment per Affordable Rent dwelling by the Homes and Communities Agency (HCA). Affordable Rent is the principal product of the HCAs 2011-15 Affordable Homes Programme. The payment per dwelling represents the capital cost to Government of the supply of new affordable homes and will indicate the level of consistency with the rate of funding agreed with providers at the onset of the 2011-15 programme.

Percentage of local authority revenue expenditure funded by central government grants, broken down by class of authority
This indicator demonstrates of the proportion of local government expenditure accounted for by grants from central government (from DCLG and other departments) rather than from authority-raised expenditure such as council taxes and, from 2013-14, business rate retention. As such, a decrease in the percentage will indicate greater decentralisation of funding.

Expenditure per head on the Fire and Rescue Service
This demonstrates the cost per head of providing the Fire and Rescue Service and will indicate over time whether the cost is going up or down. This indicator is of total revenue expenditure because the funding from the Department cannot be disaggregated from the total Fire and Rescue funding, which also includes locally raised funds, such as council tax.

Average New Homes Bonus grant payable per dwelling per year to different classes of authority
Total New Homes Bonus grant payable for a financial year, divided by number of dwellings rewarded, calculated separately for shire areas, metropolitan areas and London. This indicator measures the average financial reward for housing growth provided through the New Homes Bonus: a key DCLG policy.

Formula Grant per head as a percentage of England average
A measure of changes over time in the distribution of Formula Grant across England. Does not include police services. Shire counties include their shire districts. Formula grant is per head of projected population.

Total number of housing starts and completions
The seasonally-adjusted numbers of housing starts and completions are lead indicators of overall housing supply and therefore key components of housing delivery estimates. An increase in house building starts and completions will provide a timely measure of the success of house-supply related policies in the Government's Housing Strategy.

Number of net additions to the housing stock
These figures measure the increase in the total housing stock (including but not only through new build) to give the overall increase in the supply of housing. Changes over time will help to assess the impact, among other factors, of government policies to increase housing supply.

Number of affordable housing starts and completions delivered through the Homes and Communities Agency
This measures number of affordable housing starts and completions delivered through the Homes and Communities Agency, and is likely to include delivery through the Greater London Authority from 2012, when it is due to take on HCA's role in London. These will be lead indicators of a key component of affordable housing delivery. Initially we will expect to see an increase in starts and completions of affordable homes by the HCA in the second six months of 2011/12 which will reflects the break in programmes as we move into the new Affordable Homes Programme. This indicator measures progress on the HCA’s contribution to the additional 170,000 affordable homes that the Department expects to provide by 2015 through the Affordable Homes Programme and existing commitments.

Energy efficiency of new build housing (average Standard Assessment Procedure energy rating score)

Average Standard Assessment Procedure (SAP) energy rating score for new homes. The SAP rating for a home is based on the energy costs associated with space heating, water heating, ventilation and lighting, less cost savings from energy generation technologies. It is expressed on a scale of 1 to 100 - the higher the number, the lower the running costs. Therefore an increase in the SAP rate will show improvements in the average energy efficiency of new homes.

Households in temporary accommodation

This demonstrates the number of homeless households in temporary accommodation awaiting a settled home and is seasonally adjusted to remove seasonal fluctuations. Changes to the homelessness duty will allow councils to bring their homelessness duty to an end with offers of suitable private sector accommodation, without requiring the agreement of the person owed the duty. A decrease in the number of households in temporary accommodation will measure the success of this and other housing policies.

Fire-related casualties

An indicator of the number of fire-related casualties, including fatalities and 'first aid' cases but excluding precautionary checks (where no obvious injury, but a check-up recommended). It is expressed per 100,000 resident population. Changes in the number of fire-related casualties have been driven by factors including: prevention and community safety interventions by local Fire and Rescue Authorities, the national Fire Kills media campaign promoting smoke alarm ownership and testing, and regulatory measures such as fire safety, building, and furniture and furnishing regulations.

Decentralisation of central government funding through percentage of un-ring fenced grants

This demonstrates the percentage of government grants to local authorities which are unringfenced as a proxy to show the level of power being decentralised and devolved to local authorities; An increase in this would reflect increasing devolvement in financial decisions to a local level.

The number of planning permissions granted as a percentage of all applications for major and minor schemes

The number of planning permissions granted as a percentage of all applications for major and minor schemes on which a decision was made in the same period. An increase in the number of planning permissions granted will be one measure of success of the Government's Growth Review. It covers the types of development (i.e. major and minor schemes) that are most closely associated with growth.

ANNEX B: Glossary

Accounting Date: The date at which the accounts were drawn up, in this case 31 March 2012 (previously commonly referred to as balance sheet date).

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 the Resource Accounts. 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 Public Accounts Committee to deal with questions arising from these accounts.

Administration Costs: The amount of budget a department may spend on running itself. This excludes the costs of running front line services delivered directly by the department.

Annually Managed Expenditure (AME): Expenditure which cannot reasonably be subject to departmental control.

Arms Length Body/Bodies (ALB): organisations sponsored by the department – in the case of this document applies to NDPBs, the agency and the Commission for Local Administration – see Note 35

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, 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.

Designation Order: The Designation Order is drawn up by way of SI by Office for National Statistics and is a record of those bodies deemed to be in Central Government Control (whether by SI or Ministerial powers) and therefore part of the departmental group and in the accounting boundary with a requirement for inclusion into these consolidated accounts.

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

Departmental Expenditure Limit (DEL): Spending which is planned and controlled by departments.

Designated Body: a body included in the annual Statutory Instrument designating bodies for inclusion in the departmental boundary for consolidation purposes – see Note 35.

European Regional Development Fund (ERDF): Established in 1975 to stimulate economic development in the least prosperous regions of the European Union.

Financial Reporting Manual (FReM): The Financial Reporting Manual is the technical accounting guide that complements guidance on the handling of public funds. It applies International Financial Reporting Standards to the public sector.

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.

IAS: International Accounting Standard

IFRS: International Financial Reporting Standard

Local Strategic Partnerships: Local Strategic Partnerships (LSPs) are non-statutory, multi-agency partnerships, which match local authority boundaries. LSPs bring together at a local level the different parts of the public, private, community and voluntary sectors; allowing different initiatives and services to support one another so that they can work together more effectively.

Machinery of Government (MoG) changes: Where Government functions are being transferred from one Government department to another.

Managing Public Money: Managing Public Money provides guidance on a wide variety of issues relating mainly, but not exclusively, to the proper handling and reporting of public money. The advice it contains falls into three broad categories: Parliamentary requirements; Treasury administrative controls; and best practice.

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 based on a number of factors including demographic, physical and social characteristics of each area. The total amount is set out in Section 3 of the Local Government Finance Report published as a House of Commons Paper and available from the Stationery Office.

Non-Departmental Public Body (NDPB): 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 grant in aid from the department – see Note 35.

Outturn: Actual expenditure.

Permanent Secretary: The permanent head of a department.

Programme Boards: Manage the development of strategy and the delivery of the department's priorities.

Programme Costs: Cost of providing services directly to the public.

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 Body: The following provides definitions of the different types of public body within the department:

- Executive Agency: is a public institution that delivers Government services for Government. An Agency does not set the policy required to carry out its functions, these are determined by the department that oversees the Agency. Agencies are headed by Chief Executives, who are personally responsible for day-to-day operations. They are normally directly accountable to the responsible Minister in the department;
- Executive NDPB: established in statute and carrying out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets;
- Advisory NDPB: provides independent and expert advice to Ministers on particular topics of interest. They do not usually have staff, but are supported by staff from the department. They do not usually have their own budget, as costs incurred come within the department's expenditure;
- Public Corporation: a publicly owned trading body with day to day operating independence;
- Trading Fund: part of Government which has been established under the Government Trading Fund Act 1973. Typically, Trading Funds operate in very specialised fields and rely on their ability to derive income from their activities in order to cover their costs, and provide a return to their sponsoring department; and
- Tribunal: an independent body that remains impartial when dealing with disputes.

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.

Quarterly Data Summary (QDS): Cross government data reports published quarterly – see http://www.communities.gov.uk/publications/corporate/quarterlydatasummaryapr12

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 Managing Public Money.

Revenue Support Grant (RSG): Along with redistributed National Non Domestic Rate payments, Revenue Support Grant (and principal formula Police Grant) makes up formula grant which is paid to local government without restriction or targets on what it can be spent on. It is distributed on the same basis as NNDR payments. 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.

Spending Review: Sets departmental spending plans for future years.

Strategic Priorities: A small number of high level key, medium to long-term, objectives setting the overall direction of the department.

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. Also see '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 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 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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