Department for Communities and Local Government

Annual Report and Accounts 2012-13

(For the year ended 31 March 2013)

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Foreword from the Secretary of State

It's been a year of real progress and delivery. My Department has continued to champion localism and growth. The Local Government Finance Act gives local authorities far greater powers over their local budgets and introduces a new era where they can raise their own income. Two thirds of the council budget is now collected locally. Authorities that build more houses, create more jobs and start up new businesses will be rewarded.

Meanwhile, the Growth and Infrastructure Act, coupled with our Growing Places Fund and £474m Local Infrastructure Fund, will let the country build the infrastructure on which our economy depends. The Local Audit and Accountability Bill will help secure millions in savings and protect local freedoms.

As our reforms hit the statute book, others have begun to bite. Councils are working with 35,000 troubled families. Our Community Budget pilots are rewiring services towards the customer and delivering more for less. Twelve months on from the publication of our National Planning Policy Framework there are fewer appeals, fewer challenges, and less overturning. Ninety-nine per cent of all planning decisions are right first time.

On the housing front, we're ensuring empty homes and high streets are being brought back to life. We're on track to deliver 170,000 new affordable homes by 2015. Once stalled large scale sites such as Cranbrook in Devon and Eastern Quarry in Kent are going back into production.

We're also helping a new generation set foot on the property ladder through a revised Right to Buy scheme - one of Baroness Thatcher's enduring legacies - and a one-for-one replacement scheme. Right to Buy sales doubled last year, with discounts now at £100,000 in London, and with plans to lower the eligibility period, there is even greater potential for increased sales. The Help to Buy scheme will help even more people find a home.

Elsewhere a new localist atmosphere is yielding results. Local Enterprise Partnerships are making the most of the three quarters of a billion pound Growing Places pot. This has to date been allocated to 206 projects with the potential for an estimated 100,000 jobs and 40,000 homes.

Local people are coming together to implement neighbourhood plans. They are using the community right to bid to hang on to pubs, football stadiums, nature reserves, even a pier. The first three neighbourhood referendums have passed with overwhelming support, with 500 more in the pipeline.

In a year we've driven greater collaboration and efficiency in local government, we've also practiced what we preached. Delivering the largest savings in Whitehall with administration spending down by more than 40% and our move to Marsham Street next year will save the taxpayer £9 million per year.

In the coming year I want to see more. More savings, more troubled families being helped, more neighbourhood plans and more people getting on the housing ladder. We'll be doing our bit. Encouraging local enterprise. Spreading innovation with our Public Service Transformation network. Putting local authorities, local businesses and local people in pole position so Britain can succeed.

Right Honourable Eric Pickles, MP

Secretary of State for Communities and Local Government

Foreword from the Permanent Secretary

This year DCLG has continued to establish itself as a Department that delivers what it says it will. We have also made good progress on improving how we work and engaging with the vision and purpose of the Department. We have seen some particularly positive changes in our staff survey results, in staff learning and development, understanding of the Department's business and purpose; and leading and managing change. These are all themes in which we have invested time and effort over the past year, particularly through the Better Department programme.

Evidence of what we have achieved can be found in this Report. The Housing Package announced in September 2012 provided us with a number of new opportunities, allowing us to help deliver a housing programme that means more investment, more jobs, and more families able to realise their dreams and get on the housing ladder. The Local Infrastructure Fund announced at the Autumn Statement will allow us to accelerate delivery of large housing sites, enable quicker disposal and redevelopment of public sector land, and support infrastructure delivery in Enterprise Zones. Significant investment in the Regional Growth Fund will support jobs and growth across England and, in response to Lord Heseltine's report, Local Enterprise Partnerships will be able to borrow funds at discounted rates for nominated infrastructure projects and we will create a Single Local Growth Fund at Local Enterprise Partnership level from 2015.

At Budget 2013 we secured funding to enable us to help first time buyers, existing homeowners and social tenants. At the heart of the funding is the new Help to Buy: Equity Loan scheme and the Help to Buy: Mortgage Guarantee. Extra funding will also be available to build thousands of new homes for private rent, increasing choice across the housing market. The Build to Rent Fund has increased to £1 billion to support the construction of new homes specifically for private rent and funding for the Affordable Homes Guarantees Programme has doubled. The Budget also included planning proposals to secure the long-term future of high streets by making better use of empty buildings and bringing people back to live in town centres, increasing footfall and supporting shops. Altogether this package confirms the Department's commitment to growth and signals another very busy 12 months ahead.

In addition to Housing and Growth we have made major steps forward in Local Government Finance and in Planning. The Local Government Finance Act, which achieved Royal Assent on 31 October, has allowed us to create an economic incentive for councils to generate greater levels of income, support local businesses, create jobs and reap the rewards of success. Since the publication of the National Planning Policy Framework, the Department has shown its commitment to reforming the planning system both in terms of process and in putting the power back into the hands of communities to shape the places where they live.

I believe our achievements this year confirm the dedication and professionalism of all staff across the Department. It is this dedication that makes me confident that we can continue to deliver on our business plan and make DCLG a better department, delivering better government and helping to create better places for those communities we serve.

Sir Bob Kerslake

Head of the Civil Service and Permanent Secretary

Department for Communities and Local Government

Lead Non-Executive Director's Report

The past year has seen DCLG deliver significant reform packages across its agenda in Housing, Planning and Local Growth. This has meant working closely with many other government departments (including the Department for Work and Pensions, Department for Business, Innovation and Skills, Department for Transport and Department for Culture, Media and Sport), with local government, with our own Arms Length Bodies (including the Planning Inspectorate and The Homes and Communities Agency) and through involving external partners in our Board discussions to broaden the Department's perspectives on its challenges.

Since forming in 2011, the Board has become an established part of the Department's governance. The Ministerial Board has met 5 times during the year, with the Secretary of State chairing 4 of 5 meetings. Meetings are now attended by the full Ministerial Team as well as four Non-Executive Directors and the Department's senior executives.

The Board has discussed all major policy areas, with a strong emphasis on growth, focusing on the successful delivery of our programmes, the measurement of progress and the management of risk. This includes Enterprise Zones and Local Enterprise Partnerships, housing supply stimulus measures, high street strategy and the development of localism through Community Budgets and incentives for local government to drive growth, such as business rate retention.

Increasingly, Non Executive Directors are also contributing to the Department's work outside of regular board meetings, both formally, through the two board sub-committees on Audit & Risk and Nominations & Governance, and informally through activity including: senior level recruitment; connecting the Department to commercial contacts; supporting the drive for clear strategic leadership and better staff engagement; building commercial capability within the Department; and providing advice to individual projects such as the sale of the Fire Service College.

Stewart Gilliland stood down as a Non Executive Director at the end of 2012 and Nick Markham joined the Board. Nick has a strong background in both commercial organisations and as a councillor in local government, and is a very welcome addition to the team.

Our Board effectiveness evaluation, completed in March 2013, recognised strong progress through the year whilst highlighting a number of areas for focus this year:

- Ensuring Board agendas are more flexible, to address both long term delivery and short term priorities, including greater visibility of major Arms Length Bodies activity and Ministerial priorities
- Improving Departmental Key Performance Indicators and output measures to drive discussion of effectiveness and value for money; and
- Continuing to utilise the Non Executive Directors team's commercial skills and experience to advise on specific Departmental programmes and reviews.

Sara Weller

Lead Non Executive Director

Introduction

This is the combined Annual Report and Accounts of the Department for Communities and Local Government ('the Department') for the period from 1 April 2012 to 31 March 2013.

The Annual Report provides an overview of the Department's performance in 2012-13, structured around the five Coalition Priorities set out in the Business Plan. The Report aims to be accessible and also easy to navigate online (as it uses web links 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 is also a glossary contained as an annex.

If you require further information in addition to this document and the online 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

In line with the Coalition priorities set out the Department's Business Plan, key achievements in 2012-13 are as follows:

- **On decentralising power as far as possible, we have:**
  - secured Royal Assent to the Local Government Finance Act
  - developed new Council Tax laws, which from April 2013 will give more choice and power to local people
  - put steps in place to enable councils to retain much of their business rates locally
  - enlarged the Troubled Families scheme and started payment by results
  - shown that Whole-Place Community Budgets can reduce costs and enhance delivery.
- **On reinvigorating accountability, democracy, participation and transparency, we have:**
  - brought in the community right to bid for local assets and community right to challenge for services
  - published the Local Audit Bill for consultation and scrutiny
  - selected 90 projects to improve local waste collection performance
  - introduced a new framework giving Fire and Rescue Authorities more freedom.
- **On supporting and incentivising local growth, we have:**
  - invested an additional £59m in infrastructure in Enterprise Zones
  - completed allocation from £2.4bn to the Regional Growth Fund
  - introduced a new Growth and Infrastructure Act to reduce barriers to growth
  - announced Wave 2 of City Deals to accelerate decentralisation

- launched a challenge fund for ideas to revitalise our high streets
- met all spending targets on the European Regional Development Fund.

- **On meeting people's housing aspirations, we are:**
  - supporting home ownership with the £3.5bn Help to Buy equity loan scheme, the NewBuy guarantee and extension of Right To Buy
  - delivering up to 170,000 new affordable homes by 2015
  - providing £415m to enable new housing on large sites and disposal of surplus public sector land
  - providing a £1bn Build to Rent Fund to support new build private rent homes
  - providing £450m to support housing guarantees scheme to help build up to an additional 30,000 new affordable homes
  - Extending a refurbishment programme to bring empty homes into use.
- **On putting communities in charge of planning:**
  - as at March 2013, 72% of local planning authorities have at least a published plan and 49% have an adopted plan in place
  - the rate of planning approvals is at a 10 year high
  - the first three neighbourhood plans have been approved; 500 others are in development
  - the Growth and Infrastructure Act has been introduced to further speed up decisions and unblock stalled development and remove duplicating consent regimes
  - Orders have been laid to revoke all regional strategies and return power to councils
  - through the Red Tape Challenge we are scrapping or improving 100 regulations to make building easier and swifter.

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. The Secretary of State leads the following team of Ministers:

- The Rt Hon Baroness Warsi PC – Senior Minister of State, Faith and Communities
- Mark Prisk MP – Minister for Housing
- Brandon Lewis MP – Parliamentary Under Secretary of State
- Nick Boles MP – Parliamentary Under Secretary of State
- The Rt Hon Don Foster 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 4 to 6 times a year. The Board is chaired by the Secretary of State, and is attended by the Ministerial team, 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: the Audit and Risk Committee, which reviews financial performance, interacts 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)
- Nick Markham (appointed in January 2013), replacing Stewart Gilliland.

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

1.5 The Department is organised into three Groups (Neighbourhoods, Localism and Finance & Corporate Services) a cross-cutting strategy function, and the Troubled Families Team. This structure enables the Department to provide strong leadership across the Government on the key agenda of localism and decentralisation. The Department also has a number of Programme Boards to manage the 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	**Helen Edwards CB** 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 empowers 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 **Peter Holland** 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 **Stephen Braviner-Roman** Director, Legal **Dawn Brodrick** Director, People Capability and Change **David Rossington** Director, Finance **Stephen Aldridge** Director, Analysis and Innovation **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 7.1 in the Management Commentary of the Accounts. More general information and biographies can also be found on our website: https://www.gov.uk/government/organisations/department-for-communities-and-local-government#about-us

The Departmental Group

1.7 In 2012-13, the Department abolished both Thurrock and London Thames Gateway Development Corporations. We also abolished the Tenants Services Authority and the Infrastructure Planning Commission in April 2012: these were incorporated into the Homes and Communities Agency and the Planning Inspectorate respectively. One Executive Agency, the Fire Service College, was successfully sold to the private sector. This brings the total number of the Department's Arms Length Bodies closed or transferred since 2010 to 14. The Department continues to work to deliver a two thirds reduction in its bodies over the spending review period. Overall, the Department's Arms Length Bodies reform is on track to deliver expected running costs savings of £231m over the 2010-2015 Spending Review period. Of these savings, £173m relate to bodies which have now closed. The Department's Arms Length Bodies continue to play a crucial role in delivering Ministerial priorities and empowering communities.

1.8 Since autumn 2012, the Cabinet Office has produced a comprehensive annual Public Bodies directory providing details of Non Departmental Public Bodies and similar bodies. This information is published online and can be found at the following link: http://www.civilservice.gov.uk/about/resources/ndpb

1.9 A list of those bodies which the Department sponsors, including a summary of their responsibilities, can also be found in Note 33.

Delivering Coalition Priorities

1.10 In May 2010 the Coalition Agreement set out that the Department would lead a 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 – 2.11 below, covered in the Localism Estimate line);
- reinvigorate accountability, democracy, participation and transparency (paragraphs 2.12 – 2.31 below, Localism Estimate line);
- support and incentivise local growth (paragraphs 2.32 – 2.52 below, Local Economies, Regeneration and European Programmes Estimate line);
- meet people's housing aspirations (paragraphs 2.53 – 2.72 below, Neighbourhoods Estimate line); and
- put communities in charge of planning (paragraphs 2.73 – 2.86 below, Neighbourhoods Estimate line).

1.11 This Annual Report is structured around performance against these five priorities.

1.12 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 2012-2015[1]. This sets out the Department's vision and how it is being delivered through the Structural Reform Plan and increased transparency..

1.13 The Department has shown strong performance in delivering its commitments, as set out in the Coalition Agreement. By the end of March 2013, the Department had delivered 74% of its challenging Structural Reform Plan actions, with almost all completed all in line with its Plan dates.

1.14 The Department's refreshed Business Plan was published on 31 May 2012 on its website. It includes actions to be delivered in 2012-15, a breakdown of the completed actions in our Structural Reform Plan and key indicators for each of our priorities. The status of completed actions in our Structural Reform Plan is on Number 10's website.

[1] / https://www.gov.uk/government/publications/dclg-business-plan-2012-to-2015

2 How the Department Performed in 2012-13

Decentralising Power As Far As Possible (2.1 - 2.11)

2.1 The Department leads cross central government work 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 2012-13, we helped achieve this by encouraging local economic growth, providing greater financial freedoms and flexibilities to local government, and continuing to invest in Troubled Families to help bring confidence back to both families and communities.

Encourage local growth and provide financial freedom

2.2 The Department successfully ensured that The Local Government Finance Act gained Royal Assent on 31 October 2012. This Act will: 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 Department's Local Government Finance settlement establishes for each Local Authority in England, the new Business Rate Retention scheme, and sets out individual start-up funding assessments, baseline funding levels, business rates baselines, tariffs and tops-ups, and the basis of their distributions.

2.4 The New Business Rate Retention scheme will enable councils to directly retain nearly £11bn of business rates instead of returning it to central government. The Business Rate Retention incentive in the 2013-14 settlement introduces a watershed in council financing setting Local Authorities free to grow their income by building up new business rates revenue through supporting new firms and jobs.

2.5 The Efficiency Support Grant should ensure that no council sees their revenue spending power decrease by more than 8.8% in 2013-14. We have also retained the floor damping system introduced in 2011-12, which ensures that a limit is set to any individual local authority's year-on-year change in income from retained business rates combined with the Revenue Support Grant. This year, the floors have been altered to ensure that the councils who are most dependent get the most support and protection.

2.6 The settlement implements the Autumn Statement commitment that local government would be exempt from the 1% reductions in budgets in 2013-14. This important protection gives local authorities time to drive through further service redesign that will deliver the efficient and sustainable services that citizens expect.

2.7 The Government provided £675m in 2012 -13 to help councils, police and fire authorities avoid increasing their Council Tax charges. Any authority that agreed not to increase its Council Tax was eligible to receive a grant from the government equivalent to a 2.5% increase in Council Tax. On 8 October 2012 the Chancellor of the Exchequer announced an extra £450m to help freeze Council Tax bills in England for a further year. In consultation with the Department, 257 Local Authorities will benefit from the Government's 2013-14 Council Tax freeze initiative, by freezing or reducing their Council Tax bills. The Department also secured legislation to ensure that in 2013 council tax payers can now request to pay their bills over a longer period of time, lowering their monthly bills, and so easing the financial burden.

Whole Place Community Budgets

2.8 In March 2012, four areas were invited to test how bringing local public services together can support the radical redesign and improvement of local public services. Over the months which followed, the pilots (Essex, Cheshire West and Chester, Greater Manchester and Tri-Borough) worked in a collaborative way with other public agencies and central government to develop their proposals for integrated services.

2.9 In October 2012, the four pilots shared their 25 business cases with government. The business cases were all co-designed between local and Whitehall officials from nine government departments. The business cases present practical proposals for reform over a range of services, such as reducing reoffending, health and social care, families and early years, growth and skills. These proposals have shown how it is possible to jointly develop policy and proposals, both between national and local partners and across government. Collectively, the pilot areas have identified £800m net savings over five years when their proposals are fully implemented.

Non-financial freedoms and flexibilities

2.10 The Department is leading on the cross-government drive to turn around the lives of 120,000 troubled families by the end of this parliament. We have drawn together funding across government of £448m to not only incentivise councils and their partners to get to grips with these families, but to change the way services are delivered to them and thereby reduce costs for the long-term. All 152 upper-tier local authorities have signed up to the programme and, by December 2012, councils had already identified over 66,000 families who were eligible for the programme and over 35,000 of those (85% of total number that councils initially agreed to work with in 2012/13) are already being worked with.

2.11 We have published three reports which laid out the case, both human and financial, for turning around the lives of troubled families and the evidence of effective family intervention: *Listening to Troubled Families*, *Working with Troubled Families* and *The Cost of Troubled Families*. Along with this, we delivered a series of training events on working with troubled families to over 500 people across England; and have negotiated a groundbreaking deal with the Department for Work and Pensions for a new national network of Troubled Families Employment Advisers to advise families and family intervention workers on getting jobs and training opportunities.

Achievement	**Link to more detail**
Local Government Finance Act	https://www.gov.uk/government/policies/giving-local-authorities-more-control-over-how-they-spend-public-money-in-their-area--2#bills-and-legislation
Local Government Settlement	http://www.local.communities.gov.uk/finance/1314/settle.htm#Settle
Council Tax Support	https://www.gov.uk/government/news/government-gives-out-transition-funding-for-council-tax-support
Weekly Collection Support Scheme	https://www.gov.uk/government/news/weekly-collection-saved-as-government-scheme-delivers-for-6-million-families
Council Tax Freeze	https://www.gov.uk/government/policies/making-sure-council-tax-payers-get-good-value-for-money/supporting-pages/council-tax-freeze

Whole Place Community Budgets	https://www.gov.uk/government/policies/giving-local-authorities-more-control-over-how-they-spend-public-money-in-their-area--2/supporting-pages/community-budgets
Troubled Families	https://www.gov.uk/government/policies/helping-troubled-families-turn-their-lives-around

Reinvigorating Accountability, Democracy, Participation, Transparency (2.12-2.31)

2.12 The passing of the Localism Act 2011 enabled the Department to help give back control to communities and local authorities, trusting them to take control of decisions that directly affect them. Devolving power, supporting integration and passing accountability and funding closer to neighbourhoods brings empowerment. We are increasing citizen participation, lifting burdens and showing how, if we work together, we can provide more choices and better service standards in public services.

2.13 The Coalition government agreed to promote the radical devolution of power and greater financial autonomy to local government and community groups. The Department announced several programmes that would reinforce this. For example, Community Rights will benefit communities across the country, giving them more power to shape local development and services.

2.14 Through the Localism Act 2011, we introduced the Community Right to Bid which gives community groups a much better opportunity to bid to buy important and much loved community assets. These assets could be in public or private hands and could include assets like pubs, community centres, allotments or libraries. When a listed asset is put up for sale, a moratorium of up to 6 months can be enacted, giving communities valuable time to prepare a bid for the asset. The Community Right to Bid came into effect on 21 September 2012.

2.15 We also introduced the Community Right to Challenge which allows voluntary and community groups, charities, parish councils and local authority staff to bid to run a local authority service where they believe they can do so differently and better. This can be the whole or part of a service. Community groups can trigger a challenge by submitting an expression of interest to their local authority who must consider the request and, if accepted, allow the community group to take part in a wider procurement exercise alongside other interested parties. The Community Right to Challenge was introduced by the Localism Act 2011 and came into effect in June 2012. However, additional secondary legislation was required to bring into force the Right to Challenge for Fire and Rescue Authorities and to exclude a small number of services.

2.16 In October 2012, we launched a consultation process to make it easier to set up new town and parish councils. The proposal simplifies and streamlines the current process ensuring local authorities consider local opinion, making it easier for neighbourhood forums to start the process. The consultation process closed in January, and responses are currently being analysed. We aim to publish a summary of consultation responses and a next steps document in summer 2013.

2.17 The Localism Act also introduced Neighbourhood Planning, which gives communities the right to agree a plan establishing general planning policies for the development and use of land in a neighbourhood, like where new homes and offices should be built and what they should look like, to allow local people to get the right type of development for their community. More information on neighbourhood planning is under 2.73-86 below.

Integration

2.18 Last year we published a policy approach to creating the conditions for more integrated communities, based around promoting common ground, responsibility, participation and empowerment, social mobility, and tackling extremism and intolerance. This highlights how vital the ability to speak English is to successful integration. In January 2013, we announced a two stage £6m competition to discover and support organisations that can deliver innovative community-based English language programmes in areas where many residents have low levels of English.

2.19 We're giving young people a chance to work together and learn about responsibility, through a £10m grant over two and a half years to support Youth United, an umbrella organisation for uniformed cadet groups. This will set up 400 new cadets units, recruit 2,700 adult volunteers and provide 10,800 more places for young people in organisations such as the Scouts, St John's Ambulance Brigade and the Fire Cadets.

Standards in public services

2.20 In July 2012, we published the draft Local Audit Bill for consultation and pre-legislative scrutiny. The draft Bill sets out the proposed new audit framework for local public bodies, the process for the appointment of auditors, and the regulatory framework for local public audit. Alongside this we are publishing proposals for the audit of smaller local public bodies (those bodies with a turnover of less than £6.5m). Between July and August, we collated responses to the consultation and an ad-hoc committee was set up in autumn 2012 to undertake pre-legislative scrutiny of the draft Bill. The government's response to the pre-legislative scrutiny report by the Local Audit Bill Committee is to be published in spring 2013[2].

Weekly Collection Support Scheme

2.21 We ensured that six million families will continue to receive weekly bin collections under our Weekly Collection Support Scheme. This encourages councils to focus on 4 things: better weekly collections, cost effective bids, environmental improvements and better use of innovative ideas or technology that help residents to recycle more and do their bit for the environment. In total, 117 councils submitted final bids and we selected 87 projects from 82 councils to share in the £250m funding. Councils already receive funding for bin collections through central government formula grant and from the money raised locally by Council Tax. This additional funding will support comprehensive and cost effective weekly collections that harness innovation, use new technology and spread reward schemes to increase recycling.

Fire & Resilience

2.22 In response to the fire and rescue sector's Fire Futures report in 2011, we launched a public consultation on the new national framework, which concluded in January 2012. As a result of this we developed a revised Fire and Rescue National Framework which was laid before Parliament in July 2012. We worked with fire and rescue authorities to develop the framework, and the aim was to reset the relationship between central

[2] The report was published on 25th April 2013

government and fire and rescue authorities to give the authorities more local control over how they operate. The framework includes information about what fire and rescue authorities must do to prepare for and respond to national emergencies. However, it does not instruct fire and rescue authorities about local operational matters. We think fire and rescue authorities should work with people, businesses and other organisations to decide how to work effectively in their area. The Framework builds on existing notable practice shown by fire and rescue authorities across their full range of functions.

2.23 We announced the sale of the Fire Service College to Capita. This secured the college's future as a provider of fire, rescue and wider emergency services operational training and as a venue for large multi-agency exercises; achieved overall value for money for the Department, the Fire and Rescue Service and the taxpayer; and secured continuing access to National Resilience strategic assets. As part of the sale, the Department will share in any future profits from the development of college land and receive further revenue from the sale of a number of houses previously part of the college estate - a good deal for taxpayers.

2.24 In March 2012, we provided £81m funding to fire and rescue authorities for locally determined and delivered projects to improve the resilience and efficiency of control rooms, following closure of the FiReControl Programme. A summary showing the good progress being made on delivery to date was published on the Department's website in March 2013. All projects remain on track to complete by March 2015.

2.25 In December 2012 we completed a bidding round for Fire Capital Grant, whereby we allocated £140m over the next two years, of which £38m was for winning bids based on efficiency measures and £102m was distributed on a population basis.

2.26 Resilience and Emergencies Division worked with the Fire and Olympic Teams in supporting the Department's work with the Government Olympics Executive and local resilience partners to develop, test and put in place plans that ensured local and venue resilience for London 2012, thereby contributing to the Government's objective of delivering a safe and secure Olympic Games.

2.27 We have taken steps through the renegotiation of contracts to make significant cost reductions in future years to our Regional Control Centres. We reduced utilities costs by 35% and the Facilities Management Contract by 25% from £4.1m per year to £3.1m per year. We are making further significant savings on facilities management and utilities costs from April 2013 - costs will reduce by 59%, a saving of £1.02m per year across the five empty centres.

Increasing Transparency

2.28 The Department has kept its commitment to increased public scrutiny of both local and central government by releasing government information into the public domain, so that people know how their money is spent, and to what effect. As part of our Business Plan we provide a breakdown of the Department's operations so that the public can compare our costs to the most common operational areas within other government departments.

2.29 The Department has taken its transparency pledge to a new level by publishing all spend data over £250, including spending on Government Procurement Cards. Since August 2010, the Department has been publishing details of spending over £500 on all goods and services, matching the level required of councils. By reducing this to £250, we are providing more information on typical items such as travel expenses, publications, office supplies and mobile phone bills for the first time. This ensures that taxpayers have a better understanding of where their money is being spent.

2.30 Transparency in local government has also been a feature this year. In the drive for greater transparency across all Government, from 1 July councillors were required to register certain pecuniary interests, including trade union dealings, on a publicly available register. Deliberate failure to declare interests could result in a criminal conviction. These new measures replace the bureaucratic and controversial Standards Board regime and take a tough stance on council corruption. Such reforms will give local people the confidence that councillors are putting local residents' interests first.

2.31 At the end of 2012, we consulted on updating the Code of Recommended Practice for Local Authorities on Data Transparency and making it mandatory. The code sets out key principles for local authorities in creating greater transparency through the publication of public data. We will publish a Government Response to the consultation in spring/summer 2013, and publish a revised Code by the end of the year.

Achievement	**Link to more detail**
Community Right to Bid	https://www.gov.uk/government/policies/giving-people-more-power-over-what-happens-in-their-neighbourhood/supporting-pages/community-right-to-bid
Community Right to Challenge	https://www.gov.uk/government/policies/giving-people-more-power-over-what-happens-in-their-neighbourhood/supporting-pages/community-right-to-challenge
Town and Parish Councils	http://www.communities.gov.uk/publications/localgovernment/parishdiscussionpaper
Local Audit Bill	https://www.gov.uk/government/news/response-to-the-select-committee-report-on-pre-legislative-scrutiny-of-the-draft-local-audit-bill
Waste Collection	https://www.gov.uk/government/news/weekly-collection-saved-as-government-scheme-delivers-for-6-million-families
Fire Service College	https://www.gov.uk/government/news/sale-of-the-fire-service-college-completed
Future Control Room Services Scheme	https://www.gov.uk/government/publications/future-control-room-services-scheme-summary-national-picture-of-fire-and-rescue-authority-improvement-plans-march-2013-update .
Fire and Rescue Framework	https://www.gov.uk/government/publications/fire-and-rescue-national-framework-for-england
English Language Competition	https://www.gov.uk/government/policies/bringing-people-together-in-strong-united-communities/supporting-pages/community-based-english-language-learning
Transparency	https://www.gov.uk/government/news/department-now-publishing-all-spend-over-250

Supporting and Incentivising Local Growth (2.32 - 2.52)

2.32 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.

2.33 The Government's Growth Plan of March 2012 highlights the urgent need for the United Kingdom to remove barriers to growth and boost competitiveness, and sets out the related actions. Growth is a cross-Government objective, supported by the Department through reforms (such as Enterprise Zones, Local Enterprise Partnerships and City Deals) and focused interventions and resources (such as the Regional Growth Fund and Growing Places Fund).

2.34 On 18 March 2013, Government published its response to Lord Heseltine's Review *No stone unturned in pursuit of growth*, accepting the overwhelming majority of his 89 wide-ranging recommendations in whole or part, including the creation of a Single Local Growth Fund at Local Enterprise Partnership level which will include elements of skills, housing and transport funding. This represents the next stage in the Government's commitment to put local growth in the hands of local leaders, who best understand their local economies.

Enterprise Zones

2.35 The Department is investing an additional £59m into Enterprise Zones to bring forward sites with growth potential by supporting infrastructure projects. The 24 Enterprise Zones, through a combination of fiscal incentives and reduced planning restrictions and other burdens, strengthened by infrastructure or site development, are designed to generate businesses and jobs. Ambitious planning simplification proposals are being taken forward with 39 Local Development Orders already in place in 15 different Enterprise Zones and more to come in the future. These Orders provide certainty to businesses and make the process of developing in the Zones quicker and cheaper.

Local Enterprise Partnerships

2.36 With Local Enterprise Partnerships we are driving local economic growth and ensuring that every community is able to fulfil its potential. We are providing over £24m from Government to unlock up to £20m locally and enable Local Enterprise Partnerships to deliver their local plans for growth.

2.37 We made an interim £5m support funding package available for all Local Enterprise Partnerships to draw upon in 2012-13 to help establish themselves through financial support for elements such as board support, development of priorities and business engagement. This funding recognises the expanded role of Local Enterprise Partnerships, including delivery of the £730m Growing Places Fund allocated to them in late 2011-12. This will be followed by up to £250,000 per Local Enterprise Partnership per year over the next two years which will provide the financial stability they need going forward, to build on their early successes and tailor the support they offer to local needs. Where matched by funds locally the overall funding pot could equate up to £45m over this period. This funding will support each Local Enterprise Partnership's capacity to take on an enhanced role in driving local growth, including through the Single Local

Growth Fund from 2015. The central government funding will be provided on a 50/50 basis by the Department and the Department for Business, Innovation and Skills.

Regional Growth Fund

2.38 The Regional Growth Fund is a £2.6bn fund operating across England from 2011 to 2016. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment. The first three rounds allocated £2.4bn which will leverage over £13bn of private sector investment and create or safeguard over 500,000 jobs. The government is currently considering applications for Round 4. Accounting Officer responsibility for the Regional Growth Fund rests with the Department, while the secretariat is located in the Department for Business, Innovation and Skills.

2.39 An example of the type of projects the Regional Growth Fund is enabling is the e2v project. The company e2v was a successful bidder in Round 3 and was awarded £3.8m in grant funding to expand their high performance scientific and space imaging solutions business. In doing this it will help them create 130 new manufacturing jobs and a further 30 jobs through their supply chain. The grant is part of an overall investment of £13.5 million and supports e2v's strategic plan for growth within its High Performance Imaging Systems division. This government investment will help manufacturing firms, small businesses and local partnerships across England to expand their operations, create new jobs and stimulate growth - the government's top priority.

European Regional Development Fund

2.40 The European Regional Development Fund is an important part of the government's growth agenda, and the Department is the Managing Authority for all its programmes in England. During the current funding period 2007-13, it provides some £2.8bn which is matched with equivalent funding from other sources to deliver jobs and businesses.

2.41 So far, the 2007-13 Programme has delivered more than 42,000 new jobs and more than 11,800 new businesses. It is on track to achieve its target of creating more than 135,000 new jobs by the end of 2015. The Programme has already contracted with projects to deliver more than 31,000 new businesses, which is twice the number set as a target in 2006. Eighty per cent of the 2007-13 allocation has already been contracted. The remaining 20% is currently being developed with partners, or is in contract negotiations. We are confident that the remaining funds will be contracted by December this year and will continue delivering new jobs and businesses beyond that date.

2.42 Notwithstanding this, the European Commission has responded to some technical issues raised in two recent audit reports and has chosen to interrupt payments. The Department does not think that this is justified. In the 2012 Annual Control Report the Audit Authority stated that the Department's ERDF systems are operating effectively. It appears that interruption is being used by the Commission increasingly regularly and the Commission tells us that at some stage every country has been interrupted except Ireland and Luxembourg. The technical issues raised in the audit reports are relatively minor and we are currently talking to the Commission about the basis on which they will lift the interruption.

2.43 The formal note of the interruption was received on 11 June but the Commission has chosen to include within the interruption claims for reimbursement that the Department made in November and December 2012. Under Article 87 of the Regulations (EC 1083/2006) those sums should have been paid to us within two months of receipt and were long overdue before the interruption was imposed. We are looking to have this reimbursed separately to dealing with the conditions of the interruption.

City Deals

2.44 The eight core cities which comprised the first wave of City Deals have estimated that they will create 175,000 jobs over the next 20 years and 37,000 new apprenticeships as a result of the deals.

2.45 The second wave of City Deals saw the next fourteen largest cities and their wider areas and the next six with the highest population growth (between 2001 and 2010) asked to put forward proposals designed to unlock the growth potential of their areas. The government has committed to working with these cities and devolving powers in return for local commitment to delivering growth outcomes. This second wave will accelerate the pace of decentralisation and unlock new and innovative ways to drive growth. Deals will represent a genuine transaction between cities and government, with 'asks' and 'offers' from both sides.

Coastal Communities Fund

2.46 The £24m Coastal Communities Fund was launched in early 2012 to provide coastal towns with money to help pay for projects that transform and diversify seaside economies. Twenty six seaside projects have been chosen to receive Government backing, creating vital new jobs and local enterprises. The funding can be used for a variety of projects including skills training, apprenticeship schemes and enterprises that rejuvenate seaside assets or exploit emerging industries. The first year schemes will receive grants ranging from £25k to £2.6m to support initiatives that create local jobs, support coastal tourism and development and boost the inshore fisheries industry. Collectively they are forecast to help create and safeguard 5,000 jobs, 1,400 training places, 400 volunteering opportunities, and support 250 new business start-ups over the next few years.

High Streets

2.47 We have put in place a multi-million pound strategy backing local partnerships such as the 27 Portas Pilots and 333 Town Teams Partners to breathe new life into their town centres. This package includes mentoring from retail experts and workshops to address town centre challenges, delivered through the Association of Town and City Management and Business in The Community.

2.48 We have also set up the Future High Street Forum, bringing together leaders across retail, property, business, academics, third sector, civil society and government to drive forward new ideas and policies to help communities revive their high street.

2.49 We have doubled small business rate relief for three and a half years to help small shops, and made it easier for small firms to claim small business rate relief through the Localism Act. Over half a million businesses in England are expected to benefit, with about one third of a million of businesses paying no rates.

2.50 To help boost town centres we made it easier to create more homes on the high street, by introducing permitted development rights for change of use for up to two flats above shops. Changes are also being introduced which will make it easier to change the use of empty shops and offices. These were in place by June 2013.

2.51 We have consulted on amendments to the Code of Recommended Practice for Local Authorities on Data Transparency. One of the proposed amendments is to introduce new transparency standards on parking charges and fines, in line with the Portas Review of the High Street. We are also working with the Local Government Association to consider new ways of parking provision and encouraging good practice.

2.52 Further measures we have taken include:

- We gave the councils with the worst empty properties situation a share of £10m to attract new businesses into their areas through the High Street Innovation Fund.
- £1m of High Street Renewal Awards (formerly known as the X-Fund), which have been awarded to areas delivering the most creative and effective schemes to rejuvenate their town centres.
- A Love Your Local Market campaign was launched in 2012 celebrating the role markets can play and offering budding entrepreneurs the chance to test their business ideas. This proved so successful that it has been repeated this year from 15-29 May.

Achievement	**Link to more detail**
Enterprise Zones	https://www.gov.uk/government/policies/supporting-economic-growth-through-local-enterprise-partnerships-and-enterprise-zones
Local Enterprise Partnerships	https://www.gov.uk/government/speeches/core-funding-for-local-enterprise-partnerships
Regional Growth Fund – ev2	https://www.gov.uk/government/news/eric-pickles-visits-regional-growth-fund-success-story--2
Regional Growth Fund	https://www.gov.uk/understanding-the-regional-growth-fund
European Regional Development Fund	https://www.gov.uk/government/policies/supporting-economic-growth-through-managing-the-european-regional-development-fund
City Deals	http://www.dpm.cabinetoffice.gov.uk/content/city-deals
Coastal Communities Fund	https://www.gov.uk/government/policies/supporting-economic-development-projects-in-coastal-and-seaside-areas--4/supporting-pages/the-coastal-communities-fund
Coastal Communities	https://www.gov.uk/government/news/six-seaside-towns-get-money-to-kick-start-year-round-jobs
High Streets and Town Centres	https://www.gov.uk/government/policies/improving-high-streets-and-town-centres

Meeting People's Housing Aspirations (paragraphs 2.53 – 2.72)

2.53 This year, the Prime Minister and Deputy Prime Minister announced a large housing and growth package which enables us to support our goal of a thriving, active and stable housing market and make key contributions to economic growth.

The Total Housing Package

2.54 In total the package will support: home ownership - reducing the size of the deposit required for credit-worthy households and offering more social housing tenants the opportunity to benefit from owning their own home; expanding the rented sector with an investment of nearly £6bn plus £10bn worth of debt guarantees; and unlocking housing development with investment in infrastructure and accelerating the disposal of surplus public sector land. This package allows us to invest across the country and create more jobs for our people. Altogether this demonstrates how serious this government is about continuing to boost the UK's economy.

Supporting Home Ownership

2.55 The £3.5bn Help to Buy equity loan scheme builds on the success of the FirstBuy (help to Buy from 1 April 2013) scheme, which helped over 10,400 households into home ownership. The scheme provides equity loans to people who aspire to own a new build home. Over 300 house builders (more than triple those for First Buy) have already registered for the scheme, while three larger builders reported over 1,000 reservations in the first three weeks.

2.56 The New Buy guarantee scheme enables householders to access 95% mortgages and estimates indicate that around 3,700 reservations have already been made under this scheme.

2.57 In April 2012, the Right to Buy scheme was extended, increasing the maximum discount from as little as £16,000 in some areas to a maximum of £75,000 across England. Right to Buy sales have doubled from 1,041 between July and September 2012 to 2,010 between October and December 2012; 3,495 council-owned properties have been sold to tenants under Right to Buy since April 2012, a third more than in the whole of the previous year, and the highest number of sales since 2008-09. This is backed by a one-for-one replacement scheme.

2.58 From March 2013, tenants in London have also benefited from a further increase of the top discount to £100,000. This increase reflects the fact that property prices in London are generally higher than anywhere else in the country and will help even more eligible tenants across London to achieve their aspiration of home ownership.

Expanding the rented sector

2.59 The Department is implementing key recommendations from Sir Adrian Montague's report on the barriers to institutional investment. The Build to Rent Fund will provide equity and loan finance to stimulate new private rented housing supply and to provide opportunities for new institutional investment in the sector. The fund was increased at Budget 2013 from £200m to £1bn. The Department has also established the Private Rented Sector Taskforce to encourage large scale investment in the sector and help increase the supply of high quality, professionally managed private rented accommodation. The Taskforce will bring together developers, management bodies, landowners and investors to broker deals and support the successful delivery of the Build to Rent Fund and Housing Guarantees Schemes.

2.60 The Housing Guarantees Schemes will help expand the provision of professionally managed rented housing and support economic growth. The Government will guarantee up to £10bn of housing providers' debt through the two schemes. This will help to reduce their borrowing costs, increasing the number of new homes they can afford to provide. The affordable housing guarantees scheme is expected to support delivery of up to 30,000 additional affordable homes, following the announcement of additional grant funding at Budget 2013 and an extension of the completion deadline.

2.61 We are also expanding the rented sector through our affordable homes programme which together with the Affordable Homes Guarantees programme will deliver 200,000 new affordable homes by 2016-17. Our main Affordable Homes Programme remains on track to deliver 170,000 of the new affordable homes for rent and ownership in this Spending Review.

Unlocking Housing Development

2.62 At the Autumn Statement, the Department received funding to be spent on local infrastructure funding to unlock commercial and housing development struggling to move forward in current economic circumstances. Around £225m of this funding will be invested on a recoverable basis to accelerate the delivery of locally supported large housing sites. The Department has unblocked or accelerated development at Fairfield, Milton Keynes, Cranbrook in Devon, Wokingham and Sherford (near Plymouth). These four sites alongside the successful deal already made to bring forward the Eastern Quarry site at Ebbsfleet have the capacity to deliver 42,000 new homes. We continue to work closely with other locally supported large schemes, and on 25 February published the Local Infrastructure Fund prospectus, inviting local partners to bring forward other large schemes where Government support could make the difference.

2.63 To bring greater certainty and pace to disposal of surplus public land with housing capacity we have invested a further £190m to de-risk the sites and help prepare them for market. This funding will be recovered as the land is sold and homes are built. Alongside this we are bringing greater efficiencies and effectiveness to the way in which surplus public land is sold. This includes working with departments and in particular National Health Service Trusts, and drawing on the Homes and Communities Agency's expertise and tools. An additional £100m funding is used for a targeted programme to centralise landholdings in the Homes and Communities Agency. This will mean that departments and Trusts can focus on their core business. Over the last year the capacity of surplus land released by government almost doubled on the previous year.

2.64 The Get Britain Building programme was announced as part of the Government's Housing Strategy for England in November 2011, and aims to unlock locally-backed stalled sites with planning permission. Also a recoverable investment, the program is intended to address difficulties in accessing development finance faced by some house builders and to help bring forward marginal sites by sharing risk. At the end of March 2012 the vast majority of projects (181) were under contract with the Homes and Communities Agency,170 have started on site to provide more than 11,000 homes. A few projects remain in contract negotiation.

2.65 We are also working closely with communities to provide the right incentives for new housing development and through our commitment to community led design to improve the design quality of new homes in a way that is more acceptable to communities. This includes the £1.3bn New Homes Bonus scheme to incentivise local authorities to support housing growth and bring empty homes back into use. The Community Right to Build gives communities a right to bring forward small-scale site specific developments, while the £30m custom build homes fund provides short term project finance for group (multi-unit) self build projects. The custom build homes industry is important for our national economy turning over about £3.6 bn[3] a year and building as many units as volume builders (over 13,000 units completed in the United Kingdom in 2010-11).

Improving the existing stock

2.66 In September 2012, the Department confirmed the provision of nearly £1bn to bring sub-standard council homes up to a decent living standard and provide a boost to local businesses at the same time. The funding is to be allocated to 41 councils over the next two years which would bring over 86,000 homes to a decent living standard. Research by Nottingham Trent University states that every pound spent on 'Decent Homes' improvements creates £1.46 in local spending through orders to tradesmen and suppliers in the area. The investment provided secures the future of the Decent Homes Programme until the end of this Parliament.

2.67 The Government has committed £160m to bring empty homes back into use. £100m of this funding is being paid directly to local authorities, registered housing providers and community groups to bring around 7,600 empty homes back into use as affordable housing. £60m is being allocated to 20 partnerships which suffer from significant clusters of empty homes which have good market prospects but require an intensive approach to return them to a liveable standard. This will produce a further 3,600 homes, resulting in a combined total of over 11,000 empty homes being brought back into use by March 2015. In November 2012, we launched a second bidding round to bring up to a further 5,000 empty homes back into use using a further £75m of funding, with a particular emphasis on refurbishing former commercial and high street properties. Combined with existing empty homes commitments, this funding will take our overall target to over 15,000 empty properties being brought back into use as housing by March 2015.

Protecting those in need

2.68 We are extending the No Second Night Out initiative across the country through the £20m Homelessness Transition Fund. This scheme was first introduced in London to quickly identify people sleeping rough locally and provide them with the support they need to get themselves off the streets. To date our investment has supported 85 schemes across 69 local authority areas. All local authorities have committed to roll out No Second Night Out by the end of 2013.

2.69 This year we have also funded the new Streetlink[4] service, a website, national phone line and mobile phone app which enable members of the public to connect rough sleepers with local services. Members of the public contacted Streetlink over 15,000

[3] Self Build Housing Market UK 2009 – 2013 (AMA Research, 2009)
[4] http://www.streetlink.org.uk/

times to pass on details of people they believed were sleeping rough up to the end of March 2013.

2.70 The Private Rented Sector Access Scheme, run by Crisis, with government support of £10.8m over three years, has also helped nearly 5,000 people find the rented homes they need. One hundred and forty three schemes across the country offer single people under threat of homelessness the advice and support they need to find and sustain a private rented tenancy, helping them overcome hurdles like budgeting and paying a deposit, and working with local landlords to ensure that the homes provided are suitable, safe and secure. By the end of 2014, it aims to have created 8,256 tenancies.

2.71 For those who own homes but find themselves in trouble in these difficult economic times, we are providing a £20m Preventing Repossession fund which will give every council the opportunity to offer small interest-free loans to struggling homeowners and ensure that court desks can offer on-the-day advice for those facing the prospect of repossession.

2.72 The Mortgage Rescue Scheme remains available to help vulnerable homeowners at risk of repossession to remain in their homes. The scheme has been extended by a further 12 months to March 2014 to ensure more homeowners can benefit from this support. More than £200m has been invested in Mortgage Rescue Scheme which is available through councils and housing associations.

Achievement	**Link to more detail**
September Housing Package	http://www.number10.gov.uk/news/plans-to-boost-uk-housebuilding-jobs-and-the-economy/
Right to Buy	https://www.gov.uk/government/news/right-to-buy-sales-double
FirstBuy: equity loans for first time buyers	https://www.gov.uk/government/policies/helping-people-to-buy-a-home/supporting-pages/help-for-first-time-buyers
Get Britain Building	https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/get-britain-building
Affordable Housing Guarantee	https://www.gov.uk/government/publications/housing-guarantee-scheme-rules-affordable-housing
Preventing Repossessions Fund	https://www.gov.uk/government/news/tackling-record-deficit-is-helping-to-head-off-risk-of-repossession
Support for homelessness	https://www.gov.uk/government/news/million-pound-boost-to-extend-homelessness-help-to-thousands

Putting Communities in Charge of Planning (paragraphs 2.73 – 2.86)

2.73 The Department is committed to reforming the planning system by putting power into the hands of communities to shape the places where they live. 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 which include helping to create the homes and jobs which people need.

2.74 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;
- removes national parking restrictions to help high streets attract customers; and
- strengthens the requirement for new development to be of good design.

2.75 By the end of March 2013, 72% of Local Planning Authorities (241) had at least a published plan and 49% (163) had an adopted plan in place.

2.76 In April 2012 we introduced secondary legislation ‘The Neighbourhood Planning (General) Regulations 2012’, putting in place a programme of professional support and funding to assist communities that are developing neighbourhood plans.

2.77 The first neighbourhood plan, in Upper Eden, Cumbria, was approved by 90% of local voters in the referendum on 7 March 2013. We know that a neighbourhood planning movement is developing: by the end of March 2013, more than 500 communities had taken the first formal step in neighbourhood planning of applying to designate their “neighbourhood areas”.

2.78 To support this further, in January 2013 we announced that neighbourhoods that take a proactive approach by drawing up a neighbourhood development plan, which secures the consent of local people in a referendum, will receive 25% of the revenues from the Community Infrastructure Levy arising from the development that they choose to accept. The funds will be paid direct to parish and town councils and can be used to back the community’s priorities. Neighbourhoods without a neighbourhood development plan but where the levy is still charged will still receive a capped 15% share of the levy revenue arising from development in their area. Further referendums took place on 3 May 2013 in Thame, Oxfordshire and in Exeter, Devon when communities voted ‘yes’ for their neighbourhood plan.

2.79 We have worked with developers and councils to revise the Levy and ensure it supports growth effectively. Revised statutory guidance was introduced in December 2012.

2.80 In October we introduced the Growth and Infrastructure Act to go further in speeding up planning decisions and unblocking stalled development. By 31 March 2013, it had completed Third Reading in the Lords, and achieved Royal Assent in April 2013. It proposed powers to tackle situations where applicants and communities are not being served by an effective planning service, by allowing applications for major development to be made directly to the Secretary of State where a planning authority has been underperforming. We have proposed to underpin the ‘Planning Guarantee’ by requiring a refund of planning application fees if a proposal is not decided within 26 weeks, and in September we published a monitoring report on performance against the Guarantee.

2.81 In November 2012 we consulted on changes to streamline the planning appeals process. In January 2013 we enacted simpler information requirements for outline planning permission, announced our approach on reform of the use classes order and consulted on a package of measures to streamline the planning application process.

2.82 Between December and March, the Government announced its decisions to revoke the eight regional strategies outside London via secondary legislation. Three regional strategies were revoked this year, with revocation orders also laid for two more strategies during this period and announcements made on the final three. Orders for strategies in all regions came into effect at the end of May 2013. This fulfils a Coalition Agreement objective to abolish existing regional strategies. In order to achieve this we undertook strategic environmental assessments of the impacts of revocation of each strategy before taking decisions, retaining specific policies until local authorities bring forward policies to replace them where the assessment considered this necessary.

2.83 The nationally significant infrastructure planning regime, which offers a streamlined decision making process that ensures that a decision is issued within one year from the start of examination, continues to play a crucial role in the Government's growth agenda and strong focus on delivery of infrastructure. The regime, which was established under the Planning Act 2008, is bedding in well, with seven cases now having been decided through the regime including the Hinkley Point C nuclear power station, and around 80 cases are with the Planning Inspectorate at pre-application, acceptance, examination and decision phase. A number of important changes have been made to improve the operation of the regime through the Growth and Infrastructure Act and through changes to streamline Regulations.

2.84 We consulted on establishing a new Consents Service Unit, based within the Planning Inspectorate, to improve coordination and communication between the Planning Inspectorate, applicants and other consenting bodies. The Unit will offer a bespoke service to developers who want to use it. We have also conducted a light touch review of the guidance supporting the nationally significant infrastructure regime and have re-issued updated guidance on pre-application, with the remaining guidance to be re-issued in the summer 2013.

2.85 A consultation on Lord Taylor's recommendations from the Review of Planning Practice Guidance closed on 15 February 2013. The intention is to produce new, fit for purpose, streamlined guidance that will support the National Planning Policy Framework and be in a clearly accessible format.

2.86 The Department has continued to push forward the Government's deregulatory agenda, removing red tape and reducing the regulatory burden on business through reforms to planning and building regulations. The Regulatory Policy Committee has confirmed that the measures that the Department is bringing into force between January and June 2013 will provide a direct annual saving to business of at least £69m, the biggest saving to business of any Department in this period. Through the Housing and Construction theme of the Red Tape Challenge, the Department is scrapping or improving 100 regulations to make building easier and swifter for both communities and businesses and reduce unnecessary regulatory burdens.

Achievement	**Link to more detail**
Simplification of planning policy	http://www.communities.gov.uk/news/corporate/2115421
Neighbourhood Planning Regulations	http://www.legislation.gov.uk/uksi/2012/637/contents/made
Community Infrastructure Levy	https://www.gov.uk/government/news/communities-to-receive-cash-

	boost-for-choosing-development
Abolition of Regional Spatial Strategies	https://www.gov.uk/government/news/first-regional-strategy-to-be-abolished
Streamlining information requirements for planning applications	https://www.gov.uk/government/consultations/streamlining-information-requirements-for-planning-applications
Streamlining the planning application process	https://www.gov.uk/government/consultations/streamlining-the-planning-application-process
Improving planning appeals procedures	https://www.gov.uk/government/consultations/technical-review-of-planning-appeal-procedures
Red Tape	https://www.gov.uk/government/news/red-tape-challenge-is-removing-unnecessary-housing-construction-and-planning-regulations
Planning Practice Guidance review	https://www.gov.uk/government/publications/external-review-of-government-planning-practice-guidance
Planning Guarantee Monitoring Report	https://www.gov.uk/government/publications/planning-guarantee-monitoring-report

3 Reporting on Better Regulation

3.1 The Department is committed to reducing regulatory burdens on business and delivers this through the use of impact assessments, considering alternatives to regulation, and reviewing the current stock of regulations through the Red Tape Challenge. Examples of how the Department delivered on the Government's commitment to produce less and better regulation in 2012-13 include:

- assessing whether measures were in scope of One-In, One-Out / One-In, Two-Out. Of 18 in scope, One was an IN (Homeswap Direct, with a small estimated cost to social landlords of £30,000 per annum). All others were either zero cost to business or deregulatory (OUTs). The overall balance for this period was a saving to business of over £20m.
- leading on two themes of the Red Tape Challenge. A package of deregulatory measures resulting from the Housing and Construction theme was announced in January 2013, and committed to removing or improving 100 regulations; 11 were implemented by March 2013 with priority being given to measures with the greatest positive impact on business.
- the Regulatory Policy Committee’s latest report, published in November 2012, stated that from January to August 2012, 71% of the Department’s impact assessments were assessed as ‘fit for purpose’ on first submission.
- in January 2013, implementing the recast of the Energy Performance of Buildings Directive. The Department removed gold-plating in this recast, leading to a saving to business of £14.1m per annum.

3.2 There are a number of the Department's policy areas where alternatives to regulation have been adopted. This includes financial incentives in the housing sector such as Help to Buy, an equity loan scheme which aims to help increase levels of home ownership and housing supply without central bank regulation in the mortgage market or regulations on house building levels. Within the Building Control system, the introduction and expansion of Competent Person Schemes - enabling installers to be registered as competent to self-certify that their building work complies with the Building Regulations - is a form of self-regulation which lowers cost to business.

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

Structural Reform Plan

4.1 By 31 March 2013, 51 out of 69 actions in the Department's business plan (covering the period 2012-15) had been completed. Some of the 16 actions due in April 2013 were completed early. At the end April 2013 the Department had completed 78% of the actions with work continuing on those actions that run beyond 30 April.

4.2 The summary table at end of paragraph 4.6 gives the figures for actions completed by 31 March 2013. Progress on implementation of all Structural Reform Plan actions can be found on the Number 10's transparency website:

http://transparency.number10.gov.uk/business-plan/2

4.3 The Department's refreshed business plan for the period 2013-15 was published on 23 May 2013. The 2012-15 business plan can be found:

https://www.gov.uk/government/publications/dclg-business-plan-2012-to-2015

Input and Impact Indicators

4.4 The Department's Business Plan includes a set of input and impact indicators. Details about each indicator together with the latest figures and time series (where available) can be found on the indicator dashboard at: http://dclgapps.communities.gov.uk/indicators/

4.5 The table at end of paragraph 4.6 provides the 2012-13 and 2011-12 figures for each indicator where available. Many indicators are official or national statistics and, in line with official statistics release protocols, data are first published in the statistical publications listed in the footnotes to the table. A full set of links relating to each indicator can be found on the indicator dashboard mentioned above. Below is a brief summary commentary on each indicator:

Input Indicators

- The average capital grant payment per affordable rent dwelling by the Homes and Communities Agency was £19,064, for offers agreed as at the end of December 2012. This represents the capital cost to Government of the supply of new affordable rent homes. This is the first time this information has been collected. The position as at the end of March 2013 was published by the Homes and Communities Agency in June 2013.
- All 152 upper-tier local authorities signed up to turn around their share of 120,000 troubled families across the country by the end of this parliament. This indicator reached 100% and has been replaced in the refreshed 2013-15 business plan with an indicator covering the percentage of troubled families local authorities have identified and are committed to working with.
- New Homes Bonus per dwelling has continued to rise as a result of the introduction of the affordable homes premium (£350 per dwelling) in 2012/13. There was also a small increase in the reward for a band D property.
- Following local government finance reforms the department estimates 70% of local authority income will now be raised locally, compared to 56% under the previous

system (2012-13). Figures for local authority outturn expenditure for 2012-13 will be available later this year.

Impact Indicators

- Net additions to housing stock increased by 11% to 135,000 in 2011-12. Seasonally adjusted house building starts in England are estimated at 27,370 in the March quarter 2013, 4% higher than the previous quarter.
- Between 1 April 2012 and 31 March 2013, there were 36,206 affordable housing starts on sites delivered in England through programmes managed by the Homes and Communities Agency and the Greater London Authority. This represents a significant increase compared to 15,528 for the same period of the previous year. Between 1 April 2012 and 31 March 2013, there were 36,672 affordable housing completions delivered through these programmes; a modest decrease compared to the same period in the previous year.
- The energy efficiency of new build housing (average Standard Assessment Procedure energy rating score) has remained broadly around the 79% level between March 2012 and March 2013. 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 Homes and Communities Agency have been built to a higher standard (what is now the 2010 Building Regulations standard). 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.
- On 31 March 2013, 55,310 households (seasonally adjusted) were in temporary accommodation. Although this figure is 10% higher than at the same date in 2012, it is around half the 101,000 households that were in temporary accommodation in 2004.
- The rate of fire casualties has fallen by 16% from 3.6 to 3.0 per 100,000 population. This suggests further successes in fire prevention. Increased levels of smoke alarm ownership and smoke alarm testing are a testament to the impact of the Fire Kills campaign and the collaboration with fire and rescue authorities in delivering domestic fire safety messages at both the national and local level.
- In all 1,201 organisations contacted the advice line set up to support community groups to use the Community Right to Challenge and to access local government contracting opportunities. Of these, 106 were referred on for more in-depth support and 49 groups were awarded grants to develop their proposals. The support programme was in operation for nine months during 2012-13 and expressions of interest take some time to develop. Additionally, many local authorities have set time periods for accepting expressions of interest which commenced in April 2013 or later. We are therefore expecting greater numbers of expressions of interest in 2013-14.
- In 2012, 87% of all applications (including 'other' schemes) were granted, a ten-year high. The number of planning applications granted as a percentage of all applications for major and minor schemes was around the 84% level in each of the first three quarters of 2012-13.

- Good progress has been made with the development of Local Plans with 49% having an adopted local plan prepared under the 2004 Planning and Compulsory Purchase Act and 72% of councils in England with at least a published plan in the public domain. The Government has ensured that support is available to all councils in developing Local Plans through providing funding to the Planning Inspectorate and Planning Advisory Service.

4.6 The following tables provide data on the Structural Reform Plan for 2012-13 and 2011-12.

Structural Reform Plan Actions**	2012-13	2011-12
Total number of actions completed during the year	51	166
Total number of actions ongoing	15	30

** Progress on the implementation of all Structural Reform Plan Actions can be found on Number 10's transparency website

Input Indicators

Input Indicators	2012-13	2011-12
1. Affordable Rent payment per dwelling by the HCA. Average Capital Grant Payment per Affordable Rent Dwelling [a]	19,064	nd
2. Percentage of local authority revenue expenditure funded by central government grants, broken down by class of authority[b]		
England	n/a	75.8%
i) London boroughs	n/a	81.3%
ii) Metropolitan districts	n/a	80.1%
iii) Unitary authorities	n/a	73.7%
iv) Shire counties	n/a	69.5%
v) Shire districts	n/a	52.4%
vi) Greater London Authority	n/a	95.3%
vii) (a) Other authorities - fire authorities	n/a	54.8%
vii) (b) Other authorities - excluding fire authorities & GLA	n/a	75.7%
3. Percentage of local authorities committed to identifying and beginning work with troubled families (%)	100%	nd
4. Average New Homes Bonus grant payable per dwelling per year to different classes of authority[c]		
England	£1,426	£1,400
i) Shire areas	£1,451	£1,427
ii) Metropolitan areas	£1,282	£1,269
iii) London	£1,557	£1,528

Impact Indicators

Impact Indicators	2012-13	2011-12
1. Total number of housing starts and completions (as a leading indicator of net additions) *		
Starts: total for year [d]	101,920	105,080
Completions: total for year [d]	108,190	118,190
2. Number of affordable housing starts and completions delivered through the Homes and Communities Agency and Greater London Authority		
Starts: total for year [e]	n/a	15,528
Completions: total for year [e]	n/a	51,721
3. Energy efficiency of new build housing (average Standard Assessment Procedure energy rating score) [f]		
1 April to 30 June	80.1	80.2
1 July to 30 September	78.0	79.6
1 October to 31 December	78.9	79.2
1 January to 31 March	n/a	79.4
4. Households in temporary accommodation (seasonally adjusted)*		
As at 31 March [g]	n/a	50,460
5. Fire-related casualties (per 100,000 population) [h] *		
1 April to 30 June	3.1	3.7
1 July to 30 September	3.0	3.6
1 October to 31 December	n/a	3.5
1 January to 31 March	n/a	3.6
6. Number of groups supported to submit an expression of interest as part of the Community Right to Challenge	6	nd
7. The number of planning applications granted as a percentage of all applications for major and minor schemes [i]		
1 April to 30 June	84.6%	83.9%
1 July to 30 September	84.0%	83.6%
1 October to 31 December	84.3%	84.7%
1 January to 31 March	n/a	84.4%
Average for year	n/a	84.2%
8. Percentage of local planning authorities having an adopted local plan prepared under the 2004 Planning and Compulsory Purchase Act (as at Mar 2013)	49.0%	nd
9. Business rates yield within Enterprise Zones (Not Available till 2013-14)	n/a	nd

Notes:

*Provisional Figures

(a) Figure as at December 2012

(b) Outturn figures for 2012-13 will be published in August 2013

(c) Figures reported for 2012-13 relate to payments to be made in April 2013 (ie 2013-14) but relate to new homes in 2012-13

(d) Full statistical report is published here:

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/house-building-statistics

(e) Full statistical report is published here

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/affordable-housing-supply

(f) Full statistical report is published here

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/code-for-sustainable-homes-statistics

(g) Full statistical report is published here

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/homelessness-statistics

(h) Provisional data for the last two quarters 2011-12 will be published by July 2013

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/fire-statistics-monitor

(i) Figures for the last quarter of 2011-12 will be published in July 2013

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/planning-applications-statistics

nd = no data available

n/a = not available at the time of publication – see above for publication dates

Full technical details for each indicator, and contextual information on the indicators, can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49009/130104_Measurement_Annex_January_2013.xls

4.7 The following table provides data on the items included in the Quarterly Data Summary tables which are 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/

2012-13 Spending	
	Actual
	£'000
Total Spend	27,756,480
Spend By Budget Type	
DCLG DEL	4,072,370
DCLG AME	426,680
DCLG Other expenditure outside DEL and AME	0
LG DEL, Sub-Total	23,119,000
LG AME, Sub-Total	138,430
LG Other expenditure outside DEL and AME	0
Total Spend	27,756,480
Spend by type of internal operation	
Cost of running the estate	23,560
Cost of running IT	17,610
Cost of corporate services	41,612
Policy and policy implementation	27,551,610
Other cost	122,088
Total Spend	27,756,480
Spend by type of transaction	
Procurement Costs	269,000
People costs	188,486
Grants	27,189,532
Other costs	109,462
Total Spend	27,756,480

Notes

Excludes depreciation
98% of budget reported for QDS

5 Other Information

Personal Data Related Incidents

5.1 The Department, its Agency and Non Departmental Public Bodies 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 Departmental Group.

5.2 The Department had no Personal Data Related Incidents to report in 2012-13. The following table summarises minor Personal Data Related Incidents in the year.

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	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

Complaints to the Parliamentary Ombudsman

5.3 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

5.4 In 2012-13 the Department received 17,288 pieces of correspondence from members of the public[5]. Of these, 65% of letters requiring a response were replied to within our target of fifteen working days.

5.5 The Department also received 3,491 pieces of correspondence from external organisations[5]. Of these, 54% of letters requiring a response were replied to within our target of ten working days.

[5] *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.

6 Introduction to the accounts

6.1 The Report and Accounts present the consolidated results for the financial year 2012-13 of the following principal entities: the Department for Communities and Local Government ('the Department' or 'core department'), its Executive Agency the Planning Inspectorate (PINS), seven Non Departmental Public Bodies (NDPBs) and one other body (The Commission for Local Administration). Note 33 to these Accounts provide a full list of public bodies sponsored by the Department and identifies those that make up the Departmental Group ('the Group').

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

6.3 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

6.4 The Planning Inspectorate 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 33.

7 Management Commentary

Financial Organisation of the Department

7.1 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 11.

7.2 In 2012-13, the Department continued to strengthen the controls put in place last year in relation to administration budget controls and we have introduced quarterly reconciliation checks to reinforce these controls.

7.3 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.

7.4 The HM Treasury led Clear Line of Sight project is aligning budgets, estimates and accounting definitions. In line with last year's process, the Department's Non Departmental Public Bodies' accounts have been consolidated with the Department's accounts and the tables have been prepared on this consolidated basis.

The Future

7.5 The Department's core budget (the Communities DEL) over the current Spending Review period is now £23.5bn, of which £8.0bn is resource and £15.5bn is capital. These totals have increased from £18.3bn at the beginning of 2012-13 (£7.0bn resource and £11.3bn capital) as a result of additional funding being provided to support Local Infrastructure Fund, Regional Growth Fund, FirstBuy, Empty Homes, Private Rented Sector Scheme, Public Sector Land Acquisition, Help to Buy, Build to Rent and Affordable Homes. Further details of changes to budgets are provided at paragraph 7.8 to 7.14 below.

7.6 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%. When grants from other departments are included, the overall reduction in revenue grants will be 26% in real terms. Local authorities also receive income from other sources, such as council tax. The Efficiency Support Grant will ensure that no council sees a spending power reduction of more than 8.8% in 2013-14 and 2014-15. The 7 authorities eligible for Efficiency Support Grant must show how they will make sustainable savings to deliver the services their communities expect to access the funding.

7.7 The expenditure plans in Tables 1a and 1b represent the Department's position following Budget 2013. As noted above, both capital and resource budgets have increased since the 2011-12 accounts.

Key budget changes for 2012-13 and future years

7.8 In December 2012 the Government announced a £574m fund to support work on Local Infrastructure and Public Land. £225m is for the long term commercial development of large sites; £59m is to support infrastructure in Enterprise Zones and £190m is to improve marketability of public land prior to disposal. A further £100m is approved to bring forward NHS Trust and Foundation Trust sites for development. The Department has made a further £50m available to this fund from its unallocated resources. Additional funding of £147m was received for the Regional Growth Fund at Autumn Statement.

7.9 The Department was also awarded capital funding totalling £425m as part of the September Housing Package to deliver up to 15,000 affordable homes, 5,000 Empty Homes, 16,500 units under the First Buy Scheme and up to 5000 additional units under the private rented sector schemes.

7.10 The Budget 2013 included additional Capital DEL (CDEL) funding from HM Treasury of £965m for 2013-14 and £1,200m for 2014-15 to help up to 74,000 homebuyers take their next step on the housing ladder with just a 5% deposit. It also included £ 125m for 2013-14 and £375m for 2014-15 for the Build to Rent Scheme which will support the construction of new homes specifically for private rent and an additional £105m for 2014-15 in Affordable Housing Guarantees which will mean up to 30,000 affordable homes will now be delivered through the expanded programme, with all new homes started on site by the end of March 2015.

7.11 The 2012-13 Supplementary Estimate also reflected a number of programmes where the responsibility and budgets had transferred to other government departments. £5m was transferred to the Department for Work and Pensions to support the continuation of the support for Mortgage Interest programme. £47m was transferred to HM Treasury for capitalisation directions for local authorities.

Further information on the Department's Supplementary Estimates can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/179773/supplementary_estimates_1213_dclg.pdf.pdf

7.12 From 2013-14 the redistribution of National Non Domestic Rates (NNDR) through formula grant is being replaced by Business Rates Retention. Under the new system introduced from April 2013, local authorities' income will change with business growth rather than being determined by complex formulae. As part of the change, the 50% local authority share of collected rates (Local Share) will be recognised by a reclassification from LG DEL to Local Authority Self Financing Expenditure. For 2013-14 this will see a reduction in LG DEL of £10.9bn.

7.13 Responsibility and budget has transferred from LG DEL to Communities DEL to cover the functions moving from the Local Government Ombudsman to the Housing Ombudsman.

7.14 The Department used the Budget Exchange mechanism to reprioritise £243m of funding to support measures for local government such as Council Tax Benefit Reform and the Local Government Finance Settlement for 2013-14 and to support future cost reduction measures. This represents good financial management.

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

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 plan	2014-15 plan
Spending in DEL - DCLG Communities							£,000
Voted expenditure							
Of which:							
A: Localism	967,803	1,013,667	2,433,954	669,921	293,374	391,609	215,504
B: Neighbourhoods	1,932,603	2,038,148	202,255	346,829	599,458	1,035,818	1,340,816
C: Local Economies, Regeneration & European Programmes	605,166	480,040	618,851	319,857	60,599	446,233	24,204
D: Troubled Families	-	-	-	10,377	116,924	136,000	129,000
E: Research, Data and Trading Funds	21,781	34,226	4,169	34,404	38,111	50,450	45,923
F: DCLG Staff, Building and Infrastructure Costs	317,920	290,137	308,793	209,410	170,528	276,973	203,101
G: Neighbourhoods (NDPB)(net)	243,613	271,672	199,232	119,262	81,423	85,634	67,257
H: Local Economies, Regeneration & European Programmes (NDPB) (net)	33,325	202,410	76,853	110,377	(11,380)	(3,071)	(10,501)
Departmental Unallocated Provision	-	-	-	-	-	178,784	105,486
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	1,349,037	2,598,430	2,120,790
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
I: Revenue Support Grant	2,909,446	4,547,431	3,167,008	5,905,455	477,406	15,200,902	12,650,021
J: Non-Domestic Rates Payments	20,500,000	19,500,000	21,500,000	19,000,000	23,119,000	-	-
K: London Governance	46,432	46,472	46,540	63,423	55,279	-	-
L: Other grants and payments	1,009,187	1,227,682	980,458	1,383,277	40,232	612,282	607,773
M: Valuation Services	166,000	163,800	150,196	152,000	141,000	144,000	145,000
N: Audit Commission and Disbanding	1,315	1,322	517	12,080	22	-	-
O: Local Government (NDPB)(net)	18,495	30,020	20,896	41,413	20,289	20,530	21,383
Business Rate Retention	-	-	-	-	-	265,149	125,000
Total Spending in DEL - DCLG Local Govt	24,650,875	25,516,727	25,865,615	26,557,648	23,853,228	16,242,863	13,549,177
Total Resource DEL	28,780,898	29,850,573	29,710,939	28,379,049	25,202,265	18,841,293	15,669,967
Spending in Annually Managed Expenditure (AME)							£'000
Voted expenditure							
Of which:							
P: Localism	251,603	260,268	383,803	315,743	399,111	382,873	396,311
Q: Neighbourhoods	(228,680)	(86,530)	(581,415)	(703,440)	(12,540)	28,661	25,761
R: Local Economies, Regeneration & European Programmes	94	35,401	-	-	-	-	-
S: Research, Data and Trading Funds	3,212	31,190	(71,450)	(61,446)	(1,621)	-	-
T: DCLG Staff, Building and Infrastructure Costs	12,968	(10,869)	20,701	(20,329)	9,226	(7,814)	(6,544)
U: Non-Domestic Rates Outturn adjustments	661,327	283,895	1,110,845	741,929	138,431	300,000	300,000
V: Local Government (NDPB) (net)	-	-	38	(9,616)	5,652		
W: Neighbourhoods (NDPB)	-	-	11,068	64,190	(9,719)	45,000	45,000
X: Local Economies, Regeneration & European Programmes (NDPB) (net)	574,079	25,885	170,673	55,165	24,408	25,000	12,000
Business Rate Retention	-	-	-	-	-	10,538	-
Total Resource AME	1,274,603	539,240	1,044,263	382,196	552,948	784,258	772,528
Total Resource	30,055,501	30,389,813	30,755,202	28,761,245	25,755,213	19,625,551	16,442,495

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

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 plan	2014-15 plan
Spending in DEL - DCLG Communities							£'000
Voted expenditure							
Of which:							
A: Localism	317,123	251,245	92,288	148,879	952,785	888,835	784,984
B: Neighbourhoods	1,671,759	1,779,660	1,565,450	922,582	225,599	1,339,912	1,903,204
C: Local Economies, Regeneration & European Programmes	1,353,714	1,254,515	336,000	688,313	138,297	198,832	484,949
E: Research, Data and Trading Funds	-	-	(1,418)	-	1,250	-	-
F: DCLG Staff, Building and Infrastructure Costs	9,891	19,342	3,117	1,329	1,590	5,500	6,000
G: Neighbourhoods (NDPB)(net)	3,413,400	4,957,408	3,561,378	1,836,730	1,197,588	1,782,462	1,460,689
H: Local Economies, Regeneration & European Programmes (NDPB) (net)	400,958	728,856	498,169	223,094	(44,900)	(109,515)	33,434
Departmental Unallocated Provision	-	-	-	-	-	59,316	92,379
Localism (NDPB) (net)	317	1,382	15,100	-	-	-	-
Total Spending in DEL - DCLG Communities	7,167,162	8,992,408	6,070,084	3,820,927	2,472,211	4,106,026	4,673,260
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
K: London Governance	1,600	1,600	1,600	-	-	-	-
L: Other grants and payments	119,992	256,737	(69,109)	(7,846)	(36)	-	-
O: Local Government (NDPB) (net)	484	2,017	(197)	129	1,257	-	-
Total Spending in DEL - DCLG Local Govt	122,076	260,354	(67,706)	(7,717)	1,221	-	-
Total Capital DEL	7,289,238	9,252,762	6,002,378	3,813,210	2,473,432	4,106,026	4,673,260
Spending in Annually Managed Expenditure (AME)							£'000
Voted expenditure							
Q: Neighbourhoods	516,448	170,736	842,972	152,824	33,368	430,000	430,000
U: Non Domestic Rates Outturn Adjustments	-	-	-	-	-	-	-
V: Local Government (NDPB) (Net)	-	-	-	-	(4,070)	-	-
W: Neighbourhoods (NDPB) (Net)	-	-	-	-	(29,090)	-	-
X: Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	-	(211)	-	-
Total Spending in AME	516,448	170,736	842,972	152,824	(3)	430,000	430,000
Total Capital	7,748,005	9,365,817	6,845,350	3,966,034	2,473,429	4,536,026	5,103,260

Table 2: Administration budgets

	2008-09 Outturn £'000	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Plans £'000	2014-15 Plans £'000
							£'000
B: Neighbourhoods	-	-	-	-	35,761	39,881	39,594
F: DCLG Staff, Building & Infrastructure Costs	305,455	276,944	252,221	194,124	168,768	273,973	200,101
G: Neighbourhoods (NDPB) (net)	173,667	190,381	153,814	117,521	80,957	88,424	82,503
H: Local Economies, Regeneration & European Programmes (NDPB) (net)	13,412	13,548	12,480	26,370	172	-	-
Localism (NDPB) (net)	7,812	3,548	1,118	964	-	-	-
Total administration expenditure	500,346	484,421	419,633	338,979	285,658	402,278	322,198

Tables 1A, 1B and 2 are based upon OSCAR 2013-14 structures. The accounting data presented in Notes 2.1 and 2.2 (pages 149-151) are based on 2012-13 structures.

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

Table 3: Capital employed

Assets and liabilities in the Statement of Financial Position at year end:	2008-09 Outturn £'000	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Plans £'000	2014-15 Plans £'000
Assets							£'000
Non-Current Assets (>1 year)							
Intangible Assets	69,345	79,936	24,734	16,832	10,062	4,692	2,657
Property, plant and equipment	69,263	71,945	118,661	109,004	90,507	84,770	70,609
of which							
Land and Buildings	10,531	12,808	73,992	79,640	67,056	63,434	59,207
Plant and machinery	8,287	9,349	7,893	4,587	3,507	2,121	1,317
Vehicles	26,666	24,171	21,674	11,176	9,562	-	-
Information technology	4,262	7,136	4,572	3,366	2,034	9,270	4,839
Payments on account and assets under construction	16,919	13,952	6,698	7,617	6,887	9,131	4,791
Other	2,599	4,527	3,832	2,618	1,461	815	455
Investment Property	-	-	28,806	28,511	28,708	29,426	30,161
Financial assets: investments	66,420	69,791	32,767	31,348	8,617	8,815	8,983
Trade and other receivables	125,551	170,334	174,328	14,346	13,140	13,361	13,587
Current Assets (<1 year)	678,931	711,507	762,968	826,673	793,415	777,474	736,981
Liabilities							
Current liabilities (<1 year)	(1,040,014)	(1,157,656)	(1,218,131)	(1,798,683)	(918,394)	(1,238,536)	(1,174,029)
Provisions (<1 year)	(92,997)	(121,941)	(57,530)	(10,061)	(20,839)	(19,133)	(6,868)
Non-current liabilities (>1 year)	(503,495)	(194,997)	(297,636)	(301,928)	(302,692)	(306,829)	(311,057)
Provisions	(62,401)	(29,341)	(29,713)	(22,079)	(23,132)	(15,579)	(14,106)
Capital employed within core Department and Agency	(689,395)	(400,422)	(460,746)	(1,106,037)	(320,608)	(661,538)	(643,082)
Non-Departmental Public Bodies' total assets less liabilities	1,002,448	1,225,960	1,867,509	1,720,134	1,519,958	2,696,387	4,466,237
Total capital employed in departmental group	313,053	825,538	1,406,763	614,097	1,199,350	2,034,849	3,823,154

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

7.16 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.

7.17 Tables 4a to 4e on p.45-49 of this Report and the Statement of Parliamentary Supply, on p.127 of the Accounts, show outturn figures against Estimates.

7.18 The Consolidated Statement of Cash Flows on p.130-131 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: 2012-13 Resource out-turn against budget

	2012-13 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	347,525	345,467	293,374	52,093
B:Neighbourhoods	643,312	618,336	599,458	18,878
C:Local Economies, Regeneration & European Programmes	200,472	65,757	60,599	5,158
D:Troubled Families	103,000	119,000	116,924	2,076
E:Research, Data and Trading Funds	43,414	28,962	38,111	(9,149)
F:DCLG Staff, Building and Infrastructure Costs	241,446	219,913	170,528	49,385
G:Neighbourhoods (NDPB)(net)	157,633	119,634	81,423	38,211
H:Local Economies, Regeneration & European Programmes (NDPB) (net)	1,874	958	(11,380)	12,338
Departmental Unallocated Provision	59,138	-	-	-
Total Spending in DEL - DCLG Communities	1,797,814	1,518,027	1,349,037	168,990
Spending in DEL - DCLG Local Govt				
Voted expenditure				
I:Revenue Support Grant	477,407	477,407	477,406	1
J:Non-Domestic Rates Payments	23,119,000	23,119,000	23,119,000	-
K:London Governance	55,313	55,313	55,279	34
L:Other grants and payments	170,687	138,870	40,232	98,638
M:Valuation Services	149,000	143,000	141,000	2,000
N:Audit Commission and Disbanding	24,993	10	22	(12)
O:Local Government (NDPB)(net)	22,759	22,679	20,289	2,390
Total Spending in DEL - DCLG Local Govt	24,019,159	23,956,279	23,853,228	103,051
Total Spending in DEL	25,816,973	25,474,306	25,202,265	272,041
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
P: Localism	345,303	399,204	399,111	93
Q:Neighbourhoods	(843,542)	44,103	(12,540)	56,643
R:Local Economies, Regeneration & European Programmes	1	1	-	1
S:Research, Data and Trading Funds	4,000	4,000	(1,621)	5,621
T:DCLG Staff, Building and Infrastructure Costs	(6,585)	11,388	9,226	2,162
U:Non-Domestic Rates Outturn adjustments	300,000	150,000	138,431	11,569
V:Local Government (NDPB)(net)	1	251	5,652	(5,401)
W:Neighbourhoods (NDPB)	45,362	40,362	(9,719)	50,081
X:Local Economies, Regeneration & European Programmes (NDPB) (net)	50,000	52,767	24,408	28,359
Total Spending in AME	(105,460)	702,076	552,948	149,128
Total for Estimate	25,711,513	26,176,382	25,755,213	421,169
Of which:				
Voted expenditure	25,711,513	26,176,382	25,755,213	421,169
Non-voted expenditure				

Table 4b: 2012-13 Capital out-turn against budget

	2012-13 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	953,253	951,931	952,785	(854)
B;Neighbourhoods	193,484	238,772	225,599	13,173
C:Local Economies, Regeneration & European Programmes	386,375	197,963	138,297	59,666
D:Troubled Families	-	-	-	-
E: Research, Data and Trading Funds	-	-	1,250	-
F:DCLG Staff, Building and Infrastructure Costs	10,000	4,000	1,590	2,410
G:Neighbourhoods (NDPB) (net)	1,245,965	1,307,815	1,197,588	110,227
H:Local Economies, Regeneration & European Programmes (NDPB) (net)	103,994	(6,052)	(44,900)	38,848
Departmental Unallocated Provision	101,784	-	-	-
Total Spending in DEL - DCLG Communities	2,994,855	2,694,429	2,472,211	222,218
Spending in DEL - DCLG Local Govt				
Voted expenditure				
L:Other grants and payments	-	-	(36)	-
O:Local Government (NDPB) (net)	-	80	1,257	(1,177)
Total Spending in DEL - DCLG Local Govt		80	1,221	(1,141)
Total Spending in DEL	2,994,855	2,694,509	2,473,432	221,077
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
Q: Neighbourhoods	946,000	33,453	33,368	85
U: Non Domestic Rates Outturn Adjustments	-	-	-	1,499
V: Local Government (NDPB) (Net)	-	-	(4,070)	2,571
W: Neighbourhoods (NDPB) (Net)	-	-	(29,090)	29,090
X: Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	(211)	211
Total Spending in AME	946,000	33,453	(3)	33,456
Total for Estimate	3,940,855	2,727,962	2,473,429	254,533

Tables 4A and 4B are based upon OSCAR 2013-14 structures. The accounting data presented in Notes 2.1 and 2.2 (pages 149-151) are based on 2012-13 structures.

7.19 The outturn above 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). DEL resource budgets are split into DCLG Communities and DCLG Local Government.

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

	2012-13 Plans £'000	2012-13 Outturn £'000
Gross Administration Costs	**404,278**	**318,946**
Less:		
Administration DEL (DCLG Communities) Income	(33,232)	(33,288)
Administration DEL (DCLG Local Govt) Income		
Net Administration Costs	**371,046**	**285,658**
Gross Programme Costs	**28,922,916**	**28,476,487**
Less:		
Programme DEL (DCLG Communities) Income	(485,686)	(491,686)
Programme DEL (DCLG Local Govt) Income		(650)
Programme AME Income	(33,738)	(41,167)
Non-budget income	(100,000)	-
Net Programme Costs	**28,303,492**	**27,942,984**
Total Net Operating Costs	**28,674,538**	**28,228,642**
Of which:		
Resource DEL (DCLG Communities)	1,513,767	1,349,037
Resource DEL (DCLG Local Govt)	23,956,279	23,853,228
Capital DEL (DCLG Communities)	2,564,703	2,472,211
Capital DEL (DCLG Local Govt)		1,221
Resource AME	706,336	552,948
Capital AME	33,453	(3)
Non-budget	(100,000)	-
Adjustments to include:		
Departmental Unallocated Provision (resource)		
OCS		
Adjustments to remove:		
Capital in the SoCNE	(2,498,156)	(214,522)
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	100,000	113,942
Other adjustments	(100,000)	(25,436)
Total Resource Budget	**26,176,382**	**28,354,658**
Of which:		
Resource DEL (DCLG Communities)	1,518,027	1,349,037
Resource DEL (DCLG Local Govt)	23,956,279	23,853,228
Resource AME	702,076	552,948
Adjustments to remove:		
Consolidated Fund Extra Receipts in the resource budget	-	-
Total Resource (Estimate)	**26,176,382**	**25,755,213**

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

	2012-13 Final budget £'000	2012-13 Outturn £'000
Net Resource Requirement	**26,176,382**	**25,755,213**
Net Capital Requirement	**2,727,962**	**2,473,429**
Accruals to cash adjustments	**67,227**	**798,250**
of which		
Adjustments to remove non-cash items		
Depreciation	(35,871)	(16,918)
New provisions and adjustments to previous	(17,984)	(17,731)
Departmental Unallocated Provision	-	-
Supported capital expenditure (revenue)	-	-
Prior period adjustments	-	-
Other non-cash items	(23,805)	(31,530)
Adjustment for NDPBs		
Remove voted resource and capital	(1,523,219)	(1,231,246)
Add cash grant in aid	1,666,079	1,175,801
Adjustments to reflect movements in working balances		
Increase (+)/ decrease (-) in inventories	-	(52,137)
Increase (+)/ decrease (-) in receivables	-	205,945
Increase (-)/ decrease (+) in payables	-	749,103
Use of provisions and payment of pensions	2,027	16,963
Removal of non-voted budget items		**135**
of which		
Consolidated Fund Standing Services	-	-
Other adjustments	-	135
Net Cash Requirement	**28,971,571**	**29,027,027**

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

	2012-13 Outturn £'000	2011-12 Outturn £'000
Net Resource Outturn	**25,755,213**	**28,761,245**
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	**25,755,213**	**28,761,245**
of which		
Departmental Expenditure Limits (DEL)	25,202,265	28,379,049
Annually Managed Expenditure (AME)	552,948	382,196
Adjustments include:		
Capital grants	2,307,992	3,647,707
Consolidated Fund Extra Receipts in the SoCNE	(113,942)	(6,479,415)
Grant in aid to NDPBs	-	-
Other	405,395	-
Total Net Operating Costs	**28,354,658**	**25,929,537**

2012-13 Variances of outturn against Estimate

7.20 Variance explanations are provided below where the comparison of outturn against Estimate has shown an over spend or an under spend of more than £0.5m and 10% of the Estimate.

7.21 In 2012-13 the Department (DCLG Local Government) breached its Estimate for Capital DEL by £1.141m resulting in the Comptroller and Auditor General Qualifying his Opinion in respect of this Control Total and his Report can be found at pages 121 – 126.

Table 4f: Subhead variance against Estimate – resource

Subhead Variance	Explanation
Line A Localism: under spend of £34,618k	An under spend of £15,000k on the administrative and legal costs associated with the sale of the Fire Service College to the private sector. An under spend of £12,000k on depreciation for Regional Control Centres; assets are revalued towards the end of the financial year. An under spend of £4,000k for Community Rights Programmes and £4,000k on Weekly Collection Support Scheme to reprioritise funding to support measures for Local Government.

Subhead Variance	Explanation
Line C Local Economies, Regeneration & European Programmes Under spend £11,835k	This relates to an under spend on Regional Growth Fund.
Line E Research data and trading funds: under spend £8,524k	The under spend is due to a favourable movement in the Euro / Sterling exchange rate which resulted in ERDF realised foreign exchange gains that were higher than expected.
Line F DCLG staff building and infrastructure costs, under spend £47,012k	The under spend arose from the Department's drive to make savings on non-pay costs such as reducing reliance on external support services and depreciation.
Line G Neighbourhoods under spend £32,709k	An under spend of £4,000k on pensions costs for the Planning Inspectorate due to the merger with the Independent Planning Commission Savings and £5,000k on Neighbourhood Planning. £14,000k in respect of miscellaneous unbudgeted receipts. The remaining variance is due to a number of small under spends against a collection of minor programmes.
Line H Local Economies, Regeneration & European Programmes (NDPBs) Under spend £12,203k	An under spend of £8,400k for the Homes & Community Agency due to changes in project delivery timetables. An under spend of £2,500k on closure costs relating to the London Thames Gateway Development Corporation..
Line L Other grants and payments, under spend £98,637k	An under spend of £84,000k for the cost of collection in respect of NNDR. This is an allowance retained by LAs rather than DCLG expenditure. The under spend also includes £11,000k which was a special budget exchange agreed with HM Treasury at the Supplementary Estimate.
Line N Audit Commission (AC) Disbanding, over spend £12k	There was very little spending for this programme in 12-13. The majority of the budget was transferred to the LG DEL contingency line for other LG spending pressures. This included budget cover for AC Disbanding.
Line O Local Government (NDPBs), under spend £2,391k	This represents under spends by the Valuation Tribunal Service and Commission for Local Administration (Local Government Ombudsman). We expected an under spend of at least £450k by the Valuation Tribunal Service as they had identified this as part of the additional Budget Exchange process at the Supplementary Estimate. A further £1,200k represents Capital DEL spending in excess of capital budget in respect of both the VTS and CLA.
Line Q Neighbourhoods, under spend £56,643k	The under spend represents the final transactions to close the Housing Revenue Account subsidy system. As the scheme was being wound up there was a higher surplus than projected.
Line S Research data and trading funds, under spend £5,621k	The under spend is due to a favourable movement in the Euro / Sterling exchange rate which resulted in ERDF unrealised foreign exchange gains that were higher than expected.
Line T DCLG staff building and infrastructure costs, under spend £2,162k	The provision set aside for early departure was not fully required.
Line V Local Government (NDPBs), over spend £3,186k	Although the £250k provision for impact of pension movements made at Supplementary Estimate was an increase on the equivalent figure required in the previous year, when the data was received, the movements were greater than expected resulting in the over spend.

Subhead Variance	Explanation
Line W Neighbourhoods (NDPBs), under spend £50,081k	This budget was in place for the expected impairment of assets in respect of Affordable Housing Programme and Kick Start which did not materialise in full.
Line X Local Economies, Regeneration & European Programmes (NDPBs) Under spend £28,359k	This budget was in place for the expected impairment of assets in respect of the HCA's Property & Regeneration Programme and Economic Assets Programme which did not materialise in full.

Table 4g: Subhead variance against Estimate – capital

Subhead Variance	Explanation
Line C, Local Economies, Regeneration and European Programmes, under spend £59,667k	Liverpool City Council has a Mayoral Development Fund, which enables them to phase their investment decisions. DCLG was originally going to contribute to schemes that were taking place in 2012-13. This support is now covering planned schemes in 2013-14.
Line F DCLG staff, building and infrastructure costs, under spend £2,410k	Admin Capital budget retained after the Supplementary Estimate as a contingency against potential pressures arising from the IT Relet, which did not materialise.
Line H Local Economies, Regeneration & European Programmes (NDPBs), under spend £86,145k	An under spend of £67,000k for the HCA comprising £7,000k for the Mortgage Rescue Scheme due to changes in project delivery timetables and £60,000k of receipts achieved greater than originally budgeted for. An under spend of £9,000k on West Northants Development Corporation due to changes in project delivery timetables.
Line O Local Government (NDPB) Net overspend £1,177	This represents unbudgeted capital DEL spending by the Valuation Tribunal Service and Commission for Local Administration (Local Government Ombudsman) which resulted in a DCLG Local Government Capital DEL breach.
Line U Non Domestic Rates Outturn Adjustments, under spend £1,499k	The under spend for NNDR Outturn Adjustments was £11,566k. From an original budget of £300,000k, £150,000k was surrendered at the Supplementary Estimate. A reasonable contingency was retained to deal with final unsettled local authority claims.
Line V Local Government (NDPBs), under spend £2,571k	The capital variances are as a result of expected returns on pension assets which were identified as capital income after the spring supplementary process so bodies wouldn't have been able to forecast income against these lines.
Line W Neighbourhoods (NDPBs), under spend £29,090k	HCA pension provision actuarial costs, which are only assessed after year end, were lower than expected.

7.22 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 excess variance of £55,456m (0.19%) against the Estimate provision for the Net Cash Requirement of £28,971m (2011-12: £1,925m (5.8%) against an Estimate of £33,363m). In 2012-13, the Department breached its Estimate for Net Cash Requirement resulting in the Comptroller and Auditor General Qualifying his Opinion in respect of this Control Total and his Report can be found at 121 - 126.

7.23 Table 4d above provides more detail and variance explanations are provided below in table 4h where the comparison of outturn against Estimate has resulted in a variance of the greater of £0.5m and 10% of the Estimate.

Table 4h: Variance against net cash requirement Estimate

Variance	Explanation
Non cash items: variance of £926.790m against Estimate of (£75.633m)	This variance arose as the Department had not agreed Estimate cover in respect of movement in working capital. These movements totalled £902.989m which was a use of net cash requirement in 2012-13 and which subsequently caused the Department to breach its Net Cash Requirement control total resulting in Qualification.
Adjustment for NDPBs: variance of £218.420m	The voted expenditure removed was £271.858m less than in Estimates and the cash grant in aid required to support net NDPB expenditure was £490.278m less than in Estimates. Therefore the variance arose because the removal of the NDPB voted expenditure was smaller than the addition of grant in aid required to support this expenditure.

7.24 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 HM Treasury website: (http://www.hm-treasury.gov.uk/pespub_index.htm).

Significant Events since the End of the Financial Year

European Regional Development Fund 2007-13

7.25 The Department was informed in May 2013 that the European Commission has interrupted the 2007-13 programme (suspended payment of claims) due to the Audit Authority giving a qualified audit opinion in respect of two systems based audits. One of these was in respect of Article 13 checks and the other on the availability of records in respect of projects previously managed by Department for Business Innovation and Skills. Although the Programme has been interrupted, it is not considered that the income outstanding and due from the Commission will be at risk although receipt of this income will be delayed. Therefore, at present, the full value of the accrued income is reflected in these accounts and there is no evidence to support application of provision or accrual for write off in respect of the income accrued. The Department has received informal confirmation that the outstanding accrued income would be paid but payment is now delayed whist the interruption is in place. Work is underway to meet the actions required in order for the interruption to be lifted. Please see paragraphs 2.42 and 2.43 for more information on the interruption.

Payment Performance

7.26 From April 2010 the Department's policy has been to pay all undisputed supplier invoices within five days of receipt, or within contractual terms if less, in line with the cross Whitehall policy and 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.

7.27 The five day prompt payment performance for the Department in 2012-13 was that 84.41% of invoices were paid on time against a target of 80%. This represents 10,992 invoices being paid to target from a total of 13,022 invoices processed in 2012-13. Overall year on year performance improved compared to 2011-12 when the percentage of invoice payments made on time was 82.14% (representing 13,989 invoices paid on time from a total of 17,030 invoices paid).

7.28 We continue to push for better performance against the target. We are constantly monitoring payment performance and looking at ways to improve our processes to improve our performance against the target.

Payments to Charities

7.29 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.

7.30 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.

7.31 The following table sets out the financial assistance provided by the Secretary of State under this power for the year 2012-13, totalling £22,864k (2011-12, £7,480k).

Table 4i: Payments to Charities

		£'000
Institution	**Payments 2012-13**	**Purpose**
<u>Assets of Community</u>		
The Social Investment Business	1,688	Support the organisational and business development of community–led organisations, which may be registered charities or social enterprises that want to take over a community asset. Contribute to the capital investment cost of a small number of demonstration projects.
<u>Bandstand Marathon - Communities in Tune</u>		
Superact	200	Delivery of a national community-led music day.
<u>BCC Local Enterprise Partnership Network</u>		

£'000

Institution	Payments 2012-13	Purpose
British Chamber of Commerce (BCC)	192	Run a network of local enterprise partnerships to support local business leadership and facilitate peer support and good practice.
Building Regulation Research Grant		
Institute of Structural Engineers	15	Support the engagement of industry experts in developing a methodology for the structural assessment of higher risk buildings that can be used to show these meet the requirement of Part A3 of Schedule 1 of the Building Regulations 2010 (S.I.2010/2214) and then to prepare a guide to raise industry awareness of and ability to use this methodology.
Centre for Engineering and Manufacturing Excellence		
Centre for Engineering and Manufacturing Excellence	59	Setting up and operation of the High Speed Sustainable Manufacturing Institute at CEME.
Cohesion & Faith Grant		
Inter Faith Youth Trust	10	Support inter faith week activities in 2012.
Combating the influence of far-right social movements		
Show Racism the Red Card	65	Counter English Defence League workshops for 9,400 young people aged 11-18.
Co-ordination of Neighbourhood Community Budget		
Bradford Trident Ltd	80	Support for Neighbourhood Community Budget pilot.
Paddington Development Trust	122	Enable Paddington Development Trust to coordinate the Queens Park Neighbourhood Community Budget on behalf of local partners.
Poplar Housing and Regeneration Charitable Association (HARCA)	105	Support the development of implementable plans for the Neighbourhood Community Budgets, by April 2013.
Digital Inclusion & Sheltered Housing Grant		
National Institute of Adult Continuing Education (NIACE)	20	Help older people in sheltered accommodation learn how to use digital technology.
Empty Homes Community Fund		
Tribal Education Ltd	8,640	Bring empty homes back into use as affordable housing.
Enterprise Business Connectors		
Business in the Community	311	Help small businesses in target areas to survive and to grow, and be able to provide local employment, goods and services in some of the most disadvantaged communities through support from large businesses.

£'000

Institution	Payments 2012-13	Purpose
Holocaust Memorial Day Grant		
Holocaust Memorial Day Trust	750	Promote and raise awareness of HMD to organisations, individuals and groups who hold their own activities for HMD in UK, learn past lessons and create a safer future.
Housing Management		
National Communities Resource Centre	295	Provide a range of free, professionally delivered, residential training courses to empower social housing tenants.
Industrial Cadets		
Engineering Development Trust	115	Enthuse secondary age pupils (13-14) about the possibility of a career in industry (engineering, manufacturing etc).
Integration & Extremism - Tolerance		
Faith Based Regeneration Network UK	80	Support local faith-based community organisations in their daily work to improve the life of the communities and neighbourhoods.
Information Network Focus on Religious Movements (INFORM)	240	Provide information about alternative religious, spiritual and esoteric movements to the community.
Inter Faith Network for UK	290	Raise awareness about the importance of inter faith engagement, cooperation and dialogue.
Mitzvah Day	35	A series of volunteering events, held by 9 different faith communities in turn.
Talk for a Change	10	To run educational pilot schemes to provide guidance in tackling caste prejudice.
Muslim Hate Crime Reporting (MAMA)		
Faith Matters	191	Encourage recording of anti-Muslim hate crime and incidents on MAMA and offer victims advice.
National Citizen Service Legacy Project		
Young Advisors Charity	75	Provide project training to Young Advisors - 150-200 young people in 2011/12 and up to a further 375-500 in 2012-13.
Near Neighbours Initiative Grant		
Church Urban Fund	2,375	Encourage interaction and joint social action involving people of different faiths in key deprived areas, and to build the capacity of clergy, young people and community leaders from minority faith communities.
Neighbourhood Community Budgets		
Urban Partnership Group	90	Enable Urban Partnership Group to support the White City Neighbourhood Community Budget on behalf of local partners.

£'000

Institution	Payments 2012-13	Purpose
OBV Grant Programme		
Operation Black Vote	60	Enable Operation Black Vote to implement a new business plan which would allow them to become financially stable.
Older People Programme		
Elderly Accommodation Counsel	673	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.
Promoting Enterprises		
Anne Frank's Trust	103	Educate young people to challenge prejudice and discrimination.
QED-UK match funding for Unity through diversity English Language project		
Quest for Economic Development (QED) - UK	42	Provide of match-funding to the European Integration Fund to projects to provide community-based English Language training in key integration areas.
Right to Challenge		
The Social Investment Business	1,421	Provide financial assistance to relevant bodies established for a charitable, philanthropic or benevolent purpose to compete in procurement exercises and deliver service contracts where these opportunities have not resulted from using the Right (this will utilise powers contained in section 70 of the Charities Act 2006).
SLN Enterprise Programme		
Schools Linking Network (SLN)	49	Create school partnerships to foster common ground between students and develop employment skills.
Supporting Inclusion Programme		
Princes Trust	3,834	Create opportunities for young people in uninformed voluntary orgs (e.g. Scouts) in 14 target areas.
Supporting People		
Chartered Institute of Housing	30	Pilot the service quality tool with a number of local authorities and providers. Amend the web based tool in light of the pilot feedback then roll out the service quality tool nationally holding events on the benefits of the new web based tool.
Chartered Institute of Housing	95	Work with local authorities in assessing how they can manage any efficiencies being made to the Supporting People budget in a way which will retain effect service provision locally.

£'000

Institution	Payments 2012-13	Purpose
Chartered Institute of Housing	20	Identify and disseminate positive practice in the provision of commissioning housing related support (HRS) services in order to support small and medium enterprise's access to the procurement process including tendering and removal of unnecessary barriers.
SITRA	22	Explore the potential of personalisation of housing support services, bringing together a wide range of positive ideas and demonstrating pragmatic and practical responses to the challenges in housing related support sector.
Tackling Extremism and Hate Crime		
Society of Editors	50	Work with the Society of Editors to produce a guide for moderators of online content.
Tackling on line anti-Semitism		
European Institute for the Study of Contemporary Anti-Semitism (EISCA)	34	Identify incidents of anti-semitism in the mainstream media.
Tenant Empowerment Programme		
Tenant Participation Advisory Service	10	Produce sector-led advice to support the role of 'designated persons' in dealing with complaints by social tenants against social landlords.
The Arbour - Match funding for Connecting Mums English Language project		
The Arbour	30	Provide match-funding to the European Integration Fund to projects to provide community-based English Language training in key integration areas.
The Big Lunch Project		
Eden Project	156	Target support to selected hard to reach communities in the run up to The Big Lunch in 2012 and 2013.
Together: Building New Communities		
Searchlight Educational Trust	66	Through volunteer-led community groups organising local news-sheets and community events to generate positive local identities in four areas with strong English Defence League activity.
Towns Regeneration		
Business in the Community	53	Brigade and channel pro bono big business, retail offers as well as trade body support to the 27 Portas pilots and Town Team Partners.
Transitional Funding Grant		
Civic Voice	64	Help organisation develop and transition to a self sustaining model.

Auditors

7.32 The core, agency and group accounts have been audited by the Comptroller and Auditor General (C&AG) with the exception of the Leasehold Advisory Service (LAS). The total cost of the audit across the departmental group is £1,042,000 of which £460,000 is a cash charge and £582,000 is a notional charge (2011-12: £540,000 cash costs and £663,000 notional charge totalling £1,203,000). Included in the cash charge is £72,000 in respect of the audit of the 2010-11 and 2011-12 accounts of Firebuy.

7.33 The audit fee for the core Department is £470,500 (2011-12: £562,000), broken down as £420,000 for the departmental audit, and £50,500 for the cost of consolidation work.

7.34 In addition, the Department meets the costs of the National Non Domestic Rates audits which were £22,000 for the White Paper account (2011-12: £22,000) and £24,000 for the Trust Statement (2011-12: £36,000). These fees are both notional charges and included in the Group Accounts.

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

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

7.37 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.

7.38 The audit of the designated bodies, with the exception of LAS (audited by MacIntyre Hudson), was carried out by NAO under various statutes and the costs are included in paragraph 7.32 above. Further details are given in the accounts of the bodies concerned.

Human resources[6]

Overview of key HR activities for 2012-13

7.39 The principal focus of the year was to establish a clearer vision for the Department through the Better Department work, and to take forward aspects of the Civil Service Reform Plan, which includes creating a modern employment offer for staff, and work to create a more unified Civil Service. To deliver the Department's priorities, the Department established the Better Department plan, focussing on five main areas of change: leadership, influencing, people development, getting the basics of Departmental life right and collaborative working ('One Department').

7.40 Other key HR activities in 2012-13 have included:

- Carrying out a review of the Department's terms and conditions. The review was undertaken to ensure that the current employment package reflected modern employment practices while recognising and rewarding the commitment of staff and playing a part in ensuring the civil service works more collaboratively as a

[6] 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 resources in the Department's ALBs.

whole. The Department outlined its options to change 6 key policy areas. Consultation on these areas continues and is due to conclude early 2013-2014;

- Introducing a new performance management process within the Department which is being strengthened by adopting a cross government competency framework. This has been supported by the launch of the Department's new managing poor performance procedures;
- Making plans to change the way the Department delivers its transactional back office services (finance, payroll, HR and procurement) across Government. In line with the Civil Service Reform Plan, and the subsequent Next Generation Shared Services Strategic Plan, the Department has agreed with the Cabinet Office that it will outsource the provision of these services to an 'Independent Shared Service Centre';
- A sustained focus on "getting the basics right" on Learning and Development in 2012-13 in a bid to improve staff engagement within the learning offer available. This focus culminated in a "re-launch" of Learning and Development;
- A process to harmonise the pay and terms and conditions of approximately 300 staff who transferred into the Department from the former Government Offices (GOs) and Regional Development Agencies (RDAs) when the organisations closed in 2011. By March 2013, this work had been completed and approximately 88% of ex-RDA staff and 81% of ex-GO staff opted to move to the Department's arrangements;
- The introduction of a more strategic and structured annual cycle to workforce planning. The Department has linked activity around recruitment and performance together with business planning, so it can provide opportunities for managed moves and promotions based on a better understanding of the needs of the individual and the business as a whole. The new approach involves an annual moves process, promotion gateways, direct recruitment and workforce planning workshops; and
- Initial work on pay reform to move away from contractually-guaranteed pay progression.

Civil Service People Survey 2012

7.41 In October 2012, 77% of the Department's staff completed questionnaires in the fourth civil service wide staff engagement survey. The Department's 2012 engagement index improved by 3 percentage points to 43%; this is a positive move but is still below the Civil Service engagement median. The scores were particularly positive in the two key areas, understanding the Department's business and purpose, up 10 percentage points, to 67% and learning and development, up 14 percentage points to 38%. The five work strands of the Department's Better Department change plan - leadership, influencing, People Development, getting the basics of Departmental life right and collaborative working (One Department) - have all contributed to the increase in Leadership and Managing Change (up 6 percentage points). The Civil Service People Survey showed that where there was a 'Better Department' focus, this had made a difference to staff and brought about change.

7.42 Senior managers will continue to focus on staff engagement and building an emotional attachment to the Department and continue to seek to improve the Department's capability in leadership and management.

7.43 Moving forward into 2013, the Better Department work will continue to be the main approach for responding to particular areas of focus identified though the Civil Service People Survey and supported by staff feedback, areas identified for focus from Civil Service Reform and business priorities. The Department refreshed its approach in the first quarter of 2013, looking to build on the successes of 2012 and ensuring that the priorities were still fit for purpose.

Disabled staff

7.44 The Department is committed to developing programmes and policies that open up and enhance opportunities for people from all communities, including for disabled persons. In 2012-13, the Department continued to make accessible funds to support staff who require reasonable adjustments in the workplace. Members of our senior management team work with our staff disability network, championing the agenda and raising its visibility and awareness amongst staff. The Department continually engages and seeks views amongst our network members when engaging in policy making.

Staffing – staff in post

7.45 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 staff on loan or secondment into the Department where they are paid directly through the Department's payroll.

7.46 The following table illustrates the staffing position for the past three years using Office for National Statistics definitions of staff:

Table 5.1: Staff in Post – full time equivalents

	2010-11 Actual [(1)]	2011-12 Actual [(2)]	2012-13 Actual [(3)]
DCLG - Central Department			
Permanent staff [(4)]	1,892	1,807	1,655
Fixed Term Appointments	42	15	26
Total	**1,934**	**1,822**	**1,681**
Government Office Network (GON)			
Permanent staff [(4)]	923	-	-
Fixed Term Appointments	7	-	-
Total	930	-	-
Total Core Department	**2,864**	**1,822**	**1,681**
Planning Inspectorate			
Permanent staff [(4)]	610	600	633
Fixed Term Appointments	-	-	23
Total PINS	**610**	**600**	**656**
Total Department and Agency			
Permanent staff [(4)]	3,425	2,407	2,288
Fixed Term Appointments	49	15	49
Total	**3,474**	**2,422**	**2,337**

(1) Full Time Equivalent Figures (FTE) (rounded) as at 31 March 2011.

(2) FTE figures (rounded) as at 31 March 2012.

(3) FTE figures (rounded) as at 31 March 2013.

(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 core Department, Executive Agency 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 2013.
- 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
2012-13 Average Staff Numbers as per Note 7	**1,743**	**646**
Difference arising from use of Staff in Post figures	(24)	10
March Actual	**1,719**	**656**
Excluded from ONS numbers:		
Excluded as not paid through DCLG Payroll:		
Reimbursed Secondment In	(24)	-
Reimbursed Loan in	(4)	-
Career Break		-
Excluded as not defined as civil servants:		
Ministers	(7)	-
Special Advisors	(3)	-
ONS (FTE) Staff Numbers Table 5a above	**1,681**	**656**
ONS (FTE) Staff Numbers	1,681	656
Difference	-	-

7.47 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 in the period between 1 April 2012 and 31 March 2013 and those that have been granted by exception since. All recruitment is carried out in line with the Civil Service Commissioners' Recruitment Principles.

7.48 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 2012-13

Pay Band	Non-civil Servants	Fixed-term appointments	Permanent	Casual	Total recruitment	Women	BME	Disabled
1								
2	-	1	3	-	4	2	1	-
3	-	13	11	-	24	7	2	-
4	-	9	41	-	50	27	4	4
5	-	1	19	-	20	13	3	-
6	-	1	24	-	25	14	2	-
7	-		1	-	1	1	-	-
SCS	-	1	1	-	2	1	-	-
Totals	-	26	100	0	126	65	12	4

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 2013

Salary band	Number	Salary band	Number
£55,000 – £59,999	5	£120,000 – £124,999	1
£60,000 – £64,999	13	£125,000 – £129,999	-
£65,000 – £69,999	17	£130,000 – £134,999	2
£70,000 – £74,999	14	£135,000 – £139,999	1
£75,000 – £79,999	3	£140,000 – £144,999	-
£80,000 – £84,999	4	£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	2	£165,000 – £169,999	-
£105,000 – £109,999	3	£170,000 – £174,999	-
£110,000 – £114,999	3	£175,000 – £179,999	-
£115,000 – £119,999	-	Total SCS	77

Table above 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.

7.49 The Department has published details on those consenting 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:

https://www.gov.uk/government/publications/senior-dclg-employee-salaries-december-2012

7.50 As at 31 March 2013 there were 86 SCS staff on the DCLG payroll, including the Permanent Secretary, seven were non SCS staff in receipt of a temporary responsibility allowance and one on a zero hours contract. In addition there were five SCS members who were not on payroll, two were shared with another department as part of a shared services arrangement, one was a reimbursed secondment in and two were on unpaid leave of absence.

Table 5.5: Number of SCS by Pay Band as at 31 March 2013

	On DCLG Payroll	Shared Service	Loan or Secondment	Unpaid Leave of Absence
SCSPB1	62	1	1	2
SCSPB1A	2	-	-	-
SCSPB2	17	1	-	-
SCSPB3	4	-	-	-
Permanent Secretary	1	-	-	-
	86	2	1	2

Sickness Absence

7.51 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 NDPBs 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 versus long-term absence and reasons for absence.

7.52 The quarterly statistics for the year to 30 September 2012 (the latest period for which data is currently available) show that the average working days lost (AWDL) per staff year in the Civil Service as a whole remains the same as the previous two quarters at 7.6 days and compares to 7.9 days for the same quarter in 2011. The figure for the core Department and Agency at 31 December 2012 stood at 6.3 and at 6.1 for the core Department.

7.53 The core Department and Agency has reported a decrease across the last four quarters from 6.9 in Quarter 4 2011 to 6.3 in Quarter 4 2012, and the rate for the core Department only has fallen to 6.1. The percentage of civil servants taking no sick leave during the calendar year 2012 for the core Department and Agency was 51% and 54% for the core Department only.

Reporting related to the Review of Tax Arrangements of Public Sector Appointees

7.54 As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arms length bodies have been asked to publish information in relation to the number of off payroll engagements which were at a cost of over £58,200 per annum and were in place on 31 January 2012. The Department uses off payroll arrangements only for specialist or technical staff. Contractual controls, including the right to request assurance on tax obligations, means there is no opportunity of any tax avoidance arrangements.

Table 5.6: For off-payroll engagements at a cost of over £58,200 per annum which were in place as of 31 January 2012.

	DCLG Core	Planning Inspectorate (Agency)	Standards Board for England[(2)]
No. in place on 31 January 2012	30[(1)]	3	1
of which:			
No. that have since come onto the organisation's payroll	-	-	-
No. that have since been re-negotiated/re-engaged, to include contractual clauses allowing the department to seek assurance as to their tax obligations	6	-	-
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the department to seek assurance as to their tax obligations	-	-	-
No. that have come to an end	24[(3)]	3	1
Total	30	3	1

1The original list provided showed 34 individuals (within DCLG) were paid off payroll. Following the publication of the figures, it was established that the 4 Non-Executives should have been classed as being on payroll and taxed at source

2 The Standards Board for England was abolished in April 2012

3 This includes an individual whose engagement ended but has subsequently been re-engaged under a new contract for a different role for less than 6 months

Table 5.7: For all new off-payroll engagements between 23 August 2012 and 31 March 2013, for more that £220 per day and more than 6 months.

	DCLG Core	Commission for Local Adminstration (LGO)
No. of new engagements	7	2
of which:		
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	7	0 [1]
of which		
No. for whom assurance has been requested and received	7	2
No. for whom assurance has been requested but not received	-	-
No. that have been terminated as a result of assurance not being received	-	-
Total	**7**	**2**

[1] Commission for Local Administration – Any new engagement or extension from October 2012 would have the relevant clauses set out in their contracts

7.55 The following table reflects spending in respect of consultancy and contingent labour:

Table 5.8: Monitoring spending on consultancy and temporary staff

	2012-13 £000	**2011-12** £000	**2010-11** £000
Cost of Contingent Labour			
DCLG	4,513	2,843	4,617
Executive Agencies (PINS only)	-	-	-
NDPBs	966	688	-
Total	5,479	3,531	4,617
Cost of Consultancy			
DCLG	1,126	4,270	13,841
Executive Agencies (PINS only)	-	-	-
NDPBs	167	131	-
Total	1,293	4,401	13,841
Overall Total	**6,772**	**7,932**	**18,458**

Temporary staff – This is the provision of workers to cover business-as-usual or service delivery activities within an organisation. Temporary Staff are also often referred to as “Contingent Labour”. Consultancy staff – This is the management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions. The table above shows the cost of this provision to the Department and NDPBs only.

Fire, Health and Safety

7.56 The Department is committed to operating a best practice yet proportionate fire, health and safety (FHS) management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.

7.57 The Department is also committed to annually reporting its fire, health and safety performance and its plans for proactive development of strategic FHS management.

Performance Summary

7.58 During 2012-13, the Department’s fire, health and safety management system has been subject to continual improvement, reflecting best practice and a common sense approach. This included a review of policies and procedures and communicating these to both internal and external stakeholders.

7.59 Significant progress has been made in strengthening the Department’s statutory and occupational health and safety compliance assurance and monitoring systems. This has enabled the effective use of resources and management time to ensure that, where required, timely remedial action is taken on a risk-based approach.

Strategic Progress

7.60 During 2012-13, the Department has:

- implemented a new management structure for fire, health and safety delivery;
- revised its Fire Safety, Statutory Compliance and Occupational Health and Safety reporting tools;
- implemented new fire, health and safety policies in consultation with the Departmental Trade Union Side;
- introduced fire safety e-learning training for all staff;
- embedded safety and compliance management within the Department’s new Total Facilities Management Contract;
- reduced departmental fire, health and safety resources through outsourcing services to the private sector; and
- concurrently reduced the level of fire, health and safety risk associated with our business activities.

Strategic Objectives

7.61 In 2013-14, the Department will:

- undertake a performance audit of the Total Facilities Management contract, to ensure FHS processes and arrangements are sufficiently robust;
- launch an improved e-learning and assessment package for workstation assessments to better identify the causes of ill-health and sickness absence; and

- drive efficiency within its fire, health and safety management system by moving from a policy implementation phase to proactive management and continual review.

Departmental Accident Statistics for 2012-13

7.62 The Department's safety performance was again good. Overall accident rates have remained low with a notable reduction in slips, trips and falls, with no enforcement action against the Department. Two accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR), against none in 2011/12. The Reportable Accident Rate was calculated as 74 per 100,000 employees, which is significantly lower than the 2011-12 Public Service average. A total of 29 accidents were reported by employees in 2012-13, against 12 in 2011-2012. The Department will continue to focus on eliminating and/or controlling workplace hazards so far as reasonably practicable during 2013-14.

	2012-13	2011-12
Number of Accidents	29	12
Number of RIDDORs per 100,000 staff	74	-
Public Service average number of RIDDORs per 100,000 staff	*	554
General Office/Admin average number of RIDDORs per 100,000	*	450

* Data not yet available

Sustainability

7.63 As part of its work on mainstreaming sustainable development, the Department will:

- assess and manage environmental, social and economic impacts and opportunities in its policy development and decision making
- implement the Department's plan to deliver on Greening Government Commitments, supplying quarterly information and contributing to an annual report on progress.
- procure from small businesses with the aspiration that 25% of contracts should be awarded to small/medium sized enterprises
- deliver the weekly waste collection support scheme; and
- the government will be consulting on sustainable development indicators which will include an indicator representing the Department's contribution to sustainable development.

Progress on delivering sustainable growth through our local growth work and town centres

7.64 The government is providing the powers, tools, and incentives to allow local partners to drive the growth and regeneration of their area in a way that suits local economic, social and environmental conditions and priorities. Local Enterprise Partnerships are partnerships of businesses and local leaders providing strategic leadership on growth. The City Deals initiative is helping to provide city economic areas with key building blocks for local growth - in transport, local investment funding and local skills.

7.65 We are supporting balanced growth across the country through delivery of the Regional Growth Fund and European Regional Development Fund investment, and the new Coastal Communities Fund; and are working with our high streets to ensure they continue to prosper.

7.66 Enterprise Zones like Humber and Great Yarmouth are showing a strong commitment to sustainability through their focus on renewable energy linked to the Centres for Offshore Renewable Energy (CORE) initiative.

Sustainable growth through the National Planning Policy Framework

7.67 The new, simplified National Planning Policy Framework ('the Framework') was published in March 2012 after public consultation. It includes the internationally-recognised definition of sustainable development and the more detailed definition contained in the UK Sustainable Development Strategy Securing the Future.

7.68 The Framework is designed to underpin plan-making and decision-taking. It reaffirms that planning has an economic, a social and an environmental role in contributing to sustainable development. It contains a presumption in favour of sustainable development which makes clear that Local Plans should seek to meet identified needs, and that planning applications should be approved where possible, but in each case subject to respecting key environmental safeguards.

7.69 A consultation on Lord Taylor's recommendations from the Review of Planning Practice Guidance closed on 15 February 2013. We will publish a summary of consultation responses in due course. The intention is to produce new streamlined guidance in 2013 that will support the Framework and be in a clearly accessible format.

7.70 Local authorities have made good progress in producing Local Plans during the year. 72% are now at the publication stage or beyond, of which 13% were published after the Framework came into effect.

Local Authority Procurement

7.71 Local authorities have considerable spending power - directly procuring £57bn in 2011-12. Local procurement decisions are rightly a matter for local authorities themselves, but too often local procurement practices are bureaucratic and time consuming for small and medium sized enterprises. We have launched the 'Best councils to do business with' contest to identify those councils who do the most to support Small and Medium Enterprises (SMEs) through their procurement practices, and to disseminate their good practice more widely.

Asset management and local government growth

7.72 DCLG supports the Capital and Assets Pathfinder programme which is run by the Local Government Association (LGA) and supports local authorities to manage their assets strategically. The latest wave is focussing on growth and will also be measuring participants against a number of outcomes, including reductions in carbon emissions.

7.73 Local government assets are worth approximately £235bn. We are working across the sector to encourage collaboration and promote smart asset management strategies as this could deliver £35bn in capital receipts over the next ten years as well as boost the local economy. *The Leaner and Greener: Delivering Effective Estate Management* report suggested that public sector organisations could also deliver up to £7bn of revenue from lowering the space they occupy and through co-operation in procurement and facilities management.

7.74 We have also just consulted on the list of asset indicators that we expect councils to publish. This includes indicators of building and energy efficiency which will help to drive up standards and deliver savings across the local government estate.

Progress on assessing and managing social and environmental impacts and opportunities in policy development and decision making.

7.75 DCLG follows the broad policy making cycle set out in the Green Book. Option appraisal is a key part of this process with the estimated economic, social and environmental impacts of policies set out in Impact Assessments. In DCLG, policy advisers and analysts work closely to produce each impact assessment before it is critically reviewed, quality assured and receives Chief Economist sign-off. For measures which have the potential to affect business, impact assessments are subject to additional scrutiny by the independent Regulatory Policy Committee (RPC). In 2012, DCLG sent 31 impact assessments to the RPC.

7.76 Impact Assessments for planning are produced to assess the social, economic and environmental impact of proposed policy reforms, in addition to other considerations. For example, the National Planning Policy Framework Impact Assessment included consideration of the impacts of extra homes.

7.77 Our building regulations and standards analysis enables us to assess social, economic and environmental impacts as a result of relevant policy changes. Examples include water efficiency and conservation of fuel and power.

7.78 As part of our work to embed wellbeing into the Department's policy making, the Behavioural Research Network – a group of leading academics working pro bono with the Department – is leading a project to understand better the role of design in influencing behaviour including the impact that the built environment can have on personal wellbeing and health. The first workshop took place in February 2013 and captured the views of experts on the impact of the built environment on behaviours. This especially focussed on (1) energy, waste and water; (2) performance and productivity; (3) health. The next workshop took place in June 2013 and looks to develop proposals for research or action in the field. Findings will subsequently be published.

7.79 The new Energy Performance Certificate (EPC) - https://www.gov.uk/buy-sell-your-home/energy-performance-certificates became available in April 2012. We have tried to make it easier for users to understand the recommendations made in EPCs so that they can make informed decisions about their energy use.

Greening Government Commitments

Introduction

7.80 DCLG is fully committed to operating an efficient estate and reducing the environmental impact of its operations and their associated costs. This is the third year that DCLG has reported non-financial and financial indicators of its sustainability performance in its Annual Report and Accounts, following the HM Treasury guidance: 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk. 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 DEFRA and the Cabinet Office.

Scope

7.81 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 Greening Government Commitments. As such, non-financial data also includes information from the Audit Commission and QEII Conference Centre (QEIICC).

7.82 QEIICC is primarily a non-office site and while included in the Department's total water consumption data, falls outside the office benchmark figures.

7.83 The 2011-12 Report included data for the Fire Service College (FSC). However, since the sale of the College, it has been exempted from the GGC targets. This report has therefore removed FSC data from all years, 2009-10 through to 2012-13.

7.84 From 2012-13, the Department is also voluntarily reporting the impact of its international business travel. This ensures greater transparency and supports the requirement to offset emissions from ministerial and official air travel.

Targets and Summary of 2012-13 Performance

7.85 Overall, the Department has continued to make strong progress towards meeting the Greening Government Commitments targets, while also reducing associated financial costs. Performance is set out in the tables on the following pages. Where the Department has already met a Greening Government Commitments target, further efficiencies will be sought if viable.

7.86 The Department's sustainable operations delivery plans and targets are fully aligned to the Greening Government Commitments targets. Where the Greening Government Commitments framework has not set quantified targets for a specific area, the Department has defined its own aspirational target, including a total estate water reduction target and a target recycling rate. These are detailed in relevant sections and in Table 1a.

Table 6.1: Non-financial 2012-13 performance against key Greening Government 2015 targets, measured against 2009-10 baseline

	Greenhouse Gas (scope 1, 2 & 3 gross) Emissions by	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%	Achieve Recycling Rate of 85%
Performance (2012-13 measured against 2009-10)	-41%	-37%	-40%	72%
Pan-Government performance (2011-12 measured against 2009-10)*	-12%	-3%	-5%	n/a

* Pan-Government 2012/13 performance not available at time of publishing

7.87 The Department has made considerable financial savings following the reduction in energy, water, UK business travel and waste disposal; this is despite an increase in their associated costs. These costs have dropped by over £4.8m in 2012-13 compared to 2009-10 levels, the largest of which is from UK business travel amounting to a saving of nearly £3.5m.

7.88 The energy and water costs are derived from utility bills, waste disposal costs from monthly invoicing from the Department's facilities management suppliers and travel costs combining staff travel claims and invoices from the Department's contracted travel service providers.

Table 6.2: Direct financial benefits of DCLG's Greening Government programme

	Energy	UK Business Travel	Waste Disposal	Water Use	Total
					£'000
2012-13 cost vs. 2009-10	(1,228)	(3,473)	(147)	(46)	(4,894)
2012-13 cost vs. 2010-11	(628)	(1,744)	(134)	(24)	(2,530)
2012-13 cost vs. 2011-12	(247)	(398)	(126)	(21)	(792)

Greenhouse Gas Emissions

7.89 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
- reduce domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

7.90 The Department has continued to reduce its total in-scope gross GHG emissions through 2012-13, achieving a total 38% reduction since the 2009-10 baseline year. This is in addition to meeting the previous Administration's Sustainable Operations on the Government Estate carbon targets and exceeding the Prime Minister's target to reduce carbon emissions from offices by 10% over 12 months from May 2010, achieving a 19% reduction.

7.91 The most significant aspects of the Department's emissions are from electricity use and fuel consumption by gas boilers and vehicles; delivery plans have consequently focused on these areas.

7.92 Emissions reductions from energy use have largely been realised through low and no cost energy efficiency measures, estate rationalisation (by using space more efficiently and co-locating with other organisations), and by operating our remaining buildings even more efficiently.

7.93 The core Department's electricity is purchased via the Government Procurement Service energy framework from renewable sources, and is therefore Climate Change Levy exempt.

Table 6.3: Greenhouse Gas Emissions Summary

Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13
					CO_2e
Non-Financial Indicators (tonnesCO_2e)	Total Gross Emissions for Scopes 1 & 2.	18,999	16,123	12,219	11,642
	Scope 3 official UK business travel	4,801	3,869	2,688	2,360
	Number of domestic air travel flights	357	617	198	289
					kWh
Related Energy Consumption (kWh)	Electricity: Non-Renewable	25,943,383	22,691,203	18,637,331	3,459,022
	Electricity: Renewable	1,695,042	2,524,916	1,030,648	14,555,603
	Gas	20,900,847	16,260,899	10,520,635	10,977,129
	LPG	-	-	-	-
	Other	-	-	-	-
					£'000)
Financial Indicators (£'000)	Expenditure on Energy	2,944	2,344	1,963	1,716
	CRC Licence Expenditure (2010 onwards)	N/A	N/A	1	85
	Expenditure on accredited offsets (e.g. GCOF).	1	1	1	0*
	Total expenditure on official UK business travel	6,160	4,431	3,085	2,687
	Expenditure on domestic air travel	270	97	22	23

*The Department will be offsetting emissions from ministerial and official business travel undertaken in 2012-13 during the current financial year

7.94 Although the Department has met the Greening Government Commitments Greenhouse Gas commitment, it is committed to continual improvement and delivery plans are regularly reviewed to identify further opportunities for cost-effective Greenhouse Gas reductions. This helps ensure that the Department's own operational emissions remain on track for meeting the targets set out in the Climate Change Act 2008.

7.95 In 2012-13, the Department achieved the Carbon Saver Gold Standard, which provides independent assessment of the Department's commitment to carbon management in order to make year on year carbon reductions, and was also ranked first in Central Government in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme performance league table.

Domestic Travel

Table 6.4: Domestic Business Travel

Domestic Travel Mode		2009-10	2010-11	2011-12	2012-13
					CO_2e
Non Financial Indicators (Tonnes Co2e)	Car	3,908	3,149	2,172	1,970
	Rail	843	679	447	356
	Taxi	18	15	28	7
	Other (bus, tube, tram)	1	1	17	4
	Domestic Flights	32	26	25	24
	Total	4,802	3,870	2,689	2,361

7.96 The Department has worked hard to reduce the amount of business travel and ensuring that where travel is necessary, this is undertaken by the most sustainable mode of transport. By replacing the need for travel, utilising information communication technology solutions for communications and meetings, the Department has been able to demonstrate that good environmental governance also results in cost saving and value for money. This approach has seen a 54% reduction in carbon emissions from the Department's domestic business travel.

7.97 The number of domestic air travel flights has been reduced by 19% over a 3 year period, due to the Department's NDPB and Executive Agencies introducing a requirement for Director-level authorisation before booking any domestic air travel, as well as adopting smarter working practices, enabled through better information communication technology equipment.

Table 6.5: International Business Travel

International Business Travel		2009-10	2010-11	2011-12	2012-13
					CO_2e
Financial Indicators (Tonnes	Flights	47	14	6	9
	Rail	283	206	99	31
	Total	330	220	105	40

7.98 From 2012-13, the Department has chosen to publish its Greenhouse Gas emissions from international business travel as part of its transparency commitment. Since 2009-10, the Department has significantly reduced its international travel, which is attributable to smarter working practices, new spending controls and better use of information communication technology solutions.

Waste Management

7.99 Targets for waste management:

reduce amount of waste generated by 25% from 2009-10 baseline by 2015;

cut paper use by 10% in 2011-12;

implement a closed loop[7] recycled paper service;

ensure that redundant information communication technology equipment is reused (within government, the public sector or wider society) or recycled responsibly; and

recycle 85% of waste by 2015 (internal DCLG target).

Table 6.6: Waste Disposal Summary

Waste			2009-10	2010-11	2011-12	2012-13
						tonnes
Non-Financial Indicators (tonnes)	Total waste [Minimum Requirement]		2,103	2,631	1,414	1,268
	Hazardous waste	Total	1	2	3	2
	Non-hazardous waste*	Landfill	351	350	220	194
		Reused/Recycled	1,606	1,972	1,075	905
		Composted/ Bio-digestion	109	116	77	60
	Total ICT waste	Reused				2
		Recycled	1	1	24	5
	Report if possible	Incinerated/ energy from waste	189	359	154	101
	Paper Procured	Total Reams	87,486	52,925	40,188	28,854
						£'000
Financial Indicators (£'000)	Total disposal cost [Minimum Requirement]		252	239	231	105
	Non-hazardous waste - Total disposal cost	Landfill	7	7	10	nk
		Reused / Recycled	168	319	187	nk
		Composted	1	1	1	nk
	Paper Procured	Total Spend	202	174	136	97

7.100 The Department has reversed the upward trend in waste, reporting a total waste reduction of 40% against 2009-10 levels, largely due to the introduction of multi-functional devices for printing and copying, more efficient working practices, and providing reusable cups and containers instead of disposables. A review of the Department’s magazine subscriptions also identified opportunities to cancel unnecessary subscriptions, and to switch to digital versions where possible.

7.101 The Department has achieved a high recycling rate of 72%, which includes reused, recycled and composted materials. This is supported by a policy of redeploying equipment where possible instead of disposing, and reusing or recycling all redundant information communication technology equipment.

7.102 The Department has been working with its facilities management contractor to improve waste and recycling services, data accuracy, and consistency in terms of office recycling facilities across our property portfolio. Further awareness campaigns will run throughout 2013-14 to further reduce waste risings and increase recycling rates.

[7] Closed loop system involves recycling confidential and non-confidential waste paper, and that very same paper having been recycled is supplied back to the Department at a lower cost than standard recycled paper supplies.

7.103 The Department adopted the cross-Government closed loop paper recycling and supply framework in the summer of 2012, signed up to the Waste and Resources Action Programme (WRAP)/Defra voluntary food waste agreement, and is now developing waste management plans to help maintain high recycling rates and further reduce waste impacts.

7.104 Having met the target to reduce paper use by 10% in 2011/12, the Department continues to monitor paper use, as requested by Greening Government Commitments Ministerial Committee and has achieved a 67% reduction in 2012-13 compared to 2009-10.

Finite Resource Consumption – Water

7.105 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 Greening Government Commitments benchmarks:

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

Table 6.7: Water Consumption Summary

Consumption - Water			**2009-10**	**2010-11**	**2011-12**	**2012-13**
						M3
Non-Financial Indicators (M^3)	Water Consumption	Office Estate	62,710	56,840	46,383	39,602
		per FTE	8	7	7	5
		Whole Estate	99,358	75,919	71,568	62
						£'000
Financial Indicators (£'000)	Water Supply & Sewage Costs		122	100	97	76

Table 6.8: Percentage of offices meeting benchmarks

	Performance	
	2009-10	**2012-13**
less than or equal to $4m^3$ water per FTE per annum - best practice	13.6%	20%
$4m^3$ to $6m^3$ water per FTE per annum - good practice	13.6%	25%
greater or equal to $6m^3$ water per FTE per annum - poor practice	72.7%	55%

7.106 Total water consumption has been reduced by 43% since 2009-10, primarily through leak reduction work and adopting more water efficient behaviours, with particular focus on water use in tea points, canteens and toilets, and cooling plant.

7.107 The number of offices falling within good and best practice benchmarks has increased from 28% to 45% since 2009-10.

7.108 Water consumption per Full-Time Employee has also reduced this year as the Department has sub-let more office space to other organisations, meaning essential water use (e.g. for cooling) is apportioned to a greater number of Full Time Employees.

7.109 The Department is keen to further increase the number of its own office buildings falling within good and best practice benchmarks, having already made good progress since the baseline year. To support this, the Department ran a water efficiency campaign through 2012-13, conducted water audits at all key sites and is currently trialling a number of water efficiency devices before introducing them across the estate.

Sustainable Procurement

7.110 The Department has also been working with its suppliers to reduce the emissions of their goods and services. Sustainability clauses are being incorporated into all new contracts where appropriate, to help ensure suppliers are meeting the Government Buying Standards and supporting the Department's efficiency work. In particular, extensive sustainability requirements have been embedded into the Department's new facilities management and information communication technology contracts.

7.111 New entrants to the Department receive induction training which includes sustainable operations and procurement. All new procurement staff are provided with relevant training, and sustainable procurement personal objectives are adopted where relevant.

7.112 The Department's Procurement Strategy contains specific sections on approach, Government Buying Standards, delivery work streams, people (including training and objectives), strategy and communication, supplier engagement and measurement. The Department's Procurement Practitioner Handbook addresses sustainable procurement.

7.113 In addition, the Department has developed a suite of templates which cover the entire procurement process which contain drafting notes and prompts to remind our buyers to address sustainability at all stages, with particular emphasis included within the business case, procurement strategy, specification and evaluation stages.

7.114 The Department continues to self-assess against the Sustainable Procurement Flexible Framework with a view to achieve Level 5 by the end of the current parliament. We were amongst the first departments to require our travel contractor to provide us with regular management information which showed CO_2 emissions on an individual journey basis.

7.115 The Department is currently reviewing options for reducing its supply chain impacts and publishing data on this.

Transparency Commitments

7.116 The Department is also required to report against a number of transparency commitments as part of Greening Government Commitments. Progress is summarised in the transparency commitments table below

Table 6.9 Transparency Commitments:

Transparency Commitment	Action Taken
Climate Change Adaptation (CCA): 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 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.
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.	Food supplied is produced to UK or equivalent standards, dairy produce is Farm Assured and from UK sources, eggs are Lion Branded and are sourced from enriched conventional cages as a minimum. All fish is Marine Stewardship Council eco-labelled and 79% of tea and coffee is either Rainforest Alliance, part of an ethical trade initiative or Fairtrade. Menus are designed to reflect in-season products and purchased locally where feasible to do so.
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 developed a project sustainability toolkit which will be applied to all projects moving forward to ensure sustainability is integrated from the start. The toolkit will ensure any new build or major refurbishment valued over £500,000 meets buying standards ratings of 'excellent' for new builds and 'very good rating' for major refurbishments. The toolkit will also identify projects requiring a BREEAM assessment. Where minor refurbishment work has been carried out complete Site Waste Management Plans are produced to detail all waste removed and recycled.
People: including for example, reporting on 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 Department has delivered events through the 'Green Champions Network' to engage staff to support the delivery of the Greening Government Commitments and encourage positive environmental behaviours both at and outside work. The Department encourages its employees to take up volunteering opportunities in line with DCLG policy as well as supporting employees' continual professional development. The Department pledges its support to a range of environmental awareness campaigns, such as Climate Week and World Green Building Week. A number of related events attracted around 300 DCLG staff, who received advice on water efficiency. In support of the Local Growth Agenda, DCLG set up a pop-up shop in the Department's headquarter building in conjunction with 'Start-Up Britain, a not for profit company. The initiative allows six small companies a fortnight the opportunity of using this retail space without having to invest in or commit to long-term premises.
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.

Governance and Data Validation

7.117 The Department continually monitors its Greening Government Commitments performance through monthly reports which feed into quarterly dashboards submitted to the Executive Team for review. These dashboards highlight progress, risks and proposed mitigation.

7.118 The vast 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 Cross Departmental Internal Audit Services (XDIAS) 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.

Progress on procuring from small businesses with the aspiration that 25% of procurement spend should be with small and medium enterprises (SMEs).

7.119 The Department and our NDPBs together have increased our amount of procurement spend with small to medium enterprises (SMEs) from 12% in May 2010 to 26.7% over the last year. In monetary terms, spending increased from £49.9m in 2010-11 to £67.1m in 2012-13.

7.120 The Department undertook to publish a pipeline of future procurements as part of its small to medium enterprise commitments in 2011. This continues to be published on the departmental website, in a section specifically aimed at small to medium enterprises and including other support such as training packages and information about how to do business with us.

7.121 We have had early engagement with the market before any formal procurement is launched to ensure that small to medium enterprises are not only aware of our requirements but fully contribute to and compete in the subsequent tender process.

7.122 We require our prime contractors to provide data on sub-contracted spend with small to medium enterprises. We ensure that they are committed to a proportion of their subcontractors being small to medium enterprise organisations and that they pay their sub-contractors on terms no worse than the Department pay them.

7.123 Our SME suppliers are from a broad mix of sectors - from landlords, research companies, training, IT support, travel, learning and development, and facilities management, to grass cutting and demolition for HCA. We have also welcomed small to medium enterprises in recent tenders for key projects including Tenancy Deposit Schemes, Community Rights and Troubled Families.

Deliver weekly waste collection support scheme

7.124 The £250m Weekly Collection Support Scheme launched in February 2012. It encourages councils to retain or reinstate weekly collections of residual waste and improve recycling. The £250m is spread over three financial years and local authorities must make a five year commitment to weekly collections of residual waste.

7.125 The scheme attracted 130 final bids from 117 local authorities in August 2012. It was over-subscribed - the bids totalled £345m. Results were announced on 22

November 2012; 82 local authorities were successful and will receive funding to deliver an enhanced weekly collection service.

7.126 The successful bids provide a range of innovative approaches to waste collection services including: (i) around 40 recycling reward schemes, many of which will be district-wide; (ii) increased ranges of products that residents can recycle; (iii) the reinstating of weekly residual collections for all or part of a district; and (iv) the development of large infrastructure projects such as Materials Recovery Facilities.

7.127 The successful bids to the scheme will ensure that around 6 million households retain a weekly collection of residual waste while over the next five years (up to 2017) local authorities will recycle 400,000 tonnes of waste and save 1 million tonnes of greenhouse gas emissions through projects funded by the scheme.

DCLG Business Plan 2012-2015 - statement on sustainable development

7.128 Our goal is the 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 sustainably and prosper. Sustainable growth means making economic, environmental and social progress for this and future generations.

Housing strategy

7.129 We are taking a wide-ranging approach to promoting housing growth, tackling both the demand and supply barriers that have prevented greater levels of house-building. We have already introduced an ambitious package of measures, including:

- £4.5bn investment in new affordable homes in the period to 2015, which will lever in an additional £15bn of private finance. This will help deliver up to 170,000 affordable homes by 2015 for rent and affordable homeownership. 48,000 affordable homes were completed in 2011-12.
- helping builders to build through our £570m Get Britain Building investment fund. As at end December 2012, 124 sites were under contract providing 8,600 units. Of these, work on 7,121 units has started on site. A further 44 projects, representing 2,134 units, are in contract negotiation and 58 projects, representing 4,298 units, are undergoing due diligence.
- providing incentives to encourage communities to support locally-led growth through New Homes Bonus (funding to local authorities to incentivise support for new homes and bring empty homes back into use) and Community Right to Build.
- accelerating the release of government-owned surplus land capable of delivering up to 100,000 homes within the Spending Review period.
- £474m Local Infrastructure Fund to accelerate development on large sites and de-risk public sector land to enable quicker disposal of surplus sites for new homes.
- £10bn debt guarantee scheme to support delivery of new homes purpose-built for private rent and for additional affordable housing. £200m equity finance for new homes purpose-built for private rent, with an expert taskforce to support development/delivery of demonstration projects. £300m to support guarantees in

delivering up to 15,000 affordable homes, and bring an extra 5,000 empty homes back into use.

- investing in the infrastructure needed to build new homes through our £730m Growing Places Fund.
- the Homes and Community Agency (HCA) is bringing surplus Government land to market.
- addressing demand by supporting buyers through schemes such as New Buy and First Buy; and
- working with industry to encourage custom-build and better design of new homes and neighbourhoods.

Sustainable development indicators

7.130 When the proposed set of Sustainable Development Indicators was consulted on, we agreed with the Department for Environment, Food and Rural Affairs (DEFRA) that DCLG will provide indicators on housing provision, housing energy efficiency (energy efficiency ratings of new housing) and would work with DEFRA to develop an indicator for land use and development.

The Department's work on adapting to Climate Change

7.131 Since the first national Climate Change Risk Assessment in January 2012, the Department has been working with other departments and a wide range of stakeholders to develop the National Adaptation Programme (NAP). The National Adaption Programme sets out what government, businesses and society need to do to ensure that the UK becomes more resilient to the effects of climate change.

7.132 The Department's contribution to the National Adaption Programme has focused on responses to flooding, water scarcity and heat-related risks through our responsibilities for Planning, Building Regulations and Fire and Resilience.

7.133 DEFRA aims to publish a report on the NAP by November 2013 at the latest. This will fulfil a legal obligation under the Climate Change Act 2008.

8 Other Financial Information

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

Machinery of Government (MoG) transfers

8.2 The impact of transfers of function following machinery of government changes arising as part of the 2010 Spending Review and Localism Act have been accounted for in these accounts. Further details are given in paragraphs 8.3-8.6 below.

Machinery of Government transfers (transfers of function)

8.3 Machinery of government changes are applied to the accounts either under merger accounting principles, where between departments or departmental groups, or under absorption accounting principles where within departmental groups in line with the Financial Reporting Manual (FReM) and HM Treasury (HMT) requirements.

8.4 Merger Accounting: 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.

Accounting policy change

8.5 Transfers of Function: The accounting in respect of transfers of function between government bodies was reviewed by HMT's Financial Reporting Advisory Board in 2012-13 and improvements made in the application. From 2012-13 (with deferred adoption if appropriate), transfers of function between bodies within a departmental group or external to central government are to be applied under absorption accounting principles whilst those between departments are to be carried out under merger accounting principles.

8.6 Absorption Accounting: Where applied under absorption accounting principles, the transfer is applied from the date of transfer only with no restatement of prior period comparatives. The impact of the recognition of associated asset and liability balances at the date of transfer is reflected in the Statement of Comprehensive Net Expenditure (SoCNE) as either 'non operating loss – absorption transfers' expenditure or 'non operating gain – absorption transfers' income (and therefore budget neutral). During 2012-13, transfers took place in respect of the following:

- Tenant Services Authority to Homes and Communities Agency (HCA) – the total amount of non operating absorption gain was £47,297k and has been eliminated on consolidation with the residual assets and liabilities being reflected in HCA.
- Infrastructure Planning Commission to the Planning Inspectorate (PINS) – the total amount of non operating absorption gain was £1,407k and has been eliminated on consolidation with the residual assets and liabilities being reflected in PINS.
- London Thames Gateway Development Corporation (LTGDC) to the Greater London Authority (GLA) and London Legacy Development Corporation (LLDC) – the total amount of non operating absorption loss was £30,253k.

- Thurrock Thames Gateway Development Corporation (TTGDC) to Thurrock Borough Council – the total amount of non operating absorption gain was £939k.
- Homes and Communities Agency staff, assets and liabilities within the Greater London area were transferred to the Greater London Authority (GLA) during 2012-13 – the total amount of non operating absorption loss was £363,805k.

Asset Transfers

8.7 Government bodies may transfer assets to other government bodies for nil consideration where there is no identifiable function being transferred in accordance with the FReM. These transfers are applied under asset transfer principles, and the impact of application is the recognition of the asset (or removal) at the date of transfer with associated capital grant in kind expenditure or income (and therefore, budget neutral). Asset transfers took place in respect of the following:

- HCA to Department for Business, Innovation & Skills – the total amount of assets transferred was £12,700k.
- Fire Service College Trading Fund transferred housing assets to the Department as a result of the winding up of the Trading Fund. These are held as assets held for sale in the Department's accounts at a value of £5,790k.
- DCLG transferred fire assets to Fire Service College Trading Fund and Fire and Rescue service – the total amount of assets transferred was £4,204k.

Other transfers

8.8 TTGDC and LTGDC, upon closure, passed residual assets and liabilities to the Department, through reserves, to enable the Department to discharge these as ultimate parent of the closed body. TTGDC passed assets of £4,071k and liabilities of £14k. LTGDC passed liabilities of £1,135k.

Changes to National Non Domestic Rates (NNDR)

8.9 National Non Domestic Rates: Following the passing of the Local Government Finance Act 2012, Business Rates Retention (BRR) will replace National Non Domestic Rates from 1st April 2013.

8.10 Final National Non Domestic Rates White Paper Accounts and Trust Statements will be prepared for 2013-14 to record final outturn adjustments to 2012-13 payments and receipts.

8.11 From 2013-14, a Trust Statement in respect of Business Rates Retention, along with two new White Paper Accounts will be prepared in respect of the Main Rating Account and Levy Account.

8.12 The most significant change under Business Rates Retention will be the local retention of 50% of collected business rates. This will also reduce business rates income for the Consolidated Fund by 50%. This is still awaiting Office of National Statistics classification.

European Regional Development Fund Liabilities: Accrual, Provisions and Contingent Liabilities

8.13 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 13 years, the Department has been managing the 2000-06 European Regional Development Fund 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 European Commission before final sign off that the programmes are closed.

8.14 Where project spending is not in conformity with European Regional Development Fund Regulations it becomes ineligible for European Regional Development Fund 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 European Regional Development Fund 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.

8.15 For example if a potential requirement to repay grant is identified:

an accrual is raised as a charge to the Consolidated Statement of Comprehensive Net Expenditure 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. a European Commission 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.

8.16 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

8.17 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 £26.2m.

a) Debt at risk - accounting treatment

8.18 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 £1.9m and has categorised this as a charge. The balance of £24.3m remains as being currently expected to be recovered. Progress has been made in the recovery of £2.7m of debt that had previously been accrued as a charge in 2011-12 but which is now expected to be recovered in full.

b) Capping - background

8.19 Capping relates to the proportion of match funding against the European Regional Development Fund grant funding, which was agreed at the start of or during the programmes by the European Commission. Failure to deliver the agreed proportion of match funding can lead to a liability for the Department.

8.20 Details of final match funding were included in the closing statements for the grants submitted by 31 March 2010. The European Commission 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

8.21 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 had already been accrued as a charge to the SoCNE in 2011-12. During 2012-13, it transpired that £0.2m that had previously been accrued was no longer required and was subsequently reversed.

c) Estimated potential corrections - background

8.22 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 European Regional Development Fund programmes. The audit bodies identify potential liabilities arising from a failure to comply with European Regional Development Fund 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 European Commission; or

potential corrections being investigated by the Managing Authority relating to handling of asset disposals.

c) Estimated potential corrections - accounting treatment

8.23 In respect of corrections related to error rate amounts up to 2%, there is an expected liability of £10m which has previously been accrued for in 2011-12. There is also an additional £7.9m for which it is expected the Department is liable to meet and this has therefore been categorised as a charge in 2012-13. No additional provision has been made in 2012-13.

Summary of European Regional Development Fund liabilities

8.24 The above changes result in a total charge to the Department's accounts in 2012-13 of £6.9m.

8.25 Final closure of all 2000-06 European Regional Development Fund programmes is expected during 2013-14.

European Regional Development Fund 2007-13 programme

8.26 The Department is responsible for managing the European Regional Development Fund 2007-13 programmes. In London, the European Regional Development Fund continues to be delivered by an intermediary body, the Greater London Authority.

8.27 European Regional Development Fund income is recognised once the relevant claim has been certified by the Department's European Regional Development Fund Certifying Authority team. Payments to projects that have been made by the Department can only be recognised as an expense once certified. These payments have been treated as current asset inventories on the Statement of Financial Position (SoFP) and are only transferred to expenditure on certification. In the event that the payments fail certification the amounts are reclaimed from projects.

8.28 All programmes have an associated intervention rate, which is the percentage of eligible project expenditure which attracts European Regional Development Fund 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 European Union (EU). Claims are made to the European Union based on this intervention rate, but since individual projects within a programme may have different intervention rates, differences arise between the amounts of certified expenditure recognised for income purposes and that paid out to projects. The differences between these amounts are posted to the SoFP either as current asset inventories or deferred income within current payables.

8.29 At the start of the programme 7.5% of the value of the programme was paid by the European Union 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 European Union. The Department 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.

8.30 The following table shows the relevant balances on the SoFP

Item	At 31 March 2013	At 31 March 2012
Project payments:		
Inventories	14,655	66,792
Intervention rate:		
Inventories	-	-
Deferred income	(63,824)	(62,224)
Interest received:		
Deferred income[(1)]	(4784)	(5,383)
Advances to GLA[(2)]	10,043	13,570
ERDF bank account [(3)]	191,972	187,252

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

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

Note 2: Balance reflects advance paid to Greater London Authority

Note 3: Increase 1 April to 31 March is the interest earned on those bank deposits.

Losses arising from Self Correction

8.31 As a result of routine audits carried out by the Audit Authority testing the validity of €216m out of total declared expenditure of €990m in 2012, instances were found of ineligible expenditure on European Regional Development Fund projects in excess of the 2.00% materiality threshold set by the European Commission. The Audit Authority calculated the total projected error rate for the period as being 2.99%.

8.32 To ensure an error rate of less than 2.00% was reported in the Annual Control Report, the Department has applied a self-correction to the December 2012 Declaration to the European Commission. €6.2m was removed from the Declaration. This amount represents a self-correction of 0.994%, effectively reducing the total projected error rate to 1.99%, under the materiality threshold. As the Department has not yet been reimbursed following the submission of the December Declaration, the value of the self-correction in Sterling is expected to be £5.382m based on the exchange rate as at 31 March 2013 and this is represented as a loss in the Department's accounts.

Programme Interruption

8.33 The Department were informed in May 2013 that the EC has interrupted the 2007-13 programme (suspended payment of claims) due to the Audit Authority giving a qualified audit opinion in respect of 2 systems based audits. One of these in respect of Article 13 checks and the other on availability of records in respect of projects previously managed by the Regional Development Agencies and now managed by the Department for Business, Innovation and Skills (BIS). Although the Programme has been interrupted, it is not considered that the income outstanding and due from the Commission will be at risk although receipt of this income will be delayed. Therefore, at present, the full value of the accrued income is reflected in these accounts and there is no evidence to support application of provision or accrual for write off in respect of the income accrued. The Department has received informal confirmation that the outstanding accrued income will be paid, but payment is now delayed whist the interruption is in place. Work is underway to meet the actions required in order for the interruption to be lifted.

Non Departmental Public Body Closure

8.34 During or at the end of 2012-13 four 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.

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

Thurrock Thames Gateway Development Corporation (TTGDC)

8.36 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 substantially all associated assets and liabilities were transferred to Thurrock District Council on 31 March 2012. All residual assets and liabilities transferring under the Order after 31 March 2012 were transferred to Thurrock Council using absorption accounting principles as defined in paragraph 8.6 above. TTGDC remained in existence until 31 October 2012 to wind up its affairs. At that point any remaining assets, including bank balances, liabilities and reserves were incorporated into those of the Department.

8.37 There have been regularity issues uncovered as part of the closure monitoring and we are now working with the relevant parties to rectify the issues identified, or agree appropriate accounting treatment for the sums involved. In total, we recognise around £200,000 as being potentially irregular expenditure. The Accounting Officer for TTGDC was asked to step down and the Department's Finance Director was appointed as Accounting Officer. A Cross Departmental Internal Audit Service (XDIAS) report has been prepared and an action plan is in place in response to this.

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

8.38 The IPC and TSA were both abolished on 1 April 2012 but in both cases their functions were incorporated in other bodies in the DCLG group – PINS and HCA respectively. Because abolition involved a transfer via absorption 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, and the transfers were made under absorption accounting principles as defined in paragraph 8.6 above.

London Thames Gateway Development Corporation (LTGDC)

8.39 Under the terms of a Transfer Order and Transfer Scheme made under the terms of the Local Government Planning and Land Act 1980, most of LTGDC's operational activities and associated assets and liabilities were transferred to the Greater London Authority and the London Legacy Development Corporation in April 2012. The main change was that holdings of development land and buildings, recognised as inventories in these accounts on consolidation, plus other net assets and liabilities were transferred to the GLA and the LLDC for nil consideration under absorption accounting principles. In September 2012, under a further Transfer Scheme, LTGDC transferred further planning powers for the Lower Lea Valley to the LLDC. LTGDC implemented the Lea River Park Compulsory Purchase Order at the end of 2012. This resulted in land and various rights of way being secured for the project. These assets were transferred to the LLDC in January 2013 by way of a further Transfer Scheme. A further Order in January 2013 transferred LTGDC's remaining property, rights and liabilities to the GLA. LTGDC's dissolution date was 28th February 2013. The total value transferred to the GLA and the LLDC was £30,253k. Where not part of the Transfer Orders or Schemes, any remaining assets and liabilities were passed to the Department as ultimate owners of LTGDC at final closure.

Trading Fund Closure

Fire Service College

8.40 The Fire Service College was a Trading Fund sponsored by the Department by investment in the form of Public Dividend Capital (PDC), which was reported at £16,721k and loans of £4,510k at 28 February 2013. Of the loans, £4,474k was reflected in N15 Investments, the remaining £36k included in short term receivables.

8.41 In response to the recommendations made within the Fire Futures Report on 12 April 2011, a project was established to consider future viable options for the College that would enable it to operate with sufficient and sustainable commercial success. This resulted in the sale of the operational arm of the College to the private sector, increasing its operational flexibility and securing future investment so that it might fulfil its full potential and provide value for money for the taxpayer whilst benefiting the Fire and Rescue Service and strengthening national resilience.

8.42 The full financial impact of this sale can be seen in the 2012-13 Fire Service College Trading Fund Accounts.

8.43 Following the sale, the Trading Fund was no longer considered to be a viable business and therefore the Department has taken steps to wind the Trading Fund up. As a result of the winding up, the Trading Fund and following discharge of any remaining assets and liabilities, the Trading Fund has repaid the loans in full and repaid £6,870k in respect of the PDC, resulting in an impairment of PDC in the sum of £9,851k being reported in the Department's accounts.

FiReControl

8.44 In 2011, it was estimated that minimum losses of £469,000k would be incurred as a result of the cancellation of the FiReControl project and full disclosure was included in the Department's 2010-11 Annual Report and Accounts. Following a further review in 2012, this estimation has been revised to reflect an increase of £13,000k. This revision relates to higher than estimated rental, maintenance and utility charges.

9 Remuneration Report[8]

Remuneration Policy

9.1 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.

9.2 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

9.3 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.

9.4 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.

9.5 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

9.6 The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. Board members) of the Department and are subject to audit. Equivalent information relating to the other bodies within the Group and consolidated into the Department's accounts is provided in their own separate published accounts. The Non-Executive Directors (NEDs) did not receive a salary in their capacity as Board Members and details of fees paid to them are in paragraph 9.13.

[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	2012-13		2011-12	
	Salary	Benefit-in-Kind	Salary	Benefit-in-Kind
	£	(to nearest £100)	£	(to nearest £100)
The Rt Hon Eric Pickles MP	68,827	-	68,827	-
Baroness Hanham CBE	47,560(1)	-	72,470	-
Mark Prisk MP	18,884(2)	-	-	-
Nick Boles MP	13,560(3)	-	-	-
Brandon Lewis MP	13,560(4)	-	-	-
The Rt Hon Don Foster MP	13,560(5)	-	-	-
The Rt Hon Grant Shapps MP	14,118(6)	-	*33,002*	-
The Rt Hon Greg Clark MP	14,118(7)	-	*33,002*	-
Bob Neill MP	10,137(8)	-	*23,697*	-
Andrew Stunell MP	10,137(9)	-	*23,697*	-

2012-13

1 *Figure quoted is for the period 1st April 2012 to 30 September 2012 and from 1st January to 31st March 2013, which also includes House of Lords Allowance. No payment received during October, November and December 2012. The full year equivalent is £72470*

2 *Figure quoted is for the period 5th September 2012 to 31 March 2013. The full year equivalent is £33002*

3 *Figure quoted is for the period 5th September 2012 to 31 March 2013. The full year equivalent is £23697*

4 *Figure quoted is for the period 5th September 2012 to 31 March 2013. The full year equivalent is £23697*

5 *Figure quoted is for the period 5th September 2012 to 31 March 2013. The full year equivalent is £23697*

6 *Figure quoted is for the period 1st April 2012 to 4th September 2012. The full year equivalent is £33002*

7 *Figure quoted is for the period 1st April 2012 to 4th September 2012. The full year equivalent is £33002*

8 *Figure quoted is for the period 1st April 2012 to 4th September 2012. The full year equivalent is £23697.*

9 *Figure quoted is for the period 1st April 2012 to 4th September 2012. The full year equivalent is £23697*

Please see paragraphs 9.8 and 9.9 regarding the salaries of Ministers
A full month's salary is paid if a Minister leaves part-way through a month

Officials	2012-13			2011-12		
	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	200-204	-	-	175-179[5]	-	-
Sue Higgins Director General	135-139	-	-	90-94[6]	-	-
Andrew Campbell Director	90-94	10-14	-	95-99[7]	10-14	-
Peter Schofield Director General	130-134	-	-	-	-	-
Simon Ridley Acting Director General	20-24[1]	-	-	-	-	-
David Prout Director General	100-104[2]	10-14	-	130-134	-	-
Elizabeth Whatmore Acting Director	35-39[3]	-	-			-
David Rossington Acting Director General	-	-	-	40-44[8]	10-14	-
Richard McCarthy Director General	-	-	-	160-164[9]	10-14	-
Band of highest paid Director's total remuneration (FTE)	170-174[4]			200-204		
Median total actual (FTE)	38,028			36,022		
Remuneration ratio	4.54			5.62		

2012-13

1 *Figure quoted for the period 7 January 2013 to 31 March 2013 as acting Director General during which temporary responsibility allowance was paid.*

2 *Figure quoted is for the period 1 April 2012 to 6 January 2013, which includes outstanding annual leave owed, in the range £1k-£5k. The full year equivalent is in the range £130k-£134k.*

3 *Figure quoted for the period 4 July 2012 to 17 December 2012 as acting Director during which temporary responsibility allowance was paid.*

4 *This calculation excludes the £30k Head of Civil Service payment.*

2011-12

5 *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.*

6 *Figure quoted is for the period 1 August 2011 to 31 March 2012. The full year equivalent is in the range £135k -£139k.*

7 *Figure quoted includes 13 November 2011 to 23 March 2012 as acting Director General during which temporary responsibility allowance was paid.*

8 *Figure quoted is for the period 1 April 2011 to 31July 2011. The full year equivalent is in the range £120k-124k.*

9 *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 of £175k-£179k.*

Salary

9.7 '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.

9.8 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 left the department on 4th September 2012. He also had joint responsibilities with Department for Business, Innovation and Skills (BIS) but was paid by the Department for Communities and Local Government; his full salary and pension details are shown in this report for the period up until the time he left the Department.

9.9 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 from their Ministerial salaries. 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 the Ministers remuneration table above.

9.10 Baroness Warsi is a Minister but not paid by DCLG and therefore her salary details are not included in the tables above.

9.11 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, so her remuneration for 2012-13 is not included in this report.

9.12 Helen Edwards was appointed as a Director General in the Department on 7 May 2013 and is a member of the senior management team.

9.13 Non-Executive Directors received the following fees for their work during 2012-13:

- Sara Weller – £20,000 in 2012-13
- Stephen Hay - £10,000 in 2012-13
- Diana Brightmore-Armour - £7,500 in 2012-13
- Stewart Gilliland - £7,500 for period 1 April 2012 to 31 December 2012 (resigned at 31.12.12)
- Nick Markham - £2,500 from 1 January 2013

Benefits in Kind

9.14 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

9.15 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance year prior to the financial year that they are paid to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

Pay Multiples

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

9.17 The banded remuneration of the highest paid director in the Department in the financial year 2012-13 was £200k - £204k (2011-12: £200k - £204k). This was 4.54 times (2011-12: 5.62 times) the median remuneration of the workforce, which was £38,028 (2011-12: £36,022).

9.18 In 2012-13, as in 2011-12, the most-highly paid individual was the Permanent Secretary, who is also Head of the Home Civil Service. Remuneration ranged from £21k - £200k (2011-12: £18k - £200k). Total remuneration includes salary, non consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

9.19 The increase in the median salary for 2012-13 is due to the Department's 2 year pay freeze ending in 2012-13, a 1% pay award being implemented from August 2012, and the harmonisation of terms and conditions in respect of ex-RDA and ex-GO staff. Contractual milestones continued to be implemented during the pay freeze.

.*Pension benefits*

Ministerial pensions	**Accrued pension at age 65 as at 31/03/13**	**Real increase in pension at age 65**	**CETV at 31/03/13**	**CETV at 31/03/12**	**Ministers contributions and transfers in**	**Real increase in CETV £**
The Rt Hon Eric Pickles MP	4,629	1,686	78,746	47,646	9,842	18,840
Mark Prisk MP	2,634	444	34,023	27,924	2,549	3,191
Brandon Lewis MP	339	339	3,439	-	1,749	1,690
The Rt Hon Donald Foster MP	339	339	6,315	-	1,749	4,566
The Rt Hon Grant Shapps MP	2,159	346	23,104	19,228	1,906	1,794
The Rt Hon Greg Clark MP	2,159	346	24,375	19,744	1,906	1,998
Bob Neill MP	1,597	245	27,166	22,162	1,308	2,865
Andrew Stunell MP	1,597	245	27,459	23,031	1,308	2,910

9.20 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).

9.21 Those ministers who are Members of Parliament (MPs) may also accrue an MP's pension under the PCPF (details of which are not included in this report). The accrual rate has been 1/40th since 15 July 2002 (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 member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

9.22 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 Pensions Increase Legislation. From 1 April 2013 members pay contributions of 7.9% and 16.7%

depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014, subject to consultation.

9.23 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.

9.24 In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

The Cash Equivalent Transfer Value (CETV)

9.25 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

9.26 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

9.27 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 an employer contribution (partnership pension account).

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 31/03/13	CETV at 31/03/12	Real increase in CETV £000's
Sir Bob Kerslake	10-15 plus nil lump sum	2.5-5 plus nil lump sum	159	86	54
Sue Higgins	10-15 plus nil lump sum	2.5-5 plus nil lump sum	128	88	25
Andrew Campbell	35-40 plus 65-70 lump sum	0-2.5 plus (0-2.5) lump sum	720	674	5
Peter Schofield	15-20 plus 50-55 lump sum	0-2.5 plus 0-2.5 lump sum	256	237	1
Simon Ridley	15-20 plus 50-55 lump sum	0-2.5 plus 2.5-5 lump sum	201	188	8
David Prout	5-10 plus nil lump sum	0-2.5 plus nil lump sum	108	83	18
Elizabeth Whatmore	30-35 plus nil lump sum	0-2.5 plus nil lump sum	469	461	(1)[1]

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

9.28 Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions apply from 1 April 2013. 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 initial 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 his 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 uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

9.29 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 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).

9.30 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.

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

Cash Equivalent Transfer Value (CETV)

9.32 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 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.

9.33 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

9.34 This reflects the increase in CETV funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by employee (including 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 **24 June 2013**

Accounting Officer

Department for Communities and Local Government

10 Statement of Accounting Officer's Responsibilities

10.1 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 2012 nos 717 and 3135 (together known as the 'departmental group', consisting of the Department and bodies listed in Note 33 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, application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

10.2 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 HM 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.

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

10.4 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 such expenditure and the other income and expenditure of the sponsored bodies are 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.

10.5 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the 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 HM Treasury.

11 Governance Statement

Introduction

11.1 This Governance Statement sets out the approach of the Departmental Group to corporate governance. It describes how the Department's Board and its supporting governance structures operate and outlines the systems of internal control, risk management and accountability. It evaluates the effectiveness of these arrangements, and how they support my responsibilities as Accounting Officer for the use of resources by the Department.

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

11.3 This Statement covers the whole Group, reflecting the governance arrangements of our Agencies and Non Departmental Public Bodies. Each of these organisations has published their own governance statements as part of their Annual Reports and Accounts. Rather than duplicate the information contained within these, this Statement seeks to explain Group-wide and core Department governance arrangements, and any issues that are significant to the Group as a whole.

Scope of responsibility

11.4 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me as set out in Managing Public Money.

11.5 The system of internal control is designed to identify and prioritise risks to a reasonable level rather than eliminating all risk of failure in achieving policies, aims and objectives. The development and implementation of internal control is an ongoing process designed to evaluate the likelihood and impact of risks being realised, and allow the Department to mitigate and manage them efficiently, effectively and economically.

11.6 In addition to ensuring a robust system of internal control, it is my responsibility as Permanent Secretary to provide effective and efficient delivery of policy objectives and, where appropriate, advise Ministers on the most efficient allocation of resources. It is also my responsibility to ensure that the organisational capacity of the Department is continuously improved.

Local accountability frameworks

11.7 In accordance with Managing Public Money, this Statement is required to include an accountability system statement explaining how the appropriate accountability mechanisms are in place for decentralised models of delivery.

11.8 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. It also reflects upon the limitations of accountability and potential future developments. As the Department's 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 the Department's website[9].

11.9 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 (Department for Environment, Food and Rural Affairs) .These statements will explain any other grants made to local authorities, and relevant legislation and regulation in respect of those services.

The Department's Board

11.10 The Department's Board is chaired by the Secretary of State and attended by a team of Ministers, Executive Directors and Non-Executive Directors. The table at annex A provides an overview of the Board membership and attendance during the financial year 2012-13.

11.11 The Board provides collective strategic and corporate leadership to the Department. Its role is to advise and support Ministers on the operational impacts and effectiveness of policy proposals, focusing on getting policy translated into results. It operates according to the following recognised principles of good corporate governance in business:

- **Leadership:** articulating a clear vision for the Department, including setting risk appetite and managing risk and ensuring effective governance of the Group.
- **Effectiveness:** bringing together a wide range of relevant experience to challenge and scrutinise performance.
- **Accountability:** promoting the Coalition Government's goal of transparency through clear and fair reporting.
- **Sustainability:** taking a long-term view about what the Department is trying to achieve and how it plans to get there.

11.12 Non-Executive Directors play a key role in the effectiveness of the DCLG Board. They utilise their personal expertise to offer challenge to the Department, especially with regards to commercial issues. Non-Executive Directors advise on five key areas: Strategic Clarity, Commercial Sense, Talented People, Results Focus and Management Information. Non-Executive Directors also advise on governance.

Board sub-committees

11.13 The Board is supported by two sub-committees:

- The Audit and Risk Committee; and
- The Nominations and Governance Committee.

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6264/2110027.pdf

11.14 The membership of these sub-committees is entirely non-executive to ensure independent advice with Department for Communities and Local Government officials attending in an advisory capacity. Details of Audit and Risk Committee membership and attendance can be found in the table at annex A.

11.15 The Audit and Risk Committee is chaired by Stephen Hay. The Committee meets on a quarterly basis. The Audit and Risk Committee is responsible for assessing and assuring the Department's overall risk management framework and financial propriety. The Committee provides independent advice to the Accounting Officer and the Department's Board on the adequacy of internal and external audit arrangements, and on the assurances received on the existence and effectiveness of the Department's systems for accountability and control. The Committee also plays a key role in reviewing and approving departmental financial statements. Its remit applies across the Group and it is assisted through close working relationships with the Department's Arms Length Bodies, in particular their Audit and Risk Committees.

11.16 The Audit and Risk Committee provides updates to the Board on the issues and key discussion points of its meetings as part of the regular Performance paper. It provides oversight of the development of the Annual Report and Consolidated Accounts, including the Governance Statement. In the year the Audit and Risk Committee has scrutinised the Department's overall risk register and also reviewed in detail the Department's approach to particular risks.

11.17 The Nominations and Governance Committee is chaired by Diana Brightmore-Armour and meets twice per year in May and November. It is responsible for providing governance of the Department's Senior Civil Service performance evaluation. This is done by seeking assurance that succession plans are in place for Board and senior management appointments, especially to ensure that the correct levels of skills and experience are maintained, and that appointments are based on merit.

11.18 As with the Audit and Risk Committee, the Nominations and Governance Committee provides updates to the Board on the issues and key discussion points of its meetings as part of the regular Performance paper. The Chair also meets with the Permanent Secretary after each meeting.

The Executive Team Committee

11.19 The Board is supported by the Executive Team. This meets on a weekly basis and is chaired by the Permanent Secretary with Directors General and Director of Strategy membership.

11.20 The Executive Team is responsible for driving and managing the daily business of the Department in order to deliver Ministerial priorities. In particular, it focuses on monitoring performance, managing risk, ensuring that the Department has the capacity and capability to deliver, and horizon scanning for potential risks and opportunities.

11.21 The Executive Team is responsible for reviewing the issues that are escalated to it from the Department via its sub-committees. In turn, it determines which issues to escalate to the Board.

Executive Team sub-committees

11.22 There are three sub-committees to the Executive Team, which meet on a monthly basis and whose membership consists of the Department's senior leadership team:

- The Finance Sub-Committee;
- The Performance Sub-Committee; and
- The People Sub-Committee.

11.23 The Finance Sub-Committee takes a strategic view of all financial risks and issues across the Department for Communities and Local Government Group by ensuring there are adequate financial and management controls in policy making and operational areas. It is responsible for agreeing all investment proposals of over £50m (supported by the Investment Sub-Committee- see paragraphs 11.26-29) to ensure affordability, effective financial and legal risk management and value for money. It determines which financial risks and decisions should be escalated for review by the Executive Team.

11.24 The Performance Sub-Committee is responsible for scrutinising the progress and delivery of all policy commitments and responsibilities. Its role in risk management is crucial as it scrutinises all associated risks, including risks identified by the People and Finance Sub-Committees, and commissions assurance activities to test delivery. It makes recommendations to the Executive Team through the monthly performance report (see paragraph 6.3).

11.25 The People Sub-Committee is responsible for overseeing the development and delivery of the Department's People Strategy and for governance of Senior Civil Service performance. It provides oversight of the people-related issues, including overall resourcing levels, arising from changes to the shape and size of the Department and its Arms Length Bodies.

Investment Sub-Committee and Research Gateway

11.26 The Investment Sub-Committee supports the Finance Sub-Committee. The Investment Sub-Committee meets according to business need and core membership is drawn from the Department's Finance and Analyst cadre, with specialist expertise, for example on estates management and procurement, being brought in on a case-by-case basis.

11.27 The Investment Sub-Committee has delegated authority to approve projects requiring programme spend of between £1m and £50m, administration spend of between £50,000 and £1m, and any policy deemed novel and contentious. Above these thresholds, the Investment Sub-Committee will make a recommendation to the Finance Sub-Committee. All approvals are reviewed at Finance Sub-Committee on a monthly basis. The Investment Sub-Committee makes a judgement based on deliverability, affordability, value for money, risk management, transparency of procurement and in line with Green Book principles. The Investment Sub-Committee also operates within HM Treasury delegations.

11.28 Operating as a sub-committee of the Investment Sub-Committee, the Research Gateway scrutinises requests for analytical programmes to ensure that large research projects are viewed against the wider context of departmental research and that they achieve value for money.

11.29 For projects up to a value of £250,000, Research Gateway approval counts as Investment Sub-Committee approval; for projects over £250,000 the Research Gateway will scrutinise the proposal and make recommendations to the Investment Sub-Committee. The Gateway Panel comprises the Chief Economist, Chief Scientific Adviser, Chief Statistician, Chief Social Researcher, Chief Operational Researcher, as well as representatives from Finance and Procurement.

Integrating governance frameworks across the Group

11.30 The Department has sought to integrate the Homes and Communities Agency and Planning Inspectorate as much as possible into the governance framework of the Department to engender a Departmental Group approach. For example, the Finance Directors of both the Homes and Communities Agency and Planning Inspectorate are attendees of the Department's Finance Sub-Committee and attend the quarterly business review meetings with Executive Team. The Homes and Communities Agency Audit and Risk Committee Chair is now a member of the Departmental Audit and Risk Committee. These closer working relationships have helped significantly to integrate our significant Arms Length Bodies into the group-wide financial planning, risk management and decision making.

Accountability to Parliament

11.31 Alongside the Board structures set out above, Ministers and the Permanent Secretary have clearly defined responsibilities that support good governance within the Department through Parliamentary accountability. The Secretary of State is responsible and answerable to Parliament for the exercise of the powers on which the administration of the Department depends. He has a duty to Parliament to account, and to be held for account, for the policies, decisions and actions of the Group.

11.32 As Permanent Secretary, I am appointed by HM Treasury as the Department's Accounting Officer and may be called to account in Parliament for the stewardship of the resources with the Department's control and the system of accountability for funding devolved to the local level.

Propriety

11.33 Ministers are subject to the Ministerial Code, which provides assurance as to the propriety of their conduct. When they are appointed, Ministers' attention is drawn to the requirements of the Ministerial Code and I am responsible for advising them on compliance with the Code.

11.34 The Corporate Governance Code requires departments to put in place arrangements to handle conflicts of interest of Board Members, and to use the Governance Statement to explain how conflicts, and potential conflicts, of interest are resolved. As set out in their contract, each Non-Executive Director is required to declare to the Secretary of State any personal or business interest which may, or may be perceived, to influence their judgement in performing their functions and obligations. They are also responsible for withdrawing from any discussions where any conflict of interest could influence their judgement. A register of interests is maintained by the Permanent Secretary's office.

Operational-level governance structures

11.35 The Department's Board governance structure is supported by local governance structures, especially to ensure the proper use of financial resources.

Financial delegations

11.36 Within the Group, clear arrangements are in place to delegate and manage financial resources effectively through the annual business planning and delegation processes. I also appoint the Chief Executives of the Department's Arms Length Bodies as the Accounting Officers for these bodies. Directors are issued with a delegation at the start of each financial year. This document stipulates the resource limits (both financial and staff) within which they must operate.

11.37 This is subject to monthly monitoring. Finance Business Partners provide a pack to each Director, assessing their directorate's position in relation to their delegation. Finance Business Partners then challenge the Director on financial performance and highlight areas in which improvements are required.

11.38 Senior managers are scrutinised on their compliance with the controls set out in the annual delegation letters through the development of a Governance Assurance Statement, which must be produced half way through the year and at the end of the year. This statement requires each Director to self-assess their performance against each of the delegation areas and to identify steps that can be taken to improve assurance. They are then challenged on this statement by Assurance Panels, which are chaired by a Non-Executive Director, the Director-General Finance and Corporate Services or the Finance Director. Included on these panels are also Internal Audit and those working in the Department's Corporate Performance team.

Working Budget system

11.39 The Working Budget system provides a vital way in which the Department's Corporate Finance monitors budgets for Communities Departmental Expenditure Limit across relevant departmental directorates and Arms Length Bodies. This therefore minimises the risk of breaches of internal control and allows the Department to apply timely financial scrutiny across the Communities Departmental Expenditure Limit budgets and its Arms Length Bodies, identifying and resolving any issues as and when they arise (see the section on 'Facing Challenges' for details on these breaches during 2012/13).

11.40 Each month, departmental Directors and Arms Length Bodies are required to submit financial forecasts to Corporate Finance. These are challenged by the respective sponsorship team or Finance Business Partner, and corrective action is taken as appropriate.

11.41 The Working Budget System enables the Department to respond to subsequent reporting requirements across Whitehall. This includes Quarterly Data Summary, Online System for Central Accounting and Reporting (OSCAR) monthly updates, Parliamentary Estimates and fiscal events, such as Spending Reviews. In particular, the working budgets system helps to ensure that the Department can manage financial pressures and respond quickly to fiscal events, as well as providing a mechanism for effective information sharing with HM Treasury, on the up to date budgetary position.

Finance Business Partner Team

11.42 The Department for Communities and Local Government's Finance Business Partner Team plays a vital role in supporting corporate governance as they lead on all aspects of financial management. The team has built close working relationship with policy teams and specialist areas (Analytical Services, Procurement and Legal), providing day-to-day support and advice. Key issues and risks are highlighted to the Executive Team through a weekly update report.

Risk management

11.43 Risk management is embedded in the day-to-day management of the Department's policies and programmes. Key Programme Boards are established for all the Department's major policies. They regularly review programme risks and escalate strategic and cross-cutting risks to the Executive Team Sub-Committees for discussion and potential inclusion on the Corporate Risk Register. Senior Responsible Owners are accountable for the effective management and escalation of risks within their groups and programmes. Their effectiveness is monitored and examined through the Governance Assurance Process (see paragraph 11.38).

11.44 The Department also provides support for day-to-day management of risk via a dedicated Programme and Project Management team within the Strategy and Performance Team, heads of professions and Arms Length Body sponsor teams. The Department has published a risk appetite statement, which is attached at annex C.

Sponsorship of Arms Length Bodies

11.45 The Department had 13 Arms Length Bodies during 2012-13. Each Arms Length Body is assigned a sponsorship team from within the Department. The role of sponsor teams is to maintain a close working relationship with Arms Length Bodies, ensuring that their internal processes (e.g. Human Resources) are compliant with Civil Service guidelines and adhere to departmental procedures (e.g. financial controls). Sponsor teams act as the first point of contact for Arms Length Bodies.

11.46 Each Arms Length Body has delegated authority from the Department for Communities and Local Government Accounting Officer, and as such has its own Accounting Officer. There are regular meetings between Accounting Officers to help ensure that Arms Length Bodies are not exceeding their delegations. An overview of key challenges facing the Department and its Arms Length Bodies are reflected in the 'Facing Challenges' section of this Statement.

Propriety and information security

11.47 All civil servants working within the Department and its Arms Length Bodies are required to comply with the Civil Service Code. The Civil Service Code is provided to new employees and is accessible via the Department's intranet.

11.48 The Department ensures that appropriate policies and guidance are in place to assure compliance with Cabinet Office mandates on electronic and physical data security. This includes regular inspections by the Department's security team.

Role of Internal Audit

11.49 The Department's Internal Audit Service 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.

11.50 Internal Audit also has strong links across the Group, acting as the audit service to The Planning Inspectorate. Internal Audit has continued to liaise and maintain good working relationships with the Homes and Communities Agency's Internal Audit provider. A 'Collaboration Agreement' was developed to define and formalise how the Internal Audit units of the Homes and Communities Agency and the Department would work together to maximise efficiencies and the provision of assurance. The Department's Director of Internal Audit has regular discussions with the Homes and Communities Agency Head of Internal Audit. During 2012/13 there has been regular consultation on work plan development, co-ordination of work scheduled to maximise efficiencies, joint working on specific reviews, and the sharing of information and co-ordination of assurance on an ongoing basis.

11.51 The Department's Internal Auditors operate in accordance with Public Sector 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. It 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 the Department, 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.

External scrutiny

11.52 The Department's delivery of its policies and programmes is also subject to external scrutiny, in particular from the National Audit Office and through Major Project Authority Gateway Reviews. This provides an opportunity to test and provide assurance around the effectiveness of the system of internal control, and make recommendations for further improvement.

Operating and improving corporate governance in 2012-13

Performance of the Board

11.53 The Board undertakes each year a Board Effectiveness Evaluation. In 2012-13, this was presented to March's Board meeting. The Board Evaluation showed that considerable progress has been made during of the course of the year. In particular, the increased use of external attendees to Board meetings and the increase involvement of Non Executive Directors in departmental issues were recognised as key positives. The Board concluded that it discusses the key issues in its meetings, maximising the experience and skills of the Non Executive Directors and helps the

Department implement its policies (such as on housing, enterprise zones, leadership and departmental priority setting).

11.54 The Board Effectiveness Evaluation also recognised that there are some areas in which further improvements could be made. This includes ensuring Board agendas are flexible and react to current priorities and increasing visibility for key Arms Length Bodies. The Board agreed an action plan for implementing such improvements in 2013-14. The Board also agreed that next year's Evaluation should be conducted by a third party to increase scrutiny.

Ensuring compliance with the Corporate Governance Code

11.55 Departments are expected to apply the principles of the Corporate Governance Code unless good governance can be achieved by other means and are also required to identify and explain areas where it has departed from the Code. In 2011-12, the Department's Ministers attended the Board in rotation and therefore the Department was not fully compliant with the Code. This year, all Departmental Ministers are members of the Board and therefore the Department is fully compliant with the Code.

Quality of information used by the Board

11.56 Working with Non Executive Directors, we have reshaped our performance management system to help the Board and Executive Team to manage corporate performance and ensure the Department is monitoring outcomes, realising its ambitions and implementing commitments in line with Ministerial priorities. We have done this by having a clear sight of progress on Board priorities, Structural Reform Plan actions, and other work packages and their delivery status.

11.57 In addition to progress on priorities, our performance report includes the status of corporate risks and key performance indicators around finance, human resources, statistics on correspondence, Parliamentary Questions and Freedom of Information requests. Advice to the Board and Executive Team draws on this report and is informed by discussions held in the Performance, Finance and People Executive Team Sub-Committees.

11.58 The Department has also contributed to the Quarterly Data Summary, which has been put in place by Cabinet Office to collect Board information across government. The Quarterly Data Summary breaks down the total spend of the Department in three ways: by Budget, by Internal Operation and by Transaction. In 2012-13, the Quarterly Data Summary has been improved to provide a common set of data that will enable comparisons of operational performance across government so that departments can be held to account.

Board discussions in 2012-13

11.59 In 2012, the Board met on a bi-monthly basis until January 2013, since when it has met and will meet on a quarterly basis. Board minutes are published on the Department's corporate website and annex B provides an overview of discussion topics. The Board also agreed an overall risk appetite statement for the Department, which sets out the desired level of risk for a range of activities and can be found at annex C.

11.60 Reflecting its operational role and the frequency of its meetings, the Executive Team has discussed the breadth of the Department's policies and programmes over the past year, including housing supply, local government finance reform and the Olympics, as well as monitoring corporate performance, recruitment and financial performance. The Executive Team uses the Corporate Risk Register to review the critical risks and the actions being taken to mitigate them. As a result, it has called in policy teams for a more detailed discussion of risks, such as the Department's work on Welfare Reform.

11.61 The Investment Sub-Committee met frequently during the reporting period. It has reviewed high profile policies and programmes such as Private Rented Sector Guarantees, Enterprise Zones and Local Infrastructure Fund. Investment appraisals outside the delegated authority of the Homes and Communities Agency and Planning Inspectorate were also scrutinised, and governance arrangements around the Department's large housing programmes reviewed.

Facing challenges

11.62 The Annual Report describes the policy and delivery challenges that the Department and the wider group have faced over the financial year and highlights our achievements. Below is a summary of the Department's risk profile, arranged by the Department's three priorities of Better Government, Better Place and Better Department. This includes examples of how the governance, internal control and risk management framework has assisted the development and delivery of our policies and programmes. Owing to its key role in risk management, these areas were also discussed by the Board and its sub-committees.

11.63 ***Better Government****:* The key risks that the Department faced were around the Troubled Families Programme, the reforms to Local Government Finance and the sale of the Fire Service College. The Troubled Families Programme is a high-profile programme for the Government, with large-scale delivery targets. Delivery is monitored through the Inter-Ministerial and Senior Officials working groups, as well as regular stocktakes with the Prime Minister and Deputy Prime Minister. The Department monitors delivery at a local level by receiving regular 'management information' from local authorities[10]. The Payment by Results model carries greater financial risks than a regular grant programme, and so there is a close working relationship with Central Finance, as well as regular scrutiny from the Finance Sub-Committee and Executive Team.

11.64 In 2012-13, the Department put in place through the Local Government Finance Act the statutory framework to deliver significant changes to the local government finance system that came into force on 1 April 2013, including Business Rate Retention and localisation of council tax support. This was particularly challenging at a time of reducing local authority budgets. A particular asset in this process was open engagement with the local government sector through a number of working groups and consultations, providing the Department with challenge and feedback to support better, more open, policy making.

11.65 In response to the recommendations made within the Fire Futures Report on 12 April 2011, a project was established to consider future viable options for the Fire Service College that would enable it to operate with sufficient and sustainable

[10] This is published quarterly: https://www.gov.uk/government/news/eric-pickles-hails-progress-in-troubled-families-programmes

commercial success. This resulted in the sale of the operational arm of the College to the private sector, increasing its operational flexibility and securing future investment so that it might fulfil its full potential and provide value for money for the taxpayer while benefiting the Fire and Rescue Service and strengthening national resilience.

11.66 Agreeing the most appropriate accounting treatment for the sale of the College and resulting winding up of the Trading Fund has been a challenging process. As this was a complex transaction, the Department worked extensively with HM Treasury to come to an agreed treatment for both the College and Department's accounts, which both parties agreed presented a true and fair view of the substance and application of the transactions that had taken place. Lengthy discussions also took place with the National Audit Office. The National Audit Office disagreed with this accounting treatment and this is reflected in the audit opinion on the Fire Service College Account.

11.67 ***Better Places**:* The Department faces a number of challenges, primarily around the delivery of housing and local growth outcomes. Owing to the current economic climate and because it covers a significant proportion of the Department's budget, housing delivery is a key risk. This is monitored through the Board structures, clear project management arrangements such as regular Programme Board meetings, and close working relationships with Central Finance, including the scrutiny of new policies through the Investment Sub-Committee. Early partner engagement has also been crucial.

11.68 The Department plays a leading role in supporting local growth through Enterprise Zones, City Deals, the Regional Growth Fund and the Growing Places Fund. Local Enterprise Partnerships determine local economic priorities and undertake initiatives to drive growth. The Department's Local Growth Board provides overall governance for these local growth initiatives. As set out in the Autumn Statement, the Department has also led delivery of the £474m Local Infrastructure Fund. The Department has worked to ensure clear governance arrangements are in place, including clarifying Accounting Officer responsibilities when delivering cross-departmental projects.

11.69 We continue to work on closing down the 2000-2006 European Regional Development Fund programmes, the timetable being dictated by the pace the European Commission teams work to. We have closed 10 out of 20 programmes and continue to monitor the potential liabilities, releasing provisions where appropriate. The net position in 2012-2013 was an increase in expected liabilities of £6m. We have started to see liabilities for the 2007-2013 programmes and are reviewing and managing these through tried and tested procedures used for the 2000-2006 programme. There were minimal liabilities recognised in the financial year 2012-2013. As at 31 March 2013, we had an outstanding claim of £270m with the European Commission for payments made to projects up to December 2012. We were anticipating receipt of funds until we heard in May 2013 that the programme has been interrupted. This was owing to minor technical issues about management verification of expenditure and the archiving of project records in the Department for Business, Innovation and Skills (see paragraph 2.43 of the Annual Report). The Commission see interruptions as an important part of their tool kit, and therefore a large number of other countries have also seen interruptions. It is likely to take us until late in-2013 to convince the European Commission to lift this interruption, but there is no indication that the outstanding sums will not be reimbursed.

11.70 Thurrock Thames Gateway Development Corporation was closed during 2012-2013. The primary responsibility for closure rested with senior officers and Board of the Development Corporation. Although a Closure Board was set up by the Department, the remit was narrowly defined and the respective governance roles for the Department and Thurrock Thames Gateway Development Corporation in the closure process were not clear. The Department did not frequently attend full Board meetings during the life of the Corporation. The Department was not sufficiently involved with the Corporation's activities during the closure period, and therefore did not make appropriate and timely enquiries of the Corporation to assure themselves that public funds were not being committed without due regard to regularity. As part of the Department's closure monitoring and the National Audit Office's audit process, issues have been uncovered. As a result of these issues, the Department's Finance Director took over Accounting Officer responsibilities and the Director General for Finance and Corporate Services commissioned an investigation by Internal Audit. We are now working with the relevant parties to rectify the issues identified, or agree appropriate accounting treatment for the sums involved. In total, we recognise around £200,000 as being potentially irregular expenditure. The Internal Audit report has been drafted, and shared with Ministers, and an action plan has been prepared as our response to this. This will focus on improvements to departmental controls over arms length and closing bodies. Lessons learned from the closure of Thurrock Thames Gateway Development Corporation and the closure of other Arms Length Bodies have been shared around the Department

11.71 A management failure resulted in homelessness advisers, funded but not directly employed by the Department, having building passes[11]. One of the advisers had retained access to the departmental IT system from a previous appointment with the Department. These individuals were perceived by some externally as Department for Communities and Local Government staff. Internal Audit conducted an investigation into this. These arrangements were brought to the attention of Minister and have now been ended. The Department is taking forward lessons learnt.

11.72 ***Better Department****:* As an organisation, the Department has faced two key challenges around how it is managed. In recent years, DCLG Group administration budget has reduced by around 40% to deliver the savings required as part of Spending Review 2010. This was identified as a potential risk to the Department's capability and capacity to deliver its priorities. The Department has implemented a Better Department Plan (building on the Capability Review Action Plan published in May 2012), which focuses improvement on five key areas. Progress against this is monitored through the People sub-committee and Executive Team. Capability (especially around commercial and financial skills) and capacity continue to be a priority for 2013-14, however progress has been made, which is illustrated by the improved People Survey results especially around leadership and Learning & Development.

11.73 The Department breached its Estimate for its net cash requirement in 2012-13 by £55m resulting in a Qualified Audit Opinion and an Excess Vote for breach of this Parliamentary Control Total, although it should be noted that the Department under

[11] Mark Prisk MP and Baroness Hanham CBE answered written questions on the subject in December 2012 and February 2013 respectively: http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121213/text/121213w0002.htm and http://www.publications.parliament.uk/pa/ld201213/ldhansrd/text/130213w0001.htm#13021370000410. This clarified that the individual concerned was not employed directly by the Department - homelessness advisors were funded from a grant provided to local authorities to support the provision of advice on preventing homelessness as set up under the previous administration

spent against its overall Departmental Expenditure Limit. This was as a result of a gap in the process for calculating the Working Capital adjustment, which is required to derive the Net Cash Requirement, which had not previously been identified. A lack of monitoring of the outturn against this Control Total meant that the issue was not identified until late in the year. Vigorous action was undertaken as soon as the issue was identified which limited the extent of the breach but could not prevent it. The retrospective cover in respect of the Excess Vote will be sought in the Supplementary Estimate process in line with HM Treasury procedures and the Estimates manual. The Department has taken immediate action to address the error identified, including a full Internal Audit investigation. Eight actions to avoid a repeat of the situation have been identified. Two are already completed, and the remainder are underway, with completion dates in October and December before the next Supplementary Estimate which is the critical point.

11.74 The Department breached its Local Government Capital Departmental Expenditure Limit in 2012-13 by £1.141m resulting in a Qualified Audit Opinion and an Excess Vote for breach of this Parliamentary Control Total, although again it should be noted that the Department under spent against its overall Departmental Expenditure Limit. This was the result of two Arms Length Bodies incurring capital expenditure in excess of appropriate budget cover without providing adequate financial reporting to the Department. In one instance, a lack of financial awareness in the Department's sponsorship team meant that scrutiny of spending decisions was not strong enough to identify the issues and the consequences from the information that was given. There will be an offsetting reduction to the Local Government Departmental Expenditure Limit in 2013-14 as a result.

11.75 The Department has taken action to identify the reasons for the capital over spend through an Internal Audit report to the Director of Local Government Finance. The report reviewed the interactions between sponsorship teams, the local government finance team and Arms Length Bodies to ensure that processes are put in place which will avoid any repeat. The Department has quickly acted upon the recommendations within this report. This includes establishing a review of Arms Length Body sponsorship arrangements to examine whether smaller Arms Length Bodies have the capacity and capability to meet accounting obligations, revision of delegation letters to Arm Length Body Accounting Officers, and taking measures to increase financial awareness within the sponsorship team supported by the attendance of the Finance Business Partners at the regular monitoring meetings already in place.

The Governance Statement Assurance process in 2012-13

11.76 Following the process set out in paragraph 11.38, the Department scrutinised a number of high-risk directorates (such as housing and local growth) in November 2012 and all directorates in May 2013. The conclusions of this process are reflected in this Statement, highlighting challenges that the Department has faced such as propriety issues around homelessness advisors and staff resource pressures.

Enhancing staff skills and awareness

11.77 The Department has maintained its financial capacity and capability through ensuring finance professionals are in post and providing professional development and training. For example, the Department has recruited three finance graduate trainees in 2012-13.

11.78 Developing expertise for specialist staff is complemented by improving Learning & Development and staff awareness for all staff. The Finance Directorate provides internal finance training courses for non-finance staff covering basic financial awareness and developing finance business cases. Risk workshops have been delivered to staff working in a number of policy teams to improve their risk management processes and embed the Department's approach to risk management.

11.79 To improve staff awareness of corporate governance and to increase the visibility of the Executive Team Committee within the Department, the Executive Team has improved how it feeds back to the Department's staff, making video highlights available on the intranet. An article was published on the Departmental intranet to ensure staff are aware of the Board's risk appetite statement. This was followed up by a workshop for those key members of policy teams involved in risk management as part of March's Commercial Fortnight, which consisted of a series of events aiming to increase commercial awareness amongst departmental staff.

11.80 The Department has maintained its programme and project management capacity and capability. Over the last year it has agreed a programme and project management strategy which is focused on supporting a small core of programme and project management specialists to maintain and build their skills. In 2012-13, 25 staff attended external training courses which will lead to a recognised professional qualification. The Department is working closely with the Major Projects Authority and other Departmental Project Management Heads of Profession on ways to strengthen programme and project management across central government. The Department has also built a relationship with DWP which will allow the interchange of project managers and will help to build skills in both departments.

Maintaining high standards of propriety

11.81 The Board was asked to update the Department on any potential conflicts of interest and no new interests were identified. During 2012-13, there were no reported or suspected losses of personal or proprietary data in the Department.

Ministerial directions

11.82 In the last reporting year, no ministerial directions were made.

Independent reporting

Internal Audit opinion

11.83 Following the completion of the planned audit work for 2012-13 for the Department, the Director 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 give an overall moderate assurance on the adequacy and effectiveness of the system of internal control throughout the year, although in the majority of individual areas we were able to give substantial (and in some cases full) assurance. Last year we gave an overall substantial assurance, however this year we have down graded our level of assurance due to control failures in relation to: the Department's control of its net cash requirement; sponsorship of the Department's Arms Length Bodies; and a Local Government Departmental Expenditure Limit Capital breach in two Arms Length Bodies.

We also provided moderate assurance over some systems, in relation to Internal Audit reviews of: DCLG Grants Assurance; Regional Growth Fund; Unlocking Growth in Cities; Leavers Process; DCLG's Preparedness for the Olympics; and Information Technology Software Asset Management.

For the ERDF programmes Internal Audit also gives a moderate assurance.

The 2007-13 European Regional Development Fund Audit Authority sits within Internal Audit and is responsible for the audit of the 10 European Regional Development Fund programmes in England. In December 2012, the Audit Authority provided an unqualified audit opinion alongside its Annual Control Report. In accordance with European Commission regulations guidance notes, the opinion was made on the basis of the Audit Authority's programme of systems reviews and operational audits undertaken between 01 July 2011 and 30 July 2012.

In early May 2013, the Commission contacted the Managing Authority to confirm that all 2007-13 European Regional Development Fund programmes would be subject to a pre-suspension interruption of payments because of concerns about management verification of expenditure and the archiving of project records in the Department for Business, Innovation and Skills. These concerns were identified by two systems audits performed by the Audit Authority. The Managing Authority is currently implementing an action plan to address the issues causing the interruption, including full implementation of recommendations made by the Audit Authority.''

Major Projects Authority Gateway Reviews

11.84 In the last year, there have been two Gateway Reviews of the Department's Information and Communication Technology re-let programme. The Review Team concluded that project was capable of delivering the new desktop service by the planned date of August 2013 and that the Department, having identified all the key risks, is putting in place robust arrangements that are reviewed regularly by the Chief Information Officer and Project Team to ensure that they are working in practice. The assessors considered that the Department's Project Team appeared to have the resources, skills and expertise necessary to deliver a successful outcome. The Review Team also noted the project's major strength as the team's experience of transformation programmes, extensive technical expertise, and high levels of commitment and enthusiasm.

National Audit Office reports

11.85 During 2011-12 the National Audit Office published six reports (seven including the Departmental Overview) relating to the Department, which are available on their website.

Date of Publication	Title of Report
27 March 2013	New Homes Bonus
13 March 2013	Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets
30 October 2012	Department Overview : A summary of the National Audit Office's work on the Department for Communities and Local Government
1 August 2012	Review of the data systems for the Department for Communities and Local Government
4 July 2012	Financial viability of the social housing sector: introducing the Affordable Homes Programme
13 June 2012	Central government's communication and engagement with local government
11 May 2012	The Regional Growth Fund

Conclusion

11.86 The system of internal control has been in place in my Department for the year ending 31 March 2013 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance. The Department also fully complies with the principles of the Corporate Governance Code.

11.87 I have reviewed the evidence provided to me by the management assurance exercise and compliances functions, the Internal Audit's opinion and the external audits of the Department. With the exception of the areas of control weakness in sponsorship that led to the issues at Thurrock Thames Gateway and the breach of the LG Capital Departmental Expenditure Limit, and in the preparation and monitoring of the Net Cash Requirement, I am satisfied that the Department has maintained a sound system of internal control during the financial year 2012-13.

Sir Bob Kerslake **24 June 2013**

Accounting Officer

Permanent Secretary and Head of the Home Civil Service

Department for Communities and Local Government

Annex A: Board and sub-committee attendance

Department for Communities and Local Government Board	May 2012	July 2012	Sept 2012	January 2013	March 2013
Rt. Hon. Eric Pickles MP	x	x	x	x	
Baroness Hanham CBE	x		x		x
Rt Hon. Grant Shapps MP					
Mark Prisk MP			x	x	x
Greg Clark MP					
Nick Bowles MP			x	x	
Andrew Stunell MP					
Rt Hon. Don Foster MP				x	x
Bob Neill MP					
Brandon Lewis MP			x	x	x
Sara Weller		x	x	x	x
Stephen Hay	x	x	x		x
Diana Brightmore-Armour	x	x	x	x	x
Stewart Gilliland	x	x	x		
Nick Markham				x	x
Sir Bob Kerslake	x	x	x	x	
Sue Higgins	x	x	x	x	x
David Prout	x	x	x		
Simon Ridley				x	x
Peter Schofield	x	x	x	x	x
Louise Casey	x				
Andrew Campbell	x			x	x
Elizabeth Whatmore		x	x		

Audit & Risk Committee	June 2012	Sept 2012	December 2012	March 2013
Stephen Hay	x	x	x	x
Martin Evans	x	x	x	x
Stewart Gilliland	x	x		
Ian Robertson	x	x	x	x
Nick Markham				x

Annex B: Summary of Board meetings

Meeting date	Issues discussed
May 2012	• Local Growth stocktake • Troubled Families • Next Spending Round
July 2012	• Housing stocktake • Spending Round • Performance Paper • Annual Report and Consolidated Accounts
September 2012	• Planning stocktake • Arms Length Bodies • Performance Paper • Housing Statement update
January 2013	• Performance Paper and Risk Appetite • High Streets • Enterprise Zones • Spending Round
March 2013	• Growth • Community Action • Performance Paper

Annex C: The Department's risk appetite statement

Introduction

1. Risk can be described as an uncertain event or set of events that might occur as a consequence of the work being undertaken. Risks can be positive, making the outcome easier to achieve - such as improvements in technology, or negative, making the outcome harder to achieve such as an increase in costs. Risks must be taken if the Department for Communities and Local Government is to achieve its objectives but it is important these risks have been thought through and are well-managed. The general rule of assessing whether it is worth taking an action (and so accepting the risks associated with it) is that that the expected benefits must outweigh the expected cost of those actions.

2. The level of acceptable risk (or appetite) will vary. In some areas, the Department has a relatively high risk appetite and is prepared to accept a significant level of risk in order to achieve its objectives but in other areas the Department has a very low appetite and does not wish to take any unnecessary risks. In all cases, the level of risk taken should be commensurate with the expected level of reward. Riskier options should be able to deliver significantly higher levels of benefits than options which have less risk. It should be remembered that when decisions need to be taken the 'doing nothing' option will also have a level of risk attached and it may not be the least risky option. The risk of change should be evaluated alongside the risk of standing still.

<u>What is risk appetite?</u>

3. HM Treasury defines risk appetite as *"…the overall amount of risk an organisation is prepared to accept, tolerate or be exposed to any point in time".* For the purposes of this statement we are using three levels of appetite – high, medium and low and these are defined at paragraph 6.

How to use this statement

4. It is not possible or desirable to set a single risk appetite for the Department as appetite will vary depending on the situation and type of risk. However, where it becomes clear that the Department is taking a risk which is in excess of the desired risk appetite, remedial action must be taken either by escalating that risk or by taking action to reduce the inherent level of risk. Likewise, where it becomes clear that the level of risk sits well below the desired risk appetite, then options should be re-examined to ensure that the best course of action is being followed.

The Department's risk appetite

5. Every activity carried out by the Department carries a level of risk and this statement sets out the desired post-mitigation risk appetite for the types of activity the Department will carry out. It is recognised that in many cases risks will fall into several categories rather than sitting neatly within one. When risks do not fully align with the defined types, a balanced view will need to be taken as to which level of risk appetite is most appropriate.

6. This table does not necessarily reflect the level of risk the Department is carrying at present and we recognise that circumstances in the future may mean that the Department has to accept and manage risks which fall outside of its desired risk appetite. This statement will be periodically reviewed to make sure it adequately reflects the views of the Board.

Areas Of Activity	DCLG Risk Appetite		
	Low	**Medium**	**High**
Policy - Development of new approaches			✓
Policy – Delivery of key services to the public (Fire Service, Resilience)		✓	
Financial Management - Proprietary and Regularity	✓		
Financial Management - Deployment of resources		✓	
Operations – Deregulation and compliance with existing regulations		✓	
Operations - Quasi-Judicial roles – e.g. planning decisions		✓	
Information (Confidential data)		✓	

Risk Definitions

High - **'Hungry'**: Eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk of failure.

Medium - 'Open': willing to consider all potential delivery options but with an overall preference for options which have a lower degree of residual risk and may only have a limited potential for reward.

Low - 'Averse': A preference for ultra-safe options which have a low degree of residual risk and extremely limited or no potential for reward.

Policy: Development of new approaches – High Risk Appetite

7. The Department is playing a key role in delivering the Coalition Government's ambitious reform agenda and maximising the opportunities for local growth. We are delivering real change by: helping to decentralise power as far as possible; re-invigorating local accountability, democracy and participation, supporting and incentivising local growth; meeting people's housing aspirations and putting communities in charge of planning. To achieve these objectives and make a real difference we need to do things differently and creativity and innovation are vital to this. This will involve substantial change and could lead to the creation of new delivery models, new legal frameworks and working with unfamiliar delivery partners. Therefore our appetite for taking well-managed risks in this area is high and illustrated by some of the reforms we have implemented with regards to housing and planning - although we are still committed to adopting controls and mitigating actions to manage down the level of residual risk as much as possible. It should be borne in mind that the ultimate success of the Department will be measured by our real world impact rather than how radical our policies are. It is vital that implementation is considered from the outset and carefully monitored and that polices are adjusted as necessary.

Policy: Delivery of Key Services for the Public – Medium Risk Appetite

8. The Department is responsible for the provision of a number of key services to the public - ensuring we have an effective Fire and Rescue Service and also co-ordinating a regional emergency response. However, the Department must continue to push for innovation and look for new ways to cost effectively deliver these services and make them more accountable to the communities they serve and encourage fire and rescue authorities to do the same. It is important that the provision of these services to the public is maintained at its current level and that public confidence is retained in these services. Therefore, the desired level of risk appetite will be slightly lower for any activities which will have a direct impact on the level of service provision.

Financial Management: Propriety and Regularity – Low Risk Appetite

9. As a central government department we are subject to strict regulation on all aspects of financial management including staying within spending limits, regularity, propriety, value for money and accountability to Ministers and Parliament. The Department also allocates local authority funding and it is vital to the credibility of the Department that local authorities get their agreed funding at the time they expect. The Department also manages a number of funds on behalf of government such as European Regional Development Fund and Regional Growth Fund and recognises the importance of complying with existing regulations that govern how these funds can be deployed. The Department also has a responsibility to taxpayers to ensure that public money is spent effectively. Therefore our risk appetite for this aspect of our finances is low and the Department has a robust framework of internal controls to ensure compliance with central mandatory guidance.

Finance: Deployment of resources – Medium Risk Appetite

10. A declining level of resource in real terms through the Spending Review period means that the Department needs to ensure that its budget is deployed most effectively. Therefore, the Department has a medium appetite for risk in innovation and budget management which is focused on maximising value for money and ensuring that resources (including our people) are used where they will have the greatest impact whilst also making sure that we neither under spend nor overspend our budget allocation and that we remain flexible and able to redeploy resources to our highest priorities. This does not imply that in such cases the Department's risk tolerance around financial regularity, propriety and accountability to Ministers and Parliament is anything but 'low'.

Operations: Deregulation – Medium Risk Appetite

11. The Department is committed to taking action to decentralise power, reinvigorate local accountability, incentivise local growth and reduce as far as possible, the burden it places on other parties such as local authorities. To achieve this, the Department is looking at the ways it can change the regulatory environment by removing or streamlining regulations and only regulating where absolutely necessary whilst also avoiding regulatory changes which could lead unnecessarily to successful judicial review. The Department has made substantial progress in this area, such as the work recently done to improve the United Kingdom's planning system.

Operations: Quasi Judicial Roles –Medium Risk Appetite

12. The Department's Planning Inspectors and the Secretary of State operate in a quasi-judicial role with regards to the UK planning system. It is important that they carry out their functions appropriately in order to minimise the risks of judicial reviews being brought against the Department which cost money, slow down decision making and have the potential to damage the reputation of the Department. At the same time, however, the Department is also taking a critical look at these processes and has set out a number of innovative improvements to speed up decision making and facilitate growth.

Information: Confidential data – Medium Risk Appetite

13. Whilst the Department does not hold a substantial amount of personal data, it does hold some and it is vital that it is held safely in line with our legal responsibilities under the Data Protection Act. The Department is also committed to both openness and

transparency and has been setting the pace by making a considerable amount of data available to the public for the first time and continuing to meet the requirements of Freedom of Information legislation. Safe and secure handling of protected information and data (including personal data subject to the Data Protection Act) remains paramount. Any significant data breach, particularly if personal data is involved, has the potential to break down trust and damage the reputation of the Department and the wider delivery system and could result in the confidentiality, integrity and availability of data and information being compromised, posing a risk to organisational effectiveness. This and the potential for challenge by the Information Commissioner is why the risk appetite for this area is medium, which is in line with the norm for government.

Risk Relationships

14. The Department's risks do not exist in isolation and will usually be affected to a greater or lesser degree by external factors. Whilst external risk factors (such as the risk of recession) cannot be controlled directly by the Department, they should be recognised and their impact on Departmental risks should be assessed. They will exacerbate some risks and reduce others. These external factors can make it more likely that internal risks will exceed the level of appetite the Department is prepared to tolerate. So it is important that external risks are taken into account when looking at the level of risk the Department is carrying.

15. Although it is necessary to take opportunities and calculated risks to meet the Department's challenging agenda, these must be balanced against the need to maintain The Department's reputation as a highly effective government department that consistently and reliably meets its aims and objectives. The Department relies on its reputation for its influence and to secure the engagement of partners and stakeholders, who are vital facilitators to enable it to meet its objectives. Regaining the commitment of partners if reputation is damaged may be difficult and time-consuming and affect the Department's ability to meet its objectives. Most risks the Department faces have the potential to negatively impact the Department's reputation.

Further Information on what risk levels mean for Department for Communities and Local Government

High - 'Hungry': *Eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk*

High risk options will involve doing something different. They will be considered revolutionary rather than evolutionary and there will be a strong sense of surprise from external observers as this is not the usual way the Department does things. They may involve a completely new way of working and could include using new legal frameworks, new software, operating in a new environment or working with a new set of delivery partners. High risk options are prone to failure and should only be pursued to achieve a very significant benefit which could not otherwise be achieved and will often be taken forward alongside lower risk initiatives

Medium – 'Open' *willing to consider all potential delivery options but with an overall preference for options which have a lower degree of residual risk and may only have a limited potential for reward.*

Medium risk options will often involve an extension of existing activity and will be considered evolutionary rather than revolutionary. They will not usually be seen as surprising by external observers who will view them as part of a natural progression.

These options can fail and so they should only be pursued if the benefits clearly outweigh the potential costs.

Low – 'Averse' – *Preference for ultra-safe options which have a low degree of residual risk.*

Low risk options are designed to remove the risk of failure as far as possible. These options will be pursued in those areas of the business where the focus is on compliance with a strict set of guidelines or quality standard – such as European Union regulations or where no deviation from an agreed budget is permitted.

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 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its Agency. 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 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 sufficient evidence 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.

Basis for qualified opinions on regularity

Parliament authorised a Net Cash Requirement for the Department of £28,971,571,000. Against this limit, the Department incurred actual cash expenditure of £29,027,027,000, breaching the authorised limit by £55,456,000, as shown in the Statement of Parliamentary Supply. I have qualified my regularity opinion on the Department's financial statements in this regard.

Parliament also authorised a net Local Government Capital Departmental Expenditure Limit of £80,000. Against this limit, the Department incurred actual expenditure of £1,221,000 breaching the authorised limit by £1,141,000, as shown in the Statement of Parliamentary Supply. I have also qualified my regularity opinion on the Department's financial statements in this regard.

Qualified opinion on regularity

In my opinion, except for the excesses described in the basis for qualified opinions paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those 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.

More details of the reasons for my qualified audit opinions are set out in my report on pages 124 to 126.

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 2013 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 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.

Amyas C E Morse **Date 26 June 2013**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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

Introduction

The Department for Communities and Local Government is responsible for the following Coalition priorities: decentralise power as far as possible; reinvigorate accountability, democracy and participation (including transparency); support and incentivise local sustainable growth; meet people's housing aspirations; and put communities in charge of planning.

The main cash flows of the Department relate to grants to local authorities and other bodies, grant-in-aid to Arm's Length Bodies and internal administrative expenditure. The Department's main source of receipts is EU grants.

The Department prepares its accounts in accordance with the Government Financial Reporting Manual (FReM) and HM Treasury directions issued under the Government Resources and Accounts Act 2000. Under the FReM, the Department is required to apply International Financial Reporting Standards as adapted or interpreted for the public sector.

Purpose of Report

The net expenditure of government departments is authorised by Acts of Parliament. These Acts set a series of annual limits on the net expenditure which each department may not exceed and on the total cash each department can use. Where these limits are breached, I qualify my regularity opinion on the financial statements. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons authorise the expenditure by passing an additional Act of Parliament, which is part of the Supply and Appropriation (Anticipation and Adjustments) Act.

The 2012-13 Statement of Parliamentary Supply shows that the Department had a Net Cash Requirement Estimate of £28,971,571,000 and an outturn of £29,027,027,000. This is, therefore, a breach of the Net Cash Requirement Estimate control total and I have qualified my opinion in this regard.

The Statement of Parliamentary Supply also shows that the Department had a net Local Government Capital Departmental Expenditure Limit of £80,000 and an outturn of £1,221,000. This is, therefore, a breach of the Local Government Capital Departmental Expenditure Limit control total and I have further qualified my opinion in this regard.

Explanation for Qualified Audit Opinions

Net Cash Requirement

The breach of the voted Net Cash Requirement arose because the Department failed to identify and adjust for all movements in working capital when deriving its Net Cash Requirement Estimate[1]. The working capital adjustment to derive the Net Cash Requirement should have been a cash increase of £980 million; the adjustment in the Main Estimate was a cash increase of £143 million, posted within the 'add cash grant-in-aid' line.

The Department did not monitor its position against this control total at any point during the year and, hence, failed to detect that outturn was above the normal profile from the start of the financial year. As the Department was unaware of its position, it reduced its Net Cash Requirement Estimate in the Supplementary Estimate by £340 million, arising from reductions to its capital and resource requirements.

The Department became aware of its proximity to the Net Cash Requirement Estimate limit after HM Treasury contacted it on 27 February to advise that it was close to drawing up to its Net Cash Requirement. This was too late for the Department to manage its cash position sufficiently to avoid an excess position.

In responding to the risk of a breach of this voted total, the Department took the decision that it would not manage its cash position by deferring payment on front-line services. Consequently, having drawn cash up to its available cash limit from the Consolidated Fund, the Department met further liabilities at year-end by means of an unauthorised bank overdraft and finished the year £217 million overdrawn. The Department incurred penalty interest charges of £0.02 million, imposed by HM Treasury, as a result of this decision.

The Department immediately commissioned a review of cash management by their Cross Departmental Internal Audit Service in response to the breach. The recommendations, which have been accepted by management, broadly fall into four main categories: increasing awareness and understanding of the Net Cash Requirement (Estimate, outturn and actual cash required) throughout the Department; redesigning the process for the calculation of the Net Cash Requirement Estimate and putting quality assurance arrangements in place; clearly allocating responsibility for approving the Net Cash Requirement Estimate; and developing in-year monitoring and sharing this between the relevant teams.

The accuracy of forecasts will become more important in 2013-14 due to a number of reforms and the interruption to funding receipts from the EU which will all have an impact on cash flows.

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[1] Working capital is the net total of current receivables, cash, inventories (together known as current assets) and current payables (current liabilities). Where current liabilities exceed current assets, additional cash will be needed to meet these liabilities as they fall due in addition to the cash required to fund in-year activity.

Capital Local Government Departmental Expenditure Limit

The breach of the Capital Local Government Departmental Expenditure Limit (LG CDEL) arose as two Arm's Length Bodies - the Valuation Tribunal Service (VTS) and the Commission of Local Administration in England (CLAE) - exceeded their delegated capital budgets. Individually, either excess reported by these bodies would have caused an overall breach for the Department.

The LG DEL budget is managed and controlled separately from the DCLG Communities DEL budget within the Department. The vast majority of spend within this budget comprises revenue payments to local authorities under formula grants (Revenue Support Grant and National Non-Domestic Rates). The VTS and CLAE are the only two Arm's Length Bodies within the Local Government budget, and the only elements that give rise to capital expenditure.

The CLAE excess arose following senior staff changes within the organisation in January. The new incumbents undertook a review of capitalised spend on their IT system upgrade after the financial year-end. This led to a late adjustment in the categorisation of some spend from resource to capital and, hence, pushed their outturn above their delegated capital budget and into excess.

The VTS excess also concerned IT systems enhancements; these were necessary following the policy decision that Valuation Tribunals would hear Council Tax Reduction appeals. Although the IT spend was approved by the Department's sponsorship team, the team did not include a financial specialist. As a result, the financial consequences of this policy decision were not understood and the VTS reported capital expenditure at year-end against a delegated nil budget.

The Department immediately commissioned a further report by its Cross Departmental Internal Audit Service in response to this breach. The main recommendations are that financial expertise is drawn into the sponsorship team, and for the Department to work with these Arm's Length Bodies to ensure they understand their roles and responsibilities in respect of Parliamentary financial control and have the capacity and capability to meet these requirements. These have been accepted by the Department.

Amyas C E Morse Date 26 June 2013

Comptroller and Auditor General

National Audit Office

157 – 197 Buckingham Palace Road

Victoria

London SW1W 9SP

Statement of Parliamentary Supply

For the year to 31 March 2013

Summary of Resource and Capital Outturn 2012-13

£'000

								2012-13	2011-12
				Estimate			**Outturn**	**Outturn compared with Estimate: saving/ (excess)**	**Outturn**
	Note	**Voted**	**Non-Voted**	**Total**	**Voted**	**Non-Voted**	**Total**		**Net Total**
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities									
Resource	2.1	**1,518,027**	-	1,518,027	**1,349,037**	-	1,349,037	**168,990**	1,821,401
Capital	2.2	**2,694,429**	-	2,694,429	**2,472,211**	-	2,472,211	**222,218**	3,820,927
Spending in DEL - DCLG Local Government									
Resource	2.1	**23,956,279**	-	23,956,279	**23,853,228**	-	23,853,228	**103,051**	26,557,648
Capital	2.2	**80**	-	80	**1,221**	-	1,221	**(1,141)**	(7,717)
Spending in Annually Managed Expenditure (AME)									
Resource	2.1	**702,076**	-	702,076	**552,948**	-	552,948	**149,128**	382,196
Capital	2.2	**33,453**	-	33,453	**(3)**	-	(3)	**33,456**	152,824
Total Budget		**28,904,344**	-	28,904,344	**28,228,642**	-	28,228,642	**675,702**	32,727,279
Non Budget: - Resource		**-**	-	-	**-**	-	-	**-**	-
Total		**28,904,344**	-	28,904,344	**28,228,642**	-	28,228,642	**675,702**	32,727,279
Total Resource	2.1	**26,176,382**	-	26,176,382	**25,755,213**	-	25,755,213	**421,169**	28,761,245
Total Capital	2.2	**2,727,962**	-	2,727,962	**2,473,429**	-	2,473,429	**254,533**	3,966,034
Total		**28,904,344**	-	28,904,344	**28,228,642**	-	28,228,642	**675,702**	32,727,279

The Department has incurred an Excess of £1,141k in respect of a breach of control total for LG Capital DEL and an Excess of £55,456k in respect of a breach of control total for Net cash Requirement. The Department will seek Parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act.

Net Cash Requirement 2012-13

£'000

				2012-13	2011-12
	Note	**Estimate**	**Outturn**	**Outturn compared with Estimate: saving/(excess)**	**Outturn**
Net Cash Requirement	4	**28,971,571**	**29,027,027**	(55,456)	31,438,209

Administration Costs 2012-13

£'000

				2012-13	2011-12
	Note	**Estimate**	**Outturn**	**Outturn compared with Estimate: saving/(excess)**	**Outturn**
Administration Costs	3.2	**373,279**	**285,658**	87,621	338,979

The Notes on pages 134 to 189 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

£'000

	Note	2012-13 Core Department	2012-13 Core Department & Agency	2012-13 Departmental Group	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group
Administration Costs							
Staff Costs	7	97,583	130,434	179,579	105,525	133,673	205,604
Other Costs	8	95,634	109,178	148,862	100,362	113,684	193,725
Income	10	(24,214)	(34,848)	(42,783)	(14,437)	(23,396)	(60,350)
Programme Costs							
Staff Costs	7	1,869	1,869	6,690	3,332	3,338	22,873
Other Costs	9	27,319,622	27,321,040	28,838,630	38,248,714	38,249,897	40,644,534
Income	11	(635,150)	(635,235)	(776,320)	(14,968,019)	(14,968,019)	(15,076,849)
Grant-in-aid to NDPBs		1,175,801	1,175,801	-	2,270,765	2,270,765	-
Net Operating Costs for the year ended 31 March		**28,031,145**	**28,068,239**	**28,354,658**	**25,746,242**	**25,779,942**	**25,929,537**
Total Expenditure		28,690,509	28,738,322	29,173,761	40,728,698	40,771,357	41,066,736
Total Income		(659,364)	(670,083)	(819,103)	(14,982,456)	(14,991,415)	(15,137,199)
Net Operating Costs for the year ended 31 March		**28,031,145**	**28,068,239**	**28,354,658**	**25,746,242**	**25,779,942**	**25,929,537**
Other Comprehensive Net Expenditure							
Net (Gain) / Loss on:							
Pension Schemes	24	(301)	(421)	7,278	108	108	32,491
Disposal of available for sale assets recognised in net expenditure		-	-	876	-	-	3,330
Revaluation of property, plant and equipment	12	(395)	(422)	(435)	(1,275)	(1,275)	(1,438)
Revaluation of inventories	19	-	-	(37,110)	-	-	(72,023)
Fair value gain on available for sale assets	16	-	-	(3,226)	-	-	17,108
Income tax on items in other comprehensive expenditure		-	-	10,794	-	-	16,854
Total comprehensive expenditure for the year ended 31 March		**28,030,449**	**28,067,396**	**28,332,835**	**25,745,075**	**25,778,775**	**25,925,859**

All activities are continuing.

The Notes on pages 134 to 189 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

£'000

	Note	Core Department	Core Department & Agency	Departmental Group 31-Mar-13	Core Department	Core Department & Agency	Departmental Group 31-Mar-12
Non-current assets							
Property, plant and equipment	12	90,420	90,507	96,440	108,868	109,004	117,711
Intangible assets	13	9,403	10,062	13,972	16,722	16,832	20,130
Investments	15	8,617	8,617	347,909	31,348	31,348	356,160
Available for sale assets	16	-	-	666,905	-	-	550,208
Investment properties	17	28,708	28,708	28,708	28,511	28,511	28,511
Trade and other receivables	20	13,138	13,140	146,296	14,329	14,346	155,947
Total non-current assets		**150,286**	**151,034**	**1,300,230**	**199,778**	**200,041**	**1,228,667**
Current assets							
Assets classified as held for sale	18	5,790	5,790	5,790	-	-	-
Inventories	19	14,655	14,655	744,361	66,792	66,792	1,121,879
Trade and other receivables	20	572,481	577,736	753,850	361,888	366,795	530,060
Cash and cash equivalents	21	192,053	195,234	213,178	393,086	393,086	440,682
Total current assets		**784,979**	**793,415**	**1,717,179**	**821,766**	**826,673**	**2,092,621**
Total assets		**935,265**	**944,449**	**3,017,409**	**1,021,544**	**1,026,714**	**3,321,288**
Current liabilities							
Trade and other payables	22	914,329	918,394	1,254,515	1,795,476	1,798,527	2,103,200
Provisions	23	19,286	20,683	76,269	9,748	10,061	37,696
Pensions	24	156	156	248	156	156	11,741
Total current liabilities		**933,771**	**939,233**	**1,331,032**	**1,805,380**	**1,808,744**	**2,152,637**
Non-current assets plus/less net current assets/liabilities		**1,494**	**5,216**	**1,686,377**	**(783,836)**	**(782,030)**	**1,168,651**
Non-current liabilities							
Trade and other payables	22	302,692	302,692	303,791	300,094	300,094	301,866
Provisions	23	21,503	21,542	132,876	21,989	22,079	176,916
Pensions	24	1,462	1,590	50,360	1,834	1,834	75,772
Total non-current liabilities		**325,657**	**325,824**	**487,027**	**323,917**	**324,007**	**554,554**
Assets less liabilities		**(324,163)**	**(320,608)**	**1,199,350**	**(1,107,753)**	**(1,106,037)**	**614,097**
Taxpayers' equity							
General reserve		(343,185)	(339,541)	1,052,373	(1,126,718)	(1,125,014)	467,894
Revaluation reserve		18,829	18,868	192,716	19,073	19,085	221,107
Pension reserve		193	65	(45,739)	(108)	(108)	(74,904)
Total taxpayers' equity		**(324,163)**	**(320,608)**	**1,199,350**	**(1,107,753)**	**(1,106,037)**	**614,097**

Sir Bob Kerslake Dated 24 June 2013
Accounting Officer
Department for Communities and Local Government

The Notes on pages 134 to 189 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

£'000

	Note	2012-13		2011-12	
		Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Cost	SoCNE	(28,068,239)	(28,354,658)	(25,779,942)	(25,929,537)
Adjusted for:-					
Finance costs	8,9,10,11	5,054	(9,083)	-	-
Profit / loss on disposal of non-current assets	8,9,10,11	315	608	372	9,922
Depreciation and amortisation	8,9	16,918	21,269	21,399	27,213
Revaluation of non-current assets passing through the SoCNE	8,9	(186)	(186)	295	295
Impairment of non-current assets	8,9	18,124	23,232	5,622	90,424
Increase / decrease in inventories	19	52,137	102,376	(66,792)	59,633
Other non cash transactions	8,9,10,11	11,379	11,772	(26,016)	9,853
Movement on non-current asset accruals & payables		-	-	26	45
(Increase) / decrease in trade & other receivables		(205,951)	(193,879)	193,284	287,620
Increase / (decrease) in trade & other payables		(749,103)	(598,224)	580,911	345,658
Movement in provisions	8,9	17,731	35,253	(35,662)	(8,272)
Utilisation of provisions		(8,746)	(39,088)	(19,441)	(65,153)
Pension fund adjustments		(8,217)	(39,336)	(156)	(96,621)
Adjustments for corporation tax		-	(10,983)	-	(20,462)
Adjustments for net operating (gains)/losses - absorption transfers	8,9,10,11	(179)	404,233	-	-
Net Cash outflow from operating activities		**(28,918,963)**	**(28,646,694)**	**(25,126,100)**	**(25,289,382)**
Cash Flows from Investing Activities					
Purchase of property, plant & equipment	12	(1,621)	(2,662)	(14,892)	(19,227)
Purchase of intangible assets	13	(875)	(3,424)	(695)	(2,190)
Purchase of financial assets	15,16	-	(292,589)	-	(114,534)
Loans to other bodies	15	-	-	-	(12,127)
Proceeds from disposal of property, plant & equipment	12	-	11	-	31
Proceeds on disposal of financial assets	16	-	40,868	-	31,990
Repayment of financial assets	15	4,474	23,110	187,206	221,882
Public dividend capital	15	6,870	6,870	-	-
Interest Received	10,11	2,654	15,605	-	7
Net Cash inflow / (outflow) from investing activities		**11,502**	**(212,211)**	**171,619**	**105,832**
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		28,617,304	28,617,304	31,824,505	31,824,505
Advances from the contingencies fund		-	-	34	34
Repayments to the contingencies fund		-	-	(34)	(34)
Receipt of non operating CFERs	5	306	306	389	389
Capital element of payments in respect of finance leases		-	(1,204)	-	(897)
Interest paid	8,9	(5,115)	(5,257)	-	-
Finance charge on pension scheme	24	-	-	104	1,635
Other adjustments - financing activities		-	60	-	(75)
Foreign Exchange Movements	8,9	(516)	(516)	-	-
Net Cash inflow / (outflow) from financing activities		**28,611,979**	**28,610,693**	**31,824,998**	**31,825,557**

Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(295,482)**	**(248,212)**	**6,870,517**	**6,642,007**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(237)	(237)	(2,578)	(2,578)
Payments due to the Consolidated Fund		(119,086)	(119,086)	(6,665,038)	(6,665,038)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	21	**(414,805)**	**(367,535)**	**202,901**	**(25,609)**
Cash and cash equivalents at the beginning of the period	21	**393,086**	**293,756**	**190,185**	**319,365**
Cash and cash equivalents at the end of the period	21	**(21,719)**	**(73,779)**	**393,086**	**293,756**

In 2011-12 the movements in receivables and payables not passing through the SoCNE were separately identified in the Consolidated Statement of Cash Flows. From 2012-13 these are included within increase/decrease in trade and other receivables or trade and other payables as appropriate. As a result of this, the 2011-12 movement in receivables is £178,449k lower with movement in payables £5,008k lower.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
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	19	-	72,023	-	72,023
Release of reserves to the operating cost statement	SoCNE	(3,330)	-	-	(3,330)
Deferred tax movements		2,814	-	-	2,814
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		**(25,947,161)**	**53,793**	**(32,491)**	**(25,925,859)**
Non-cash charges - auditor's remuneration		663	-	-	663
Other adjustments to reserves		(505)	4	-	(501)
Movements in reserves:					
Transfers between reserves		(91,272)	(12,872)	104,144	-
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 for 2011-12		(528,503)	-	-	(528,503)
Supply adjustment to reserves		174,236	-	-	174,236
CFERs payable to the Consolidated Fund	5	(6,479,414)	-	-	(6,479,414)
Transfer of assets and liabilities		-	-	-	-
Sub Total		**25,133,031**	**-**	**-**	**25,133,031**
Balance at 31 March 2012		**467,894**	**221,107**	**(74,904)**	**614,097**
Changes in taxpayers' equity for 2012-13					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	435	-	435
Net gain / (loss) on revaluation of inventories	19	-	37,110	-	37,110
Release of reserves to the operating cost statement	SoCNE	(876)	-	-	(876)
Deferred tax movements		(5,529)	-	-	(5,529)
Recognition of Actuarial gains/(losses)	24	-	-	(7,278)	(7,278)
Net operating cost for the year	SoCNE	(28,354,658)	-	-	(28,354,658)
Change arising from revaluations		3,226	-	-	3,226
Tax charge / credit on revaluations		-	(5,265)	-	(5,265)
Total comprehensive expenditure		**(28,357,837)**	**32,280**	**(7,278)**	**(28,332,835)**
Non-cash charges - auditor's remuneration		582	-	-	582
Other adjustments to reserves		1,277	41	997	2,315
Reclassification of Regional Infrastructure Fund investments		57,562	-	-	57,562
Movements in reserves:					
Transfers between reserves		25,266	(60,712)	35,446	-
Total recognised income and expense for 2012-13		**(28,273,150)**	**(28,391)**	**29,165**	**(28,272,376)**
Net Parliamentary Funding - drawn down		28,617,304	-	-	28,617,304
Net Parliamentary Funding - deemed supply		354,267	-	-	354,267
Supply payable / (receivable) adjustment	22	-	-	-	-
CFERs payable to the consolidated fund	5	(113,942)	-	-	(113,942)
Sub Total		**28,857,629**	**-**	**-**	**28,857,629**
Balance at 31 March 2013		**1,052,373**	**192,716**	**(45,739)**	**1,199,350**

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
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
Recognition of Actuarial gains/losses	24	-	-	(108)	(108)
Net operating cost for the year	SoCNE	(25,779,942)	-	-	(25,779,942)
Total comprehensive expenditure		**(25,779,942)**	**1,275**	**(108)**	**(25,778,775)**
Non-cash charges - auditor's remuneration		663	-	-	663
Other adjustments to reserves		(212)	2	-	(210)
Movements in reserves:					
Transfers between reserves		667	(667)	-	-
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 for 2011-12		(528,503)	-	-	(528,503)
Supply adjustment to reserves		174,236	-	-	174,236
CFERs payable to the Consolidated Fund	5	(6,479,414)	-	-	(6,479,414)
Sub Total		**(1,125,014)**	**19,085**	**(108)**	**(1,106,037)**
Balance at 31 March 2012		**(1,125,014)**	**19,085**	**(108)**	**(1,106,037)**
Transfer of Standards Board to DCLG		(8,102)			(8,102)
Revised balance at 1 April 2012		**(1,133,116)**	**19,085**	**(108)**	**(1,114,139)**
Changes in taxpayers' equity for 2012-13					
Net gain / (loss) on revaluation of property, plant and equipment	12	-	422	-	422
Recognition of Actuarial gains/losses	24	-	-	421	421
Net operating cost for the year	SoCNE	(28,068,239)	-	-	(28,068,239)
Total comprehensive expenditure		**(28,068,239)**	**422**	**421**	**(28,067,396)**
Non-cash charges - auditor's remuneration		582	-	-	582
Other adjustments to reserves		2,716	-	-	2,716
Movements in reserves:					
Transfers between reserves		887	(639)	(248)	-
Total recognised income and expense for 2012-13		**(28,064,054)**	**(217)**	**173**	**(28,064,098)**
Net Parliamentary Funding - drawn down		28,617,304	-	-	28,617,304
Net Parliamentary Funding - deemed supply		354,267	-	-	354,267
CFERs payable to the consolidated fund	5	(113,942)	-	-	(113,942)
Sub Total		**28,857,629**	**-**	**-**	**28,857,629**
Balance at 31 March 2013		**(339,541)**	**18,868**	**65**	**(320,608)**

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 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury and 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, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

N1.4. 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 and joint ventures are accounted for using the equity method. The Consolidated Statement of Comprehensive Net Expenditure (SoCNE) includes the Group's share of profits or losses of associates and joint ventures, while its share of net assets of associates is shown in the Group Statement of Financial Position (SoFP). Where possible, the share of net assets and profit or loss information is based on audited Financial Statements to 31 March 2013. For the English Cities Fund, an associate of the Homes and Communities Agency's (HCA), Financial Statements to 31 December 2012 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. For all other associates and joint ventures, the HCA's share of net assets and profit or loss information is based on unaudited Financial Statements or management information to 31 March 2013. The Department considers that all subsidiaries and associates are properly included in the consolidation under the terms of IAS 27, the FReM and the 2012-13 Designation Order.

Accounting convention

N1.5. 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

N1.6. 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 HCA'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 are valued using either published regional house price indices or cashflow 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 sites.

- During the preparation of these accounts significant estimates and judgements were made in respect of the 2007-13 ERDF programmes, particularly assessments of the extent to which grant expenditure is eligible for grant. Details are in the Other Financial Information section of the management commentary.

Changes in accounting policies

N1.7. 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:

- IFRS 9 Financial Instruments – effective date: financial periods beginning on or after 1 January 2015, adoption by the FReM is subject to consultation. Simplifies the classification and measurement of financial assets.

- IFRS 10 Consolidated Financial Statements - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM is subject to consultation. Amends the definition of control which could result in new consolidations.

- IFRS 11 Joint Arrangements - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM is subject to consultation. Provides a principles-based definition of joint arrangements based on rights and obligations. Proportional consolidation accounting for joint ventures is no longer permitted.

- IFRS 12 Disclosures of Interests in Other Entities - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM is subject to consultation. Requires more disclosure of the financial affects on, and risks to, consolidating entities.

- IFRS 13 - Fair Value Measurement – effective date: this standard has not been endorsed by the EU and adoption by the FReM is subject to consultation. Provides consistent guidance on fair value measurement.

- IAS 1 Presentation of Financial Statements – effective date: financial periods beginning on or after 1 July 2012, adoption by the FReM from April 2013. Presentation of Items of Other Comprehensive Income.

- IAS 12 Income taxes - this standard has not been endorsed by the EU and adoption by the FReM is subject to consultation. Provides guidance on the measurement of deferred tax liabilities arising on the revaluation of investment properties.

- IAS 16 Property, Plant and Equipment - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM from April 2013. Clarifies the point at which servicing equipment should be recognised.
- IAS 19 Employee Benefits - effective date: financial periods beginning on or after 1 January 2013 – adoption by the FReM from April 2013. Changes affecting recognition, presentation, disclosures and accounting for termination benefits.
- IAS 27 Separate Financial Statements – effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM is subject to consultation. Consolidated Statements and disclosure of interests in other entities.
- IAS 28 Investments in Associates and Joint Ventures - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM is subject to consultation. Consolidated Statements and disclosure of interests in other entities.
- IAS 32 Financial Instruments: Presentation - effective date: financial periods beginning on or after 1 January 2013, adoption by the FReM from April 2013. Tax effect of distribution to holders of equity instruments.
- IAS 34 Interim Financial Reporting - effective date: financial periods beginning on or after 1 January 2013. There is no impact on the FReM.

N1.8. During 2012-13, the Department updated the coding structure upon which the consolidation is based to bring it in line with the new HM Treasury Online System for Central Accounting and Reporting (OSCAR) structure. In moving to OSCAR, the Department re-mapped its existing chart of account codes to the new OSCAR chart of account codes resulting in some classification changes made to individual lines within individual notes, although the underlying amounts reported in each note have not changed. Where this has occurred, a narrative disclosure is included below the relevant note. This is not a change in accounting policy or a material error causing a prior period adjustment.

N1.9. During 2012-13 HM Treasury (HMT) agreed changes to the FReM for the application of accounting for transfers between government bodies. Previously, all transfers were accounted for under merger accounting principles; this has now been amended and those transfers within departmental groups or between Arms Length Bodies (ALBs) are accounted for under absorption accounting principles with no requirement to restate prior year comparatives. Transfers of functions between departments are still accounted for under merger accounting principles (IFRS 3 as interpreted by the FReM for the public sector). Information on transfers taking place during 2012-13 can be found at N1.103-N1.109.

Basis of consolidation

N1.10. These accounts comprise a consolidation of the core Department, the Departmental Agency (the Planning Inspectorate – PINS) and those ALBs which fall within the Departmental boundary as defined by the FReM and these bodies make up the 'Departmental Group'. Transactions between and balances with entities included in the Departmental Group are eliminated.

N1.11. During 2011-12 the Standards Board for England (SBE) and Firebuy Ltd ceased to exist. Neither body is included in the Designation Order for 2012-13 and, as they are now both closed, there are no transactions or balances to be included within the 2012-13 accounts data. Transactions and balances in respect of both SBE and Firebuy are included within the comparative 2011-12 data, and all transactions and balances between them and other members of the Departmental Group were eliminated in 2011-12.

N1.12. During 2012-13, a number of bodies were closed or were merged into other bodies within the Group boundary. Information on transfers taking place during 2012-13 can be found at N1.103-N1.109.

N1.13. The Leasehold Advisory Service is a Non Departmental Public Body (NDPB), included in the consolidation, and is also a company. Their accounts are prepared 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. 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.

N1.14. The Department for Communities and Local Government (DCLG) is the parent and ultimate parent of the Departmental Group. Where material, accounting policies of the group have been aligned.

N1.15. Note 33 includes a list of Departmental entities showing those inside and outside the Departmental accounting boundary.

Operating segments

N1.16. 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. Details of expenditure and income against these segments are reported in Note 6.

N1.17. The Department manages administration expenditure as a separate component and does not apportion such costs to its three segments. In line with IFRS 8, it would not be appropriate to apportion administration costs to segments for segmental reporting purposes as they do not meet the specified criteria of IFRS 8.13 as a reportable segment. Furthermore, administration (overhead) expenditure is not valid as a segment in its own right, since it does not directly impact on performance. As such, and in accordance with IFRS 8, not all the Department's net expenditure is allocated to segments.

N1.18. As the Department is a central government funded body, there is no requirement to raise funds and maintain shareholder value. 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

N1.19. 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.

N1.20. Where the accounts report freehold land and buildings assets, shown within the property, plant and equipment note, owned by the core Department and its Agency, title is held by the Secretary of State. Otherwise the title is held by the relevant NDPB.

N1.21. Non-current assets are held at fair value, as described in more detail in the paragraphs below.

N1.22. 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.

N1.23. Upward revaluations of non-current assets are credited to the revaluation reserve in the year of revaluation. 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 such cases, the excess amount over the amount realisable in the reserve, is charged to the 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.

N1.24. The core Department's capitalisation threshold is £5,000. Other entities within the Group 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.

N1.25. 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.

N1.26. 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.

N1.27. No depreciation is provided on freehold land, as it has an unlimited or very long estimated useful life.

N1.28. 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

N1.29. 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.

N1.30. 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.

N1.31. Costs incurred on internally generated intangible assets are recorded as systems under development. On completion of the development, or at an 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 and classified as software.

N1.32. 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

N1.33. Financial interests in public sector bodies which are outside the Departmental Boundary are treated as investments since they are held for the long term. The core Department holds investments comprising Public Dividend Capital (PDC) in the QEII Conference Centre. During 2012-13, the Department also held investments consisting of PDC and loans issued to the Fire Service College. The QEII Conference Centre and Fire Service College, until its winding up in March 2013, 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.

N1.34. The Fire Service College is a Trading Fund sponsored by the Department by investment in the form of Public Dividend Capital (PDC), which was reported at £16,721k and loans of £4,510k at 28 February 2013. Of the loans, £4,474k was reflected in N15 Investments, the remaining £36k included in short term receivables.

N1.35. In response to the recommendations made within the Fire Futures Report on 12 April 2011, a project was established to consider future viable options for the College that would enable it to operate with sufficient and sustainable commercial success. This resulted in the sale of the operational arm of the College to the private sector, increasing its operational flexibility and securing future investment so that it might fulfil its full potential and provide value for money for the taxpayer whilst benefiting the Fire and Rescue Service and strengthening national resilience.

N1.36. The full financial impact of this sale can be seen in the 2012-13 Fire Service College Trading Fund Accounts.

N1.37. Following the sale, the Trading Fund was no longer considered to be a viable business and therefore the Department took steps to wind the Trading Fund up. As a result the Trading Fund, following the discharge of all remaining assets and liabilities, repaid the loans in full and repaid £6,870k in respect of the PDC. This resulted in an impairment of PDC to the sum of £9,851k being reported in the Department’s accounts.

N1.38. Departmental NDPBs have a number of investments in other bodies either as loans or equity. Associated undertakings are all undertakings in which a Departmental NDPB has a participating interest and over whose operating and financial policy it exercises significant influence. In the Financial Statements, investments in associates and joint ventures are accounted for using the equity method such that the share of net assets of associates is shown in the SoFP. The values of these investments are recognised at cost less provision for impairment.

Available for sale financial assets

N1.39. The Department's available for sale financial assets are interests in future sale proceeds of properties bought with financial assistance from the HCA. This financial assistance is provided to home buyers and to developers, and enables the HCA to share in future sale proceeds. The investments are stated at fair value and classified as available for sale financial instruments.

N1.40. Gains and losses arising from changes in fair value are recognised in the 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

N1.41. 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 Burlington House which is let to tenants. As these properties are not utilised by Departmental staff or in the delivery of Departmental objectives they are considered as Investment Properties under the terms of IAS 40.

N1.42. 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.

N1.43. Changes arising from revaluations are taken direct to the SoCNE. Investment properties are not depreciated.

Financial assets

N1.44. All non-derivative financial assets are initially measured at fair value and, where non-current, subsequently measured at amortised cost.

N1.45. 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

N1.46. Loans are shown at amortised cost using the effective interest rate and are included within non-current assets.

Trade and other receivables

N1.47. Trade and other receivables are financial assets with fixed or determinable payments which 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 is classified as either current or non-current 'trade and other receivables' in the SoFP.

N1.48. Under the 2007-13 European Regional Development Fund (ERDF) Programme, the Department received advance funding from the European Union (EU) at the start of the programme period. The amounts concerned represented 7.5% of the total value of the 2007-13 ERDF Programme in England. The amount paid over to the Greater London

Authority (GLA) in respect of this advance is held as a non-current receivable in these accounts.

N1.49. 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.

Inventories

N1.50. Property assets, held for development purposes and consisting of land and buildings, are treated as inventories under the terms of the FReM and IAS 2. IAS 2 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 value, as allowed by the FReM. The Department considers such values to be 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 valuations and also to value complex properties. In all cases the valuations are in accordance with the Statement of Asset Valuation and Guidance Notes (6th Edition) published by the Royal Institution of Chartered Surveyors.

N1.51. 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.

N1.52. 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 HM Treasury discount rate of 2.2% to reflect the net present value of the receipts.

N1.53. 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.

N1.54. Claims for payment to ERDF projects are initially charged against work in progress and only recognised as an 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

N1.55. 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 SoFP.

Financial liabilities

N1.56. All non-derivative financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

N1.57. Financial liabilities consist of trade and other payables, finance lease payables, pensions 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.

Guarantees

N1.58. Under the NewBuy scheme, for each house or flat sold through the scheme, house builders will put 3.5% of a property's sale price into an indemnity fund and the Government will provide additional security for the mortgage loan in the form of a 5.5% guarantee. This guarantee is only called on if the collective house builder contributions to the fund have been exhausted. The likelihood of a liability arising from the guarantee is remote as, in the event of repossession, the lender will be able to recover up to 95% of their losses to the maximum covered by the borrowers deposit and the indemnity before calling upon the guarantee offered by the Department. We cannot reliably measure the level of loss payments (if any) as it is not probable that an outflow of resources will be required. In addition, a payment would be dependent upon the occurrence of uncertain future events at individual borrower level. As a result of these uncertainties, the Department's liability is classified as a contingent liability not required to be disclosed under IAS 37 but reportable to Parliament (see Note 28.1). In the event that either of these factors becomes more certain, appropriate amounts will be accrued or provided for in accordance with IAS 37.

Trade and other payables

N1.59. Under both the 2000-06 and the 2007-13 ERDF Programmes the Department receives advance funding from the EU at the start of the programme period. The advance payments are either used up in support of eligible grant expenditure or, if not 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.

N1.60. 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.

N1.61. 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

N1.62. 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 N1.29), has been treated as programme expenditure in the SoCNE in the year in which it is incurred.

Administration and programme expenditure

N1.63. 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.

Operating income

N1.64. Income is recorded on an accruals basis at the transacted amounts, or the amounts at which customers are committed to pay.

N1.65. 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.

N1.66. Operating income includes certain income payable to the Consolidated Fund in accordance with the FReM requirements.

N1.67. In 2011-12, some NDPBs included within these accounts had statutory authority to determine planning applications within their area. From 1 April 2012, powers were transferred to the appropriate Local Authorities, with the exception of London Thames Gateway Development Corporation which continued to receive fees until the function transferred to the local boroughs / London Legacy Development Corporation in September 2012. Planning fee receipts are recognised as income over the period from receipt of application to final determination.

Value Added Tax

N1.68. Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply. 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.

N1.69. 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

N1.70. 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.

N1.71. The Corporation 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.

N1.72. 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.

N1.73. 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.

N1.74. 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

N1.75. The Departmental Group's functional and presentational currency is Sterling.

N1.76. 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 on the accounting date at the spot rate in accordance with IAS 21. Translation differences are taken to the SoCNE.

Pensions and other employee benefits

N1.77. 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.

N1.78. Employees of NDPBs are generally members of funded defined benefit schemes. Where practical these schemes are valued and 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.

N1.79. 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

N1.80. 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.

N1.81. Grant in Aid payments from the core 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.

N1.82. Grant payments may need to be recovered from recipients for a variety of reasons depending on the grant conditions. Where recoveries are made income is recognised at the point that the invoice, or other notice requiring repayment, has been issued.

N1.83. The Department managed the Local Services Support Grant (LSSG) for other central departments. 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.

N1.84. 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 1988 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.

N1.85. 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 SoCNE, but instead are held on the SoFP 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 190 to 202 of these accounts.

N1.86. Central government 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 and the entitlement established.

N1.87. Following the passing of the Local Government Finance Act 2012, Business Rates Retention will replace National Non Domestic Rates from 1st April 2013. Final NNDR White Paper Accounts and Trust Statements will be prepared for 2013-14 to record final outturn adjustments to 2012-13 payments and receipts. From 2013-14 a Trust Statement and two new White Paper Accounts will be prepared in respect of Business Rates Retention Main Rating Account and Levy Account. The most significant change under Business Rates Retention will be the local retention of 50% of collected business rates. This will also reduce business rates income for the Consolidated Fund by 50%, subject to ONS, HMT and NAO decisions on treatment.

N1.88. The Department acts as a 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 SoFP. The 2007-13 programme is active. 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 N1.54). On certification, the Department recognises the ERDF expense and an equivalent amount of ERDF income.

Leases

N1.89. 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 SoFP. 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.

N1.90. The Department also reviews all service contracts (e.g. 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.

N1.91. Sub-leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts due under operating leases are charged to the SoCNE over the lease term in accordance with IAS 17. Receipts payable in the future are not discounted.

N1.92. 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 SoFP 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 SoCNE.

Provisions

N1.93. 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.

N1.94. After consultation with the Financial Reporting Advisory Board (FRAB), the methodology for determining the discount rate to be applied to short and medium term general provisions has been changed in accordance with HMT directive (for short and medium term) at 31 March 2013, with changes to the methodology for applying the long term provisions discount rate being deferred until the next Spending Review. The rates applied to these accounts are:

Short term rate (general provisions with a time boundary of between 0 and 5 years) of

-1.80%

Medium term rate (general provisions with a time boundary of between 5 and 10 years) of

-1.00%

Long term rate (general provisions with a time boundary of over 10 years) of 2.20%

N1.95. The discount rate to be applied to pension schemes has been reduced from 2.80% to 2.35% with effect from 31 March 2013.

N1.96. 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

N1.97. 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.

N1.98. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Application of Merger Accounting

N1.99. The FReM applies merger accounting to the transfer of functions within the public sector. Such transfers are considered to be under common control and are therefore outside of the scope of IFRS 3, Business Combinations. With effect from 2012-13, there have been a number of changes to the way the transfer of functions between public sector bodies are accounted for and reported.

N1.100. Previously, merger accounting was applied to all transfers under common control. The application of merger accounting is now limited to departmental-group level transfers within central government, which aligns with the Parliamentary Supply boundary and the budgeting treatment.

N1.101. All other transfers of function within the public sector, including transfers to or from Local Government, Public Corporations or within a departmental boundary, apply an absorption accounting based approach. The impact of this is to transfer net assets at the date of transfer using the capital grant in kind route (expense or income dependent upon net asset position) which, in budget terms is neutral and in accounts terms reflects the disposal in the transferors accounts and the acquisition in the transferees accounts as a loss or gain on acquisition. There is no requirement to restate prior year comparatives.

N1.102. Where asset transfers occur which are not clearly defined as a transfer of function, these transfers are applied using asset transfer principles as defined by paragraph 6.2.23 of the FReM.

Machinery of Government (MoG) changes

N1.103. During 2012-13, the following transfer of functions occurred between bodies within the Departmental Group, these have been applied on an absorption accounting basis:

- The regulatory function performed by the Tenant Services Authority (TSA) transferred to the Homes and Communities Agency (HCA) on 1 April 2012.
- Functions performed by the Infrastructure Planning Commission (IPC) merged with the Planning Inspectorate (PINS) on 1 April 2012.

N1.104. The impact of these transfers has been recognised in these financial statements with the impact summarised below: -

£000

			2012-13
Inter-Group Transfers	Department	Agency	NDPBs
Net Movement in Assets Less Liabilities	-	(1,407)	1,407
Net Operating (Gains) / Losses	-	1,407	(1,407)

N1.105. In addition to the transfers detailed above, the following transfers took place with bodies outside of the Departmental Group during 2012-13 and have been applied on an absorption accounting basis:

- London Thames Gateway Development Corporation (LTGDC) transferred all property, rights and liabilities within the London Legacy Development Corporation area to the London Legacy Development Corporation (LLDC) on 1 April 2012. All remaining property, assets and liabilities were transferred to the Greater London Authority (GLA) during 2012-13.
- The Homes and Communities Agency's staff, assets and liabilities within the Greater London area were transferred to the Greater London Authority on 1 April 2012.
- Following a transfer of functions in March 2012, Thurrock Thames Gateway Development Corporation (TTGDC) transferred all residual assets and liabilities to Thurrock Council in October 2012.

N1.106. Further details on these transfers can be found in the published accounts of individual bodies. The table below provides further details on individual transfers with bodies outside the Departmental Group.

N1.107. Absorption accounting transfers are applied from the date of transfer and as such there is no requirement to restate prior year comparatives. These movements have no material impact on the historical financial performance of the Group.

N1.108. The following transfers of assets, under asset transfer principles, have taken place during 2012-13:

- o The HCA transferred inventory assets to the Department for Business, Innovation & Skills (BIS).
- o DCLG transferred New Dimension assets to Fire and Rescue Authorities.
- o The Fire Service College (trading fund) transferred assets that were not included in the sale of the college to DCLG (see section 8.7 of the Management Commentary).

N1.109. The impact of this transfer has been recognised in these financial statements and is shown below.

£000

							2012-13
	Transfer of Functions			Asset Transfers			
	LTGDC - GLA & LLDC	HCA - GLA	TTGDC - Thurrock Council	DCLG - FRAs / Fire Service College	Fire Service College - DCLG	HCA - BIS	Departmental Group
Increase/(Decrease) in Assets	(38,705)	(367,617)	(61)	(4,204)	5,790	(12,700)	(417,497)
(Increase)/Decrease in Liabilities	8,452	3,812	1,000	-	-	-	13,264
Net Movement in Assets less Liabilities	(30,253)	(363,805)	939	(4,204)	5,790	(12,700)	(404,233)
Net Operating Gains	-	-	(939)	-	(5,790)	-	(6,729)
Net Operating Losses	30,253	363805	0	4,204	-	12,700	410,962
Net Operating (Gains) / Losses	30,253	363,805	(939)	4,204	(5,790)	12,700	404,233

Note 2. Net Outturn

2.1 Analysis of net resource outturn by section

£'000

										2012-13	2011-12
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities											
Voted expenditure											
A Localism	-	-	-	333,989	(23,140)	310,849	310,849	345,467	34,618	-	680,298
B Neighbourhoods	46,395	(11,777)	34,618	565,939	(2,234)	563,705	598,323	618,336	20,013	-	356,654
C Local Economies, Regeneration & European Programmes	-	-	-	202,052	(148,130)	53,922	53,922	65,757	11,835	-	344,726
D Troubled Families	-	-	-	131,924	(15,000)	116,924	116,924	119,000	2,076	-	-
E Research, Data & Trading Funds	-	-	-	23,348	(2,910)	20,438	20,438	28,962	8,524	-	35
F DCLG Staff, Building and Infrastructure Costs	192,732	(21,511)	171,221	2,148	(468)	1,680	172,901	219,913	47,012	-	209,410
G Neighbourhoods (NDPB) (Net)	79,658	-	79,658	7,267	-	7,267	86,925	119,634	32,709	-	118,937
H Local Economies, Regeneration & European Programmes (NDPB) (Net)	161	-	161	(11,406)	-	(11,406)	(11,245)	958	12,203	-	110,377
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-	-	-
Localism (NDPB)	-	-	-	-	-	-	-	-	-	-	964
Total spending in DEL - DCLG Communities	**318,946**	**(33,288)**	**285,658**	**1,255,261**	**(191,882)**	**1,063,379**	**1,349,037**	**1,518,027**	**168,990**		**1,821,401**
Spending in DEL - DCLG Local Government											
Voted expenditure											
I Revenue Support Grant	-	-	-	477,406	-	477,406	477,406	477,407	1	-	5,905,455
J Non-Domestic Rate Payments	-	-	-	23,119,000	-	23,119,000	23,119,000	23,119,000	-	-	19,000,000
K London Governance	-	-	-	55,279	-	55,279	55,279	55,313	34	-	63,423
L Other Grants and Payments	-	-	-	40,883	(650)	40,233	40,233	138,870	98,637	98,625	1,383,275
M Valuation Service	-	-	-	141,000	-	141,000	141,000	143,000	2,000	-	152,000
N Audit Commission Disbanding	-	-	-	22	-	22	22	10	(12)	-	12,081
O Local Government (NDPB) (Net)	-	-	-	20,288	-	20,288	20,288	22,679	2,391	-	41,414
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**23,853,878**	**(650)**	**23,853,228**	**23,853,228**	**23,956,279**	**103,051**		**26,557,648**
TOTAL DEL spend	**318,946**	**(33,288)**	**285,658**	**25,109,139**	**(192,532)**	**24,916,607**	**25,202,265**	**25,474,306**	**272,041**		**28,379,049**

£'000

											2012-13	2011-12
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
P Localism	-	-	-	399,107	-	399,107	399,107	399,204	97	-	315,743
Q Neighbourhoods	-	-	-	25,422	(37,962)	(12,540)	(12,540)	44,103	56,643	-	(703,440)
R Local Economies, Regeneration & European Programmes	-	-	-	-	-	-	-	1	1	-	(61,438)
S Research, Data & Trading Funds	-	-	-	-	(1,621)	(1,621)	(1,621)	4,000	5,621	-	-
T DCLG Staff, Building and Infrastructure Costs	-	-	-	9,226	-	9,226	9,226	11,388	2,162	-	(20,337)
U NNDR Outturn Adjustment	-	-	-	140,650	-	140,650	140,650	150,000	9,350	6,150	732,313
V Local Government (NDPB) (Net)	-	-	-	3,437	-	3,437	3,437	251	(3,186)	14	-
W Neighbourhoods (NDPB) (Net)	-	-	-	(9,719)	-	(9,719)	(9,719)	40,362	50,081	-	64,190
X Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	24,408	-	24,408	24,408	52,767	28,359	-	55,165
Localism (NDPB)	-	-	-	-	-	-	-	-	-	-	-
TOTAL AME spend	**-**	**-**	**-**	**592,531**	**(39,583)**	**552,948**	**552,948**	**702,076**	**149,128**		**382,196**
TOTAL DEL & AME	**318,946**	**(33,288)**	**285,658**	**25,701,670**	**(232,115)**	**25,469,555**	**25,755,213**	**26,176,382**	**421,169**		**28,761,245**

2.2 Analysis of net capital outturn by section

£'000

			2012-13				2011-12
	Outturn			Estimates			Outturn
	Gross	Income	Net	Net Total	Net Total Compared with Estimate	Net total compared to Estimate, adjusted for virements	Net
Spending in Departmental Expenditure Limit (DEL) - DCLG Communities							
Voted:							
A Localism	975,376	(21,338)	954,038	951,931	(2,107)	893	148,879
B Neighbourhoods	271,221	(42,030)	229,191	238,772	9,581	6,581	997,887
C Local Economies, Regeneration & European Programmes	374,417	(236,121)	138,296	197,963	59,667	-	589,880
E Research, Data & Trading Funds	-	-	-	-	-	-	-
F DCLG staff, building and infrastructure costs	1,905	(315)	1,590	4,000	2,410	-	1,329
G Neighbourhoods (NDPB) (Net)	1,241,293	-	1,241,293	1,307,815	66,522	-	1,859,858
H Local Economies, Regeneration & European Programmes (NDPB) (Net)	(92,197)	-	(92,197)	(6,052)	86,145	-	223,094
Departmental Unallocated Provision	-	-	-	-	-	-	-
Localism (NDPB)	-	-	-	-	-	-	-
Total spending in DEL - DCLG Communities	**2,772,015**	**(299,804)**	**2,472,211**	**2,694,429**	**222,218**		**3,820,927**
Spending in DEL - DCLG Local Government							
Voted:							
I Revenue Support Grant	-	-	-	-	-	-	-
J Non-Domestic Rate Payments	-	-	-	-	-	-	-
K London Governance	-	-	-	-	-	-	-
L Other Grants and Payments	(36)	-	(36)	-	36	-	(7,846)
M Valuation Service	-	-	-	-	-	-	-
N Audit Commission Disbanding	-	-	-	-	-	-	-
O Local Government (NDPB) (Net)	1,257	-	1,257	80	(1,177)	-	129
Total spending in DEL - DCLG Local Government	**1,221**	**-**	**1,221**	**80**	**(1,141)**		**(7,717)**
TOTAL spending in DEL	**2,773,236**	**(299,804)**	**2,473,432**	**2,694,509**	**221,077**		**3,813,210**
Annually Managed Expenditure (AME)							
Voted:							
Q Neighbourhoods	33,453	(85)	33,368	33,453	85	-	152,824
U Non Domestic Rates Outturn Adjustments	-	(1,499)	(1,499)	-	1,499	-	-
V Local Government (NDPB) (Net)	(2,571)	-	(2,571)	-	2,571	-	-
W Neighbourhoods (NDPB) (Net)	(29,090)	-	(29,090)	-	29,090	-	-
X Local Economies, Regeneration & European Programmes (NDPB) (Net)	(211)	-	(211)	-	211	-	-
TOTAL spending in AME	**1,581**	**(1,584)**	**(3)**	**33,453**	**33,456**		**152,824**
TOTAL DEL & AME	**2,774,817**	**(301,388)**	**2,473,429**	**2,727,962**	**254,533**		**3,966,034**

There was no budget or outturn for Estimate Rows D,P,R,S or T, The Department does not have authorisation to vire between DEL – DCLG Communities and DEL – DCLG Local Government or between AME and DEL budgets. As a result, DEL – DCLG Local Government breached its Estimate for Capital DEL in 2012-13.

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	2012-13	2011-12
Total resource outturn in Statement of Parliamentary Supply		2.1	25,755,213	28,761,245
Add:	Capital Grants		2,307,992	3,647,706
	Capital budget adjustments		34,618	-
	Absorption and Asset Transfers	9,11	404,233	-
	Expected Return on Pension Assets	10,11	(33,456)	-
	Grant in Aid		-	-
Less:	Income payable to the Consolidated Fund	5	(113,942)	(6,479,414)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**28,354,658**	**25,929,537**

3.2 Outturn against final administration budget and Administration net operating cost

£'000

	Notes	2012-13 Outturn	2011-12 Outturn
Estimate - Administration Costs Limit		**373,279**	**377,046**
Outturn Gross Administration Costs	2.1	318,946	359,455
Outturn - Gross Income Relating to Administration Costs	2.1	(33,288)	(20,476)
Outturn - Net Administration Costs		**285,658**	**338,979**
Reconciliation to Operating Costs:			
Plus: non supply income (CFERs)		-	-
Less: Net supported capital expenditure		-	-
Administration Net Operating Costs		**285,658**	**338,979**

The creation of a provision results in an AME (programme) charge in budgeting terms, movements in provisions can be seen in Note 9 - Programme Costs. Upon utilisation of the provision, the AME posting is reversed and a DEL charge recorded against the relevant expenditure type. The reversal of the AME provision is always applied to programme costs; however, there are some instances where the DEL utilisation results in an administration charge. In 2012-13 the value of these administration charges amounts to £8.1m and these are included in administration costs above.

Note 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

£'000

	Note	Estimate	Outturn	2012-13 Net total outturn compared with Estimate: saving/(excess)
Resource Outturn		26,176,382	25,755,213	421,169
Capital Outturn		2,727,962	2,473,429	254,533
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation	8, 9	(35,871)	(16,918)	(18,953)
New provisions and adjustments to previous provisions	23	(17,984)	(17,731)	(253)
Departmental Unallocated Provision		-	-	-
Supported capital expenditure (revenue)		-	-	-
Prior Period Adjustments		-	-	-
Other non-cash items	8,9,10, 11	(23,805)	(31,530)	7,725
Adjustments for NDPBs:				
Remove voted resource and capital		(1,523,219)	(1,231,246)	(291,973)
Add cash grant-in-aid		1,666,079	1,175,801	490,278
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories	19	-	(52,137)	52,137
Increase/(decrease) in receivables		-	205,945	(205,945)
(Increase)/decrease in payables		-	749,103	(749,103)
Use of provisions and payment of pensions	23, 24	2,027	16,963	(14,936)
Adjustments				
Removal of non-voted budget items:				
Consolidated Fund Standing Services			-	-
Other Adjustments			135	(135)
Net cash requirement		28,971,571	29,027,027	(55,456)

Note 5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

£'000

		Outturn 2012-13		Outturn 2011-12	
	Notes	**Income**	***Receipts***	**Income**	***Receipts***
Operating Income outside the ambit of the Estimate	11	113,942	*113,936*	6,479,414	*6,483,901*
Excess cash surrenderable to the Consolidated Fund		306	*306*	389	*389*
Total income payable to the Consolidated Fund		**114,248**	***114,242***	**6,479,803**	***6,484,290***

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

Further information on the Department's segments can be found in section 1.5 of the Annual Report. Local Economies, Regeneration and European programmes are included within Neighbourhoods for Board structure but is separately allocated as a segment in the Consolidated Accounts due to the material nature of ERDF.

Net programme expenditure against these segments is shown in the following table. Programme expenditure on 'Research, Data and Trading Funds' and 'Audit Commission Disbanding' (Estimate Rows lines E and N of the Estimate) and Administration expenditure is not allocated to segments as per the Group Accounting Policy (N1.17).

£'000

	Note	Segment 1	Segment 2	Segment 3	2012-13 Total	Segment 1	Segment 2	Segment 3	2011-12 Total
Gross Expenditure	2	25,832,786	1,859,904	1,086,359	28,779,049	28,443,170	10,746,574	1,768,689	40,958,433
Income	2	(48,923)	(129,473)	(472,892)	(651,288)	(33,437)	(8,069,842)	(492,246)	(8,595,525)
Net Expenditure		**25,783,863**	**1,730,431**	**613,467**	**28,127,761**	**28,409,733**	**2,676,732**	**1,276,443**	**32,362,908**

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	2012-13 Total	Segment 1	Segment 2	Segment 3	2011-12 Total
Total net expenditure per statement of comprehensive net expenditure by operating segment	6	25,783,863	1,730,431	613,467	28,127,761	28,409,733	2,676,732	1,276,443	32,362,908
Reconciling items:									
Income					(167,815)				(6,541,674)
Expenditure					372,889				104,625
Total comprehensive expenditure per Statement of Comprehensive Net Expenditure	SoCNE				**28,332,835**				**25,925,859**

Note 7. Staff numbers and related costs

7.1 Staff costs

£'000

	Permanently Employed Staff	Ministers	Special Advisors	Others	2012-13 Total	2011-12 Total
Wages & Salaries	150,444	227	119	8,536	159,326	177,220
Social Security Costs	13,593	22	13	20	13,648	15,638
Pension Costs	13,281	-	14	-	13,295	35,619
Total Costs	**177,318**	**249**	**146**	**8,556**	**186,269**	**228,477**
Less Recoveries in respect of outward secondments	-	-	-	(447)	(447)	(776)
Total Net Costs	**177,318**	**249**	**146**	**8,109**	**185,822**	**227,701**

£'000

	2012-13			2011-12		
Of which:	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**
Core Department	97,583	1,869	99,452	105,525	3,344	108,869
Agency	32,851	-	32,851	28,139	6	28,145
Designated bodies	49,145	4,821	53,966	71,940	19,523	91,463
Total Costs	**179,579**	**6,690**	**186,269**	**205,604**	**22,873**	**228,477**

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 Group account.

	Permanent staff	Ministers	Special Advisers	Others	2012-13 Total	2011-12 Total
Core Department	1,674	7	3	59	1,743	2,014
Agency	646	-	-	-	646	614
Designated Bodies	1,170	-	-	72	1,242	1,605
Total	3,490	7	3	131	3,631	4,233

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 when the exit has been agreed in accordance with IAS 19 and 37. 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 employed by 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 in the accounts of the bodies concerned.

			2012-13	2011-12
	Core Department			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total number of exit packages by cost band**
<£10,000	-	-	-	5
£10,000 - £25,000	-	-	-	51
£25,000 - £50,000	-	-	-	102
£50,000 - £100,000	-	-	-	67
£100,000 - £150,000	-	1	1	12
£150,000 - £200,000	-	-	-	5
£200,001 onwards	-	-	-	3
Total number of exit packages	**-**	**1**	**1**	**245**
Total cost /£000	**-**	**137**	**137**	**12,410**

			2012-13	2011-12
	Core Department and Agency			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total number of exit packages by cost band**
<£10,000	-	-	-	6
£10,000 - £25,000	-	-	-	60
£25,000 - £50,000	-	1	1	106
£50,000 - £100,000	-	-	-	70
£100,000 - £150,000	-	1	1	12
£150,000 - £200,000	-	-	-	5
£200,001 onwards	-	-	-	3
Total number of exit packages	**-**	**2**	**2**	**262**
Total cost /£000	**-**	**186**	**186**	**12,832**

			2012-13	2011-12
	Departmental Group			
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total number of exit packages by cost band**
<£10,000	8	7	15	62
£10,000 - £25,000	12	3	15	152
£25,000 - £50,000	3	4	7	203
£50,000 - £100,000	4	9	13	143
£100,000 - £150,000	1	3	4	33
£150,000 - £200,000	1	-	1	18
£200,001 onwards	-	(1)	(1)	4
Total number of exit packages	**29**	**25**	**54**	**615**
Total cost /£000	**766**	**914**	**1,680**	**25,270**

Included within the tables above are four instances where previously agreed departures were revoked because the HCA was tasked with delivering additional programmes after the departures were approved and agreed. This resulted in the need to retain staff for whom an exit package had previously been agreed. The amount associated with these exit packages is £417k. Further details can be found in the HCA's accounts.

The certified version of the 2012-13 Annual Report and Accounts contained a typographical error. The total cost of compulsory redundancies for the Group was reported as £250,611k. This should have been reported as £766K. As a result the total group exit packages were incorrectly reported as £251,525k. The figures have been restated to the correct audited amounts above.

Note 8. Other administration costs

£'000

	Notes	2012-13 Core Department	2012-13 Core Department & Agency	2012-13 Departmental Group	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group
Non-Cash Items							
Depreciation	12	4,406	4,471	6,384	4,345	4,424	6,991
Amortisation	13	6,116	6,158	7,747	5,978	6,083	7,944
Impairment of Assets		-	-	-	7	7	11,291
Revaluation of Assets		(197)	(186)	(186)	295	295	295
Loss on Disposal of Assets		2	2	76	371	371	5,858
Write Offs		-	-	-	-	-	5,217
Auditors Remuneration		517	582	582	620	663	663
Provision for Bad and Doubtful Debts		(40)	30	71	(35)	(35)	(21)
Total Non Cash Items		**10,804**	**11,057**	**14,674**	**11,581**	**11,808**	**38,238**
Cash Items:							
Rentals Under Operating Leases		218	344	1,541	239	341	716
Accommodation Including Rentals Under Operating Leases		35,780	39,739	44,485	38,745	41,790	53,175
Research and Development		200	200	200	246	246	587
Legal and Professional Services		7,195	10,838	13,635	3,981	3,981	6,401
Consultancy		1,201	1,201	1,348	5,077	5,077	5,774
Marketing and Communications		347	521	606	480	505	915
Training & Development		822	1,074	1,620	408	584	1,092
Auditor's Remuneration		-	-	377	-	-	445
IT Expenditure		16,494	18,205	20,595	16,996	19,392	19,756
Travel and Subsistence		1,702	3,258	5,848	1,710	3,112	6,834
Early Retirement Costs		7,192	7,279	7,382	7,574	7,574	10,526
ERDF Exchange Rate Losses (Realised)		2	2	2	1	1	1
Interest Payable		-	-	46	-	-	-
Interest Payable on Pension Scheme	24	-	-	-	-	-	23,184
Taxation		9,509	10,179	11,179	8,909	9,503	(6,664)
Other Current Grants		1,130	1,130	1,130	-	-	-
Other Cash Costs		3,038	4,151	24,194	4,415	9,770	32,745
Total Cash Items		**84,830**	**98,121**	**134,188**	**88,781**	**101,876**	**155,487**
Total		**95,634**	**109,178**	**148,862**	**100,362**	**113,684**	**193,725**

Note: As referenced in Note 1.8 2011-12 the coding structure upon which the consolidation is based has been updated in 2012-13 and applied retrospectively to 2011-12 resulting in some changes in narrative classification. As a result of these changes business rates are now included within Taxation, reducing prior year Accommodation including Rentals Under Operating Lease costs reported in the published 2011-12 accounts by £10,063k and costs associated with Support Services are included within Legal and Professional, increasing costs by £1,734k when compared to the 2011-12 published data.

Note 9. Programme costs

£'000

	Notes	2012-13 Core Department	2012-13 Core Department & Agency	2012-13 Departmental Group	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group
Non-Cash Items							
Non Operating Loss - Absorption Transfers		-	1,407	394,058	-	-	-
Capital Grant in Kind Expense - Asset Transfers		4,204	4,204	16,904	-	-	-
Depreciation	12	6,042	6,042	6,542	8,710	8,710	9,455
Amortisation	13	247	247	596	2,182	2,182	2,823
Impairment of Assets		18,124	18,124	36,363	5,615	5,615	164,222
Loss on Disposal of Assets		313	313	532	1	1	(1,766)
ERDF Write Off and Disallowances		10,169	10,169	10,169	12,115	12,115	12,115
Movement in Provisions	23	17,543	17,731	35,253	(36,015)	(35,662)	(8,272)
Provision for Bad and Doubtful Debts		598	598	950	14,467	14,853	18,575
Interest Payable on Pension Scheme Liabilities	24	93	171	29,651	-	-	-
Share of Loss of Joint Ventures and Associates	15	-	-	14,294	-	-	-
Other Non Cash Costs		3,828	3,828	3,828	(19,125)	(19,597)	(78,480)
Total Non Cash Items		**61,161**	**62,834**	**549,140**	**(12,050)**	**(11,783)**	**118,672**
Cash Items:							
Rentals Under Operating Leases		-	-	35	-	-	-
Accommodation Including Rentals Under Operating Leases		3,595	3,595	8,655	5,616	5,743	8,022
Research and Development		6,359	6,359	6,359	8,483	8,483	8,576
Legal and Professional Services		144,025	144,025	152,428	156,260	156,260	157,386
Consultancy		447	447	447	2,673	2,673	2,814
Marketing and Communications		2,427	2,427	3,073	1,187	1,187	1,786
Training & Development		219	219	447	304	304	618
Auditor's Remuneration		-	-	127	-	-	206
IT Expenditure		17,063	17,063	17,815	18,054	18,093	18,586
Travel and Subsistence		58	58	366	91	91	480
Early Retirement Costs		213	213	213	10,874	10,994	11,064
ERDF Financial Corrections		1,802	1,802	1,802	947	947	947
ERDF Exchange Rate Losses (Realised)		514	514	514	5,814	5,814	5,814
Interest Payable		5,115	5,115	5,211	6,492	6,492	6,947
Interest Payable on Pension Scheme Liabilities	24	-	-	-	104	104	6,172
Taxation		230	230	(8,215)	260	260	795
Subsidies		25,411	25,411	25,411	7,302,043	7,302,043	7,302,043
National Non Domestic Rates		23,119,000	23,119,000	23,119,000	19,000,000	19,000,000	19,000,000
National Non Domestic Rates Outturn Adjustment		138,434	138,434	138,434	744,304	744,304	744,304
ERDF Grants		384,002	384,002	384,002	355,233	355,233	355,233
Revenue Support Grant and PFI Grant		669,481	669,481	669,481	5,976,461	5,976,461	5,976,461
Other Capital Grants to Local Authorities		1,244,566	1,244,566	1,528,336	1,033,168	1,033,168	1,314,349
Other Current Grants to Local Authorities		1,233,794	1,233,794	1,234,954	2,639,701	2,639,701	2,647,881
Other Capital Grants		164,525	164,525	908,120	595,320	595,320	2,426,757
Other Current Grants		92,310	92,310	92,485	380,380	380,380	383,781
Other Cash Costs		4,871	4,616	(10)	16,995	17,625	144,840
Total Cash Items		**27,258,461**	**27,258,206**	**28,289,490**	**38,260,764**	**38,261,680**	**40,525,862**
Total		**27,319,622**	**27,321,040**	**28,838,630**	**38,248,714**	**38,249,897**	**40,644,534**

Note: As referenced in Note 1.8 2011-12 the coding structure upon which the consolidation is based has been updated in 2012-13 and applied retrospectively to 2011-12 resulting in some changes in narrative classification. As a result of these changes business rates are now included within Taxation, reducing Accommodation including Rentals Under Operating Lease costs by £795k and costs associated with Support Services are included within Legal and Professional, increasing costs by £4,204k when compared to the 2011-12 published data.

Note 10. Administration Income

£'000

	Notes	Core Department	Core Department & Agency	Departmental Group 2012-13	Core Department	Core Department & Agency	Departmental Group 2011-12
Non Cash Items							
Notional Income		202	-	-	53	-	-
Total Non Cash Items		**202**	**-**	**-**	**53**	**-**	**-**
Cash Items							
Grant Income		-	-	27	-	-	5,738
Goods and Services		3,913	5,204	5,409	4,092	6,277	5,244
Accommodation		13,637	13,637	12,456	9,400	9,400	9,316
Fees		-	9,292	13,775	-	6,043	12,243
Interest and Dividends		-	-	260	-	-	65
Expected Return on Pension Scheme Assets	24	-	-	-	-	-	22,638
Miscellaneous		6,462	6,715	10,856	892	1,676	5,106
Total Cash Items		**24,012**	**34,848**	**42,783**	**14,384**	**23,396**	**60,350**
Total		**24,214**	**34,848**	**42,783**	**14,437**	**23,396**	**60,350**

The following information provides an analysis of the services for which a fee is charged. This data is not provided for the purposes of IFRS 8.

£'000

Objectives	Full Cost 2012-13	Income 2012-13	Surplus/ (Deficit) 2012-13	Full Cost 2011-12	Income 2011-12	Surplus/ (Deficit) 2011-12
PINS: Local development frameworks, compulsory purchase orders, major specialist and national infrastructure	13,683	9,292	(4,391)	5,519	6,043	524
LTGDC - Planning Fees (development control)	-	256	256	-	435	435
IPC - Examination of Infrastructure Planning Applications	-	-	-	7,309	971	(6,338)
WNDC - Planning Fees	-	-	-	-	407	407
TTGDC - Planning Fees	-	-	-	-	487	487
IHO - Membership to Housing Ombudsman	4,045	4,227	182	3,351	3,900	549
Total	**17,728**	**13,775**	**(3,953)**	**16,179**	**12,243**	**(3,936)**

Note 11. Programme income

£'000

	Notes	2012-13 Core Department	2012-13 Core Department & Agency	2012-13 Departmental Group	2011-12 Core Department	2011-12 Core Department & Agency	2011-12 Departmental Group
Non Cash Items							
Non Operating Gains - Absorption Transfers		-	-	939	-	-	-
Capital Grant in Kind Income - Asset Transfers		5,790	5,790	5,790	-	-	-
Gain on sale of Non Current Assets		-	-	1,982	-	-	78
Unwinding of Discount - Financial Asset		216	216	6,750	26,867	26,867	26,867
ERDF Exchange Rate Gains (unrealised)		1,621	1,621	1,621	26,745	26,745	26,745
Expected Return on Pension Scheme Assets	24	-	85	33,456	-	-	-
Total Non Cash Items		**7,627**	**7,712**	**50,538**	**53,612**	**53,612**	**53,690**
Cash Items							
Housing Revenue Account		37,956	37,956	37,956	7,994,323	7,994,323	7,994,323
CFER Income		113,942	113,942	113,942	6,479,414	6,479,414	6,479,414
Grant Income		62,890	62,890	118,953	55,238	55,238	96,351
ERDF Grant Income		383,353	383,353	383,353	355,333	355,333	355,333
Goods and Services		17,285	17,285	17,405	11,963	11,963	12,020
Accommodation		330	330	15,765	-	-	19,361
Fees		-	-	-	-	-	-
Interest and Dividends		2,654	2,654	20,542	6,223	6,223	32,003
ERDF Match Income		600	600	600	-	-	-
Expected Return on Pension Scheme Assets	24	-	-	-	-	-	5,078
Miscellaneous		8,513	8,513	17,266	11,913	11,913	29,276
Total Cash Items		**627,523**	**627,523**	**725,782**	**14,914,407**	**14,914,407**	**15,023,159**
Total		**635,150**	**635,235**	**776,320**	**14,968,019**	**14,968,019**	**15,076,849**

Note: As referenced in Note 1.8 2011-12 the coding structure upon which the consolidation is based has been updated in 2012-13 and applied retrospectively to 2011-12 resulting in some changes in narrative classification. As a result, recovery of grants has been amalgamated with grant income, increasing the figure by £41,678k when compared to 2011-12 published data.

Note 12. Property, plant and equipment

£'000

31-Mar-13	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under Construction	Total
Cost or Valuation							
At 1 April 2012	1,576	95,660	13,316	37,876	16,501	7,617	172,546
Additions	-	1,018	621	326	442	255	2,662
Impairments	(225)	(8,635)	-	-	-	-	(8,860)
Revaluations	-	-	124	1,095	110	-	1,329
Disposals	-	(29)	(454)	(915)	(217)	-	(1,615)
Reclassifications	-	-	985	-	-	(985)	-
Transfers	(400)	(1,902)	(1,945)	(1,841)	(1,653)	-	(7,741)
At 31 March 2013	**951**	**86,112**	**12,647**	**36,541**	**15,183**	**6,887**	**158,321**
Depreciation							
At 1 April 2012	-	12,216	8,909	22,069	11,641	-	54,835
Charged in year	-	5,584	1,913	3,348	2,081	-	12,926
Impairments	-	(772)	-	-	-	-	(772)
Revaluations	-	-	17	-	-	-	17
Disposals	-	(28)	(455)	(596)	(131)	-	(1,210)
Reclassifications	-	-	-	-	-	-	-
Transfers	-	(731)	(600)	(1,491)	(1,093)	-	(3,915)
At 31 March 2013	**-**	**16,269**	**9,784**	**23,330**	**12,498**	**-**	**61,881**
Net book value:							
31 March 2013	**951**	**69,843**	**2,863**	**13,211**	**2,685**	**6,887**	**96,440**
31 March 2012	**1,576**	**83,444**	**4,407**	**15,807**	**4,860**	**7,617**	**117,711**
Asset Financing:							
Owned	951	9,083	2,768	13,211	2,685	6,887	35,585
Financed leased	-	60,760	95	-	-	-	60,855
Net book value at 31 March 2013	**951**	**69,843**	**2,863**	**13,211**	**2,685**	**6,887**	**96,440**
Of the total:							
Core Department	100	66,956	1,947	13,069	1,461	6,887	90,420
Agency	-	-	87	-	-	-	87
Designated bodies	851	2,887	829	142	1,224	-	5,933
Net book value at 31 March 2013	**951**	**69,843**	**2,863**	**13,211**	**2,685**	**6,887**	**96,440**

There are no donated assets within the Department.

The Department's policy for revaluations is described in Notes 1.22 -1.23.

£'000

							31-Mar-12
	Land	**Buildings**	**Information Technology**	**Plant & Machinery**	**Furniture & Fittings**	**Assets under Construction**	**Total**
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)
Revaluations	-	1,048	-	476	(65)	(203)	1,256
Disposals	(4,612)	(1,716)	(5,292)	(22,228)	(1,993)	(5,473)	(41,314)
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)
Revaluations	-	-	-	-	(182)	-	(182)
Disposals	-	(1,709)	(5,107)	(13,826)	(1,847)	-	(22,489)
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	-	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
Agencies	-	-	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**

Note 13. Intangible assets

Intangible assets comprise software, licences and systems under development in the Departmental Group.

£'000

				31-Mar-13
	Software	Licences	Systems Development	Total
Cost or valuation				
At 1 April 2012	73,017	8,760	456	82,233
Additions	1,667	983	774	3,424
Disposals	(14,207)	(867)	-	(15,074)
Reclassifications	270	5	(275)	-
Transfers	(537)	(1,033)	-	(1,570)
At 31 March 2013	**60,210**	**7,848**	**955**	**69,013**
Amortisation				
At 1 April 2012	56,103	6,000	-	62,103
Charged in year	7,263	1,080	-	8,343
Disposals	(14,207)	(868)	-	(15,075)
Transfers	(132)	(198)	-	(330)
At 31 March 2013	**49,027**	**6,014**	**-**	**55,041**
Net book value:				
31 March 2013	**11,183**	**1,834**	**955**	**13,972**
31 March 2012	**16,914**	**2,760**	**456**	**20,130**
Asset Financing:				
Owned	11,183	1,834	955	13,972
Finance Leased	-	-	-	-
Net book value at 31 March 2013	**11,183**	**1,834**	**955**	**13,972**
Of Which:				
Core Department	8,511	480	412	9,403
Agencies	116	-	543	659
Designated bodies	2,556	1,354	-	3,910
Net book value at 31 March 2013	**11,183**	**1,834**	**955**	**13,972**

£'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
Disposals	(4,044)	(2,444)	-	(6,488)
Transfers	263	36	(306)	(7)
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 2011	**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**

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

The HCA is 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.

The 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 2013, 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 £71.5m/£111.3m from that stated.

At 31 March 2013, 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 £15.9m/£15.9m from that stated.

Currency Risk

A payables balance of £534.6m is the sterling equivalent of a liability of €632.1m translated at the accounting date. This relates to deposits from the EU for the 2000-06 and 2007-13 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 2013-14 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 £523.6m which is the sterling equivalent of an asset of €619.1m 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 2012-13 there was an overall gain of around £1m arising from these risks compared with a gain of about £21m in 2011-12.

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 2013 £1 = €1.1800 – 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 2013:		
Receivables (ERDF)	-	-
Accrued income (ERDF)	523,646	619,106
Total assets at 31 March 2013	**523,646**	**619,106**
Total assets at 31 March 2012	262,726	315,271
Liabilities		
At 31 March 2013:		
Deposit from EU (ERDF 2000-06 Programmes)	(343,723)	(406,384)
Deposit from EU (ERDF 2007-13 Programmes)	(190,882)	(225,680)
Total liabilities at 31 March 2013	**(534,606)**	**(632,064)**
Total liabilities at 31 March 2012	(456,901)	(548,281)

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 would be reversed if Sterling were to strengthen. 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 initiate further work on the topic, perhaps in partnership with other departments, during 2013-14. 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 2013**	**Rate at 30 Mar 2013**	**Impact of rate change to**			
			1:1.00	1:1.10	1:1.30	1:1.40
Assets	619,106	1:1.18	£95m gain	£39m gain	£47m loss	£81m loss
Liabilities	(632,064)	1:1.18	£97m loss	£40m loss	£48m gain	£83m gain
Net gain/loss			£2m loss	£1m loss	£1m gain	£2m 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 risk and the risks below. See Note 15 for details of PDC investments.

The Homes and Communities Agency has guaranteed the payments under loan obligations of Home Group, as disclosed in Note 43 of their statutory accounts. The total maximum exposure under these guarantees is £21.7m (2011: £21.7m), and it is backed by the right of the Agency 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, or amounts receivable from various private sector developers, 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 and infrastructure loans are dispersed amongst various developers and housebuilders in the private sector. There are no significant concentrations of credit risk 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 2013. All balances are held in sterling.

	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 in Government Banking Service	197,105	5,133	191,972	-	-	-
Cash held at commercial banks	16,073	16,073	-	-	-	-
Coalfields Enterprise Fund	7,796	7,796	-	-	-	-
HCA Loans	378,935	12,911	171,499	194,525	5.87%	12 years
Balance at 31 March 2013	**599,909**	**41,913**	**363,471**	**194,525**	**-**	**-**
Balance at 31 March 2012	800,242	306,881	118,292	165,108	-	-
Balance at 1 April 2011	602,862	267,234	148,985	182,455	-	-

PDC = Public Dividend Capital.

Fair values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2012 and 31 March 2013. 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.

Note 15. Investments

£'000

	Shares & Equity Investments	Launch Fund Investments	Investment Funds	Private Sector Loans	Public Sector Loans	Public Dividend Capital	Total Investments
Balance at 31 March 2011	**22,678**	**-**	**10,732**	**361,893**	**6,160**	**17,542**	**419,005**
Additions	-	-	-	12,127	-	-	12,127
Write down/ Impairment	(9,899)	-	(1,400)	(31,034)	-	-	(42,333)
Repayments	-	-	-	(34,536)	(85)	-	(34,621)
Revaluation	-	-	-	1,548	-	-	1,548
Transfer to receivables < 1year	-	-	-	434	-	-	434
Balance at 31 March 2012	**12,779**	**-**	**9,332**	**310,432**	**6,075**	**17,542**	**356,160**
Additions	-	-	-	128,112	23,239	-	151,351
Write down/ Impairment	-	-	(1,536)	(26,084)	-	(9,851)	(37,471)
Repayments	-	-	-	(17,766)	(5,344)	(6,870)	(29,980)
Profit / loss on disposal	(1,296)	-		-	-	-	(1,296)
Transfers in / out	-	-	-	(50,802)	-	-	(50,802)
Transfer to receivables < 1year	-	-	-	(40,053)	-	-	(40,053)
Balance at 31 March 2013	**11,483**	**-**	**7,796**	**303,839**	**23,970**	**821**	**347,909**
of which:							
Core Department	-	-	7,796	-	-	821	8,617
Agencies	-	-	-	-	-	-	-
Designated bodies	11,483	-	-	303,839	23,970	-	339,292
	11,483	**-**	**7,796**	**303,839**	**23,970**	**821**	**347,909**

The Core Department's Investments are detailed below and are included within the table above at Group level.

£'000

	Coalfields Enterprise (Investment Fund)	Coalfields Growth Fund (Investment Fund)	Queen Elizabeth II Conference Centre (PDC)	Queen Elizabeth II Conference Centre (Loans)	Fire Service College (PDC)	Fire Service College (Loans)	Total
Balance as 31 March 2011	**6,342**	**4,390**	**821**	**-**	**16,721**	**4,493**	**32,767**
Additions	-	-	-	-	-	-	-
Write down / Impairments	(531)	(869)	-	-	-	-	(1,400)
Repayments	-	-	-	-	-	(19)	(19)
Balance as 31 March 2012	**5,811**	**3,521**	**821**	**-**	**16,721**	**4,474**	**31,348**
Additions	-	-	-	-	-	-	-
Write down / Impairments	(1,190)	(346)	-	-	(9,851)	-	(11,387)
Repayments	-	-	-	-	(6,870)	(4,474)	(11,344)
Balance as 31 March 2013	**4,621**	**3,175**	**821**	**-**	**-**	**-**	**8,617**

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

£'000

	Departmental Group	
The aggregated movements in the share of net assets of associates and joint ventures are as follows: -	**2012-13**	**2011-12**
Cost or Valuation: -		
Balance at 1 April	12,779	22,678
Share of gains/(losses) of associates and joint ventures	(1,296)	(9,899)
Balance at 31 March	**11,483**	**12,779**

The aggregated amount of the share of total assets and liabilities of associates and joint ventures are as follows: -	**2012-13**	**2011-12**
Assets	191,482	249,547
Liabilities	(179,999)	(236,768)
Total group share of net assets of associates and joint ventures	**11,483**	**12,779**

Subsidiary undertakings as detailed below

£'000

	Departmental Group	
Subsidiary Undertakings	**2012-13**	**2011-12**
Aggregate capital and reserves as at 31 March	38	15,222
Profit / Loss for the reporting period ending March	-	8,246
Total cost or valuation of subsidiary undertakings: -		
Balance at 1 April	-	15,184
Balance at 31 March	**-**	**15,184**

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

Note 16. Available for sale financial assets

£'000

	2012-13			**2011-12**		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Cost or valuation						
At 1 April	-	-	550,208	-	-	556,556
Additions	-	-	194,746	-	-	114,534
Impairments	-	-	9,791	-	-	(69,246)
Disposals	-	-	(41,959)	-	-	(34,528)
Revaluations	-	-	3,226	-	-	(17,108)
Transfers	-	-	(49,107)	-	-	-
At 31 March	**-**	**-**	**666,905**	**-**	**-**	**550,208**

Available for sale financial assets include assets of the HCA which represents their interests in housing developments.

Note 17. Investment properties

£'000

	2012-13			2011-12		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Cost or valuation						
At 1 April	28,511	28,511	28,511	28,806	28,806	28,806
Additions	-	-	-	-	-	-
Revaluations	197	197	197	(295)	(295)	(295)
At 31 March	**28,708**	**28,708**	**28,708**	**28,511**	**28,511**	**28,511**

As at the 31 March 2013, 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 2013 by GVA. The total valuation was reported at £26,500,000 but with a value of £25,292,929 in the Department's books because of a trading fund outside interest in the property.

Burlington House, Piccadilly, London was valued during March 2013 by GVA, at £3,415,000.

The Department received rental income of £33,952 (£5,108, 2011-12) 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

	2012-13			2011-12		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Balance at 1 April	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Transfers	5,790	5,790	5,790	-	-	-
As at 31 March	**5,790**	**5,790**	**5,790**	**-**	**-**	**-**

Assets held for sale above were transferred to the Department following the winding up of Fire Service College Trading Fund. These are valued in accordance with IFRS 5 and held at net realisable value less costs to sell. Where there is an upward movement at valuation, the impact of this can only be recognised where there has been sufficient historical impairment. As the Department has not previously reported any impairment for these assets, they have been recognised at the net realisable value held in Fire Service College books at the point of transfer.

Note 19. Inventories

£'000

	Core Department	Core Department & Agency	Departmental Group 2012-13	Core Department	Core Department & Agency	Departmental Group 2011-12
Land and buildings						
Opening balance as at 1 April	-	-	1,055,087	-	-	1,109,489
Additions	-	-	48,909	-	-	57,458
Disposals	-	-	(86,017)	-	-	(98,794)
Impairments	-	-	(13,131)	-	-	(85,089)
Revaluation	-	-	37,110	-	-	72,023
Transfers	-	-	(312,252)	-	-	-
Closing balance as at 31 March	**-**	**-**	**729,706**	**-**	**-**	**1,055,087**
ERDF Work in Progress						
Opening balance as at 1 April	66,792	66,792	66,792	-	-	-
Payment to projects	319,211	319,211	319,211	250,140	250,140	250,140
Certified as expenditure	(371,348)	(371,348)	(371,348)	(183,348)	(183,348)	(183,348)
Closing balance as at 31 March	**14,655**	**14,655**	**14,655**	**66,792**	**66,792**	**66,792**
Total inventory closing balance as at 31 March	**14,655**	**14,655**	**744,361**	**66,792**	**66,792**	**1,121,879**

Inventories in respect of land and buildings relates to property and development land assets. During 2012-13 assets were transferred as part of machinery of government or closure transfers by HCA and LTGDC.

Note 20. Trade and other receivables

20.1 Analysis by type

£'000

	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
			31-Mar-13			31-Mar-12
Amount falling due within one year:						
Trade receivables	691	1,284	46,800	1,463	1,833	83,312
Deposits and advances	-	-	47	-	-	61
VAT receivables	3,978	4,108	6,718	952	1,082	5,915
Other receivables	24,947	26,065	77,707	173,879	175,100	208,803
ERDF accrued income	523,646	523,646	523,646	174,368	174,368	174,368
Prepayments and accrued income	19,219	22,633	25,085	11,226	14,412	23,879
Taxation and duties due	-	-	79	-	-	-
Current asset investments	-	-	73,768	-	-	33,722
Sub Total	**572,481**	**577,736**	**753,850**	**361,888**	**366,795**	**530,060**
Amounts falling due after more that one year:						
Trade receivables	-	-	76,581	-	-	81,402
Other receivables	-	-	56,575	-	-	60,199
ERDF Deposits	10,043	10,043	10,043	13,570	13,570	13,570
ERDF Accrued Income	-	-	-	-	-	-
Prepayments and accrued income	3,095	3,097	3,097	759	776	776
Sub Total	**13,138**	**13,140**	**146,296**	**14,329**	**14,346**	**155,947**
Total	**585,619**	**590,876**	**900,146**	**376,217**	**381,141**	**686,007**

Included in 'other receivables' is an amount of £8k (£2k in 2011-12) which is payable to the Consolidated Fund when collected.

20.2 Intra-government balances

£'000

	Core Department				Core Department & Agency				Departmental Group			
	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:	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Other Central Government bodies	1,283	180,645	3,095	8,630	1,991	181,705	3,095	8,630	4,597	185,846	3,095	8,630
Local authorities	7,788	173,420	-	1,738	10,556	175,441	-	1,738	22,455	181,838	9,180	8,973
NHS bodies	-	-	-	-	-	-	-	-	240	-	-	-
Public Corporations and Trading Funds	(64)	890	-	-	29	891	-	-	29	891	-	-
Sub-total	**9,007**	**354,955**	**3,095**	**10,368**	**12,576**	**358,037**	**3,095**	**10,368**	**27,321**	**368,575**	**12,275**	**17,603**
Bodies external to Government	563,474	6,933	10,043	3,961	565,160	8,758	10,045	3,978	726,529	161,485	134,021	138,344
Total receivables at 31 March	**572,481**	**361,888**	**13,138**	**14,329**	**577,736**	**366,795**	**13,140**	**14,346**	**753,850**	**530,060**	**146,296**	**155,947**

Note 21. Cash and cash equivalents

£'000

	Core Department	Core Department & Agency	2012-13 Departmental Group	Core Department	Core Department & Agency	2011-12 Departmental Group
Balance at 1 April	393,086	393,086	440,682	190,185	190,185	319,365
Net change in cash and cash equivalent balances	(201,033)	(197,852)	(227,504)	202,901	202,901	121,317
Cash Balance at 31 March	**192,053**	**195,234**	**213,178**	**393,086**	**393,086**	**440,682**
Bank overdraft	(216,953)	(216,953)	(286,957)	-	-	(146,926)
Balance at 31 March	**(24,900)**	**(21,719)**	**(73,779)**	**393,086**	**393,086**	**293,756**

The bank overdraft shown above is disclosed within Note 22.1.

The following balances at 31 March were held at:	Core Department	Core Department & Agency	31-Mar-13 Departmental Group	Core Department	Core Department & Agency	31-Mar-12 Departmental Group	31-Mar-11 Departmental Group
Other bank and cash	80	80	1,931	-	-	19,916	18,601
Commercial banks and cash in hand	-	-	14,142	13	13	25,154	24,756
Government Banking Service	1	3,182	5,133	205,821	205,821	208,360	276,008
Government Banking Service (ERDF)	191,972	191,972	191,972	187,252	187,252	187,252	-
Balance at 31 March	**192,053**	**195,234**	**213,178**	**393,086**	**393,086**	**440,682**	**319,365**

Note 22. Trade and other payables

22.1 Analysis by type

£'000

			31-Mar-13			31-Mar-12
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Amounts falling due within one year:						
Taxation and Social Security	2,180	2,180	3,784	2,163	2,200	4,139
Trade payables	35	172	200,239	(264)	220	37,626
Bank Overdraft	216,953	216,953	286,957	-	-	146,926
Other payables	40,744	42,338	52,536	742,526	743,086	731,609
Accruals	273,955	275,981	285,198	315,360	317,206	375,535
Finance lease	2,124	2,124	3,096	1,497	1,497	2,251
Deferred income	1,018	1,178	45,237	697	742	71,538
ERDF Deferred income	343,723	343,723	343,723	340,489	340,489	340,489
Amount issued from the Consolidated Fund for supply but not spent	-	-	-	354,267	354,267	354,267
Consolidated fund extra receipts to be paid to the Consolidated Fund						
- received	33,589	33,737	33,737	38,739	38,818	38,818
- receivable	8	8	8	2	2	2
Sub Total	**914,329**	**918,394**	**1,254,515**	**1,795,476**	**1,798,527**	**2,103,200**
Amounts falling due after more that one year:						
Finance lease	104,250	104,250	105,205	111,032	111,032	112,428
ERDF Deferred Income 07-13 Programme	190,882	190,882	190,882	184,019	184,019	184,019
Accruals	-	-	144	-	-	376
Deferred income	7,560	7,560	7,560	5,043	5,043	5,043
Sub Total	**302,692**	**302,692**	**303,791**	**300,094**	**300,094**	**301,866**
Total	**1,217,021**	**1,221,086**	**1,558,306**	**2,095,570**	**2,098,621**	**2,405,066**

Note: As referenced in Note 1.8 2011-12 the coding structure upon which the consolidation is based has been updated in 2012-13 and applied retrospectively to 2011-12 resulting in some changes in narrative classification. As a result VAT and Taxation have been combined, increasing the Taxation and Social Security figure by £99k when compared to the 2011-12 published data.

22.2 Intra-Government Balances

£'000

	Core Department				Core Department & Agency				Departmental Group			
	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:	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Other Central Government bodies	36,655	274,281	-	-	36,643	274,194	-	-	42,489	244,740	(17)	-
Local authorities	126,253	954,179	-	-	126,253	954,184	-	-	197,352	976,687	-	-
NHS bodies	-	1	-	-	-	1	-	-	118	1	-	-
Public Corporations and Trading Funds	-	823	-	-	15	826	-	-	15	5,032	-	-
Sub-total	**162,908**	**1,229,284**	**-**	**-**	**162,911**	**1,229,205**	**-**	**-**	**239,974**	**1,226,460**	**(17)**	**-**
Bodies external to Government	751,421	566,192	302,692	300,094	755,483	569,322	302,692	300,094	1,014,541	876,740	303,808	301,866
Total payables at 31 March	**914,329**	**1,795,476**	**302,692**	**300,094**	**918,394**	**1,798,527**	**302,692**	**300,094**	**1,254,515**	**2,103,200**	**303,791**	**301,866**

Note 23. Provisions for liabilities and charges

(i) Early departure costs

The Department meets the additional costs of benefits beyond the normal 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 HMT discount rate for provisions of 2.35% in real terms.

£'000

			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	24,171	24,352	24,352	42,661	42,945	42,945
Increase	8	8	8	-	-	523
Utilisation	(7,087)	(7,174)	(7,174)	(17,003)	(17,123)	(17,123)
Reversal	-	-	-	(2,528)	(2,528)	(3,051)
Unwinding	85	99	99	1,041	1,058	1,058
Balance at 31 March	**17,177**	**17,285**	**17,285**	**24,171**	**24,352**	**24,352**
Of which:						
Current liabilities	5,927	5,996	5,996	6,728	6,819	6,819
Non-current liabilities	11,250	11,289	11,289	17,443	17,533	17,533
Balance at 31 March	**17,177**	**17,285**	**17,285**	**24,171**	**24,352**	**24,352**

(ii) ERDF

ERDF is a major grant programme with significant assets and liabilities on the SoFP. 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

			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	-	-	-	34,693	34,693	34,693
Increase	-	-	-	-	-	-
Utilisation	-	-	-	-	-	-
Reversal	-	-	-	(34,693)	(34,693)	(34,693)
Unwinding	-	-	-	-	-	-
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**-**
Of which:						
Current liabilities	-	-	-	-	-	-
Non-current liabilities	-	-	-	-	-	-
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**-**

(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

			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	7,566	7,788	190,260	9,367	9,605	210,399
Increase	19,564	19,792	32,840	2,282	2,702	32,421
Utilisation	(1,404)	(1,572)	(31,914)	(1,966)	(2,318)	(48,030)
Reversal	(2,575)	(2,629)	(4,150)	(2,117)	(2,201)	(6,105)
Unwinding	461	461	6,456	-	-	1,575
Transfer	-	1,100	(1,632)	-	-	-
Balance at 31 March	**23,612**	**24,940**	**191,860**	**7,566**	**7,788**	**190,260**
Of which:						
Current liabilities	13,359	14,687	70,273	3,020	3,242	30,877
Non-current liabilities	10,253	10,253	121,587	4,546	4,546	159,383
Balance at 31 March	**23,612**	**24,940**	**191,860**	**7,566**	**7,788**	**190,260**

(iv) Total provisions

£'000

	Core Department	Core Department & Agency	2012-13 Departmental Group	Core Department	Core Department & Agency	2011-12 Departmental Group
Open balance at 1 April	31,737	32,140	214,612	86,721	87,243	288,037
Increase	19,572	19,800	32,848	2,282	2,702	32,944
Utilisation	(8,491)	(8,746)	(39,088)	(18,969)	(19,441)	(65,153)
Reversal	(2,575)	(2,629)	(4,150)	(39,338)	(39,422)	(43,849)
Unwinding	546	560	6,555	1,041	1,058	2,633
Transfers	-	1,100	(1,632)	-	-	-
Balance at 31 March	**40,789**	**42,225**	**209,145**	**31,737**	**32,140**	**214,612**
Of which:						
Current liabilities	19,286	20,683	76,269	9,748	10,061	37,696
Non-current liabilities	21,503	21,542	132,876	21,989	22,079	176,916
Balance at 31 March	**40,789**	**42,225**	**209,145**	**31,737**	**32,140**	**214,612**

£'000

	Early Retirement and Pension Costs	ERDF Financial Corrections	Other	Total
Not later than one year	6,819	-	30,877	37,696
Later than one year and not later than five yea	16,174	-	115,747	131,921
Later than five years	1,359	-	43,636	44,995
Balance at 31 March 2012	**24,352**	**-**	**190,260**	**214,612**
Not later than one year	5,996	-	70,273	76,269
Later than one year and not later than five yea	8,842	-	117,195	126,037
Later than five years	2,447	-	4,392	6,839
Balance at 31 March 2013	**17,285**	**-**	**191,860**	**209,145**

Note 24. Pensions

Staff of the core Department and PINS are civil servants with pensions provided under the PCSPS. The Department is also responsible for the Firefighters Pension Scheme (1992). The staff of NDPBs are members of a number of different pension schemes; 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 SoFP as shown below.

£'000

	2012-13			2011-12		
	Core Department	Core Department & Agencies	DCLG Consolidated	Core Department	Core Department & Agencies	DCLG Consolidated
Reconciliation of defined benefit obligation						
Opening balance	1,990	1,990	221,569	1,934	1,934	515,864
Transfer of outstanding pension liability from Standards Board to the Core Department	16,952	16,952	-	-	-	-
Current service cost	-	-	10,531	-	-	12,988
Interest charges	93	171	29,651	104	104	29,356
Contribution by members	-	-	2,756	-	-	3,656
Contribution by employer	(16,952)	(16,952)	(29,087)	-	-	(549)
Actuarial losses/(gains)	(301)	(300)	113,807	108	108	23,577
Past service cost/(gains)	-	-	11	-	-	-
Losses/(gains) on curtailment	-	-	46,380	-	-	(2,539)
Absorption Transfers	-	1,708	-	-	-	-
Benefits paid						
Funded benefits paid	-	-	(17,659)	-	-	(49,736)
Unfunded benefits paid	(164)	(164)	(823)	(156)	(156)	(497)
Closing defined benefit obligation	**1,618**	**3,405**	**377,136**	**1,990**	**1,990**	**532,120**
Reconciliation of fair value of employer asset						
Opening balance	-	-	(134,056)	-	-	(364,992)
Transfer of outstanding pension liability from Standards Board to the Core Department	(8,899)	(8,899)	-	-	-	-
Expected return on assets	-	(85)	(33,456)	-	-	(27,716)
Contributions by members	-	-	(2,756)	-	-	(3,656)
Contributions by employer	8,899	8,899	(4,408)	-	-	(69,549)
Actuarial (losses)/gains	-	(121)	(106,529)	-	-	8,050
(Losses)/gains on curtailment	-	-	(62,982)	-	-	5,200
Absorption Transfers	-	(1,453)	-	-	-	-
Assets distributed on settlement	-	-	17,659	-	-	8,056
Closing fair value of employer asset	**-**	**(1,659)**	**(326,528)**	**-**	**-**	**(444,607)**
Closing Net Pension Liability	**1,618**	**1,746**	**50,608**	**1,990**	**1,990**	**87,513**
of which:						
Non Current	1,462	1,590	50,360	1,834	1,834	75,772
Current	156	156	248	156	156	11,741
of which:						
Funded	-	128	38,710	-	-	70,541
Unfunded	1,618	1,618	11,898	1,990	1,990	16,972

Unfunded schemes are held by DCLG, VTS, LTGDC (until its closure in February 2013) and the HCA.

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 2012-13, employers' contributions of £19,203,638 (2011-12:£21,280,141) 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 2012-13 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 £84,360, (2011-12: £42,936) 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 £3,218 (2011-12: £6,022) 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 £5,455, (2011-12: £1,584). Contributions prepaid at that date were nil.

Two staff (2011-12: Four) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £nil (2011-12: £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.

A reconciliation of the movement of Firefighters' Pension Scheme is shown below:

Present Value of scheme liabilities	**Value at 31.03.2013**	**Value at 31.03.2012**	**Value at 31.03.2011**
Liability in respect of:			
Current pensioners	1,618	1,990	1,934
Total value of scheme liabiltiies	1,618	1,990	1,934

Note 25. Capital commitments

Contracted capital commitments at 31 March 2013 not otherwise included in these financial statements:

£'000

			2012-13			**2011-12**
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Property, Plant and Equipment	-	34	34	211	211	211
Intangible assets	451	678	678	266	266	354
Development assets	-	-	8,754	-	-	7,785
Total	**451**	**712**	**9,466**	**477**	**477**	**8,350**

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:	Core Department	Core Department & Agency	Departmental Group 2012-13	Core Department	Core Department & Agency	Departmental Group 2011-12
Buildings:						
Payment due within 1 year	61,945	64,060	68,318	22,998	24,973	30,185
Payment due after 1 year but not more than 5 years	86,603	95,063	102,411	74,849	82,749	89,956
Payment due thereafter	222,305	228,650	229,263	54,239	62,139	62,442
Total value of obligations	**370,853**	**387,773**	**399,992**	**152,086**	**169,861**	**182,583**
Other:						
Payment due within 1 year	5	33	847	8	35	769
Payment due after 1 year but not more than 5 years	12	26	1,527	13	13	226
Payment due thereafter	-	-	-	-	-	-
Total value of obligations	**17**	**59**	**2,374**	**21**	**48**	**995**

£'000

Receipts under operating sub-leases comprise:	Core Department	Core Department & Agency	Departmental Group 2012-13	Core Department	Core Department & Agency	Departmental Group 2011-12
Buildings:						
Receipts due within 1 year	12,560	12,560	16,521	-	-	4,848
Receipts due after 1 year but not more than 5 years	34,598	34,598	45,899	-	-	11,740
Receipts due thereafter	19,670	19,670	155,722	-	-	122,768
Total value of receivables	**66,828**	**66,828**	**218,142**	**-**	**-**	**139,356**

Receipts under operating sub-leases relating to the Core Department were not disclosed in 2011-12, this had no material impact on the Consolidated Accounts.

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:			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Payment due within 1 year	8,525	8,525	9,562	8,092	8,092	8,940
Payment due after 1 year but not more than 5 years	35,036	35,036	36,022	44,448	44,448	45,820
Payment due thereafter	147,693	147,693	147,693	149,985	149,985	150,322
Less interest element	(84,880)	(84,880)	(84,976)	(89,996)	(89,996)	(90,403)
Present value of obligations	**106,374**	**106,374**	**108,301**	**112,529**	**112,529**	**114,679**

Present Value of payables under finance leases comprise:			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Lease liabilities due within 1 year	2,124	2,124	3,096	1,497	1,497	2,251
Lease liabilities due after 1 year but not more than 5 years	10,508	10,508	11,463	13,519	13,519	14,784
Lease liabilities due thereafter	93,742	93,742	93,742	97,513	97,513	97,644
Present value of obligations	**106,374**	**106,374**	**108,301**	**112,529**	**112,529**	**114,679**

£000

Receivables under finance leases comprise:			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Receipts due within 1 year	-	-	-	-	-	223
Receipts due after 1 year but not more than 5 years	-	-	-	-	-	892
Receipts due thereafter	-	-	-	-	-	2,329
Less interest element	-	-	-	-	-	(1,587)
Present value of receivables	**-**	**-**	**-**	**-**	**-**	**1,857**

Present Value of receivables under finance leases comprise:			2012-13			2011-12
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Buildings:						
Lease entitlements due within 1 year	-	-	-	-	-	80
Lease entitlements due after 1 year but not more than 5 years	-	-	-	-	-	391
Lease entitlements due thereafter	-	-	-	-	-	1,386
Present Value of receivables	**-**	**-**	**-**	**-**	**-**	**1,857**

Note 27. Other financial commitments

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

£'000

Obligations under financial commitments:			2012-13			2011-12
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Payment due within 1 year	60,870	62,594	62,594	42,625	42,987	43,026
Payment due after 1 year but not more than 5 years	104,527	108,603	108,603	158,379	158,379	158,379
Payment due thereafter	47,489	47,489	47,489	29,921	29,921	29,921
Total Obligations	**212,886**	**218,686**	**218,686**	**230,925**	**231,287**	**231,326**

Note 28. Contingent liabilities disclosed under IAS 37

In accordance with Government policy, properties included in non-current assets in the Statement of Financial Position are not insured. Other contingent liabilities are set out below.

£'000

		31-Mar-13	**31-Mar-12**
28.1	The Department has around 230 cases managed by Treasury Solicitors with associated potential adverse costs	594	541
28.2	The Department has made a commitment to fund pension deficits on certain Arms Length Bodies. The timing and value of these payments, should they arise, are difficult to predict. The most significant element would relate 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 forthcoming closure.	Unquantifiable	Unquantifiable
28.3	Claim for repair or repurchase of defective RTB homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
28.4	Potential contractual liability arising from the Tenant Deposit Protection Scheme. An agreement has been reached with the parties involved and the Department is no longer exposed to a liability in relation to this.	-	Unquantifiable
28.5	Potential liability for restitution claims in respect of local property enquiry searches.	Unquantifiable	Unquantifiable
28.6	Statutory Contingent Liability taken on under the provisions of the Banking Act 2009 in respect of Homeowners Support Scheme.	993	993
28.7	In 2011-12, DCLG was given formal notice of an 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 - This particular case has now been closed by the Commission, and the Department is no longer exposed to this liability.	-	Unquantifiable

		31-Mar-13	31-Mar-12
28.8	The Mayor is now charging the Community Infrastructure Levy across London in order to raise £301m between 2012/13 & 2018/19 for the Abbeywood Spur of Crossrail. There are two agreements in place (one between HMT and DCLG (2007) and one between DfT and TfL (2008) that set out the circumstances in which the Government / DCLG could be asked to make up any CIL funding shortfall). The DCLG agreement does not place us under any contractual liability and has not been made public, but it does set out a range of tightly defined circumstances in which we could be asked to fund any shortfall in CIL receipts.	301,000	10,000-300,000
28.9	London Thames Gateway Development Corporation acquired a site known as Land at Broadway / Ferry Lane in 2006/07. It was valued at 31 March 3012 at £400,000. If the site was developed in a manner (subject to planning approval), such that it could achieve a value above £560,000 then a claw back provision would apply. This claw back would be shared on a 50:50 basis with the previous owner for any amounts over £560,000. However, if 80% of the site was used for public open space, then the claw back provision would not be enforceable. As part of the transfer of functions to the Greater London Authority and closure of the Corporation this contingent liability has been transferred to the Authority.	-	Unquantifiable
28.10	London Thames Gateway Development Corporation received a total grant of £711,000 form the London Development Agency towards the Lea River Park Phase 1 Walk project. Under this agreement, the total grant received could be sought to be recovered by the Greater London Authority if the Lea River Park Phase 1 Walk project was not delivered. The Corporation's functions have now transferred to the Authority and as a result of this the contingent liability no longer exists.	-	711
28.11	PINS - Litigation costs may 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.	410	730
28.12	PINS - Concern has been expressed regarding the compliance with HMRC rules on office holders. Possible liability for previously paid Non-executive director expenses.	Unquantifiable	-
28.13	WNDC – the development corporation has entered into a funding agreement with the University of Northampton in respect to it's land holding at Green Street under which the Corporation will transfer the land asset upon practical completion of the Innovation Centre building which is due to be constructed upon the land. The transfer is conditional upon the completion of the building and is non transferable.	Unquantifiable	-
28.14	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
28.15	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	Unquantifiable	Unquantifiable

		31-Mar-13	31-Mar-12
	time.		
28.16	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	Unquantifiable

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

Quantifiable:

The Department has not entered into any quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

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.
- The Government announced in September 2012 a £10bn lending guarantee for 2 new schemes; affordable housing and private rented housing. The guarantees will support new-build projects, located in the United Kingdom.
- NewBuy claims by mortgage lenders. Potential losses from the proposed NewBuy scheme to underwrite a % of mortgage lending risk.

Note 29. Contingent assets disclosed under IAS 37

£'000

		31-Mar-13	31-Mar-12
30.1	LTGDC – the development corporation had 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. This contingent asset has been transferred to the GLA.	-	Unquantifiable
30.2	HCA – The 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	Unquantifiable

Note 30. 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:

	2012-13						2011-12					
	Core Department		Core Department and Agency		Departmental Group		Core Department		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses	19	5,429	19	5,429	32	5,618	14	17	14	17	14	17
Claims abandoned	49	1,037	68	1,102	68	1,102	84	11,118	84	11,118	84	11,118
Fruitless payments	-	-	6	1	6	1	1	213	20	214	20	214
Constructive losses	-	-	-	-	-	-	-	-	-	-	10	104

In 2012-13 there were three individual losses of over £250,000 worth £6.1m detailed below:

Losses over £250k	**£'000**
Write-off ERDF Tower Hamlets Environment Trust	305
Write-off ERDF Bootstrap Ltd	397
ERDF write off in respect of penalty across the 07-13 programme	5,382

In 2011, it was estimated that minimum losses of £469m would be incurred as a result of the cancellation of the FiReControl project and full disclosure was included in the Department's 2010-11 Annual Report and Accounts. Following a further review in 2012, this estimation has been revised to reflect an increase of £13m. This revision relates to higher than estimated rental, maintenance and utility charges.

	2012-13						2011-12					
	Core Department		Core Department and Agency		Departmental Group		Core Department		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	78	1,058	121	1,664	121	1,664	59	1,769	59	1,769	59	1,769

No special payments recorded in the accounts for 2012-13 were over £250,000.

The Department made no gifts during 2012-13.

Note 31. Related Party Transactions

The Department is the parent of the Planning Inspectorate and a number of sponsored bodies listed in Note 33. 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. The Remuneration Report (see page 89) contains details of compensation payments made to key management personnel.

Non-Executive Board members must declare to the Permanent Secretary any personal or business interest which may, or maybe perceived to, influence their judgement as a Board member.

Shirley Pointer was a Non Executive Trustee of the Whitehall and Industry Group during 2012-13. This was an unpaid position. The Department paid £4,000 annual subscription to this group in 2012-13.

Terrie Alafat is a Trustee of the Management Board for Crisis, a national charity for single homeless people. This is an unpaid position. The Department paid a £4 million grant to the charity in 2012-13.

During the year no board member, key manager or other related parties, other than those mentioned above, have undertaken any material transactions with the Department. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

Note 32. 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 26 June 2013.

The Department was informed that the European Commission has interrupted the ERDF 2007-13 programme (suspension of payments in respect of claims). This interruption does not put at risk the amounts reported in these accounts as income or receivable and therefore there has been no impairment of receivables outstanding at the Accounting Date as a result of this event. Please see paragraph 7.25 of the Management Commentary for more detail.

On 20 June 2013 the Department announced to Parliament, for its consideration, its intention to guarantee long term private sector debt, raised and lent on to registered housing providers for the purpose of building new additional affordable homes. No guarantees have yet been entered into.

On 26 June 2013, the Chancellor announced the outcome of the Spending Round to Parliament. The Department's view is that the announcement has no impact on the 2012-13 Accounts.

Note 33. Entities within the departmental boundary

The entities within the boundary during 2012-13 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

Title	Role & Future	Included in consolidation Y/N
Tribunals		
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)		
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 were devolved to the Mayor of London. http://www.homesandcommunities.co.uk/	Y
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
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 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. Abolished 28 February 2013 with its functions devolved to local government or other London bodies.	Y
Thurrock Thames Gateway Development Corporation	To drive economic growth in Thurrock and create homes, jobs and opportunities. Functions transferred to Thurrock DC on 31 March 2012 and final dissolution of the Corporation took place on 31 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	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,	Y

Title	Role & Future	Included in consolidation Y/N
England	housing benefit and highways. http://www.lgo.org.uk/	
Trading Funds		
Fire Service College	The national training college for the Fire and Rescue Service was a trading fund (i.e. it collected fees and charges to fund its activities). The operational arm of the college was sold to the private sector on 28 February 2013 and the Trading Fund wound up on 31 March 2013.	N
Queen Elizabeth II Conference Centre	Located in the City of Westminster, London, the Centre specialises in events for 40 to 1,300 delegates and is a trading fund.	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

1 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 as required by HM Treasury and is in line with the Accounts Direction. This statement is prepared on an accruals basis.

1.2 The Trust Statement presents the results for the financial year 2012-13 in respect of the collection of National Non Domestic Rate receipts from local authorities, businesses and the Ministry of Defence, 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. The total amounts for collection are reflected separately in these accounts as ‘deduction of allowance’.

Background

1.4 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 are shown in the following Trust Statement as current liabilities.

Financial review

1.5 The results presented in this Trust Statement are limited to this Trust Statement and are not also presented in the Department’s Resource Accounts although they flow through the Department’s accounting system.

1.6 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

1.7 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 194 to 195. The auditor's notional remuneration of £24,000 (£36,000 in 2011-12) for this is included in the Department’s Resource Accounts. There were no fees in respect of non-audit work.

Basis for preparation

1.8 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 pay over 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.

Introduction of Business Rates Retention from 2013-14 and going concern

1.9 Following the passing of the Local Government Finance Act 2012, Business Rates Retention (BRR) will replace National Non Domestic Rates from 1st April 2013.

1.10 The most significant change under BRR will be the local retention of 50% of collected business rates. This will also reduce business rates income for the Consolidated Fund by 50%. .

1.11 From 2013-14, a Trust Statement will be prepared in respect of the new BRR Main Rating Account and Levy Account.

1.12 Under the Local Government Finance Act 2012, the system for the collection and distribution of National Non Domestic Rates was replaced with the Business Rates Retention scheme with effect from 1 April 2013. Although the system for the collection and distribution of National Non Domestic Rates ended on 31 March 2013, the 2012-13 outturn adjustment receipts which will become collectable in 2013-14 will be reported in the 2013-14 Trust Statement. This Trust Statement will report these final outturn adjustments for NNDR and also the income collected under Business Rates Retention for the main rating account and levy account. It is management's judgement that it remains appropriate to prepare the 2012-13 Trust Statement on a going concern basis.

Events after the reporting period

1.13 Other than the changes to the system of National Non-Domestic Rates set out immediately above, there were no events after the reporting period.

Sir Bob Kerslake **24 June 2013**

Accounting Officer

Department for Communities and Local Government

2 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.

2.2 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.

2.3 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 Managing Public Money published by the Treasury.

2.4 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.

2.5 In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual prepared by the 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.

3 Governance Statement in respect of the Trust Statement

3.1 The Department for Communities and Local Government's Governance Statement, covering both the Group Accounts and the Trust Statement, is shown on pages 98 to 120.

4 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 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, 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 the Communities and Local Government on behalf of the Consolidated Fund as at 31 March 2013 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 Foreword to the Trust Statement 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
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

26 June 2013

5 Statement of Revenue

For the period ended 31 March 2013

			£000's
	Note	**2012-13**	**2011-12**
Income			
Licence Fees and Taxes		-	-
National Non Domestic Rates		(23,253,447)	(21,612,638)
Deduction of Allowance		84,000	84,000
Total Revenue	3	(23,169,447)	(21,528,638)
Net Revenue for the Consolidated Fund		**(23,169,447)**	**(21,528,638)**

There were no recognised gains or losses accounted for outside the above Statement of Revenue. Although collection costs in respect of National Non Domestic Rates are borne by local authorities, an allowance is allocated to local authorities and deducted by them from the amounts collected and remitted. HM Treasury have directed that amounts collected should be reflected gross of this allowance with the allowance reported separately from 2012-13. Prior year amounts have therefore been restated in order to report on a comparative basis. This adjustment only affects this primary statement as there is no impact on the total revenue collected.

The notes at pages 199 to 201 form part of this statement.

6 Statement of Financial Position

as at 31 March 2013

			£000's
	Note	**2012-13**	**2011-12**
Current Assets			
Receivables	4	18,725	418
Cash and cash equivalants	CfS		
Total current assets		18,725	418
Current liabilities			
Payables		(3,857)	-
Total current liabilities		**(3,857)**	-
Total assets less current liabilities		**14,868**	**418**
Represented by:			
Balance on Consolidated Fund	2	**14,868**	**418**

Sir Bob Kerslake **24 June 2013**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 199 to 201 form part of these accounts.

7 Statement of Cash Flows

for the period ended 31 March 2013

			£000's
	Note	**2012-13**	**2011-12**
Cash flows from operating activities		**23,154,997**	**21,528,220**
Cash paid to the Consolidated Fund		**(23,154,997)**	**(21,528,220)**
Increase/(decrease) in cash in this period			
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	(23,169,447)	(21,528,638)
Increase/(Decrease) in receivables	4	18,307	418
Increase in payables	5	(3,857)	-
Net Cash Flow from Operating Activities		**(23,154,997)**	**(21,528,220)**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period			
Net funds at 1 April		-	-
Net funds at 31 March		-	-

The Notes on pages 199 to 201 form part of these accounts.

8 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. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between 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 income 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.

Going concern

1.3 Under the Local Government Finance Act 2012, the system for the collection and distribution of National Non Domestic Rates was replaced with the Business Rates Retention scheme with effect from 1 April 2013. Although the system for the collection and distribution of National Non Domestic Rates ended on 31 March 2013, the 2012-13 outturn adjustment receipts which will become collectable in 2013-14 will be reported in the 2013-14 Trust Statement. This Trust Statement will report these final outturn adjustments for NNDR and also the income collected under Business Rates Retention for the main rating account and levy account. It is management's judgement that it remains appropriate to prepare the 2012-13 Trust Statement on a going concern basis.

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 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. Revenue is collected from local authorities, central list companies and the Ministry of Defence.

Receivables

1.6 Receivables, where applicable, are shown net of impairments in accordance with the requirements of IAS 39.

Payables

1.7 Payables, where applicable, are shown net of impairments in accordance with the requirements of IAS 39.

Costs of collection

1.8 Collection costs are borne by local authorities. An annual allowance is assessed and provided to local authorities via a Statutory Instrument which is deducted when calculating the amount due. In 2012-13, HM Treasury directed that Revenue in the Statement of Revenue should be shown gross of this allowance which should then be applied as a deduction to reach the net revenue collected. Previously total revenue was presented net of this allowance and comparative figures have been restated in the Statement of Revenue.

Deferral Scheme

1.9 The collection of Business rates in 2012-13 was affected by the Business Rates Deferral Scheme. The deferral scheme enabled businesses to opt to defer payment of 3.2% of their 2012-13 rates bill, with the deferred amounts being collected in equal proportions in 2013-14 and 2014-15. In total £18,726 million was deferred from the Central Ratings List in 2012-13 and is reflected as a receivable balance in this account. The amounts to be deferred by Local Authorities will be notified as part of the outturn adjustment process in 2013-14 and therefore there is no impact on the 2012-13 accounts. Amounts paid over by Local Authorities are gross of any deferrals and hence, no payable has been recorded in the Trust Statement in this regard.

Trust Statement Note 2 Balance on the Consolidated Fund

		£000's
Consolidated Fund	**31-Mar-13**	**31-Mar-12**
Balance on Consolidated Fund Account as at 1 April	418	-
Net Revenue for the Consolidated Fund	23,169,447	21,528,638
Less amount paid to the Consolidated Fund	(23,154,997)	(21,528,220)
Balance on Consolidated Fund Account as at 31 March	**14,868**	**418**

Trust Statement Note 3 Revenue collected on behalf of the Consolidated Fund

		£000's
Revenue	**2012-13**	**2011-12**
NNDR revenue collectable on behalf of the Consolidated Fund	23,169,447	21,528,638
Total Revenue	**23,169,447**	**21,528,638**

Trust Statement Note 4 Receivables

		£000's
Receivables	**31-Mar-13**	**31-Mar-12**
Accrued revenue receivable	18,725	418
Total receivables	**18,725**	**418**

Trust Statement Note 5 Payables

		£000's
Payables	**31-Mar-13**	**31-Mar-12**
Accrued revenue payable	(3,857)	-
Total payables	**(3,857)**	-

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.

- The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2013 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 2012-13.
- The Statement shall be prepared, 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.
- 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.
- 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.
- 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.
- 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.
- The Trust Statement, together with this direction 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.

Karen Sanderson

Deputy Director, Government Financial Reporting

Her Majesty's Treasury

17 December 2012

Glossary

Accounting Date: The date at which the accounts were drawn up, in this case 31 March 2013 (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.

Appropriations-in-Aid: Income received by a department which it is authorised to retain (rather than surrender to the Consolidated Fund) to finance related expenditure. Such income is voted by Parliament in Estimates and accounted for in departmental resource accounts.

Arms Length Body/Bodies (ALB): Organisations sponsored by the department – see Note 33.

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 a Statutory Instrument (SI) by the 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.

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 33.

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

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 departmentalPublic 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.

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.

Net Cash Requirement: The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of its resource Estimate to carry out the functions specified in the Estimate's ambit.

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 33.

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: a part of Government which has been established under the Government Trading Fund Act 1973 as amended by the Government Trading Act 1990. Typically, Trading Funds operate in very specialised fields and rely on their ability to derive income, with more than 50% coming from trading 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.

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.

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