Department for Communities and Local Government

Annual Report and Accounts 2013-14

(For the year ended 31 March 2014)

HC 7

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(For the year ended 31 March 2014)

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This is part of a series of departmental publications which, along with the Main Estimates 2014-15 and the document *Public Expenditure: Statistical Analyses 2014*, present the Government's outturn for 2013-14 and planned expenditure for 2014-15

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Forewords to the Annual Report and Accounts 2013-14

Foreword from the Secretary of State

My Department's job is to make communities great places to live and work and to enable local communities to take more control of their areas. The 2013-14 Annual Report shows the progress we have made.

This year saw more people helped to have the home they want. In the first year of Help to Buy (Equity Loan), more than 30,000 homes were reserved; we're releasing public land for new homes to be built; we've helped reduce the number of long-term empty homes by 38,000; and the further £4.5 billion we've invested in the Affordable Homes programme has leveraged £15 billion of private investment to increase the number of affordable homes available for young and low-income families.

It's been a year focused on local growth. Our Enterprise Zones are driving private investment and stimulating emerging technologies. Zones are attracting serious overseas investment because they know Britain's a great place to do business. We're supporting our hard-working small businesses with 540,000 of the smallest having their business rate relief extended, helping to keep empty premises at their lowest level since 2010. And 2014 is going to see the first local Growth Deals agreed with every area of England, putting power over spending in the hands of local people.

I'm proud that 2013-14 also saw the third successive year of our council tax freeze and my Department is extending it to 2014-15 too, so that over this Parliament, the average band D taxpayer will have saved up to £1,075. I'm also proud of the great work that local authorities have achieved in turning around the lives of 40,000 troubled families so far, and getting more than 3,000 adults from some of England's hardest-to-help households now in continuous work.

This year saw the Department respond clearly and quickly when much of the country faced unprecedented weather conditions. My Department led Government in helping communities respond to and recover from the devastating impact of flooding and I am tremendously proud of the success we had in working with emergency services and local people to get flooded areas back on their feet and open for business.

These are just the highlights of what we have achieved this year. I look forward to the year ahead.

Rt Hon Eric Pickles MP

Secretary of State for Communities and Local Government

Foreword from the Permanent Secretary

This has been another exceptionally busy and productive year for DCLG; we have a growing reputation as a Department that gets things done and this year is no exception.

As the annual report shows, there are many achievements in 2013-14 which we can be proud of, but I especially want to highlight three which put the Department at the heart of the Government's priorities:

- Our ambition to build more homes where we have enhanced our housing investment programmes (from a new Builders Finance Fund to the extension of Help to Buy) and continued with radical planning reform.
- Our drive to reform local public services through the establishment of the Better Care Fund with the Department of Health and the acceleration of the Troubled Families programme.
- Our commitment to stimulate local growth through the new Local Growth Fund, the most ambitious business rate package for 20 years, and our continued support to Enterprise Zones.

All have required new ways of working across the Department in line with the Civil Service Reform Plan, delivering at pace to continually higher expectations, and I am pleased to say that staff of all grades have stepped up to the challenge. We have particularly strengthened our commercial capacity, enhanced our partnership working with others, and opened up policy making further to encourage innovation and fresh perspectives.

We remain determined to ensure administrative costs continue on a downward trajectory reflecting the tight fiscal climate. We prudently prepared for the further 1.1% saving in resource funding for DCLG (along with other Departments) announced at the Autumn Statement, allowing us to continue to meet our priorities without impacting on the effective operation of the Department and its agencies. The hard work on securing efficiencies and reducing costs we have done to date has ensured that we are much better placed to absorb reductions. This work continues with our plans for further changes to the Department, including our forthcoming move to a shared London building at 2 Marsham Street.

We are also leading the way across Whitehall in sharing with other Departments more of our corporate service functions, including internal audit, estates, legal and more recently our procurement team which has been integrated into the Crown Commercial Service. This is a great example of DCLG working as the whole civil service will in future – in a more integrated way, cutting across departmental boundaries.

Looking forward, the challenge will be to build on the achievements this year and ensure the ambitious agenda set by the Secretary of State and his team is delivered, but I have no doubt the reforms to the Department over the last few years puts us a strong position to do so.

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 significant acceleration of the Department's achievements to raise housing supply, turn round Troubled Families and support Local Growth, together with the bedding in of previous reform packages on Planning and Localism.

The Board is now well established within the Department, and the Non-Executive Directors play an active role supporting successful delivery of the Department's plans. The Ministerial Board met five times during the year, and Executives and Non-Executives meet regularly between Boards. Ministerial Boards are attended by the full Ministerial Team as well as the four Non-Executive Directors, the Permanent Secretary and the Department's senior executives. The Board reviews progress on major policy areas, and monitors performance of the Department against its implementation plans and public commitments.

In 2013, as well as covering core areas of Housing, Growth (e.g. Enterprise Zones), and Local Service Transformation (for example work on improving Adult Social Care, in conjunction with the Department of Health) the Board has played an active role in the management of the emerging risks within the Department, such as those associated with the substantial financial guarantee programmes which now form an important part of the Housing Strategy.

Non-Executive Directors have continued to contribute to the Department's work outside of regular Board meetings, through the two Board sub-committees on Audit & Risk and Nominations & Governance, and through activity such as support for the Knight Review into Fire Service Efficiency, supporting senior recruitment and leading the review into Financial Capability within DCLG.

Diana Brightmore-Armour, a Non-Executive Director since 2011, stood down from the Board in Autumn 2013. In Diana's place we were delighted to welcome Grenville Turner, the Chief Executive Officer of Countrywide plc, who brings substantial knowledge of the housing market and the regions, and will chair the Nominations and Governance Committee.

Our Board effectiveness evaluation was undertaken in January/ February 2014 and independently reviewed by Dame Barbara Stocking, a Cabinet Office Non Executive Director. This evaluation showed continued progress in 2013, with three areas for focus in 2014:

- Extending the involvement of external partners in Board discussions to broaden inputs into policy and the planning of successful implementation.
- A continued focus on measuring the impact of departmental programmes and better assessing value for money, to underpin plans for future investment.
- Further strengthening of the interchange between the DCLG Board and the Boards of its two key Arms Length Bodies, the Planning Inspectorate and the Homes and Communities Agency, to ensure clear alignment, and oversight of their delivery plans and key risks.

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 2013 to 31 March 2014.

The Annual Report provides an overview of the Department's performance in 2013-14. The Department exists to create great places to live and work, and give more power to local people to shape what happens in their area – this report sets out how we have delivered against that aim. It is organised around Ministers’ four priorities for the Department, which support the Coalition Priorities.

The Report aims to be accessible and also easy to navigate online. 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 general enquiry address at contactus@communities.gsi.gov.uk.

Key achievements

The Department’s key achievements in 2013-14 are as follows:

- On **better local services for people**, we have:
  - Helped almost 40,000 troubled families to turn their lives around and over 3,000 adults from some of England’s hardest-to-help households are now in continuous work.
  - Worked with the Department for Health to secure a £3.8 billion Better Care Fund in 2015-16 for integrated health and social care.
  - Created a new and more localist framework for the audit of local public bodies through the Local Audit and Accountability Act (January 2014).
  - Provided new powers for people to list and protect community assets – nearly 800 assets were listed in 2013-14 including pubs, parks, playing fields and theatres.
- On **helping people to have a home of their own**, we have:
  - Helped families reserve more than 33,300 new build homes in the first year of the Help to Buy equity loan scheme (announced in March 2013).
  - Used the Help to Buy Mortgage Guarantee scheme to deliver over 7,300 mortgage offers in just the first 6 months of the scheme.
  - Invested £474 million in the Local Infrastructure Fund, bringing forward up to 80,000 homes so far.
  - Reduced the number of long-term empty homes by 38,000;
  - Levered in £19.5 billion of public and private funding to get Britain delivering 170,000 affordable homes by 2015.

- On **supporting businesses to grow and create jobs**, we have:
    - Passed the Growth and Infrastructure Act 2013, helping to reduce confusing and overlapping red tape that delays and discourages business investment, housing development, new infrastructure and job creation.
    - Accelerated development in Enterprise Zones through a £100 million Capital Grant Fund.
    - Provided a £1 billion high street support package which includes new tax breaks for shops, proposals for changes to parking rules and more power for councils.
- On **supporting strong communities where people feel they belong**, we have:
    - Invested £6 million in community-based English language courses, helping over 24,000 people with the lowest levels of English to integrate and increase their independence.
    - Invested £5.2 million in Near Neighbours programme to bring together diverse faith communities.
    - Provided £5.3 million to enable two children and one teacher from every English state-aided school to visit a World War One battlefield.

Underpinning all of these areas, the Department helps local communities to deal with emergencies such as flooding, and ensures that people and places have the support they need to get back on their feet. We have:

- Coordinated fire and rescue service national assets and high volume pumps to respond to this winter's severe flooding, and provided intelligence on the situation around the country to Cabinet Office Briefing Room.
- Coordinated work across Government on funding and infrastructure repairs as lead Department for recovery.
- Provided dedicated funding to flooded communities: emergency assistance through the Bellwin scheme, £4 million to councils under the Severe Weather Recovery Fund, and support for council tax discounts and business rates relief to affected households and businesses.

Directors Report

1 About the Department for Communities and Local Government

How we are organised

1.1 The Department for Communities and Local Government consists of the core Department and twelve agencies and public bodies. The Secretary of State, the Rt Hon Eric Pickles MP, has overall responsibility for the Department and leads a team of Ministers:

- The Rt Hon Baroness Warsi, Senior Minister of State
- Nick Boles MP, Parliamentary Under Secretary of State
- Brandon Lewis MP, Parliamentary Under Secretary of State
- Kris Hopkins MP, Parliamentary Under Secretary of State (from October 2013)
- Stephen Williams MP, Parliamentary Under Secretary of State (from October 2013)
- Baroness Stowell of Beeston, Parliamentary Under Secretary of State (from October 2013)
- Three Ministers were at the Department until October 2013: Mark Prisk MP, Minister for Housing; the Rt Hon Don Foster MP, Parliamentary Under Secretary of State; and 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. This is chaired by the Secretary of State, and is attended by all Ministers, 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: 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 – Chairman of the Audit and Risk Committee
- Grenville Turner (Appointed in January 2014, replacing Diana Brightmore-Armour) – Chair of the Nominations and Governance Committee
- Nick Markham

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 itself is organised into five Groups: Neighbourhoods, Localism, Finance and Corporate Services, Troubled Families and the new Strategy, Communications and Private Office Directorate.

1.6 The Department works with 12 agencies and public bodies. The Executive Agencies are the Planning Inspectorate and the Queen Elizabeth II Conference Centre (a Trading Fund, not in the Group accounting boundary). The Homes and Communities Agency, The Housing Ombudsman, Leasehold Advisory Service, Valuation Tribunal Service and West Northamptonshire Development Corporation are Executive Non Departmental Public Bodies. The Building Regulations Advisory Committee is an advisory Non Departmental Public Body. The Valuation Tribunal for England is a valuation Non Departmental Public Body. The Architects Registration Board and the Audit Commission are public corporations and are not included in the Group accounting boundary. The other body supported by DCLG is the Commission for Local Administration in England, otherwise known as the Local Government Ombudsman.

1.7 Detail of our Ministers' areas of responsibility, the Department's organisational structure, our Non-Executive Directors and our Executive Team can all be found at https://www.gov.uk/government/organisations/department-for-communities-and-local-government. Information about the DCLG Board and our accountability is in our Governance Statement, which can be found on pages 81 -103 of this document. A list of our executive agencies and public bodies, including a summary of their responsibilities can be found in Note 29 in the Accounts.

Delivering Coalition priorities

1.8 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 four specific priorities, as amended for 2013-14, are to:

- Decentralise power as far as possible.
- Reinvigorate accountability, democracy, participation and transparency.
- Support and incentivise local growth.
- Meet people's housing aspirations.

1.9 The Department has shown strong performance in delivering its commitments, as set out in the Coalition Agreement. The Department's refreshed Business Plan was published in June 2013 and can be found at http://transparency.number10.gov.uk/business-plan/2. It includes our Structural Reform Plan actions. The transparency website also provides the status of completed actions and key indicators for each of our priorities.

2 How the Department Performed in 2013-14

Better local services for people

2.1 Council tax payers deserve local services that offer good value for money. When local people are involved in decisions about the services they use, those services are better for them. We are:

- Working with councils to ensure money is spent wisely, making it easier for everyone to see how councils are spending their money.
- Cutting the cost of living by supporting councils to freeze council tax bills.
- Changing the way services are run, so that people get a service suited to them, and so are not passed around between different organisations.
- Offering new powers for people to make decisions about their local area – for example to save local shops and pubs and to veto big council tax rises.
- Turning around the lives of families with long-standing complex problems costing the taxpayer billions every year – cutting crime, getting children back into school and helping people into jobs.

Spending money wisely and ensuring transparency and accountability to local people

2.2 From April 2013, the Government has reformed the way in which local government is funded through the introduction of the Business Rates Retention Scheme. Local authorities and fire and rescue authorities will now be able to benefit directly from supporting local business growth, keeping half of any increases in business rates revenue to invest in local services. Local authorities now retain nearly £11 billion of business rates, and the retention scheme is estimated to deliver a £10 billion boost to national GDP by 2020.

2.3 The Local Audit and Accountability Act 2014 will create a new framework for local public audit. The decision to close the residual Audit Commission has already led to savings of £400 million and we are on track to deliver savings of £1.2 billion over 10 years. The Department is now overseeing the closure of the Audit Commission (due April 2015) and the transition to the new framework, including appropriate secondary legislation.

2.4 The Act gave the Secretary of State powers to direct authorities to comply with the Code of Recommended Practice on Local Authority Publicity to protect local newspapers, prevent the use of taxpayers' money to fund inappropriate political publicity and address unfair competition by municipal newspapers. It also gave local people more rights to attend the public meetings of their local government bodies and to access information relating to decisions. Further, we updated our guide for Councils on openness and transparency on personal interests to give people confidence that councillors are putting residents' interests first.

Cutting Red tape

2.5 Since 2010, Town Hall red tape has been cut by around a third by reducing unnecessary reporting requirements on local authorities: 71 data collections have been stopped and a further 21 have been significantly reduced in scale. Data is necessary for the effective management of services and for accountability purposes, but excessive collection, analysis and publication of data can be burdensome and bureaucratic. The total number of datasets on the Single Data List, a catalogue of all data collections local authorities are required to submit to central government, has been reduced from 151 in 2013-14 to 147 in 2014-15.

Making sure Council Tax payers get good value for money

2.6 We provided funding for councils to freeze council tax in 2013-14 and 61% of councils took it. The Department also secured funding for an unprecedented fifth year (2014-15) of council tax freeze and two-thirds of councils have chosen to use it. This is worth potentially up to £1,075 for an average Band D home over the lifetime of this Parliament. Council tax increases are at historically low levels, with average bills in England falling by 11% in real terms since 2010.

2.7 The Department continues to work with councils to ensure households receive weekly bin collections and in January we published best practice guidance to explain how councils can move to weekly collections, increase recycling and still make efficiency savings. It builds on our commitment to remove Whitehall directives, targets and financial penalties, support 40 innovative award schemes to back recycling and abolish new bin taxes and unfair bin fines. In 2013-14 we allocated £98.9 million of the Weekly Collection Support Scheme across 82 local authorities that are, together, safeguarding weekly collections for 6 million households. A number of these authorities are beginning to report significant service improvements through successfully utilising their funding.

Changing the way local services are run

2.8 The Public Service Transformation Network was launched in Budget 2013 to build on the achievements of the whole place community budgets pilots. In 2013-14 it worked with 33 local authorities, providing dedicated support to help them develop practical reforms and integrated services which deliver better outcomes for less. The Network is sharing the learning from this work, along with access to tools, networking and training opportunities to other interested local authorities and partners. We have provided £1.5 million annual grant funding for 2013-14 and 2014-15 and the Network has raised around £400,000 in cash resources from key partners; several have also provided free office space, IT and communications support. Over 1000 public servants attended Local Digital Campaign events to share experience of using digital tools to improve local services

2.9 To drive efficiencies and improve services faster and further, the Department announced in February 2013 a new ‘Transformation Challenge Award’. With £13 million funding, the Award attracted over 140 bids and 31 local authorities received Awards. Successful bids include plans to revise children’s services; building control; sharing back and front office staff and other important revisions to local services. Consequently, the Transformation Challenge Award has been extended in 2014-16 with £320 million of funding to incentivise councils to make changes that will lead to lasting and sustainable savings while continuing to deliver the services the public expect.

2.10 The Spending Round 2013 established a new £3.8 billion fund to bring together local services to give elderly and vulnerable people an improved health and care system, so that people can stay at home more and be in hospital less. With the Department for Health, we wrote to local authorities to set out our aims and provide guidance for drawing up local plans for how they will join up health and care services around the needs of patients and users. The guidance set out the things that each plan must cover, such as 7-day services and steps to improve data sharing; and £1 billion of the fund will be linked to improvements achieved in outcomes for local people.

2.11 In March we announced the outcome of the Expression of Interest process for Delivering Differently, a joint programme with the Cabinet Office, the Local Government Association and SOLACE to help local authorities consider alternative delivery models – such as joint approaches with the Voluntary and Community Sector or mutualisation – for their services. We received over 130 expressions of interest and will work with 10 authorities in the coming months to help them develop new models.

Helping troubled families turn their lives around

2.12 The Government has set out an ambitious goal of turning around the lives of 120,000 troubled families in England by the end of this Parliament. Progress is being made right across the country and over two years into the three-year programme, 97,000 families are being worked with and almost 40,000 have been turned around: with children back in school; levels of youth crime and anti-social behaviour significantly reduced; and over 3,000 adults from some of England's hardest-to-help households now in continuous work. Statistics also showed that more than 111,000 families have now been identified by councils as meeting the criteria for the payment-by-results programme. We have put in place a robust evaluation plan to support the development of the programmes.

2.13 The Spending Review 2013 announced an expansion of the programme to reach a wider group of families – getting help earlier to those with vulnerable young children, families where there is domestic violence and families where mental and physical health problems are prevalent. An extra £200 million will be invested in 2015-16. Building on the strong performance of the current programme, this expansion is being rolled out early to help up to 40,000 of the extra families in 2014-15.

Public Safety and Emergencies

2.14 Sir Ken Knight's review, *Facing the Future*, reported in May and concluded that there were significant opportunities for savings and to transform fire and rescue services to meet the changing needs of communities. The Department secured £30 million of resource funding to be made available for return to the fire sector for 2015-16 to support transformational change and deliver sensible savings, alongside a £45 million capital fire efficiency incentive fund. After consultation on the process, a bidding round was launched in March, due to close in June 2014.

2.15 In 2012 the Department invested £81 million to improve the efficiency and resilience of fire and rescue control rooms through locally procured and managed improvement projects. The Department's twice-yearly progress report, last published in March 2014, showed that projects were on track to deliver the expected improvements by May 2015 and to deliver £129 million savings for tax payers by 2023-24.

2.16 Firefighters undertook strike action across all of England and Wales on nine occasions during 2013-14, arising from proposed reforms to the Firefighters' Pension Scheme. Despite a revised offer to the Fire Brigades Union in June addressing the principal points raised in their dispute, and the Firefighters' Pension Scheme remaining one of the most generous in the public sector, the Union balloted for industrial action. The Chief Fire and Rescue Adviser assessed fire and rescue authorities had business continuity plans in place and the Department agreed a small national reserve from the Armed Forces. The Fire Brigades Union agreed a national return to work protocol with the Local Government Association and the Department, to take effect in the event of a major incident.

2.17 The winter of 2013-14 was the wettest on record with significant impacts seen across the country. We worked alongside the Environment Agency, local authorities and voluntary groups and the emergency services to support the emergency response and to provide the local information and impacts to assist COBR ministers in their strategic decisions. The Department led for Government in the coordination of the recovery effort, with the Secretary of State chairing the Ministerial Recovery Group. As well as triggering an extended Bellwin Scheme to support the response effort, where the final estimates for costs are £30 million, the Department also developed a Severe Weather Recovery Fund to provide £4 million (in 2013-14) to impacted communities and announced a scheme to support council tax and business rate relief.

Achievement	**Link to more detail**
Business Rates Retention Scheme	https://www.gov.uk/government/collections/business-rates-retention
Savings from closure of Audit Commission	https://www.gov.uk/government/news/audit-commission-abolition-on-course-to-save-taxpayers-over-1-billion
Guidance for councils on openness and transparency	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf
Council tax freeze	https://www.gov.uk/government/policies/making-sure-council-tax-payers-get-good-value-for-money/supporting-pages/council-tax-freeze
Guidance on weekly collections	https://www.gov.uk/government/news/new-government-guidance-on-weekly-bin-collections
Public Service Transformation Network	https://www.gov.uk/government/news/community-budgets-inspire-new-nationwide-network-of-public-service-revolutionaries
Transformation Challenge Award	https://www.gov.uk/government/publications/transformation-challenge-award
Troubled Families Programme	https://www.gov.uk/government/news/massive-expansion-of-troubled-families-programme-announced
Fund to bring together local health and care services	https://www.gov.uk/government/publications/better-care-fund
Sir Ken Knight's review, *Facing the Future*	https://www.gov.uk/government/publications/facing-the-future
Fire and Rescue control rooms	https://www.gov.uk/government/publications/ex-fire-regional-control-centres-marketing-and-disposal-

	summary-update
Floods response and recovery	https://www.gov.uk/government/news/uk-floods-2014-government-response

Helping people to have a home of their own

2.18 Everyone needs the security and stability of a decent, affordable home, and more people who aspire to own their own home should have the opportunity to do so. That is why we are helping hard-working people get the home they want and getting Britain building again and investing in new homes.

Helping people get the home they want

2.19 We are ensuring that more people have the opportunity to purchase a home of their own, with the number of first time buyers now at the highest since 2007. Since spring 2010, over 125,000 households have been helped to buy or reserve a home through the introduction of Help to Buy, a reinvigorated Right to Buy and other homebuyer initiatives.

2.20 Our flagship Help to Buy equity loan scheme – which provides an equity loan to help buyers purchase a newly built home – launched in April 2013 and by the end of March 2014 had seen over 33,300 reservations for new build homes across England. Budget 2014 announced the scheme's extension to 2020 with a further £6 billion to help up to 194,000 householders acquire their own home. In addition, the Treasury's Help to Buy mortgage guarantee scheme – which aims to ensure more mortgages are available for those without significant deposits – has supported over 7,300 mortgage offers in the first 6 months since its launch in October 2013.

2.21 Between April 2012 and March 2014, the reinvigorated Right to Buy scheme (including Preserved Right to Buy) has helped over 19,500 households to buy their home and sales are at their highest levels in five years. During 2013-14 we increased the maximum level of discount available in London, and we are now reducing the qualifying period from five years to three through the Deregulation Bill.

2.22 We are equally committed to taking action to improve tenants' choices in the private rented sector. A comprehensive tenants' package of measures was announced in October 2013 which will protect and support England's nine million private tenants without strangling the sector with unnecessary rules and red tape, including:

- A voluntary code of practice for the letting and management of residential property;.
- Regulations to require the remaining 3,000 letting and property management agents to join a redress scheme.
- A new 'How to Rent' guide informing tenants of their rights and responsibilities.
- A Model Tenancy Agreement that landlords and tenants can choose to use, including clauses that can be used for longer, family-friendly tenancies.
- A review of property conditions to ensure tenants are satisfied that their homes are safe and healthy.

- Updated guidance on tackling rogue landlords, which will support local authorities in identifying rogue landlords and developing a strategy to tackle them; taking decisive action and sharing best practice; how to prosecute rogue landlords and achieve the strongest possible penalties; and how to recognise and deal with illegal eviction.

2.23 This package has been complemented by over £4 million for 23 local authorities to help them tackle acute and complex problems with rogue landlords in their area and £2.6 million fund for nine local authorities to support enforcement against 'Beds in Sheds'.

2.24 We are also continuing to ensure the existing housing stock for council tenants is brought up to a decent standard. As a result of our £1.6 billion investment since 2011, we expect the number of non-decent council homes to halve from 217,000 at April 2011 to 107,000 by April 2015. We will invest a further £160 million in 2015-16 with the objective of ensuring that the number of council homes that have remained non-'decent' since April 2012 represent no more than 10 percent of the stock in each local authority.

2.25 We continue to ensure that social tenants can actively engage and manage services in their area through our Tenant Empowerment Programme to give tenants a stake in their area. In 2013-14, three more areas were successful in exercising their Right to Manage benefiting 2,100 more households. The powers for Tenant Panels were strengthened with 30 panels now designated to handle complaints. Five areas were successful in the new Community Cashback Scheme offering savings for a further 500 households.

2.26 We remain committed to retaining a strong homelessness safety net protected in law, supported by £470 million funding over this Parliament, to prevent and tackle homelessness and rough sleeping. We have specifically:

- Helped 67% of rough sleepers off the streets after a single night (across 20 areas in England) and secured a strong commitment among 90% of local authorities to maintain the 'No Second Night Out' initiative in future.
- Supported the voluntary sector to deliver "StreetLink" which so far has led to 14,000 referrals of rough sleepers to local authorities to investigate.
- Provided nearly £2 million to seven local authorities responsible for almost half of families in Bed & Breakfast (B&B) accommodation over six weeks to help them develop innovative and sustainable ways to end this unlawful, damaging practice. This has helped to achieve a significant 42% decrease in families in B&B accommodation over the six week limit from 850 in December 2012 to 500 in December 2013.

Getting Britain building again

2.27 Ultimately, for people to be able to get the home they want to buy or rent, sufficient homes have to come onto the market through either better use of existing stock or, crucially, the building of more new homes. That's why the Government is ensuring developers have the finances, land and confidence to start building new homes on a sustainable basis again following the devastating impact of the financial crisis.

2.28 We have committed £13 billion in recoverable capital investment (this includes £9.7 billion for Help to Buy: Equity Loan which will be over the next spending round period) and £10 billion guarantees to support new private house building since autumn 2011, including new important programmes during this financial year. In particular:

- The £500 million Get Britain Building investment fund (announced autumn 2011) is now unlocking nearly 12,000 new homes across more than 180 stalled smaller scale housing sites by getting much needed development finance directly to builders, including many Small and Medium Enterprises. Budget 2014 announced a £525 million Builders Finance Fund to continue to provide finance to smaller builders up to 2017-18, supporting a further 15,000 homes; and a new £150 million Custom Build fund to provide development finance to facilitate 10,000 custom build plots.
- The £1 billion Build to Rent Fund (announced December 2012) is creating a new market for institutional investment in the private rented sector, delivering up to 10,000 new homes. Construction has started on the first two Round 1 contracts (in Southampton and Manchester), delivering 296 units, while a further 13 bids have either been contracted or are at the final stages of contracting. In Round 2, a shortlist of 36 bids was announced in March 2014, worth £1.03 billion, with the projects now proceeding to competitive clarification and due diligence.
- Up to £3.5 billion of private rented sector debt guarantees are available for investment in new build private rented sector homes across the UK, with a potential share of an additional £3 billion in reserve. We are also discussing access to direct private rented sector debt guarantees with a number of interested borrowers that have large enough projects to raise their own debt finance.
- A further £1 billion of recoverable capital investment for the Local Infrastructure Fund to 2019-20 will fund infrastructure needed to unlock large scale housing schemes in areas of high housing demand, supporting the delivery of up 250,000 new homes. This builds upon the bespoke solutions already agreed for 15 large-scale, locally supported housing schemes, where we helping to bring forward up to 80,000 new homes, and work with councils and developers to unlock a further 13 schemes, capable of delivering over 40,000 new homes.
- Budget 2014 announced the intention to create a new Urban Development Corporation for the Ebbsfleet area in north Kent, with up to £200 million capital investment being made to support the acceleration of the first Garden City since 1920 which has the potential to deliver up to 15,000 new homes. We will also publish a prospectus seeking expressions of interest for more locally-led garden cities.

2.29 We are committed to releasing more surplus public land for development through the Public Sector Land Programme. At the end of March 2014 we had released land capable of delivering 76,000 homes, and have now committed over £75 million to 60 sites, investing in their infrastructure and making them more marketable.

2.30 The Homes and Communities Agency is preparing to take on its new role as the Government’s land disposal agency following the Budget 2014 commitment for Departments to release £3.5 billion of land and property receipts between 2015 and 2020. Pilots are beginning with key Departments and Autumn Statement 2014 will set out the Government’s housing and growth ambitions for this land in more detail.

2.31 We continue to invest in new affordable housing across the country, leveraging in as much private investment as possible:

- The current £4.5 billion Affordable Homes Programme for 2011 to 2015 has attracted additional £15 billion of private money to deliver 170,000 affordable homes.
- Up to £3.5 billion debt guarantees are available for housing associations investing in up to 30,000 additional affordable homes across the UK, with a potential share of an additional £3 billion in reserve. A £500 million European Investment Bank loan facility was announced on 7 January and the first eight borrowers have been approved, receiving up to £400 million for 4,000 affordable homes after the year end.
- Spending Round 2013 provided £3.3 billion for a new Affordable Homes Programme which will deliver an additional 165,000 new homes by 2018. The prospectus for outside London was published in January 2014.

2.32 The Government is strengthening local authorities' role in supporting house building. The £1.3 billion New Homes Bonus scheme[1] incentivises local authorities to support housing growth and bring empty homes back into use; we have made available to local authorities a £300 million increase in Housing Revenue Account borrowing capacity allocated on a competitive basis to support the provision of up to 10,000 additional affordable homes; and we have also established an independent review into local authorities' role in increasing housing supply across all tenures, due to report at the end of 2014.

2.33 We are determined to make the best use of existing stock and have put a £235 million funding programme in place to bring around 12,000 long-term empty homes back into use. The funding is helping our partners support a wide range of approaches to tackling empty properties, including schemes which provide opportunities for apprenticeships, training and employment.

2.34 Together, our initiatives are starting to make a real difference. Housing construction strongly picked up during 2013/14, with both new housing starts and new orders in residential construction at their highest since 2007, resulting in over 445,000 new homes now been delivered since 2010. And this house building makes a crucial contribution to the economic wellbeing of this country; with every £1 million spend sustaining jobs for 21 workers.

Achievement	**Link to more detail**
Help to Buy	https://www.gov.uk/government/news/4-5-billion-budget-deal-to-help-homebuyers-and-boost-economy
Private rented sector	https://www.gov.uk/government/news/better-tenancies-for-families-in-rental-homes
Builders Finance Fund	https://www.gov.uk/government/news/new-investment-to-help-smaller-housing-schemes-get-britain-building

[1] The total value of NHB for 2011/12 to 2012/13 was £1.3 billion. In February 2014, a further year's allocation for 2014-15 was announced, raising the total value to £2.2 billion.

Ebbsfleet Development	https://www.gov.uk/government/news/chancellor-announces-major-boost-to-housebuilding
New Affordable Homes	https://www.gov.uk/government/news/funding-boost-for-new-affordable-homes
Affordable Homes Programme	https://www.gov.uk/government/news/35-billion-deal-to-build-homes-and-drive-local-growth
New Homes Bonus	https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/new-homes-bonus
Extra borrowing powers for councils to build	https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes
Empty Homes	https://www.gov.uk/government/news/empty-homes-reach-10-year-low

Supporting businesses to grow and create jobs

2.35 We need thriving businesses for people and places to prosper. We are cutting red tape for businesses, especially in the planning system; keeping business rates down for all businesses and offering discounts to small businesses to help them grow; and working with town centres, cities and local areas to attract new businesses and create jobs.

Freeing businesses from burdensome red tape, especially in the planning system

2.36 The Department has continued to remove red tape and reduce the regulatory burden on business through reforms to planning and building regulations. Reforms the Department has made since January 2013 will save business £90 million a year.

2.37 In 2013-14, the Department has further simplified and streamlined the planning system:

- Growth and Infrastructure Act 2013 measures will reduce confusing and overlapping red tape that delays and discourages business investment, housing development, new infrastructure and job creation. The reform of permitted development rights has removed excessive red tape on small-scale extensions.
- In June, we introduced measures to reduce nationally prescribed information requirements in the planning appeals system and re-introduced an applicant's ability to appeal where there is a dispute about the information required to support an application. In October, reforms were introduced so that where appeals are allowed, development will be able to commence sooner; decisions can be made up to 30% faster in some cases.
- We have continued to provide help in getting Local Plans into place, including with the Planning Inspectorate and the Local Government Association's Planning Advisory Service. Over three quarters of all planning authorities now have a local plan at least at publication stage, and over half have a fully adopted local plan, compared to fewer than 1 in 5 authorities in May 2010.

- We introduced new online national planning guidance in March 2014 which brings together existing guidance from over 200 separate documents, making it more accessible for businesses and communities and easier to keep up to date.
- In conjunction with the Department for Culture, Media and Sport, we have simplified and streamlined the heritage protection regime so planning permission is now required to demolish an unlisted building in a conservation area. We have also reduced the circumstances in which applications are needed and provided greater clarity and certainty on when consent is not required.
- In May 2013, we introduced greater flexibility in 'change of use' to allow offices to change to residential use without the need for planning permission, subject to a prior approval regime. There have been more than 2,250 prior approval applications in the first six months. After consultation on further flexibilities between use classes, we have also brought in regulations to support change of use from agricultural to residential and from retail to residential.

2.38 During 2013-14 the Department has been working to rationalise technical Housing Standards, to reduce bureaucracy and costs on house builders to support growth, whilst maintaining quality, sustainability, safety and accessibility. In August 2013, we consulted on proposals to reduce over 100 standards to a core set of fewer than around 10 and in March 2014 the Department made a Written Ministerial Statement to set out a roadmap towards a radically simplified system for setting standards in the design and construction of new homes. We are seeking legislative change to support this through the Deregulation Bill and secondary legislation and technical documents will be issued for comment in the summer.

2.39 Housing regulations were amended to reduce the fees that must be paid for lodging data about the energy performance of buildings on our registers and to allow greater access to this data in support of the Renewable Heat Incentive and the National Energy Efficiency Database. These measures should increase understanding of the energy performance of buildings and lead to improved energy efficiency of properties and reduced energy bills for households and businesses. We have also continued to take action to lower the energy bills for the owners of new homes and reduce the carbon emissions from new buildings, including a further uplift in the relevant Building Regulation requirements and a consultation on next steps to zero carbon homes.

Keeping Business Rates down and helping small businesses grow

2.40 The Autumn Statement announced a £1 billion package to reduce the burden of business rates, including the doubling of Small Business Rate Relief for a further year, allowing ratepayers to keep their Small Business Rate Relief entitlement for a year where they take on a second property, providing new occupiers of former retail premises empty for a year with a 50% discount for 18 months, and a 2% cap on the inflation increase for 2014-15 bills. Businesses will also be able to pay their bills over 12 months rather than 10, improving cash flow. Local authorities will be fully refunded for the loss of revenue from these changes. We also committed to clear 95% of the September 2013 backlog of appeals before July 2015 and a consultation on reforms to the business rates appeals process has just closed.

Improving High Streets and Town Centres

2.41 Building on the business rate support for all businesses, the Autumn Statement also included a £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 for two years. The Department consulted on how to tackle too aggressive parking policies on high streets (findings due in 2014-15), and announced a cap on increases in parking penalty charges for the rest of this Parliament – these measures will make it cheaper and easier to park, encouraging people to shop locally. We have also commissioned a review of the wider economic and social trends effecting high streets to be published later this year. These commitments, along with an extended membership of the Future High Streets Forum to include representatives from the hospitality, leisure, food and services sectors, will help ensure high streets remain at the heart of our communities for decades to come.

2.42 Coastal towns have also benefitted from support from the Coastal Communities Fund and the Department has increased its investment in this Fund in 2013-14 – it will be worth £29 million UK-wide in 2014-15, an increase of 5% from 2013-14, and will be extended until 2016-17. Projects approved in the first two years of the Fund expect to deliver over 7,600 jobs and nearly 4,000 training places and apprenticeships across the UK. Due to the devastating impact of flooding to coastal communities, the programme's priorities have been extended to include coastal flood protection and repair.

Supporting economic growth and enterprise

2.43 Enterprise Zones are at the centre of the government's ambitious, long-term plan to rebalance the economy and achieve strong, lasting growth and widely shared prosperity. Since opening for business in April 2012, Enterprise Zones have already created over 9,000 new jobs, attracted over 300 businesses, and secured over £1.2 billion of extra private sector investment. In 2013-14:

- We allocated £100 million Capital Grant Fund in January 2014 to accelerate development in the 12 successful Zones following a competitive process.
- Budget 2014 extended the deadlines for accessing business rate discounts and on Enterprise Zones by three years, so that businesses have until March 2018 to locate on Enterprise Zones and access business rate discounts worth up to £275,000 over 5 years. On sites where enhanced capital allowances are available, businesses now have until March 2020 to make a qualifying investment, and can then write off up to £100 million against corporation tax. So far this has attracted 256 companies benefitting from £70 million in tax breaks.
- In May, the Department together with the Mayor of London unveiled a £1 billion deal that will turn London's Royal Dock Enterprise Zone into the capital's next business district and is expected to deliver around 20,000 new jobs and boost local employment in the London Borough of Newham by 30%.

2.44 The Government is committed to the devolution of economic powers to local areas, putting business-led Local Enterprise Partnerships, working with their local partners, at the heart of promoting growth. The Spending Round increased the resources under the strategic direction of local areas to at least £20 billion until 2020-21. The Local Growth Fund will amount to £2 billion in 2015-16 and will include funding from transport, skills and housing, allocated in 'Growth Deals' on the basis of the Partnerships' strategic economic plans. We are also for the first time putting around £5 billion of European

Structural Investment Funds for the 2014-20 periods under the strategic direction of Local Enterprise Partnerships. All 39 have now been granted their first year's allocation of £250,000, and a Growth Deal will be negotiated with each by July 2014.

2.45 The Department also manages delivery of the Regional Growth Fund which is a £3.2 billion fund operating across England from 2011-17, supporting projects and programmes with significant potential for sustainable economic growth, particularly aimed at areas dependant on the public sector. Since its start in 2011 to the end of March 2014 it has supported over 3,700 SMEs, leveraged £1.7 billion private sector funding and created and safeguarded over 65,700 jobs.

2.46 In April 2013 Growth Delivery Teams were monitoring delivery of 258 projects and programmes under the Fund and this has increased to a total of 340. Growth Delivery Teams spent £446.3 million, 99.3% of the spend target set for 2013-14. They also managed to create and safeguard 37,407 jobs for this year up to January 2014.

2.47 A number of councils have asked the Government to establish combined authorities in their areas to help them and their partners to work together more effectively on economic development, regeneration, and transport across the functional economic area, delivering greater economic growth. After the councils' requests, Government consultations on each of the proposals, and Parliamentary approval to Orders, we established four new combined authorities in April 2014 covering 22 council areas.

Achievement	Link to more detail
Simplifying planning	https://www.gov.uk/government/news/simplified-planning-to-speed-up-delivery-of-new-homes-and-support-local-jobs
New online national planning guidance	https://www.gov.uk/government/speeches/local-planning
Greater flexibility in 'change of use'	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207922/Relaxation_of_planning_rules_for_change_of_use_from_offices_to_residential_-_impact_assessment.pdf
Building regulations - written Ministerial statement	http://www.parliament.uk/documents/commons-vote-office/March_2014/13%20March/4.DCLG-Building-regs.pdf
High Streets and Town Centres	https://www.gov.uk/government/policies/improving-high-streets-and-town-centres
Coastal Communities Fund	https://www.gov.uk/government/news/thousands-of-jobs-and-apprenticeships-to-get-seaside-economies-and-flood-affected-areas-growing
Enterprise Zones	https://www.gov.uk/government/policies/supporting-economic-growth-through-local-enterprise-partnerships-and-enterprise-zones/supporting-pages/enterprise-zones
Local Enterprise Partnerships	https://www.gov.uk/government/publications/growth-deals-initial-guidance-for-local-enterprise-partnerships

Regional Growth Fund	https://www.gov.uk/government/news/regional-growth-fund-round-5-funding-announced-by-nick-clegg

Supporting strong communities where people feel they belong

2.48 Everyone has the right to feel safe and at ease in the place where they live. We are empowering local people to make decisions for their area; promoting opportunities to learn the English language; marking important national occasions which are part of our common heritage; supporting shared activities which bring people together – for example through music, food or local community events; and tackling extremism wherever it occurs.

Giving communities more control over their local area

2.49 The Localism Act 2011 gave communities unprecedented powers over their neighbourhoods, towns and cities. In September we published 'You've got the power', a quick and simple guide to the community rights introduced in the Act and associated policies – including the Community Right to Bid, Neighbourhood Planning, Community Right to Build, the Community Right to Challenge. Hundreds of communities across the country are taking on local planning issues, providing their own services and protecting local assets. We have seen around 2,000 uses of the rights so far and many more people are taking steps to make use of their new rights thanks to the Localism Act.

2.50 In September we built on these steps by announcing new measures to make it easier for local people to create new local councils (parish, town community, neighbourhood or village) in previously un-parished areas. We funded the National Association of Local Councils to work with the County Associations of local councils to support 16 campaigns for new town and parish councils in 2013-14. There are now more than two dozen active campaigns for new town and parish councils and over 60 communities considering a campaign. The project will continue to run during 2014-15.

2.51 In July we announced £4.3 million of new financial support to enable communities to design and deliver local services that focus on local priorities and reduce costs through an expanded 'Our Place' programme. There were 279 applications for the support, of which 123 areas covering 1.8 million people were accepted. Issues being looked at range from youth unemployment to health inequalities to energy efficiency. This investment also sits alongside a further £460,000 support for the existing pilots to help accelerate and enhance the implementation of their programmes.

2.52 Local communities have also taken on a greater say in shaping development in their areas in 2013-14, planning for the type of houses, businesses and green spaces they want in their area to help it thrive. Around 500 more communities began developing a neighbourhood plan, taking the total to over 1000 areas. Communities across the country are benefitting from a £7.5 million funding boost – councils can claim up to £100,000 a year to help their communities start a neighbourhood plan, with an additional £25,000 for plans that pass a successful examination.

2.53 In January we announced £5.5 million in capital grants for 2013-14 to help communities to buy or develop local assets and reopen them to the public or improve their existing use. 17 community buildings, including a football stadium, cinema and pubs as well as open spaces such as a park and nature reserve will be owned and managed by the community and for the community, helping to build community spirit and create local jobs. These valued community assets have received between £100,000 and £500,000 from a £17.5 million community assets fund, running from 2012-2015, £9 million of which is capital.

Bringing people together in strong united communities

2.54 In January 2013 we announced a new competition to enable those individuals with low levels of spoken English to fulfil their potential. Six projects were chosen through a two stage open competition, sharing the £6 million funding – these projects have now started work to reach more than 24,000 adults with the lowest levels of English and who are most isolated because of it.

2.55 In February 2014 we announced an expansion to the Near Neighbours programme, which will see nine new areas benefit from funding. In partnership with the Church Urban Fund, it provides small grants and support to grassroots groups in communities with significant religious diversity to help them run projects which will bring about lasting benefits to their neighbourhoods. To date over 500 groups have received Near Neighbours grants of up to £5,000, equipping them with the skills, relationships and confidence to improve their local communities.

2.56 As part of our commitment to commemorate the 100th anniversary of the First World War we have jointly funded with the Department for Education a £5.3 million project for thousands of state school pupils to visit battlefields from spring 2014 to March 2019. Pupils from every state-funded secondary school will be involved, and in addition to their visit, they will also be able to undertake research on people local to their school who fought in the First World War. Providing an enduring legacy, the high quality educational project will strengthen participants' knowledge of the First World War, and give opportunities to develop related projects in their local communities.

Achievement	**Link to more detail**
Community rights - *You've got the power*	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244635/130924_You_ve_got_the_power_accessible.pdf
New Parish powers	https://www.gov.uk/government/news/putting-the-parish-perspective-back-in-town
Our Place	https://www.gov.uk/government/news/43-million-boost-to-put-communities-in-control
Community Assets	https://www.gov.uk/government/news/a-thousand-community-assets-protected-in-listings-bonanz
Neighbourhood planning	https://www.gov.uk/government/news/cash-boost-for-councils-backing-neighbourhood-planning
Near Neighbours	https://www.gov.uk/government/news/multi-faith-communities-to-benefit-from-new-3-million-grant
First World War commemorations	https://www.gov.uk/government/news/thousands-of-pupils-to-visit-first-world-war-battlefields

Efficiently supporting the Department

2.57 All of the things that the Department does need to be delivered efficiently and effectively. Finance and corporate services are working to deliver efficiency savings by internal consolidation and setting up shared services with other departments and ensuring the Department manages its financial risks from its new investment programmes effectively.

Savings across the group

2.58 Since 2010, DCLG has delivered the largest savings of any Government Department on a like-for-like basis. The administration budget will reduce by just over 40% in real terms by the end of 2014-15, delivering savings in excess of £532 million over the current Spending Review period. The Departmental Group has reduced staff numbers by almost 63% on a like-for-like basis, with continued savings being sustained by strict controls over recruitment, and has ended automatic pay progression for new entrants while working towards ending it for all staff.

2.59 The Department has implemented new ICT services, reducing annual costs from £7.5 million to £4.1 million, saving £3.4 million annually from 2014-15, this provides the Department with one of the best value for money and most affordable IT services in Government

2.60 The Department is expected to make a net saving of £9 million per annum from rationalising the Department's Estate. We will move offices and share our new premises with the Home Office in Marsham Street in 2014-15. The Department has entered into a joint Facilities Management contract with the Department for Education, which has seen DCLG save £1.6 million in 2012-13 against the previous year's costs. The Department has committed to save a further 10% real terms saving in 2015-16, reducing annual running costs by a further £26 million.

Managing financial investments

2.61 The Department has strengthened the management of its increasingly significant portfolio of housing investment programmes over the course of the year, following reviews by the Shareholder Executive and PriceWaterhouse Coopers. We have established strong governance arrangements for the most significant housing programmes, recruited a Chief Risk Officer, and are in the process of strengthening both the Department and Homes and Communities Agency teams responsible for delivering our housing programmes and managing the financial risks to which the Department is exposed.

Arms Length Bodies

2.62 The Department for Communities and Local Government has undertaken a review of its Arms Length Bodies and has already reduced the number from 26 to 12; West Northamptonshire Development Corporation ceased its operations on 31 March 2014. The Department is on course to deliver its contribution to the cross Whitehall overall administrative reductions from the Public Bodies Reform Programme of £2.6 billion. Overall, the Department's Arms Length Bodies reform programme is on track to deliver estimated running costs savings of £248 million over the spending review period. Of these savings, £186 million relates to bodies which have already closed.

Analysis and Evidence

2.63 Following the recommendations of the Macpherson Review into the quality assurance of government analytical models, the Department has developed a quality assurance action plan, and a quality assurance framework for all business critical models.

2.64 The Department is co-funding three What Works Centres on Local Economic Growth, Ageing Better and Wellbeing, supporting the Department's efforts to communicate best practice policy development to local authorities. The What Works Centre for Local Economic Growth published its first evidence review in April 2014 covering employment training.

2.65 In February we published the 2012-13 English Housing Survey report, which is used to benchmark housing conditions, develop policies and monitor progress over time. This was the first survey under our contract with the National Centre for Social Research, costing a third less than the previous contract, saving more than £2 million a year.

2.66 The Department is working closely with users to ensure that we extend and improve the range and volume of open data in line with their needs and requirements. We reached 150 external visitors to get feedback on the Department's statistics and their relative priorities at the first Statistics Engagement Day. In June, we established OpenDataCommunities as the Department's strategic platform for publishing accessible data, reducing the time and costs to locate and transform DCLG sources for re-use in third-party tools and systems.

3 Cutting back on Regulation

3.1 The Department is reducing regulatory burdens on business through the use of impact assessments, using 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 2013-14 include:

- Continuing to perform strongly against the Government’s One-In, Two-Out target which states that for every pound of regulatory cost to business that’s brought in, two should be removed. Over the last year, DCLG’s cutting back on regulation has led to a further £20 million saved for business, meaning that since the introduction of the One-In, Two-Out rule, DCLG has saved business over £90 million a year, accounting for almost half of the Government’s savings for business achieved in deregulation.
- Leading on the delivery of the ‘Planning Administration’ and ‘Housing and Construction’ themes of the Red Tape Challenge in order to remove burdens to business in these areas.
- Delivering significant individual cost-saving measures in 2013. For example, by reducing the number of applications that require a Design Access Statement we will save business £24 million a year which contributes to the Department’s total One-In, Two-Out savings.

There are a number of the Department's policy areas where alternatives to regulation are being explored. For example, many local authorities are keen to work with us on developing and piloting alternatives to regulation in the private rented sector. The Department is working with Leeds City Council to test a policy aimed at increasing the uptake of carbon monoxide alarms and a system of co-regulation where accredited landlords face less stringent enforcement checks.

4 Performance Reporting

Structural Reform Plan

4.1 83 percent of actions in the Department's Business Plan actions due in financial year 2013-14 have been completed within the original deadline set at the time of publication. 14% were completed after the original deadline and one overdue action is due to complete shortly. The remaining details and progress on implementation of all Structural Reform Plan actions can be found on the Number 10 transparency website: http://transparency.number10.gov.uk/business-plan/2.

4.2 An updated version of the Department's business plan that includes new actions covering commitments announced in the Autumn Statement and Budget will in due course be found on the No 10 Transparency site.

Cross Government Priorities

4.3 The Department has a number of cross Government priorities within the business plan. Further information and updates on the priorities is available at: http://transparency.number10.gov.uk/content/cross-government-priority/. Details of each of the priorities are reported in section 2 and the remainder of this section on indicators.

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 below provides the 2012-13 and 2013-14 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

Results		
Input Indicators	2013-14	2012-13
Average capital grant payment per affordable rent dwelling by the Homes and Communities Agency (as at Dec) (1)	£18,805	£19,064
Percentage of local authority revenue expenditure funded by central government grants, broken down by class of authority		
England	N/A	74.2%
i) London boroughs	N/A	80.3%
ii) Metropolitan districts	N/A	78.8%
iii) Unitary authorities	N/A	72.1%
iv) Shire counties	N/A	67.8%
v) Shire districts	N/A	50.3%
vi) Greater London Authority	N/A	99.8%
vii) (a) Other authorities - fire authorities	N/A	54.2%
vii) (b) Other authorities - excluding fire authorities & GLA	N/A	74.4%
Total new homes bonus grant payable per year in 2014-2015 (2)	£917m	£668m
Expenditure per head on the Fire and Rescue Service	N/A	£39.61

1

1- The average capital grant payment per affordable rent dwelling by the Homes and Communities Agency was £18,805, for offers agreed as at the end of December 2013. This represents the capital costs to Government of the supply of new affordable rent homes. This has decreased from £19,064 for the same period of the previous year.

2 - The New Homes Bonus has increased to £917million to be paid over the financial year 2014-15. This is up from the £668million paid over 2013-14. This is because the New Homes Bonus now reflects four years of housing delivery (as opposed to three last year), as well as increases in the number of additional homes recognised.

Note N/A not available at the time of this report

Impact Indicators

Impact Indicators	2013-14	2012-13
Total number of housing starts and completions (seasonally adjusted) *		
Starts:		
1 April to 30 June	30,220	22,160
1 July to 30 September	32,440	26,310
1 October to 31 December (1)	32,940	26,330
1 January to 31 March	36,450	27,870
Completions:		
1 April to 30 June	27,620	28,540
1 July to 30 September (2)	28,880	27,510
1 October to 31 December	28,600	27,000
1 January to 31 March	27,670	24,680
Number of affordable housing starts and completions delivered through the Homes and Communities Agency and the Greater London Authority *		
Starts:		
1 April to 30 September	12,717	3,722
1 October to 31 March	28,937	32,368
Completions:		
1 April to 30 September	9,289	11,437
1 October to 31 March	27,063	25,296
Percentage of local authorities committed to identifying and beginning work with troubled families (as at Dec)	94%	56.0%
Households in temporary accommodation (seasonally adjusted)*		
1 April to 30 June	56,060	51,500
1 July to 30 September	56,930	52,540
1 October to 31 December (3)	57,550	53,730
1 January to 31 March	N/A	55,260
Fire-related casualties (per 100,000 population) *		
1 April to 30 June	3.0	3.1
1 July to 30 September (4)	2.6	3.0
1 October to 31 December	N/A	3.3
1 January to 31 March	N/A	3.4
Number of areas designated by the relevant local authority for Neighbourhood Plans as at March (5)	798	240
The number of planning applications granted as a percentage of all applications for major and minor schemes (6)		
1 April to 30 June	85.3%	84.5%
1 July to 30 September (7)	85.1%	83.9%
1 October to 31 December	84.6%	84.3%
1 January to 31 March	N/A	84.4%
Percentage of local planning authorities having an adopted local plan prepared under the 2004 Planning and Compulsory Purchase Act (as at start March) (8)	54.0%	47.0%
Business rates yield within Enterprise Zones (forecast) (9)	£10.9m	..

1- Housing starts are at their highest level since 2008. Seasonally adjusted house building starts in England are estimated at 36,450 in the March quarter 2014. This is 31 per cent higher than the same quarter last year (March 2013). Seasonally adjusted starts are now 113 per cent above the trough in the March quarter 2009. Seasonally adjusted house building completions in England are estimated at 27,670 in the March quarter 2014. This is 12 per cent higher than the same quarter last year (March 2013).

2 From 1 April 2013 to 31 March 2014 there were 41,654 affordable housing starts on site delivered in England through programmes managed by the Homes and Communities Agency and the Greater London Authority. This represents an increase compared to 36,090for the same period of the previous year. From 1 April 2013 and 31 March 2014 there were 36,352 affordable housing completions delivered through these programmes, a decrease compared to the same period in the previous year.

3 - Throughout England, the number of households in temporary accommodation on 31 December 2013, arranged by local authorities under homelessness legislation, was 57,550 after seasonal adjustment. This was an increase of 7 per cent from 53,730 at the end of December 2012. Historically, there tends to be a lag between the number of acceptances and the number of households in temporary accommodation. The increase in number of households in temporary accommodation during 2012 through 2013 followed the increase in the acceptances series that began in 2010. We saw the number of acceptances in 2013 fall compared to 2012.

4 - The rate of fire casualties fell further 13 per cent to 2.6 per 100,000 population in the third quarter of 2013 from 3.0 in the third quarter of 2012. The decrease reflects continuing success in fire prevention and protection. The significant level of smoke alarm ownership and testing is 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.

5 - The Localism Act also introduced Neighbourhood Planning, which gives communities the right to agree a plan establishing planning policies for the development and use of land in a neighbourhood, for example 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.

6 - Ten neighbourhood plans have passed referenda with resounding support from their communities. The Upper Eden neighbourhood plan, Cumbria, was the first to pass a referendum and was approved by 90 per cent of local voters in the referendum on 7 March 2013. We know that a neighbourhood planning movement is developing: by the start of March 2014, more than 798 communities have taken an initial step in neighbourhood planning by designating their “neighbourhood areas”.

7 - In year ending September 2013, 85 per cent of all major and minor applications were granted, a ten year high. This was around the 84 per cent level in the first two quarters and around 85 per cent for the last two quarters. The figures demonstrate the positive impact of the National Planning Policy Framework – an improved approval rate has led to more units being improved. The Home Builders Federation pipeline report of 26th February 2014 showed that over 174,000 planning permissions were granted in England on major sites in 2013, the highest annual figure since 2007 – up 24 per cent on the previous year and up 51 per cent on 2011.

8 - Adopted local plans are essential for a 'plan led' system whereby planning permissions are generally granted for developments in accordance with the plan. The percentage of local planning authorities having an adopted local plan prepared under the 2004 Planning and Compulsory Purchase Act stood at 52 per cent as at January 2014. This has increased by 5 percentage points since January 2013

9 - Local areas retain 100 per cent of the business rates growth in Enterprise Zones above the baseline established in January 2013. Business rate retention began in 2013-14 and so this (£10.9million) is the first (estimated) data point. 100 per cent business rate retention in Enterprise Zones will continue for 25 years, up to 2038.

Note: N/A not available at the time of this report
* Provisional figures

Quarterly Data Summary

4.6 This link provides data on the items included in the Quarterly Data Summary tables which are published four times a year by the Department. Data for Q1-3 is available now. Data for Q4 will be available from July. To access the tables go to

http://www.gist.cabinetoffice.gov.uk/oscar/2012-13/department-for-communities-and-local-government/

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 one Personal Data Related Incident to report in 2013-14. 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	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	1
V	Other	Nil

Complaints to the Parliamentary Ombudsman

5.3 There have been two cases against the Department accepted for investigation by the Parliamentary Ombudsman. In both cases the investigations were completed and reports provided. Neither was upheld and no recommendations were made.

Performance in responding to correspondence from the public

5.4 In 2013-14 the Department received 18,570 pieces of correspondence from members of the public. Of these, 58% of letters requiring a response were replied to within our target of fifteen working days.

5.5 The Department also received 3,532 pieces of correspondence from external organisations. Of these, 46% of letters requiring a response were replied to within our target of ten working days. Planned improvements to the IT applications we use to manage correspondence and complaints will improve our ability to assist members of the public who seek our help.

5.6 Our complaints process and full contact details are available at

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/complaints-procedure.

6 Introduction to the accounts

6.1 The Accounts present the consolidated results for the financial year 2013-14 of the following principal entities: the Department for Communities and Local Government (‘the Department’ or ‘core Department’), its Executive Agency the Planning Inspectorate (PINS), five Non Departmental Public Bodies (NDPBs) and one other body (The Commission for Local Administration). Note 29 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 29.

7 Strategic Review

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 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. This is complemented by the quarterly review of administration budgets.

The Future

7.3 The Department's core budget (the Communities DEL) over Spending Review 2010, covering the period between 2011-12 to 2014-15, is now £23.7 billion, of which £8.1 billion is resource and £15.6 billion, is capital. These totals have increased from £23.5 billion at the beginning of 2013-14 (£8.1 billion resource and £15.4 billion capital) as a result of additional funding for programmes including Large Sites, the Regional Growth Fund, Coastal Communities Fund and Custom Build.

7.4 In 2013-14 the Government announced departmental budgets for Spending Round 2013. The Department's current budget for 2015-16 is £4.8 billion, of which £1.4 billion is resource and £3.4 billion is capital. This will be spent on government priorities such as growth, efficiency and public sector reform. The Department also took on a new cross-government role for public sector land disposal.

7.5 In particular, the Department secured capital funding for the following programmes:

- A three year Affordable Housing settlement of £3.3 billion to deliver 165,000 affordable homes.
- £102 million for commercial development of large sites, which will bring forward delivery of over 40,000 new homes.
- £1.3 billion for Help to Buy: Equity Loan scheme.
- £300 million for Build to Rent.
- £161 million for Decent Homes to ensure that by March 2016 no local authority has more than a 10% backlog remaining.
- £45 million for a new Fire Transformation Fund.
- £150 million in 2014-15 to support economic development in Enterprise Zones.

7.6 Based on current estimates (which reflect accounting consequences from machinery of government changes), the DCLG Group will reduce its annual running costs by around 40% in real terms between 2010-11 and 2014-15. This equates to net savings of at least £532 million over the Spending Review 2010 period. We have committed in the 2013 Spending Round to saving another 10% in 2015-16 against our 2014-15 baseline.

7.7 Further details of changes to budgets across both Spending Round periods are provided at paragraph 7.11 to 7.15 below.

7.8 The Department is also responsible for the Local Government resource budget (LG DEL) and the settlement over the 2010 Spending Review period is a real-terms decrease of 28 per cent. When grants from other departments are included, the overall reduction in revenue grants is 26 per cent in real terms. Local authorities also receive income from other sources, such as council tax. The Efficiency Support Grant ensures that no council sees a spending power reduction of more than 8.8% in 2013-14 and 2014-15. The seven 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.

7.9 The reduction in local government spending power will be 1.8 per cent in 2015-16 (excluding GLA but including Better Care Fund). There will be an investment of £3.8 billion for integrated Health and Social Care, including £2 billion of new money from the NHS. We will provide new funding for future council tax freezes (set at 1%). In addition this Department is establishing a new fund of £330million for Transforming Services, comprising of:

- £200 million for Troubled Families.
- £100 million for Service Transformation.
- £30 million fund for Fire and Rescue Service to drive transformational change.

7.10 The expenditure plans in Tables 1a and 1b represents the Department's position following Budget 2014. As noted above, both capital and resource budgets have increased since the 2012-13 accounts.

7.11 The Autumn Statement 2013 announced an additional £1 billion of infrastructure funding for Large Sites over six years from 2014-15. It also included an additional £84 million of capital funding for Right to Buy to improve applicants' access to mortgage finance.

7.12 The Budget 2014 announced additional capital funding of £6 billion, extending Help to Buy Equity Loan to March 2020. This will help a further 120,000 homebuyers take their next step on the housing ladder with just a 5% deposit. An additional £525 million of capital funding was also announced to support the Builders Finance Fund to provide loan or equity stakes to help small and medium sized developers access finance. This Fund will help deliver around 15,000 additional homes. The Department will receive an additional £150 million of capital funding to support a new Estate Regeneration programme to accelerate the regeneration of housing estates. An additional £150 million of capital funding was included to support the Custom Build programme. £20million of capital funding was also announced to fund the first year of the Cambridge City Deal, which is expected to unlock £1 billion of investment in transport and housing across the next five years.

Key changes for 2013-14

7.13 The Supplementary Estimate for 2013-14 also reflected the transfer of two arms length bodies (The Valuation Tribunal Service and the Commission for Local Administration England) from LG DEL to Main DEL to align management of these bodies on one DEL.

7.14 The Department also used the budget exchange mechanism to reprioritise £795 million of funding to support measures for housing and growth. This will align budgets with the likely pattern of expenditure, and represents good financial management.

7.15 Further information on the Department's Supplementary Estimate can be found at:

http://www.parliament.uk/documents/commons-committees/communities-and-local-government/140212_SoS_to_CLG_Chair_2014_Sup_Estimates.pdf

7.16 In 2012-13, the Department exceeded its Estimate for Local Government Capital for two Arms Length Bodies by a total £1,141,000. This amount of excess capital expenditure was given retrospective Parliamentary approval in the Statement of Excess included within the Supply and Appropriation Act for 2013-14.

7.17 In 2012-13, the Department exceeded its Estimate for Net Cash Requirement and the excess against the Estimate was approved by Parliament in the Statement of Excesses presented to Parliament in February 2014. This cash was then paid to the Department and is shown in the Statement of Cash Flows.

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

	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 plan	2015-16 plan
Spending in DEL - DCLG Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure							
Of which:							
A: Localism	1,013,667	2,433,954	669,921	293,374	369,121	405,054	301,769
B: Neighbourhoods	2,038,148	202,255	346,829	599,458	908,299	1,213,675	559,926
C: Local Economies, Regeneration & European Programmes	480,040	618,851	319,857	60,599	178,037	437,592	12,160
D: Troubled Families	-	-	10,377	116,924	140,969	108,752	26,000
E: Research, Data and Trading Funds	34,226	4,169	34,404	38,111	18,283	62,973	28,799
F: DCLG Staff, Building and Infrastructure Costs	290,137	308,793	209,410	170,528	209,885	243,829	228,566
G: Localism (NDPB) (net)	3,546	1,217	964	-	20,108	18,042	17,195
H: Neighbourhoods (NDPB)(net)	271,672	199,232	119,262	81,423	108,310	71,923	51,726
I: Local Economies, Regeneration & European Programmes (NDPB) (net)	202,410	76,853	110,377	(11,380)	(17,335)	9,636	-
Departmental Unallocated Provision	-	-	-	-	-	2,723	150,264
Total Spending in DEL - DCLG Communities	4,333,846	3,845,324	1,821,401	1,349,037	1,935,677	2,574,199	1,376,405
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
J: Revenue Support Grant	4,547,431	3,167,008	5,905,455	477,406	15,200,902	12,526,772	10,255,579
K: Other grants and payments	1,227,682	980,458	1,383,277	40,232	983,295	645,539	1,113,565
L: Valuation Services	163,800	150,196	152,000	141,000	144,000	-	-
M: Business Rate Retention	-	-	-	-	297,224	167,750	50,000
Local Government (NDPB)(net)	30,020	20,896	41,413	20,289	-	-	500
Non-Domestic Rates Payments	19,500,000	21,500,000	19,000,000	23,119,000	-	-	-
London Governance	46,472	46,540	63,423	55,279	-	-	-
Audit Commission and Disbanding	1,322	517	12,080	22	-	-	-
Total Spending in DEL - DCLG Local Govt	25,516,727	25,865,615	26,557,648	23,853,228	16,625,421	13,340,061	11,419,644
Total Resource DEL	29,850,573	29,710,939	28,379,049	25,202,265	18,561,098	15,914,260	12,796,049
Spending in Annually Managed Expenditure (AME)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure							
Of which:							
N: Localism	260,268	383,803	315,743	399,111	394,778	449,156	493,156
O: Neighbourhoods	(86,530)	(581,415)	(703,440)	(12,540)	7,741	25,761	161
P: Research, Data and Trading Funds	31,190	(71,450)	(61,446)	(1,621)	15,273	-	8,100
Q: DCLG Staff, Building and Infrastructure Costs	(10,869)	20,701	(20,329)	9,226	(18,247)	3,456	4,183
R: NNDR Outturn adjustment	283,895	1,110,845	741,929	138,431	261,736	300,000	300,000
S: Localism (NDPB)(Net)	-	-	-	-	719	1,124	364
T: Neighbourhoods (NDPB)(Net)	-	11,068	64,190	(9,719)	(64,534)	250,000	245,000
U: Local Economies, Regeneration & European Programmes (NDPB)(Net)	25,885	170,673	55,165	24,408	10,842	55,000	55,000
V: Business Rate Retention	-	-	-	-	10,861,568	11,258,475	11,275,296
Local Economies, Regeneration & European Programmes	35,401	-	-	-	-	-	-
Local Government (NDPB)(Net)	-	38	(9,616)	5,652	-	-	-
Total Resource AME	539,240	1,044,263	382,196	552,948	11,469,876	12,342,972	12,381,260
Total Resource	**30,389,813**	**30,755,202**	**28,761,245**	**25,755,213**	**30,030,974**	**28,257,232**	**25,177,309**

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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	outturn	outturn	outturn	outturn	outturn	plan	plan
Spending in DEL - DCLG Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure							
Of which:							
A: Localism	251,245	92,288	148,879	952,785	938,636	977,631	745,077
B: Neighbourhoods	1,779,660	1,565,450	922,582	225,599	223,600	208,257	93,000
C: Local Economies, Regeneration & European Programmes	1,254,515	336,000	688,313	138,297	554,753	138,562	88,250
E: Research, Data and Trading Funds	-	(1,418)	-	1,250	-	-	-
F: DCLG Staff, Building and Infrastructure Costs	19,342	3,117	1,329	1,590	2,025	5,942	5,250
G: Localism (NDPB)(Net)	1,382	15,100	-	-	232	58	50
H: Neighbourhoods (NDPB)(Net)	4,957,408	3,561,378	1,836,730	1,197,588	2,149,940	3,667,395	2,549,359
I: Local Economies, Regeneration & European Programmes (NDPB)(Net)	728,856	498,169	223,094	(44,900)	(61,186)	17,183	(5,816)
Departmental Unallocated Provision	-	-	-	-	-	143,588	(6,420)
Total Spending in DEL - DCLG Communities	8,992,408	6,070,084	3,820,927	2,472,211	3,808,000	5,158,616	3,468,750
Spending in DEL - DCLG Local Govt							
Voted expenditure							
Of which:							
J: Revenue Support Grant	-	-	-	-	-	-	-
K: Other grants and payments	256,737	(69,109)	(7,846)	(36)	-	1	-
L: Valuation Service	-	-	-	-	-	-	-
M: Local Government (NDPB)(Net)	2,017	(197)	129	1,257	-	-	-
N: Non-Domestic Rate Payments	-	-	-	-	-	-	-
London Governance	1,600	1,600	-	-	-	-	-
Audit Commission Disbanding	-	-	-	-	-	-	-
Total Spending in DEL - DCLG Local Govt	260,354	(67,706)	(7,717)	1,221	-	1	
Total Capital DEL	9,252,762	6,002,378	3,813,210	2,473,432	3,808,000	5,158,617	3,468,750
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
O: Localism	-	-	-	-	-	-	-
P: Neighbourhoods	170,736	842,972	152,824	33,368	-	430,000	658,000
Q: DCLG staff, building and infrastructure costs	-	-	-	-	-	-	-
R: Non Domestic Rates Outturn Adjustments	-	-	-	(1,499)	-	-	-
S: Neighbourhoods (NDPB) (Net)	-	-	-	(29,090)	-	-	-
T: Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	(211)	-	-	-
U: Business Rates Retention	-	-	-	-	-	-	-
Local Government (NDPB) (Net)	-	-	-	(2,571)	-	-	-
Total Spending in AME	170,736	842,972	152,824	(3)	-	430,000	658,000
Total Capital	**9,365,817**	**6,845,350**	**3,966,034**	**2,473,429**	**3,808,000**	**5,588,617**	**4,126,750**

Table 2: Administration budgets

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Plans £'000	Plans £'000
B: Neighbourhoods	-	-	-	35,761	37,432	42,754	40,078
C: Local Economies, Regeneration & European Programmes (NDPB)(Net)	13,548	12,480	26,370	172	-	-	-
F: DCLG Staff, Building & Infrastructure Costs	276,944	252,221	194,124	168,768	209,267	240,829	225,566
G: Localism (NDPB)(Net)	3,548	1,118	964	-	20,108	18,042	17,195
H: Neighbourhoods (NDPB)(Net)	190,381	153,814	117,521	80,957	101,078	58,627	31,470
Total administration expenditure	**484,421**	**419,633**	**338,979**	**285,658**	**367,885**	**360,252**	**314,309**

Tables 1a, 1b and 2 are based upon OSCAR 2014-15 structures. The accounting data presented in SoPS 2.1 and SoPS 2.2 (pages 113-116) are based on 2013-14 structures.

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:	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Plans £'000	2015-16 Plans £'000
Assets							
Non-Current Assets (>1 year)							
Intangible Assets	79,936	24,734	16,832	10,062	6,729	2,657	1,777
Property, plant and equipment	71,945	118,661	109,004	90,507	75,373	61,545	58,709
of which							
Land and Buildings	12,808	73,992	79,640	67,056	63,883	53,789	51,244
Plant and machinery	9,349	7,893	4,587	3,507	514	393	300
Vehicles	24,171	21,674	11,176	9,562	2,071	-	-
Information technology	7,136	4,572	3,366	2,034	2,127	1,285	1,344
Payments on account and assets under construction	13,952	6,698	7,617	6,887	6,633	5,997	5,776
Other	4,527	3,832	2,618	1,461	145	81	45
Investment Property	-	28,806	28,511	28,708	32,208	33,013	37,038
Financial assets: investments	69,791	32,767	31,348	8,617	57,609	57,600	57,591
Trade and other receivables	170,334	174,328	14,346	13,140	12,203	11,177	10,380
Current Assets (<1 year)	711,507	762,968	826,673	793,415	1,229,253	1,274,044	1,383,532
Liabilities							
Current liabilities (<1 year)	(1,157,656)	(1,218,131)	(1,798,683)	(918,394)	(984,296)	(769,996)	(836,168)
Provisions and pensions (<1 year)	(121,941)	(57,530)	(10,061)	(20,839)	(18,945)	(17,051)	(15,501)
Non-current liabilities (>1 year)	(194,997)	(297,636)	(301,928)	(302,692)	(300,449)	(304,677)	(302,419)
Provisions and pensions	(29,341)	(29,713)	(22,079)	(23,132)	(19,183)	(14,106)	(11,698)
Capital employed within core Department and Agency	**(400,422)**	**(460,746)**	**(1,106,037)**	**(320,608)**	**90,502**	**334,206**	**383,241**
Non-Departmental Public Bodies' total assets less liabilities	**1,225,960**	**1,867,509**	**1,720,134**	**1,519,958**	**2,896,128**	**3,315,415**	**3,795,402**
Total capital employed in departmental group	**825,538**	**1,406,763**	**614,097**	**1,199,350**	**2,986,630**	**3,649,621**	**4,178,643**

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).

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

7.18 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.

7.19 Tables 4a to 4e on p.41-45 of this Report and the Statement of Parliamentary Supply, on p.110 of the Accounts, show outturn figures against Estimates.

7.20 The Consolidated Statement of Cash Flows on p.122-123 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: 2013-14 Resource out-turn against budget

	2013-14 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	391,609	358,918	369,121	(10,203)
B:Neighbourhoods	995,937	924,222	908,299	15,923
C:Local Economies, Regeneration & European Programmes	446,233	219,342	178,037	41,305
D:Troubled Families	136,000	141,677	140,969	708
E:Research, Data and Trading Funds	50,450	42,901	18,283	24,618
F:DCLG Staff, Building and Infrastructure Costs	3,000	257,497	209,885	47,612
G: Localism (NDPB)(Net)	178,784	21,522	20,108	1,414
H:Neighbourhoods (NDPB)(net)	(2,790)	107,363	108,310	(947)
I:Local Economies, Regeneration & European Programmes (NDPB) (net)	(3,071)	(2,350)	(17,335)	14,985
Departmental Unallocated Provision	-	-	-	-
Total Spending in DEL - DCLG Communities	2,196,152	2,071,092	1,935,677	135,415
Spending in DEL - DCLG Local Govt				
Voted expenditure				
J:Revenue Support Grant	15,200,902	15,200,902	15,200,902	-
K:Other grants and payments	612,282	998,301	983,295	15,006
L:Valuation Services	144,000	144,000	144,000	-
M: Business Rates Retention	265,149	297,224	297,224	-
Local Government (NDPB)(net)	-	-	-	-
Total Spending in DEL - DCLG Local Govt	16,222,333	16,640,427	16,625,421	15,006
Total Spending in DEL	18,418,485	18,711,519	18,561,098	150,421
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
N:Localism	382,873	401,795	394,778	7,017
O:Neighbourhoods	28,661	117,700	7,741	109,959
P: Research, Data and Trading Funds	-	8,100	15,273	(7,173)
Q:DCLG Staff, Building and Infrastructure Costs	(7,814)	(21,010)	(18,247)	(2,763)
R:NNDR Outturn Adjustment	300,000	262,000	261,736	264
S: Localism (NDPB)(net)	-	5,400	719	4,681
T:Neighbourhoods (NDPB)(net)	45,000	40,395	(64,534)	104,929
U:Local Economies, Regeneration & European Programmes (NDPB) (net)	-	25,000	10,842	14,158
V: Business Rates Retention	10,538	10,851,030	10,861,568	(10,538)
Total Spending in AME	759,258	11,690,410	11,469,876	220,534
Total for Estimate	**19,177,743**	**30,401,929**	**30,030,974**	**370,955**

Table 4b: 2013-14 Capital out-turn against budget

	2013-14 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	888,835	931,193	938,636	(7,443)
B:Neighbourhoods	1,339,912	229,342	223,600	5,742
C:Local Economies, Regeneration & European Programmes	198,832	538,649	554,753	(16,104)
D:Troubled Families	-	-	-	-
E: Research, Data and Trading Funds	-	-	-	-
F: DCLG Staff, Building and Infrastructure Costs	5,500	3,755	2,025	1,730
G: Localism (NDPB)(Net)	-	980	232	748
H:Neighbourhoods (NDPB) (net)	1,782,462	2,244,643	2,149,940	94,703
I: Local Economies, Regeneration & European Programmes (NDPB) (net)	(109,515)	(81,247)	(61,186)	(20,061)
Departmental Unallocated Provision	59,316	-	-	-
Total Spending in DEL - DCLG Communities	4,106,026	3,867,315	3,808,000	59,315
Spending in DEL - DCLG Local Govt				
Voted expenditure				
K:Other grants and payments	-	1,000	-	1,000
Total Spending in DEL - DCLG Local Govt	-	1,000	-	1,000
Total Spending in DEL	**4,106,026**	**3,868,315**	**3,808,000**	**60,315**
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
O:Localism	-	-	-	
P: Neighbourhoods	430,000	30,000	-	30,000
Q:DCLG staff, building and infrastructure costs	-	-	-	
R:Non Domestic Rates Outturn Adjustments	-	-	-	
S:Neighbourhoods (NDPB) (Net)	-	-	-	-
T:Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	-
U:Business Rates Retention	-	-	-	-
Local Government (NDPB) (Net)	-	-	-	-
Total Spending in AME	430,000	30,000	-	30,000
Total for Estimate	**4,536,026**	**3,898,315**	**3,808,000**	**90,315**

Tables 4a and 4b are based upon OSCAR 2013-14 structures. The accounting data presented in SoPS2.1 and SoPS2.2 (pages113-116) are based on 2012-13 structures.

7.21 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

	2013-14 Plans £'000	2013-14 Outturn £'000
Gross Administration Costs	**434,839**	**405,808**
Less:		
Administration DEL (DCLG Communities) Income	(39,337)	(37,923)
Administration DEL (DCLG Local Govt) Income	-	-
Net Administration Costs	**395,502**	**367,885**
Gross Programme Costs	**36,432,921**	**35,833,512**
Less:		
Programme DEL (DCLG Communities) Income	(445,131)	(129,994)
Programme DEL (DCLG Local Govt) Income	-	-
Programme AME Income	(3,292,439)	(3,281,901)
Non-budget income	(157,500)	(145,835)
Net Programme Costs	**32,537,851**	**32,275,782**
Total Net Operating Costs	**32,933,353**	**32,643,667**
Of which:		
Resource DEL (DCLG Communities)	2,195,042	1,935,677
Resource DEL (DCLG Local Govt)	16,495,177	16,625,421
Capital DEL (DCLG Communities)	2,657,924	2,758,528
Capital DEL (DCLG Local Govt)	1,000	-
Resource AME	11,711,710	11,469,876
Capital AME	30,000	
Non-budget	(157,500)	(145,835)
Adjustments to include:		
Departmental Unallocated Provision (resource)	-	-
Consolidated Fund Extra Receipts in the budget but not in the OCS	-	-
Adjustments to remove:		
Capital in the SoCNE	(2,531,424)	(2,758,528)
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	157,500	159,728
Other adjustments	(157,500)	(13,893)
Total Resource Budget	**30,401,929**	**30,030,974**
Of which:		
Resource DEL (DCLG Communities)	2,071,092	1,935,677
Resource DEL (DCLG Local Govt)	16,640,427	16,625,421
Resource AME	11,690,410	11,469,876
Adjustments to remove:		
Consolidated Fund Extra Receipts in the resource budget	-	-
Total Resource (Estimate)	**30,401,929**	**30,030,974**

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

	2013-14 Final budget £'000	2013-14 Outturn £'000
Net Resource Requirement	**30,401,929**	**30,030,974**
Net Capital Requirement	**3,898,315**	**3,808,000**
Accruals to cash adjustments	**(8,984,660)**	**(10,347,210)**
of which		
Adjustments to remove non-cash items		
Depreciation and amortisation	(118,854)	(14,183)
Local Share		(10,851,030)
New provisions and adjustments to previous	(40,246)	(15,080)
Departmental Unallocated Provision	-	-
Supported capital expenditure (revenue)	-	-
Prior period adjustments	-	-
Other non-cash items	(21,488)	(25,550)
Adjustment for NDPBs		
Remove voted resource and capital	(2,361,706)	(2,148,507)
Add cash grant in aid	2,405,936	2,350,694
Adjustments to reflect movements in working balances		
Increase (+)/ decrease (-) in inventories	-	49,829
Increase (+)/ decrease (-) in receivables	380,000	334,314
Increase (-)/ decrease (+) in payables	(9,249,602)	(102,107)
Use of provisions and payment of pensions	21,300	21,085
Adjustments		53,325
Removal of non-voted budget items		
of which		
Consolidated Fund Standing Services	-	-
Other adjustments	-	
Net Cash Requirement	**25,315,584**	**23,491,764**

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

	2013-14 Outturn £'000	2012-13 Outturn £'000
Net Resource Outturn	**30,030,974**	**25,755,213**
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	**30,030,974**	**25,755,213**
of which		
Departmental Expenditure Limits (DEL)	18,561,098	25,202,265
Annually Managed Expenditure (AME)	11,469,876	552,948
Adjustments include:		
Capital grants	2,757,125	2,307,992
Consolidated Fund Extra Receipts in the SoCNE	(159,728)	(113,942)
Grant in aid to NDPBs	-	-
Other	15,296	405,395
Total Net Operating Costs	**32,643,667**	**28,354,658**

2013-14 Variances of outturn against Estimate

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

Table 4f: Subhead variance against Estimate – resource

Subhead Variance	Explanation
Line C Local Economies, Regeneration & European Programmes: underspend of £41m	This relates to an under spend on Regional Growth Fund, funding will be reprofiled into future years.
Line E Research, Data & Trading Funds: underspend of £25m	Budget was set aside for potential foreign exchange movement for the ERDF programme. However, owing to the interruption of ERDF payments from the European Commission, this budget was not utilised. The interruption has now been lifted.
Line F DCLG Staff, Building and Infrastructure Costs: underspend of £48m	This underspend resulted from the successful delivery of savings on non-pay costs, such as reducing reliance on external support service. Budgets relating to Pay Reform, IT and shared service migration costs were also not required in 2013-14 and will be reprofiled into 2014-15. The market value of the Department's Investment Properties also increased this year, resulting in a significant credit.
Line I Local Economies, Regeneration & European Programmes (NDPB) (Net): underspend of £15m	This related to an underspend for the Homes and Community Agency due to changes in receipts from the HCA Assets programme. There was an increase of receipts of £12.7m that were not expected and had not been budgeted for in time for the Supplementary Estimate.
Line O Neighbourhoods: underspend £110m	Budget cover was in place for revaluations, impairments and pension provisions which were then not required in full.
Line P Research, Data & Trading Funds: overspend by £7m	The over spend is due to the movement in the Euro / Sterling exchange rate which resulted in ERDF losses on non financial assets that were higher than expected.
Line Q DCLG Staff, Building and Infrastructure Costs: underspend of £3m	Full use of the budget set aside to cover the department's early exit costs was not needed resulting in an underspend.
Line S Localism (NDPB) (Net): underspend of £5m	Budgets were in place for pension costs for the Valuation Tribunal Service that were not fully utilised.
Line T Neighbourhoods (NDPB) (Net): underspend of £105m	Budgets for the Homes and Community Agency impairments of £38m and pension provisions of £32m were not fully required. The Agency's corporation tax receipt of £32m wasnot known and therefore not budgeted for at the Supplementary Estimate.
U Local Economies, Regeneration & European Programmes (NDPB) (Net): underspend of £14m	A budget set aside for the Homes and Community Agency impairments of £8.5m was not fully required. The Agency's corporation tax receipt of £3.5m was not budgeted for at the Supplementary Estimate.

Table 4g: Subhead variance against Estimate – capital

Subhead Variance	Explanation
Line F DCLG Staff, Building and Infrastructure Costs: underspend of £2m	Budgets were in place for IT system development costs (largely the LOGASnet datamart and MCIS for the 2014-20 ERDF programme). These budgets were not used in 2013-14 and will be provided for in 2014-15.
Line G Localism (NDPB) (Net): underspend of £0.7m	Budgets were in place for IT system development costs in the Valuation Tribunal Service. These development was not completed in 2013-14 and budget cover will be provided for in 2014-15.
Line K Other Grants and Payments: underspend of £1m	This is due to capital requirements not being realised.
Line O Neighbourhoods: underspend of £30m	This provision was in place for pension movements but was not realised.

7.23 The Department's Net Cash Requirement is the amount of cash needed to support those activities supported through the Vote. The Statement of Parliamentary Supply provides a reconciliation of the Estimate to the Net Cash Requirement and shows an overall variance of £1,824million (7.2%) against the Estimate provision for the Net Cash Requirement of £25,316million (2012-13: excess £55,456million (0.19%) against an Estimate of £28,971million).

7.24 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 0.5million and 10% of the Estimate.

Table 4h: Variance against Net Cash Requirement Estimate

Variance	Explanation
Non cash items: variance of (£20m) against an Estimate of (£160m).	Following the breach in 2012-13, the Department took steps to ensure that sufficient cover was available for movements in other non cash items
Movements in working balances: variance on movement in payables of (9,148m) against an Estimate of (£9,250m) and variance on Local Share (£10,851m against Estimate of NIL)	The variance on movement in payables and Local Share arises at the Estimate for the Local Share was included in the movement in payables line but the outturn separately identified in this table.
Movements in working balances: variance on inventories of £50m on an Estimate of NIL, variance in receivables of £46m against an Estimate of £380m	The variance relates to to ERDF work in progress movements in respect of payments to projects where we had not taken specific Estimate cover and claims to the EU were less than expected.
Grant in Aid: variance of £55m against Estimate of £2,406m	Additional cover was provided to HCA Grant in Aid allocation at Supplementary Estimates. This was done to ensure that there was sufficient Grant in Aid in case of any increases to working budgets over the last few months of the year.
Resource and Capital outturn: underspend variance of £461m against Estimate of £34,300m	Please see tables 4f and 4g for breakdown.

A National Statistical analysis of departmental expenditure by the countries within the UK and by English areas for the years to 2013-14 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

7.25 Since the accounting date covered by these Annual Report and Accounts, the Department has approved borrowing of £633.7m covered by the Affordable Housing guarantee, to date; only £208.4m has been drawn down as debt borrowing. Any potential liabilities arising from the provision of the guarantee will be recognised in accordance with the relevant standard in the 2014-15 Annual Report and Accounts.

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'. The Department discloses the following information in accordance with Regulations SI 1997/571.

7.27 The five day prompt payment performance for the Department and Agency in 2013-14 was that 83.56% of invoices were paid on time against a target of 80%. This represents 9,975 invoices being paid to target from a total of 11,937 invoices processed in 2013-14. Overall year on year performance reduced slightly compared to 2012-13 when the percentage of invoice payments made on time was 84.41% (representing 10,992 invoices paid on time from a total of 13,022 invoices paid).

Payments to Charities

7.28 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.

7.29 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.

7.30 The table at Annex B (page 192) sets out the financial assistance provided by the Secretary of State under this power for the year 2013-14, totalling £40.691million (2012-13, £22.864million).

Auditors

7.31 The core, agency and group accounts have been audited by the Comptroller and Auditor General (C&AG) under various statues with the exception of the Leasehold Advisory Service (audited by MacIntyre Hudson). Further details are given in the accounts of the bodies concerned.

7.32 The total cost of the audit across the departmental group is £841,600 of which £321,600 is a cash charge and £520,000 is a notional charge (2012-13: £460,000 cash costs and £582,000 notional charge totalling £1,042,000).

7.33 The audit fee for the core Department is £390,000 (2012-13: £470,500), broken down as £366,000 for the departmental audit, and £24,000 for the cost of consolidation work.

7.34 In addition, the Department meets the costs of the Business Rates-related accounts. The fees on these audits are as follows:

- Main Rating Account: £40,000 (new in 2013-14).
- Levy Account: £7,000 (new in 2013-14).
- National Non-Domestic Rates Transition Account: £6,000 (now in its final year, £22,000 for 2012-13).
- Trust Statement: £19,000 (£24,000 for 2012-13).

These fees are all 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.

Human resources[2]

Overview of key HR activities for 2013-14

7.38 Towards the end of 2013, the Department brought together all of its change activity on Civil Service Reform, the Departmental Improvement Plan and the implementation of the Strategic Review in one place under the Department's Better Department priority. This resulted in the delivery of a clearer vision for the Department and more focused activity to deliver the goals of the Civil Service Reform Plan.

7.39 This vision includes creating a modern employment offer for staff and matching resources to priorities for which we are designing a new system. To ensure delivery of the Department's priorities, we refreshed our values and launched a Blueprint for the organisation focusing priority actions on improving our leadership, organisation, ways of working and people; and set out how the Department will deliver its business priorities over the next 12 to 18 months.

7.40 The Department has adopted the Civil Service Next Generation HR model becoming one of the "early adopters" in October. We have increased strategic Business Partner resource, agreed a plan to outsource transactional HR activity by April 2015, invested in greater professional development and developed proposals to buy in more expert services and participate in greater cross departmental collaboration and sharing of resources and expertise.

7.41 Our learning and development (L&D) focus in 2013-14 has been on supporting the implementation of the Civil Service Capabilities Plan and upskilling staff in four key priority areas of Leading Change, Digital, Commercial and Project Delivery. We have also continued encouraging staff to take their five days development a year, and ensuring they are aware of the full range of development activities and options

[2] 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.

available to them, has also been a key focus. This work and other efforts to increase learning and development awareness within the Department saw an increase of 10 percent in learning and development in the People Survey in 2013. We also ran a Pulse survey in May this year which showed an Engagement Index of 50%. This is an increase of 1 percent from the 2013 People Survey (and an increase of 2 percent from the 2013 Pulse Survey).

7.42 Additionally, we have:

- Reviewed and made changes to key terms and conditions of employment as part of wider work to ensure a modern employment offer for our staff.
- Started work to reform our pay structure.
- Undertaken an external recruitment campaign to fill business critical posts across the Department.
- Moved towards a new open e-recruitment system which will help line managers manage the recruitment process more effectively.
- Started developing a strategic workforce plan to help boost capability and meet resourcing needs.
- Continued embedding the new performance management process, which was strengthened in 2012-13 by the adoption of a cross government competency framework.

7.43 Finally, we have been preparing the Department for its move to Marsham Street which will take place in July to September 2014. Directorates are reviewing the Blueprint under our way of working and looking at how they can adopt a more flexible way of working making best use of the space allocated.

Civil Service People Survey 2013

7.44 In October 2013 78% of the Department's staff completed the fifth civil service wide people survey. The Department's 2013 engagement index had improved by 6 percent to 49%. These results show that we continue to experience an upward trend across the Department. There has been improvement across all nine themes of the survey, with five themes now showing the Department above the Civil Service average. The scores were particularly positive in the three key areas, Learning and Development, up by 10 percent to 47%, Leadership and managing change, up by 9 percent to 40% and Organisational objectives and purpose, up by 8 percent to 75%. We will focus our efforts in strengthening how we lead and manage change; continue to focus on learning and development, and organisational objectives and purpose.

Diversity

7.45 The Department meets or exceeds cross Whitehall gender and ethnicity targets for the representation in the Senior Civil Service and in Top Management positions. It does not meet the relevant target for disability representation and has put in place a programme of open recruitment to address that issue.

Staffing – staff in post

7.46 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.

7.47 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

	2011-12 Actual (1)	2012-13 Actual (2)	2013-14 Actual (3)
Core Department			
Permanent staff (4)	1,807	1,655	1,547
Fixed Term Appointments	15	26	75
Total	**1,822**	**1,681**	**1,622**
Planning Inspectorate			
Permanent staff (4)	600	633	684
Fixed Term Appointments	-	23	22
Total Planning Inspectorate	**600**	**656**	**706**
Total Core Department and Agency	**2,422**	**2,337**	**2,328**
Arms Length Bodies			
Permanent staff (4)	1,368	1,161	1,217
Fixed Term Appointments (5)	3	1	2
Total Arms Length Bodies (6)	**1,371**	**1,162**	**1,219**
Total Core Department, Agency and Arms Length Bodies			
Permanent staff (4)	3,775	3,449	3,448
Fixed Term Appointments	18	50	99
Total	**3,793**	**3,499**	**3,547**

1 Full Time Equivalent Figures (FTE) (rounded) as at 31 March 2012.

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

3 FTE figures (rounded) as at 31 March 2014.

4 Includes staff on inward loan and inward secondment and staff on paid maternity leave, paid outward loans and secondment and long-term sick.

5 Figures have been included for bodies that have subsequently closed in the last three years.

6 Figures for fixed term staff in NDPBs have been included where available. Where these figures are unavailable, such as organisations that have since closed, staff have instead been counted as permanent in the table above.

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 Non Departmental Public Bodies on the departmental website. This information can be found here:

https://www.gov.uk/government/collections/workforce-management

The figures above differ from those reported in Note 3 for two reasons.

- Note 3 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 2014.
- Note 3 figures are compiled according to Financial Reporting Manual definitions whereas the figures above follow Office for National Statistics (ONS) definitions.

Reconciliation between the table above and numbers in Note 3 for Department staff is below:

Table 5.2: Staff in Post – reconciliation

	Core	PINS	ALB
2013-14 Average Staff Numbers as per Note 3	**1,679**	**688**	**1,228**
numbers	(3)	20	(9)
March Actual Staff Numbers	**1,676**	**708**	**1,219**
Reconciliation from March Actual to ONS staff numbers:			
Excluded from ONS numbers:			
Excluded as not paid through DCLG Payroll:			
Reimbursed Secondment In	(25)	-	-
Reimbursed Loan in	(20)	(2)	-
Career Break			
Excluded as not defined as civil servants:			
Ministers	(7)	-	-
Special Advisors	(2)	-	-
ONS (FTE) Staff Numbers Table 5.1 above	**1,622**	**706**	**1,219**
ONS (FTE) Staff Numbers	1,622	706	1,219
Difference	-	-	-

7.48 The table below provides details of staff recruited to the Department from outside the Civil Service by type of appointment and diversity. The figures in the table represent recruitment activities carried out in the period between 1 April 2013 and 31 March 2014 where the individual has started in the Department between those dates. The actual process of recruitment may have happened outside this period. Our recruitment is carried out in line with the Civil Service Commissioners' Recruitment Principles.

7.49 While all staff are encouraged to complete their diversity details, this is not a mandatory requirement and so our data reflects only the information provided.

Table 5.3: Recruitment 2013-14

Pay Band	Non-civil Servants	Fixed-term appointments	Permanent	Casual	Total recruitment	Women	BME	Disabled
1								
2	-	31	2	-	33	17	5	3
3	-	31	6	-	37	18	6	2
4 (1)	-	15	10	-	25	14	5	2
5	-	2	1	-	3	1	-	-
6	-	4	0	-	4	4	-	-
7	-	5	1	-	6	1	-	-
SCS	-	1	0	-	1	1	-	-
Totals	-	89	20	0	109	56	16	7

1 The figures above relate to the core Department only. Fast Stream staff have been included in Pay Band 4 in the table above. Figures for Pay Band 4 staff recruited are significantly lower than previous years as Fast Stream staff are now recruited and managed centrally by Her Majesty's Revenue and Customs (HMRC) rather than by individual departments.

Senior Civil Service salaries and staffing

Table 5.4: SCS Salaries as at 31 March 2014

Salary band	Number	Salary band	Number
£55,000 – £59,999	-	£120,000 – £124,999	1
£60,000 – £64,999	14	£125,000 – £129,999	-
£65,000 – £69,999	24	£130,000 – £134,999	2
£70,000 – £74,999	13	£135,000 – £139,999	-
£75,000 – £79,999	2	£140,000 – £144,999	-
£80,000 – £84,999	3	£145,000 – £149,999	-
£85,000 – £89,999	4	£150,000 – £154,999	-
£90,000 – £94,999	4	£155,000 – £159,999	-
£95,000 – £99,999	2	£160,000 – £164,999	1
£100,000 – £104,999	1	£165,000 – £169,999	-
£105,000 – £109,999	2	£170,000 – £174,999	-
£110,000 – £114,999	3	£175,000 – £179,999	-
£115,000 – £119,999	-	Total SCS	76

Table above does not include Permanent Secretary

Note: The figures above reflect full time equivalent substantive salaries for those SCS staff on the Department's payroll. Where individuals work part time they will receive a pro-rated salary. Individuals working at SCS level on a temporary basis whose substantive grade is below SCS have been excluded from the figures above.

The Department has published details on those consenting staff earning over the SCS minimum (£60,000 for 2013-14) since September 2011 on the Department's website. Please note that not all staff earning over the SCS minimum are SCS staff. This information can be found here:

https://www.gov.uk/government/publications/senior-dclg-employee-salaries-december-2012
Please note this is due to be updated with figures as of 31 March 2014 by the end of June.

7.50 As at 31 March 2014 there were 81 Senior Civil Servant staff on the DCLG payroll, including the Permanent Secretary. Of these, four were non-Senior Civil Service staff in receipt of a temporary responsibility allowance. In addition, there were eight Senior Civil Servant staff members who were not on payroll, two were shared with another department as part of a shared services arrangement, three were a reimbursed secondment in and three were on unpaid leave of absence.

Table 5.5: Number of SCS by Pay Band as at 31 March 2014

	On DCLG Payroll	Shared Service	Loan or Secondment	Unpaid Leave of Absence
SCSPB1	60	1	2	3
SCSPB1A	2	-	-	-
SCSPB2	14	1	1	-
SCSPB3	4	-	-	-
Permanent Secretary	1	-	-	-
	81	2	3	3

Note: The figures above include individuals in receipt of temporary responsibility allowance for working at a higher grade, and have been counted at the relevant higher grade. Additional SCS staff working for the Department providing corporate services through cross-department arrangements; such as Treasury Solicitors or Crown Commercial Services, have not been included in the figures above.

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 executive Non Departmental Public Bodies but including executive agencies. The data draws from individual and manager recorded sickness absence and is broken down into a number of categories including location, age, gender, short versus long-term absence and reasons for absence.

7.52 The quarterly statistics for the year to 31 December 2013 (the latest period for which data is currently available) show that the average working days lost (AWDL) per staff year in the Civil Service stood at 7.4 and compares to 7.6 days for the same quarter in 2012. The figure for the core Department was 6.4 for the year to 31 December 2013 and at 7.4 for the Planning Inspectorate.

7.53 Sickness levels have increased slightly from the same quarter in 2012, which stood at 6.1 for the core Department only for the year to 31 December 2012, and 7.0 for the Planning Inspectorate. However, levels of absence remain below the Civil Service average, and are currently lower than the average for private sector, public service and not-for-profit organisations as detailed in the Chartered Institute of Personnel and Development 2013 Absence Management Survey.

7.54 The percentage of civil servants taking no sick leave during the calendar year in 2013 for the core Department only was 54% and 42% for the Agency.

Reporting of off-payroll appointments above £220 per day and over 6 months

7.55 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 highly paid and/or senior off-payroll engagements.

7.56 The Department uses off-payroll arrangements for specialist or technical staff and to address urgent scarce skills gaps. Contractual controls, including the right to request assurance on tax obligations, means there is no opportunity of any tax avoidance arrangements.

Table 5.6: Off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months.

	Main Department	Agency	ALBs
No. of existing engagements as of 31 March 2014	**16**	**1**	**-**
of which:			
No. that have existed for less than one year at time of reporting	3	1	-
No. that have existed for between one and two years at time of reporting	11	-	-
No. that have existed for between two and three years at time of reporting	1	-	-
No. that have existed for between three and four years at time of reporting	-	-	-
No. that have existed for four years or more at time of reporting	1	-	-

Note: The Department has confirmed that all of the existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 5.7: New off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months.

	Main Department	Agency	ALBs
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	**17**	**1**	**1**
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	17	1	1
No. for whom assurance has been requested	17	1	1
Of which:			
No. for whom assurance has been received	14	0	1
No. for whom assurance has not been received	3 *	1**	0
No. that have been terminated as a result of assurance not being received	0	0	0

Note: Where assurance has not yet been received by the Department for three individuals *:

1 – Left the Department in February 2014. The Department has tried to contact them on a number of occasions but without response.
2 – Left the Department and confirmed they would send the information to DCLG by end of April 2014, but this has not been received.
3 – Left the Department. DCLG issued a letter requesting tax information.

Note: Where assurance has not yet been received by the Agency for one individual**

1 – Currently with the Agency and receipt of assurance request was recognised in May 2014 with a commitment to provide evidence based assurance

Table 5.8: Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014:

	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	-	-
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements	14	-	-

Table 5.9: Expenditure on consultancy and temporary staff

	2013-14 £000	2012-13 £000	2011-12 £000
Cost of Contingent Labour			
DCLG	3,270	4,513	2,843
Executive Agencies (PINS only)	435	-	-
NDPBs (1)	1,452	1,591	1,347
Total	5,157	6,104	4,190
Cost of Consultancy			
DCLG	524	1,126	4,270
Executive Agencies (PINS only)	-	-	-
NDPBs (1)	75	167	131
Total	599	1,293	4,401
Overall Total	**5,756**	**7,397**	**8,591**

Note: 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".
Note: 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.
(1) Figures have been included for any bodies in scope that have subsequently closed in the last three years.
(2) Figures include VAT when appropriate and irrecoverable.

Fire, Health and Safety

7.57 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.

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

Performance Summary

7.59 During 2013-14, 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 implementing a number of revised procedures and communicating these to both internal and external stakeholders.

7.60 Active monitoring has provided robust evidence to support the effectiveness of the Department's statutory and occupational health and safety compliance assurance systems. This has enabled a reallocation of resource and ensures remedial action is taken on a risk-based approach.

Strategic Progress

7.61 During 2013-14, the Department has:

- Implemented a new management structure for fire, health and safety delivery.
- Introduced a new digital display screen equipment (DSE) risk assessment and e-learning training package for staff.
- Acted as a key stakeholder for Civil Service Learning assisting the whole Civil Service in areas including Fire Safety, Risk Assessment Manual Handling and First Aid.
- Strengthened its fire safety, statutory compliance and occupational health and safety reporting tools to enhance simple and effective data interrogation.
- Continued to reduce fire, health and safety risks associated with our business activities.
- Conducted quarterly performance reviews of the safety and compliance management systems within the Department's Total Facilities Management Contract.
- Continued consultation with the Departmental Trade Union Side.

Strategic Objectives

7.62 In the coming year, the Department will:

- Undertake a mid-contract performance audit of the Total Facilities Management contract, to ensure Fire, Health and Safety processes and arrangements are sufficiently robust.
- Support the headquarter relocation to 2 Marsham Street.
- Retrain staff to enhance their health and safety knowledge and systems.

- Support cross government initiatives on efficiency savings within its fire, health and safety management systems through Next Generation Human Resources (Next Generation HR) and Property Asset Management shared service initiatives.

Departmental Accident Statistics for 2013-14

7.63 The Department's safety performance was again good. Overall accident rates have remained low, with no enforcement action taken against the Department. One accident was reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR), compared to two in 2012-13. The Reportable Accident Rate was calculated as 61 per 100,000 employees, which is significantly lower than the 2012-13 Public Service average. A total of 21 accidents were reported by employees in 2013-14, against 29 in 2012-13. The Department will continue to focus on eliminating and/or controlling workplace hazards so far as reasonably practicable during 2014-15.

Table 6: Departmental Accident Statistics

	2013-14	2012-13	2011-12
Number of Accidents	21	29	12
Number of RIDDORs per 100,000 staff	61	74	-
Public Service average number of RIDDORs per 100,000 staff	*	289	554
General Office/Admin average number of RIDDORs per 100,000 staff	*	261	450

* Data not yet available

Sustainability development

7.64 The Department's Business Plan states that we will:

- Ensure continuous improvements in energy efficiency of new buildings – Publish changes to energy efficiency requirements in Building Regulations
- Deliver sustainable growth through our local growth work and town centres.

7.65 We will also:

- Assess and manage environmental social and economic impacts and opportunities in its policy development and decision making
- Implement our plan to deliver on the 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.

Progress on delivering sustainable local growth

7.66 We are implementing our commitment to devolve substantial funding to local areas to give them the tools and incentives to drive growth in their communities. Local Enterprise Partnerships (LEPs) are partnerships of businesses and local leaders providing strategic leadership on growth.

7.67 In response to Lord Heseltine's report 'No Stone Unturned,' in March 2013 the Government announced the creation of the Local Growth Fund to support Local Enterprise Partnerships to deliver local growth. Our aim is to work across Government with local partnerships. The Local Growth Fund includes funding for transport, skills and housing, will be £2 billion in 2015-16, and will continue to be at least £2 billion a year through the next Parliament.

7.68 We aim to negotiate a Growth Deal by July 2014 with each individual Local Enterprise Partnership – based on multi-year Strategic Economic Plans drawn up locally to meet local growth priorities. Growth Deals will provide funding for infrastructure and growth through the Local Growth Fund but we also intend that they should include greater local influence over key levers affecting local growth, and freedoms and flexibilities to drive local growth. In return, Government will ask for tangible commitments from Local Enterprise Partnerships, including use of local authority assets to unlock resources for growth, commitment to growth through Local Plans, and better joint decision-making locally.

7.69 Alongside this, a majority of European funding for the Structural and Investment Fund Growth Programme, (which for the 2014-20 programme will include all of European Regional Development Fund and European Structural Fund, along with a proportion of the European Agricultural Fund for Rural Development (EAFRD)) will be allocated to Local Enterprise Partnership areas. Each Local Enterprise Partnership will lead the development of a Structural and Investment Fund Investment Strategy, which will form part of the Local Enterprise Partnership's wider strategic economic plan. All European Structural Investment Funds in the UK will therefore include integrated strategies for addressing environmental, social and economic concerns guided by the principles of sustainable development.

7.70 We are also supporting balanced growth and committing resources through Enterprise Zones across the country, through the Regional Growth Fund, the Coastal Communities Fund, and our support for town centres to ensure they prosper.

Public land

7.71 An estimated 40% of large sites suitable for development are owned by the public sector. The Public Sector Land Programme has identified land with capacity for over 100,000 homes which we are aiming to release to the private sector by March 2015. At the end of December 2013 we had released land capable of delivering 68,000 homes.

Impact assessment

7.72 DCLG follows the guidance and broad policy making cycle that is set out in the Green Book. Option appraisal is a key part of this process with the estimated impacts of a policy set out in analytical documents such as business cases and Impact Assessments. In DCLG, policy advisers and analysts work closely to produce each impact assessment before it is peer reviewed prior to receiving 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).

Rural proofing

7.73 DCLG works closely with DEFRA to develop housing policies which take account of the potential impact on rural communities and with the Homes and Communities Agency on improving the quantity, quality and speed of delivery of rural affordable housing.

Community Rights

7.74 Community Rights were introduced by the Localism Act 2011 and include:

- Neighbourhood Planning & Community Right to Build
- Community Right to Bid
- Community Right to Challenge
- Our Place
- Creating a new parish and the Sustainable Communities Act
- Community Shares

7.75 Our 'You've got the power' quick and simple guide to community rights : https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244635/130924_You_ve_got_the_power_accessible.pdf gives an overview of these and we have provided more than £50 million to help community groups who want to use them.

7.76 By purchasing community shares, rural communities have been able to keep their village shop open for business or put together community energy schemes, getting a better deal for local people. We provide specialist support through organisations like Pub is the Hub, the Plunkett Foundation, the Community Shares Unit and the Locality and Social Investment Business.

7.77 The Sustainable Communities Act enables councils to make proposals to central government for improving the economic, social or environmental well-being of their area. We extended the Act in October 2013 so that town and parish councils are also able to do this, and published an update on Government action in response to previously accepted proposals:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224540/Sustainable_Communities_Act_2007_update.pdf

7.78 Our Place, launched in January 2014 to help local people tackle local issues has received 25 applications from predominantly rural town or parish councils, to access support to address issues ranging from creating local employment and training opportunities for young people, improving health and wellbeing and environmental management of the local area. These applications are currently being assessed and successful applicants notified.

Rural Funding

7.79 In 2013-14, we provided £8.5 million to help 95 rural authorities secure more efficient services, recognising that costs can be higher in sparsely populated areas. We will be paying £11.5 million to 94 local authorities in 2014-15 to achieve efficiencies in rural areas.

7.80 The funding changes made by this Government are already showing through in a steady reduction in the gap in spending power between urban and rural areas.

7.81 DCLG is also planning research with DEFRA which will consider whether rurality is a driver of cost relative to other factors (eg needs in urban areas) and for which services. The report, anticipated by the end of October, will feed into future local government funding settlements.

Climate change

7.82 Following the first national Climate Change Risk Assessment in January 2012, the Department has worked with other departments and partners to develop the National Adaptation Programme (NAP). The National Adaptation Programme report was published in July 2013:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209866/pb13942-nap-20130701.pdf

7.83 It sets out what government, businesses and society need to do to ensure that the UK becomes more resilient to the effects of climate change.

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

7.85 The National Planning Policy Framework explains that planning plays a key role in helping shape places to secure radical reductions in greenhouse gas emissions, minimising vulnerability and providing resilience to the impacts of climate change. It expects local planning authorities to adopt proactive strategies to mitigate and adapt to climate change, taking full account of flood risk, coastal change and water supply and demand considerations.

7.86 To help implement the Framework, the Department launched the final version of the planning practice guidance in March 2014, on-line at http://planningguidance.planningportal.gov.uk, (following a Beta version launched in August 2013). The site includes guidance on climate change, flood risk and coastal change, water supply and renewable energy. This underlines that:

- Addressing climate change is one of the core land use planning principles which the Framework expects to underpin both plan-making and decision-taking, and
- The Framework sets strict tests to protect people and property from flooding which all local planning authorities are expected to follow

7.87 Local authorities have continued progress in producing Local Plans during the year. 76% are now at the publication stage or beyond. 21% of councils have published a plan after the Framework came into effect.

7.88 Following public consultation, the Government announced a strengthening of Part L of the Building Regulations relating to energy efficiency requirements for buildings. The new regulations came into force on 6 April 2014 and require average reductions of 6% in CO_2 emissions for new homes and 9% for new non-domestic buildings compared to Part L 2010 regulations. This is the next step towards zero carbon buildings.

7.89 DCLG supports the Cabinet Office in promoting community resilience. We work directly with Local Resilience Forums to increase the focus on helping local communities to prevent and prepare for major risks like flooding – for example, local people volunteering as flood wardens. These schemes proved valuable during the severe weather during the 2013-14 winter. For example:

- Flood wardens in North Somerset monitored river levels and reported back to local authorities to help prioritise emergency response.
- Volunteers working with the National Flood Forum helped residents to strengthen homes against further incidents as part of the clean-up following the East Coast Tidal Surge.

7.90 DCLG is working with other Government departments, and with academic and industry representatives to identify practical ways of mitigating the risk to people's health from overheating in buildings during prolonged spells of hot weather.

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

7.91 DCLG and our NDPBs together have increased our amount of procurement spend with Small and Medium Enterprises from 12% in May 2010 to 28% in 2013-14 (23% by direct spend and a minimum of 5% via indirect subcontracted spend). In monetary terms, our overall spending with SMEs has increased from £49.9 million in 2010-11 to £60.7million in 2013-14.

7.92 DCLG maintains a section within its area of the .gov.uk website specifically aimed at Small and Medium Enterprises and including other support such as training packages and information about how to do business with us.

7.93 We ensure that we undertake early engagement with the market before any formal procurement is launched to ensure that Small and Medium Enterprises are not only aware of our requirements but fully contribute to and compete in the subsequent tender process.

7.94 We require our prime contractors to commit to a proportion of their subcontractors being Small and Medium Enterprise organisations and that they pay their sub-contractors on terms no worse than DCLG pay them.

7.95 Our Small and Medium Enterprise 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.

Sustainability

7.96 DCLG is fully committed to operating an efficient estate and reducing the environmental impact of its operations and their associated costs. This is the fourth year that DCLG has reported non-financial and financial indicators of its sustainability performance in its Annual Report and Accounts, a performance summary is provided below, and a main report is published at www.gov.uk.

7.97 Overall, the Department has continued to make strong progress towards meeting the Greening Government Commitments (GGC) targets, while also reducing associated financial costs against the 2009-10 baselines. Table 7a sets out the direct financial benefits of DCLG's Greening Government programme; Tables 7b and 7c its Greening Government Commitments progress, and Table 7d the associated financial costs.

Table 7a: Direct financial benefits of DCLG's Greening Government programme

	Energy	UK Business Travel	Waste Disposal	Water Use	Total £'000
2013-14 cost vs. 2009-10	(925)	(2,280)	(1,244)	(13)	(3,362)
2013-14 cost vs. 2010-11	(325)	(551)	(131)	9	(998)
2013-14 cost vs. 2011-12	56	795	(123)	12	740
2013-14 cost vs. 2012-13	303	1,193	3	33	1,532

Table 7b: Non-financial 2013-14 performance against key Greening Government 2015 targets, measured against 2009-10

	Reduce GHG (Scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generated by 25%
Performance (2013-14 measured against 2009-10)	-54%	-50%	-68%

Table 7c: Summary progress against Greening Government 2015 targets

		2009-10 Baseline	2010-11	2011-12	2012-13	2013-14
Reduce greenhouse gas (GHG) emissions by 25% (tCO_2)	Tonnes CO_2e	23,800	19,992	14,907	14,002	10,900
Target: 25% reduction by 2014-15 compared to 2009-10	reduction vs baseline		-16%	-37%	-41%	-54%
Reduce number of domestic business travel flights by 20%	domestic flights	542	671	198	289	275
Target: 20% reduction by 2014-15 compared to 2009-10	reduction vs baseline		24%	-63%	-47%	-49%
Reduce the amount of waste we generate by 25% (Tonnes)	Tonnes	2,103	2,631	1,414	1,268	681
Target: 25% reduction by 2014-15 compared to 2009-10	reduction vs baseline		25%	-33%	-40%	-68%
Reduce paper use by 10% in 2011/12 (A4 Reams Equivalent)	Reams A4 equivalent	87,486	52,925	40,188	28,854	30,966
Target: 10% reduction by 2011-12 compared to 2009-10	reduction vs baseline		-40%	-54%	-67%	-65%
Office estate water - m^3/full time equivalent employee (FTE)	equivalent employee	7.8	6.9	7.2	5.3	4.6
Reduce total estate water consumption (m^3)	m^3	99,358	75,919	71,568	62,168	49,521
Target: 25% reduction by 2014-15 compared to 2009-10	reduction vs baseline		-24%	-28%	-37%	-50%

Table 7d: Financial costs

		2009-10	2010-11	2011-12	2012-13	2013-14
						£'000
Financial Indicators (£,000)	Expenditure on Energy	2,944	2,344	1,963	1,716	2,019
	Expenditure on Official UK business travel	6,160	4,431	3,085	2,687	3,880
	Expenditure on Domestic Air Travel	270	97	22	23	65
	Expenditure on Waste Disposal	252	239	231	105	108
	Expenditure on paper procured	202	174	136	97	85
	Expenditure on Water Supply and Sewerage	122	100	97	76	109

7.98 Although the Department has met many of the Greening Government Commitment targets, it is committed to continuous improvement and delivery plans are regularly reviewed to identify further opportunities for cost-effective reductions.

7.99 Further work is required to ensure the Department brings office water use in line with good practice benchmarks. This is the Department's top Greening Government priority, with specific governance structures established to oversee delivery of its Water Efficiency Action Plan.

8 Other Financial Information

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

Absorption accounting transfers

8.2 Absorption Accounting: Where applied under absorption accounting principles, the transfer of net assets 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 2013-14, transfers took place in respect of the following:

- West Northamptonshire Development Corporation to Local Authorities – the total amount of non operating absorption loss was £1.525million

Asset Transfers

8.3 Government bodies may transfer assets to other government bodies for nil consideration where there is no identifiable function being transferred in accordance with the Financial Reporting Manual. 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). During 2013-14, asset transfers took place in respect of the following:

- DCLG transferred fire assets to Fire and Rescue Services (London, Nottinghamshire, Gloucestershire and Lincolnshire) – the total amount of assets transferred was £4.629 million.
- West Northamptonshire Development Corporation to Local Authorities – the total amount of assets transferred was £46,000.

Changes to National Non Domestic Rates (NNDR) to new system of Business Rates Retention

8.4 National Non-Domestic Rates: Following the passing of the Local Government Finance Act 2012, Business Rates Retention (BRR) replaced National Non-Domestic Rates from 1st April 2013. Further information can be found in the Accounting Policies sections of both the Annual Accounts (page 110) and the Trust Statement (page 175)

8.5 Following the classification, by the Office for National Statistics, of the full amount of rates income collectable as being a central government tax, the Department must report the income retained by local authorities (the 'Local Share') as income collectable for the Trust Statement, as outturn against Budgets and as grant expenditure in the Statement of Net Comprehensive Expenditure. This reflects the full amount of tax collectable and then redistributed to local authorities. The income collectable is reported as rates income in local authorities Comprehensive Income Statements and the any income collectable in respect of the Local Share is retained by local authorities.

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

8.6 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.

8.7 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.

8.8 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.

8.9 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

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 Statement of Comprehensive Net Expenditure. During 2013-14, the Department has accrued liabilities of £0.9million in respect of debt at risk which is expected to be written off.

(b) Capping – background

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.

Details of final match funding were included in the closing statements for 2000-2006 Programme grants and 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. Until the final letters confirming amounts of funding provided has been received, the Department is unable to quantify this liability. Additionally, the 2007-2013 Programme is due to complete in 2015 and liabilities in respect of capping on this programme may arise. The liability for this category is therefore unquantifiable.

(c) Estimated potential corrections

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.

In respect of corrections related to error rates of up to 2%, there is an expected liability of £10million which has previously been accrued for in 2011-12. During the year, the Department has applied a financial correction of £5.7million in order to bring down an error rate which was exceeding 2% identified as part of the Audit Authority annual control report to the European Commission. This has therefore been categorised as a charge in 2013-14. No additional provision has been made in 2013-14.

Summary of European Regional Development Fund liabilities

8.10 The above changes result in a total charge to the Department's accounts in 2013-14 of £6.6million.

8.11 Final closure of all 2000-06 European Regional Development Fund programmes is expected during 2014-15.

European Regional Development Fund 2007-13 programme

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

8.13 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.

8.14 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 Statement of Financial Position either as current asset inventories or deferred income within current payables.

8.15 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.

8.16 The following table shows the relevant balances on the Statement of Financial Position

000's

Item	At 31 March 2014	At 31 March 2013
Project payments:		
Inventories	64,484	14,655
Intervention rate:		
Inventories	-	-
Deferred income	(151,712)	(63,824)
Interest received:		
Deferred income(1)	5,739	(4,784)
Advances to Greater London Authority(2)	10,264	10,043
ERDF bank account (3)	192,927	191,972

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

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 European Regional Development Fund match funding

2:Balance reflects advance paid to Greater London Authority

3:Any increase 1 April to 31 March is the interest earned, not yet utilised, on those bank deposits

Losses arising from Self Correction

8.17 During 2013, the Audit Authority conducted 171 audits, testing the validity of €324m out of total declared expenditure of €1.01 billion. Testing of the audit sample revealed instances of ineligible expenditure on a number of European Regional Development Fund projects in excess of the 2.00% materiality threshold set by the Commission. The

Audit Authority calculated the total projected error rate for the 2013 period as being 2.728%.

8.18 To ensure an error rate of less than 2.00% is reported in the Annual Control Report, the Department applied a self-correction to the European Regional Development Fund Programme by removing €6.999m from the December 2013 Declaration of expenditure to the European Commission. This amount represents a self-correction of 0.738%, effectively reducing the total projected error rate to 1.99%, under the materiality threshold. The value of this self-correction in Sterling is £5.683million and this is represented as a loss in the Department's accounts.

Other losses

8.19 During 2013-14, two other losses were reported in respect of grant expenditure which was subsequently determined as ineligible and where recovery was considered to be too remote and amounts were therefore written off. The amounts written off were £0.5million and £0.4million which are reported in the Losses Statement at Note 26.

Programme Interruption

8.20 The Department was informed in May 2013 that the European Commission had 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. During the year, the Department undertook significant additional work in response to the issues raised by the European Commission, to strengthen the management and control environment and processes relating to the verification of expenditure before declarations are submitted to the European Commission. As a result of the additional work undertaken, the Department received notification in March 2014 that the Commission had lifted the interruption of the 2007-2013 Programme and had authorised the payment of outstanding declarations dating back to September 2012. The Department received the funds in April 2014.

Non Departmental Public Body Closures

8.21 During or at the end of 2013-14 two 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.

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

West Northamptonshire Development Corporation (WNDC)

8.23 Under the terms of a Transfer Order made under the terms of the Local Government Planning and Land Act 1980, West Northamptonshire Development Corporation's operational activities and substantially all associated assets and liabilities were transferred to local authorities on 27 March 2014. West Northamptonshire Development Corporation will remain in existence until 31 July 2014 to wind up its affairs. At that point any remaining assets, including bank balances, liabilities and reserves will be incorporated into those of the Department.

Independent Housing Ombudsman Ltd (IHOL)

8.24 The Independent Housing Ombudsman was wound up with effect from 1 April 2014 and its operations passed to The Housing Ombudsman (a Corporation Sole) at this date. All assets and liabilities with a net total of £713k transferred in full to The Housing Ombudsman and are reflected in these accounts.

9 Remuneration Report[3]

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.

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

The 2014 Annual Report on Senior Salaries can be found at

https://www.gov.uk/government/publications/senior-salaries-review-body-36th-report-2014

Service contracts

9.2 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.

9.3 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.

9.4 Further information about the work of the Civil Service Commissioner can be found at

www.civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements

9.5 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 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 9.11.

[3] 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 benefits in kind)

Single total figure of remuneration								
Ministers	Salary (£)		£ Benefits in kind (to nearest £100)		£ Pension benefits[1] (to nearest £1000)		£ Total (to nearest £1,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
The Rt Hon Eric Pickles MP	68,169	68,827	-	-	25,000	25,000	93,000	94,000
Nick Boles MP	23,039	13,560(8)	-	-	-	-	23,000	14,000
Brandon Lewis MP	23,039	13,560(9)	-	-	9,000	5,000	32,000	19,000
Baroness Stowell of Beeston MBE	30,543(2)	-	-	-	9,000	17,000	39,000	17,000
Kris Hopkins MP	11,148(3)	-	-	-	4,000	-	15,000	-
Stephen Williams MP	11,148(4)	-	-	-	4,000	-	15,000	-
Baroness Hanham CBE	37,404(5)	47,560(10)	-	-	-	-	37,000	48,000
Mark Prisk MP	16,694(6)	18,884 (11)	-	-	6,000	5,000	23,000	24,000
The Rt Hon Don Foster MP	11,891(7)	13,560(12)	-	-	5,000	5,000	17,000	19,000
The Rt Hon Grant Shapps MP	-	14,118(13)	-	-	-	-	-	14,000
The Rt Hon Greg Clark MP	-	14,118(14)	-	-	-	-	-	14,000
Bob Neill MP	-	10,137(15)	-	-	-	-	-	10,000
Andrew Stunell MP	-	10,137(16)	-	-	-	-	-	10,000

2013-14

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2 Figure quoted is for the period 7 October 2013 to 31 March 2014, which also includes House of Lords Allowance. The full year equivalent is £68,710
3 Figure quoted is for the period 7 October 2013 to 31 March 2014. The full year equivalent is £23,039
4 Figure quoted is for the period 7 October 2013 to 31 March 2014. The full year equivalent is £23,039
5 Figure quoted is for the period 1 April to 6 October 2013, which also includes House of Lords Allowance. The full year equivalent is £68,710
6 Figure quoted is for the period 1 April to 6 October 2013. The full year equivalent is £32,344
7 Figure quoted is for the period 1 April to 6 October 2013. The full year equivalent is £23,039

2012-13

8 Figure quoted is for the period 5 September 2012 to 31 March 2013. The full year equivalent is £23,697
9 Figure quoted is for the period 5 September 2012 to 31 March 2013. The full year equivalent is £23,697
10 Figure quoted is for the period 1 April 2012 to 30 September 2012 and from 1 January to 31 March 2013, which also includes House of Lords Allowance. No payment received during October, November and December 2012. The full year equivalent is £72,470
11 Figure quoted is for the period 5 September 2012 to 31 March 2013. The full year equivalent is £33,002
12 Figure quoted is for the period 5 September 2012 to 31 March 2013. The full year equivalent is £23,697
13 Figure quoted is for the period 1April 2012 to 4 September 2012. The full year equivalent is £33,002
14 Figure quoted is for the period 1 April 2012 to 4 September 2012. The full year equivalent is £33,002
15 Figure quoted is for the period 1 April 2012 to 4 September 2012. The full year equivalent is £23,697
16 Figure quoted is for the period 1April 2012 to 4 September 2012. The full year equivalent is £23,697

Please see paragraphs 9.6 to 9.9 regarding the salaries of Ministers

Single total figure of remuneration

Officials	Salary (£000's)		Bonus Payments (£'000)		£ Benefits in kind (to nearest £100)		£ Pension benefits [1] (to nearest £1000)		£000's Total (to nearest £1,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Sir Bob Kerslake Permanent Secretary	190-194[2]	190-194[10]	-	-	75,000	82,900	70,000	79,000	335-340	350-355
Peter Schofield Director General	130-134	130-134	5-9	-	-	-	89,000	5,000	230-235	135-140
Helen Edwards Director General	145-149[3]	-	-	-	-	-	20,000	-	165-170	-
Andrew Campbell Director General	95-99[4]	90-94	5-9	10-14	-	-	15,000	8,000	120-125	110-115
Louise Casey Director General	95-99 [5]	-	-	-	-	-	25,000	-	120-125	-
Sue Higgins Director General	55-59[6]	135-139	-	-	-	-	33,000	51,000	90-95	185-190
Simon Ridley Acting Director General	10-14[7]	20-24[11]	5-9	-	-	-	-	19,000	20-25	40-45
David Rossington Director	65-69[8]	-	-	-	-	-	-	-	65-70	-
David Hill Director	35-39[9]	-	-	-	-	-	16,000	-	55-60	-
David Prout Director General	-	100-104[12]	-	10-14	-	-	-	-	-	110-115
Elizabeth Whatmore Acting Director	-	35-39[13]	-	-	-	-	-	-	-	35-40

	2013-14	2012-13
Band of highest paid Director's total remuneration (FTE)	170-174[14]	170-174[14]
Median total actual (FTE)	37,875	38,028
Remuneration ratio	5	5

Note: Bandings above are in the format: £ 0-£4,999, £ 5,000-£9,999, £10,000-£14,999, £15,000-£19,999

2013-14

1The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

2 The figure for the period 1April to 31March is the full year salary including £20k allowance as Head of Civil Service, the full amount of the allowance is recovered from Cabinet Office.

3 Figure quoted for the period 7 May to 31 March 2014. The full year equivalent is in the range £160-£164k.

4 Figure quoted for the period 1 April to 1 September 2013, joined the board as a Director but not in receipt of temporary responsibility allowance. For the period 2 September to 31 March 2014 became acting Director General for which a temporary responsibility allowance is paid. An additional payment of £10k was made in respect of untaken annual leave.

5 The figure quoted for the period 10 July 2013 to 31 March 2014. The full year equivalent is in the range £130-134k.

6 Figure quoted for the period 1 April to 1 September 2013 went on secondment, leaving the Department in January 2014. The full year equivalent is in the range £135k-139k.

7 Figure quoted for the period 1April to 7 May 2013 as acting Director General during which temporary responsibility allowance was paid.

8 Figure quoted for the period 2 September 2013 to 31 March 2014. The full year equivalent is in the range £110k-114k.

9 Figure quoted for the period 14 October 2013 to 31 March 2014. The full year equivalent is in the range £80k-£84k.

2012-13

10 Due to an error in the calculation of allowance for the Head of Civil Service, an overpayment of £10k made in 2012-13 was repaid during 2013-14. This arose as a result of an error in calculation of the allowance which was repaid immediately when the error came to light. The above 2012-13 salary figure has been reduced from the figure reported last year to remove the overpayment.

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

12 Figure quoted 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.

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

Pay Multiples Table:

14. Total salary is £190-195k which includes £20k element for Head of Civil Service role paid by CO therefore only DCLG element shown in fair pay calculation (£170-174k).

Salary

9.6 '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.

9.7 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. Their salaries for services as MP (£65,738 from 1 April 2010, £66,396 from 1 April 2013) and various allowances to which they are entitled are borne centrally.

9.8 The arrangement for Ministers in the House of Lords is different. They do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration for Baroness Hanham and Baroness Stowell as well as any allowances to which they were entitled, was paid by the Department and is, therefore, shown in full in the figures in the Ministers remuneration table above.

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

9.10 Louise Casey CB was appointed as a Director General in the Department in November 2011 and is a member of the senior management team. In 2012-13, she was not a member of the Board and her Remuneration was not reported, however, she joined the Board during 2013-14 and therefore her 2013-14 Remuneration is reported.

9.11 Non-Executive Directors received the following fees for their work during 2013-14:

	Fees (£)	
Non-Executive Directors	2013-14	2012-13
Sara Weller	20,000	20,000
Stephen Hay	10,000	10,000
Diana Brightmore-Armour	8,750 (1)	7,500
Nick Markham	10,000	2,500
Grenville Turner	2,630 (2)	-
Stewart Gilliland	-	7,500 (3)

2013-14
1 Figure quoted is for the period 1 April to 31 October 2013. The full year fee entitlement is £15k.
2 Figure quoted is for the period 27 January to 31 March 2014. The full year fee entitlement is £15k.
2012-13
3 Figure quoted for the period 1 April to 31 December 2012. The full year fee entitlement is £10k.

Benefits in Kind

9.12 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code. The car is a shared resource between the Cabinet Secretary and the Head of the Civil Service. Ministers and civil servants in the Cabinet Office and No 10 also use the car on a regular basis. The Cabinet Secretary uses the car predominantly for home to office journeys. The Head of the Civil Service uses the car predominantly for home to office journeys and journeys between the Cabinet Office, Parliament and Eland House, and the benefit-in-kind arising is £75,000.

9.13 In 2012-13, this was disclosed in the Annual Report and Accounts for the Cabinet Office as receipt of the benefit was directly as a result of Head of Civil Service activities. However, to ensure full transparency and disclosure, this is now being disclosed within this Remuneration Report and we are reporting 2012-13 benefit in kind as comparative data. The tax liability arising from receipt of the benefit in kind has been met in full by the Department.

Bonuses

9.14 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 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to the performance in 2011-12.

Pay Multiples

9.15 The banded remuneration of the highest paid director in the Department, the Permanent Secretary, in the financial year 2013-14 was £170k - £174k (2012-13: £170k - £174k). These sums exclude the allowance and benefits in kind arising from the Permanent Secretary's work as Head of Civil Service because these were not incurred on departmental activities. This was 4.55 times (2012-13: 4.54 times) the median remuneration of the workforce, which was £37,875 (2012-13: £38,028).

9.16 Remuneration ranged from £18k - £172k (2012-13: £21k - £170k). Total remuneration includes salary and non consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

9.17 The median salary for 2013-14 has decreased by £153 compared to the 2013-14 median salary. The 2012-13 figures have been restated following correction to the Head of Civil Service allowance payable to the Permanent Secretary. The overpayment was repaid in full once identified.

Ministerial Pension benefits

Minister	Accrued pension at age 65 as at 31/03/14	Real increase in pension at age 65	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV £
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Eric Pickles MP	5-10	0-2.5	112	79	21
Nick Boles MP	-	-	-	-	-
Brandon Lewis MP	0-5	0-2.5	10	3	3
Baroness Stowell of Beeston MBE	0-5	0-2.5	31	25	4
Kris Hopkins MP	0-5	0-2.5	4	-	2
Stephen Williams MP	0-5	0-2.5	3	-	2
Mark Prisk MP	0-5	0-2.5	41	34	4
Baroness Hanham CBE	-	-	-	-	-
The Rt Hon Don Foster MP	0-5	0-2.5	12	6	4

To note: No disclosure of Pension Benefits available for Nick Boles MP and Baroness Hanham MP as they did not contribute to a Pension scheme in 2012-13 and 2013-14.

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

9.19 Those ministers who are Members of Parliament (MPs) may also accrue an MP's pension under the Parliamentary Contributory Pension Fund (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 Parliamentary Contributory Pension Fund, 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.

9.20 Benefits for ministers are payable at the same time as MPs' benefits become payable under the Parliamentary Contributory Pension Fund 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 per cent and 16.7 per cent depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014.

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

9.22 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)

9.23 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 Cash Equivalent Transfer Value 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. Cash Equivalent Transfer Values 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 Cash Equivalent Transfer Value

9.24 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

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 as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV £000's
	£'000	£'000	£'000	£'000	£'000
Sir Bob Kerslake	15-20 plus lump sum of Nil	2.5-5 plus lump sum of 0-2.5	232	159	50
Peter Schofield	35-40 plus lump sum of 110-115	2.5-5 plus lump sum of 12.5-15	551	463	53
Helen Edwards	25-30 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	566	510	2
Andrew Campbell	40-45 plus lump sum of 70-75	0-2.5 plus lump sum of (0-2.5)	852	787	12
Louise Casey	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 2.5-5	506	460	16
Sue Higgins	85-90 plus lump sum of Nil	2.5-5 plus lump sum of 0-2.5	997	926	42
Simon Ridley	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	199	191	2
David Rossington	35-40 plus lump sum of 50-55	(0-2.5) plus lump sum of (5-10)	688	689	(43)(1)
David Hill	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	208	190	7

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

9.25 Employee contributions are salary-related and range between 1.5 per cent and 6.25 per cent of pensionable earnings for classic and 3.5 per cent and 8.25 per cent for premium, classic plus and nuvos. Increases to employee contributions apply from 1 April 2014. 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 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.

9.26 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to employer’s basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Sir Bob Kerslake **23 June 2014**

Accounting Officer

Department for Communities and Local Government

This signature covers the information disclosed in the Directors Report, Strategic Review and Remuneration Report.

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 Government Resources and Accounts Act by Statutory Instrument 2013 numbers 488 and 3187 (together known as the 'departmental group', consisting of the Department and bodies listed in Note 29 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 In 2010, HM Treasury 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 In line with the Corporate Governance Code (published by HM Treasury, this Governance Statement sets out the approach of the Departmental Group to corporate governance. The Governance Statement:

- Describes how the Department's Board and its supporting governance structures operate outlining the systems of internal control, risk management and accountability, and
- 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 This Statement covers the whole Group, reflecting the governance arrangements of our Agency and Non Departmental Public Bodies. Each of these organisations publishes their own Governance Statement as part of their Annual Reports and Accounts. Rather than duplicate information 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

11.3 As Accounting Officer, I have responsibility (in accordance with the responsibilities assigned to me as set out in Managing Public Money) 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.

11.4 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

11.5 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 service delivery.

11.6 The accountability system statement for local authorities and fire and rescue authorities[4] for the financial year 2013-14 was published in September 2013. It:

- Sets out current funding systems, legislation and guidance which forms the system at present; and
- Signposts changes which are expected to be made during the year.

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245118/Accounting_Officer_Accountability_System_statements_for_LG_and_FRAs.pdf

11.7 The system described is the core accountability system for local authorities, which is concerned with issues such as their financial management and democratic accountability.

11.8 Other departments which oversee other services run by local government will publish statements that also explain any other grants made to local authorities, and relevant legislation and regulation in relation to those services, including Department for Education, Department of Health and Department for Transport.

11.9 As the Department's Accounting Officer, I ask for annual advice that the accountability system for local authorities has remained robust over the last year. The evidence reviewed to inform this advice includes information from the Audit Commission and consultancy reports on fraud, governance, accounts and audit (which speak to regularity, propriety and achieving value for money locally). The current advice concludes that over the last year:

- Local authorities have continued to manage their resources effectively despite the current pressures on spending caused by overall reductions in funding;
- The vast majority of councils have delivered annual accounts that present a true and fair view and have proper arrangements in place to achieve value for money; and
- Where necessary, local authorities are receiving sector-led improvement support to address their finance and governance challenges.

11.10 Therefore, there is no immediate need for any changes to the accountability system. The advice also recommends that I keep a continued awareness of the risk of councils not being able to manage their resources properly under increased financial pressures. I will keep the system under review.

The Department's Board and governance structure

11.11 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 of this Governance Statement provides an overview of the Board and sub-committee membership and attendance during the financial year 2013-14.

11.12 The Board met four times in 2013-14 and provided 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. At each of its the meetings, the Board considered Finance (Spending Round, Budget, Autumn Statement), Local Growth, Enterprise Zones, Planning, new housing policy, public services and performance.

11.13 Non-Executive Directors play a key role in the effectiveness of the 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

11.14 The Board is supported by two sub-committees:

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

11.15 These sub-committees are made up of members of the Executive Team, Non-Executive Directors (to ensure independent advice) and Department officials (attending in an advisory capacity).

11.16 The **Audit and Risk Committee** is chaired by Non-Executive Director Stephen Hay and meets on a quarterly basis. It 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;
- Plays a key role in reviewing and approving the Department's Annual Report and Consolidated Accounts;
- Works across the Group, assisted through close working relationships with the Department's Arms Length Bodies, in particular their Audit and Risk Committees; and
- Scrutinises the Department's overall risk register, undertaking a detailed review of the Department's approach to particular risks.

11.17 The **Nominations and Governance Committee** is chaired by a Non-Executive Director and met three times this year. Diana Brightmore-Armour was the Chair until her departure in October 2013. Sara Weller then took over (as interim Chair) until Grenville Turner was appointed as a Non-Executive Director in January 2014 and took up the role. 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 Both sub-Committees provide updates to the Board on the issues and key discussion points of their meetings as part of the regular Performance paper.

The Executive Team Committee

11.19 The Board is supported by the Executive Team. The Executive Team is chaired by the Permanent Secretary with Directors General, the Director of Finance and Director of Strategy and Private Office Group 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 top cross-Departmental issues whilst maintaining a clear oversight of on-going and emerging work programmes. It does this through 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 Committee along with the Better Department Board, which meet on a monthly basis and consist of the Department's senior leadership team:

11.23 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.

11.24 The **People Sub-Committee** is responsible for overseeing the development and delivery of DCLG'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 DCLG and its agencies.

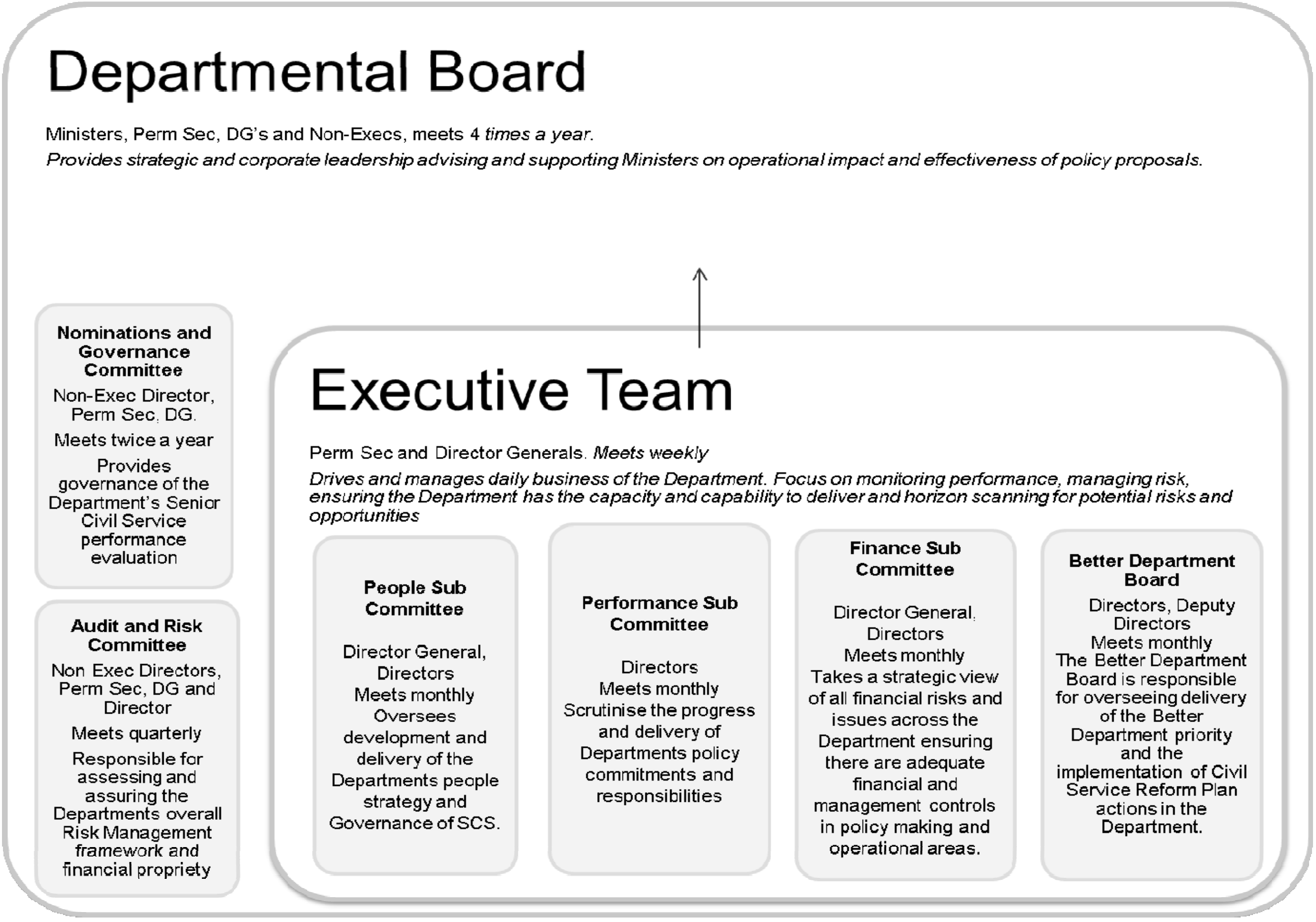
11.25 The **Better Department Board** is responsible for overseeing delivery of the Better Department priority, including ensuring a coherent change narrative, championing the change in the Department, challenging delivery and the ambition for change, ensuring that we aspire to meeting the Blueprint measures and maximising the benefits arising from the Programme. The Board also oversees the implementation of Civil Service Reform Plan actions in the Department. The Board reports directly to the Executive Team through the Chair, and escalates issues as necessary.

11.26 The **Finance Sub-Committee** takes a strategic view of all financial risks and issues across the DCLG Group by ensuring there are adequate financial and management controls in policy making and operational areas. It is responsible for scrutinising and agreeing all investment proposals of over £50 million (supported by the Investment Sub-Committee) 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. It is supported by two further sub-groups:

11.27 The **Investment Sub-Committee** reviews any projects requiring programme spend of between £1 million and £50 million and any policy deemed novel and contentious. The Investment Sub-Committee scrutinises proposals, making 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. It 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) brought in on a case-by-case basis.

11.28 The **Credit Committee** has delegated authority to approve proposals received from the Expanding the Rented Sector Credit Team for the granting of guarantees (for Affordable and Private Rented Sector Housing). The Committee is chaired by the Department's Finance Director, and reviews credit applications based on the liquidity, deliverability and value for money associated with the proposal.

Governance Structure



Integrating governance frameworks across the Group

11.29 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 ensure 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 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

11.30 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.

11.31 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 within the Department's control and the system of accountability for funding devolved to the local level.

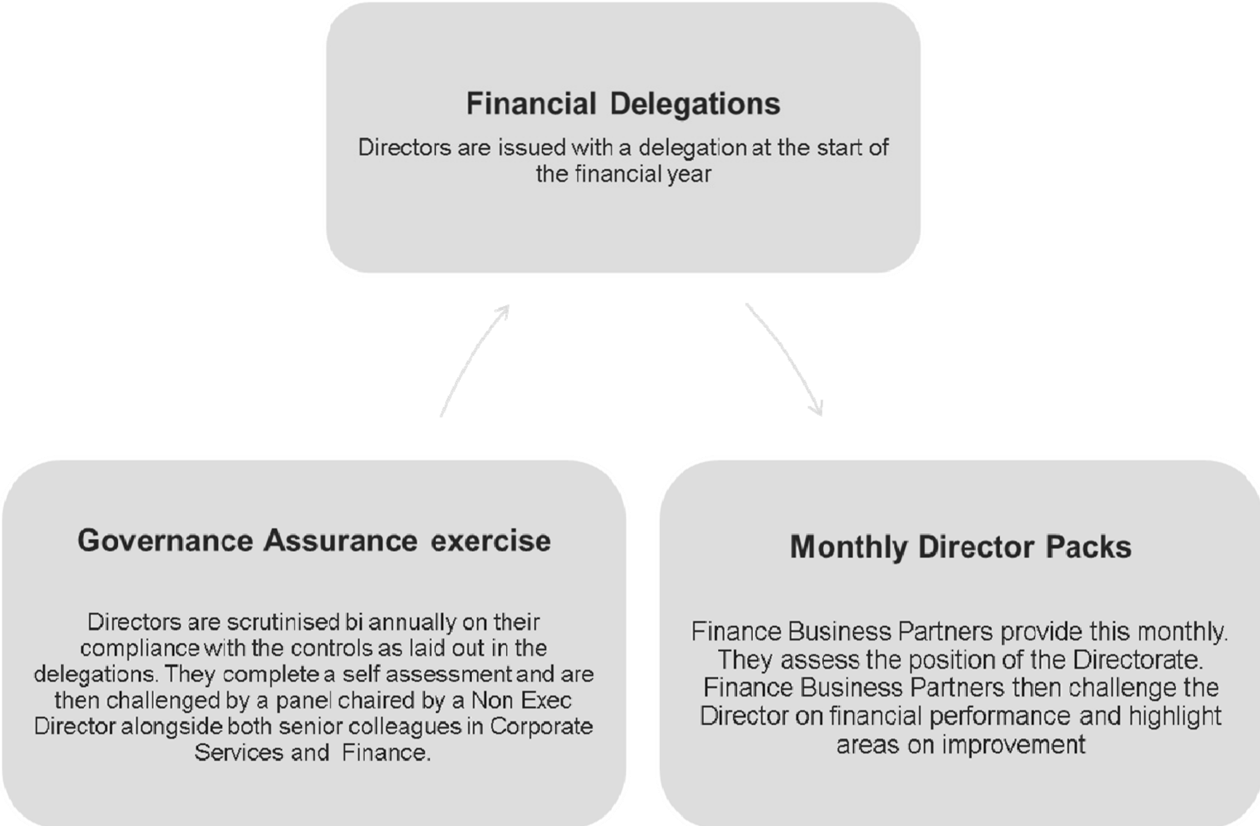
Propriety

11.32 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.

11.33 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

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



Finance Change Programme

11.35 Following the qualification of the Department's Resource Accounts for 2012/13, a review of the Finance function (against accepted good practice) was commissioned. The review addressed the current capacity and capability within the Department's Finance Function to meet its financial management obligations and how the Finance function is placed to face strategic challenges. In parallel the Shareholder Executive were asked to look at the Department's capability and governance arrangements for managing the complex set of financial instruments now being delivered as a result of new housing and growth programmes.

11.36 The Department has already implemented a number of the recommendations from these reviews, including:

- Movement of the budgets for two Arms Length Bodies from Local Government to Departmental DEL, reducing the risk of breaching the Department's control totals.
- Improved processes for forecasting cash payments, reducing the risk of breaching the Department's Net Cash Requirement.

- Improvement to the monthly management information provided to the Executive Team, proving greater transparency.
- Creation of a centralised sponsorship team for the Department's smaller Arms Length Bodies, providing efficiencies and pooling knowledge.
- Set up of a separate Intelligent Client Function to manage the Department's financial interests with regards to all outsourced corporate services.
- Recruitment of Risk Officers in the Department and the Homes and Communities Agency to help better manage the portfolio of financial instruments now held by the Departmental Group.
- Delivery of commercial training to Senior Civil Service and officials across the Department, helping to up-skill officials.

11.37 A detailed implementation plan is in place to ensure that the remaining recommendations are fully implemented and the Department has set up a Finance Change Board which will draw together all material change work including:

- The move to Shared Services (for Finance and Human Resources processes).
- Increasing commercial awareness across the Department.
- Up-skilling of finance staff.
- The creation of a risk function on programmes involving financial instruments.

Sponsorship of Arms Length Bodies

11.38 The Department had 12 Arms Length Bodies during 2013-14. There are three sponsorship teams within the Department with teams for the Homes and Communities Agency; the Planning Inspectorate; and a new team covering all the remaining smaller Bodies. 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.

11.39 The new centralised sponsorship team for smaller Arms Length Bodies was set up in January 2014 and sits within the Finance Directorate. The teams remit covers all non-policy related sponsor activity for all arms length bodies (excluding the Homes and Communities Agency and Planning Inspectorate). It is building on the business partner experience and has a remit of providing financial advice, scrutiny and challenge.

11.40 Each arms length body has delegated authority from the Department's 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 operating within both their delegations and framework documents.

Homes and Communities Agency

11.41 The key challenges faced by the Homes and Communities Agency over 2013-14 were:

- A step change in the level of recoverable investment that the HCA has made, through a number of programmes including the Local Infrastructure Fund, Build to Rent and Help to Buy;
- Maintaining the delivery of existing programmes while accepting the opportunity to deliver new initiatives to support housing and economic growth; and
- Preparing for transfers of surplus public sector land from other Government departments and arms length bodies.

11.42 In order to help prepare the HCA for the changes necessary to meet these challenges, the HCA has formed the Shaping Our Future project. This project includes multiple work streams, is led by senior officers and reports to a high level project board. Its prime objectives include:

- To put in place the increased skills and capacity to manage the growing investment portfolio, as recommended by the Shareholder Executive in a new HCA Investment element of the organisation;
- To put in place a team that will prepare the agency for its wider role in public sector land;
- To revise the current operating model, reflecting a refocused agency, with Land, Programmes, Investment, Operating Area delivery and Regulation functions, supported by high quality corporate services; and
- To achieve this through targeted changes and within the constraints of the group wide resource budget.

Planning Inspectorate

11.43 An independent review of the Planning Inspectorate was undertaken by Robert Napier, Chair of the Homes and Communities Agency looking at board effectiveness. Its recommendations are currently being considered by the Department.

11.44 The key risks faced by the Planning Inspectorate in 2013-14 were around:

- Trained resources;
- Shared services;
- IT services;
- Change management;
- Meeting demand;
- Sensitive cases; and
- Future changes and the leadership of the organisation.

Propriety and information security

11.45 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.

11.46 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

11.47 The Department’s Internal Audit Service plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

- Assessing the department’s internal systems and controls.
- 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.

11.48 Internal Audit also has strong links across the Group, acting as the audit service to The Planning Inspectorate, Queen Elizabeth II Conference Centre, The Housing Ombudsman, the Local Government Ombudsman, the Audit Commission and West Northamptonshire Development Corporation (which closed operations on 31 March 2014).

11.49 Internal Audit has continued to liaise and maintain good working relationships with the Homes and Communities Agency’s Internal Audit department. 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, particularly at the audit planning stage. The Department’s Director of Internal Audit has regular discussions with the Homes and Communities Agency Head of Internal Audit.

11.50 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.

11.51 In December 2013, the Treasury’s Financial Management Review announced that a new internal audit agency would be set up based in HM Treasury. This will be based around the shared audit service from which DCLG’s internal auditors are currently derived.

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 2013-14

Performance of the Board

11.53 Each year we conduct a Board Effectiveness Evaluation. This year's evaluation was conducted by Sara Weller (Lead Non-Executive Director in the Department) and independent input was provided by Dame Barbara Stocking (Cabinet Office Non-Executive Director) in 2013-14, this was presented to the April Board meeting. The Board Evaluation showed that considerable progress has continued during the course of the year.

11.54 Most of last year's Board Evaluation actions were completed successfully with two rolling forward; increasing the oversight of the Department's two major Arms Length Bodies, and a continued focus on improving Key Performance Indicators and metrics. The key actions (from the 2012-13) that have been completed are:

- The development of a 2014 "Forward Look" agenda planner (in January 2014) for the Ministerial Board and the interim meetings. This ensures that all key areas of the Ministerial priorities are covered through the year;
- Increased involvement of Non-Executive Directors in specific projects (eg Knight Review, Governance Assurance panels, Adult Social Care, developing the Finance dashboard, Planning Portal etc);
- Interim meetings of Board members are scheduled throughout 2014 to discuss performance measures, risks and departmental challenges and are included on the Board forward look; and
- Two members of staff have been appointed to the Board Secretariat, whose duties include active management of the 2014 "Forward Look."

11.55 The key recommendations of the 2013-14 Board Effectiveness Evaluation are outlined below. All of these are being taken forward by the Board Secretariat:

- Forward planning of external presenters, as this was felt to be a significant advantage;
- Ensure formal briefing of any new joiners on the role of the Ministerial Board; and
- Ensure that "people" issues are fed up from the Nominations and Governance Committee into the Interim Board sessions for review and discussion.

Ensuring compliance with the Corporate Governance Code

11.56 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. DCLG is fully compliant with the Code.

Quality of information used by the Board

11.57 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.

11.58 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.

11.59 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. This information is published on the Cabinet Office website on the Government Interrogation Spending Tool. This information is signed off by both the Department's Finance Director, and the Director General for Finance & Corporate Services to ensure accuracy. The Department's processes for this data were reviewed by both Internal Audit and NAO during the year, with no significant issues noted.

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 Fiscal Events, Financial Instruments, Local Growth, Enterprise Zones, European Regional Development Fund 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 European Regional Development Fund and Financial Instruments.

11.61 The Investment Sub-Committee met frequently during the reporting period. It has reviewed high profile policies and programmes such as Affordable Homes, Public Sector Land acquisitions, Stock Transfer, Affordable Rent to Buy, Large Sites, Enterprise Zones and City Deals. 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.

Risk Management

11.62 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.

11.63 The Department also provides support for day-to-day management of risk via a dedicated Programme and Project Management team within the Corporate Performance Team, heads of professions and arms length body sponsor teams.

Approach to Risk

11.64 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 clearly understood and are well-managed. The level of acceptable risk (or 'risk 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; whereas 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.

11.65 Every activity carried out by the Department carries a degree 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.

11.66 The risk appetite statement below was used through the course of 2013-14. This is due to be updated shortly, specifically to deal with the Department's approach to risk on financial instruments.

Risk Appetite

Areas Of Activity	DCLG Risk Appetite	Summary
Policy - Development of new approaches	High	DCLG 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 the radicalness of our policies. It is vital that implementation is considered from the outset and carefully monitored and that polices are adjusted as necessary.
Policy – Delivery of	Medium	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-

key services to the public (eg/ Fire Service, Resilience)		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 for 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 - Proprietary and Regularity	Low	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 ERDF and RGF and recognises the importance of complying with existing regulations that govern how these funds can be deployed. The Department also has a responsibility to tax payers 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.
Financial Management - Deployment of resources	Medium	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 underspend 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 and compliance with existing regulations	Medium	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 UK Planning system.
Operations - Quasi-Judicial roles – e.g. planning decisions	Medium	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	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 (FOI) legislation. The 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 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 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.

Risk Relationships

11.67 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.

11.68 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 to influence and 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 impact the Department's reputation negatively.

Significant risks and mitigation in 2013-14

11.69 Some of the **potential** risks that the Department faced in 2013-14 were:

- Delivery risks attributed to the impact of welfare reforms on our Policies and Delivery priorities;
- The inability to fully implement our housing strategy;
- Increases in the levels of homelessness and rough sleepers;
- Delays in reforming the planning system;
- Risks relating to Adult Social Care;
- Failure to deliver the Troubled Families programme;
- Impact of the fire strikes;
- The delays to fire reform;
- Financial risks;

- Risk to future programme budgets if the Department fails to successfully manage material and complex financial instruments; and
- Risk of further interruption from European Commission on the European Regional Development Fund 2007-13 Programme.

11.70 The section below details the Departments most significant risks for 2013-14 and the **actions in place to mitigate them**.

Financial instruments

11.71 The Department is taking a new approach with a significant number of our programmes, as these are now underpinned by the use of financial instruments. To ensure we manage this effectively the Department has conducted a number of reviews with external partners to understand requirements going forward. We have established strong governance structures around several of our larger programmes linked to financial instruments. We have taken on board the findings of the reviews by Shareholder Executive and PriceWaterhouseCoopers and ensured we have access to sufficient expertise both commercially and financially, whilst ensuring we maintain our current headcount. We have specifically recruited a Chief Risk Officer to manage these changes and we are in the process of strengthening the teams responsible for delivering on our housing programmes. We have also ensured that policy officials have undertaken commercial skills courses to enable them to fully understand the requirements and risks to their programmes.

11.72 The financial instruments used by the Department are changing the risk profile of the Department. In order to ensure financial risks are managed appropriately we are introducing a number of best practice tools used across the financial industry. The aim is to:

- Appropriately identify financial risks to which DCLG is exposed, in a structured and consistent way;
- Measure DCLG aggregated financial risk profile using financial industry risk metrics;
- Mitigate financial risks at different stages of the policy delivery;
- Monitor ongoing performance and changes in risk profile;
- Stress test the Departmental portfolio by applying macroeconomic scenarios across the full portfolio;
- Plan recovery steps that the Department could take in case of significant changes occur to the base plans (e.g. in times of stress);
- Review the DCLG risk appetite at portfolio and programme level, articulating this using risk metrics based on DCLG risk profile and stress test results.

European Regional Development Fund

11.73 The formal interruption to the 10 programmes under the European Regional Development Fund 2007-13 Programme was a significant risk in 2013-14. The European Commission imposed interruptions across many of the Union’s member states in 2013 and a high number of these are still in place. The English interruption was put in place following concerns surrounding audit processes. This meant that the Commission would not reimburse the Department for grant claims paid out until they were satisfied that the issues were resolved. They have now lifted the interruption and authorised the payment of some £660 million.

11.74 The English European Regional Development Fund programmes managed by DCLG are worth £3.2 billion and supply match funding for over 1,450 projects across the country. The programmes have already created over 60,000 jobs and 14,700 start-ups, as well as supporting local growth by safeguarding existing jobs and businesses.

11.75 To help reassure the European Commission and get the interruption lifted, we have restructured internal systems for checking and assurance and will continue to develop our quality management controls. Considerable progress has been made in recent months and the lifting of this interruption is an important step for our programmes.

11.76 The interruption, although not threatening the physical payments made to projects in the short and medium term, did pose significant concerns. The technical nature of some of the issues raised tested not only our existing systems but also necessitated the introduction of new processes. Getting this interruption lifted has proved to be a complex task and it is positive that this has been achieved.

The Housing Ombudsman

11.77 It emerged that during the year The Housing Ombudsman had extended the contract of an interim employee and subsequently made the individual redundant (given that the extension provided permanent employee status) thus attracting costs. Approval was not sought from the Department in advance for either the contract extension or the redundancy (as required by the Department's spending controls and the Framework Document) and approval would not (in any event) have been provided. The new sponsorship team for smaller Arms' Length Bodies is working with The Housing Ombudsman with a view to preventing any repetition.

Thurrock Thames Gateway Development Corporation

11.78 Thurrock Thames Gateway Development Corporation was closed during 2012-2013. Following a number of issues (fully outlined in last year's Governance Statement) 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 explained that we were working with the relevant parties to rectify issues identified and the legal action undertaken earlier this year to recover funds from the former Chief Executive and former Director of Resources has been successful.

West Northamptonshire Development Corporation

11.79 The West Northamptonshire Development Corporation closed operations on 31 March 2014. In 2011, West Northamptonshire Development Corporation put in place a retention strategy to retain staff in the lead up to closure or transition. However, in August 2013 the Department became aware that this retention strategy included payments in lieu of notice. It subsequently also became clear that the Department's explicit agreement to these payments had not been sought, as required by the West Northamptonshire Development Corporation Financial Memorandum. The Department was not content with these proposed payments.

11.80 As a result the Chairman and the Board of West Northamptonshire Development Corporation, with the Department's approval and support, took action to ensure that alternative and acceptable arrangements were put in place, which did not involve payments in lieu of notice. The Chief Executive of West Northamptonshire Development Corporation, Peter Mawson, left by mutual agreement at the end of

January 2014, and the Department's Finance Director became the Accounting Officer. The action taken ensured that the operational closure of West Northamptonshire Development Corporation has been successful.

Managing Fraud risk

The Department maintains a "zero-tolerance" culture in respect of fraud, corruption and malpractice in the Department including Arms Length Bodies. In line with the cross-Government initiative the Department has an Accountable Board member for Fraud, Error & Debt; has completed of a fraud capacity and capability assessment; and has developed a fraud action plan. Work is ongoing to further develop the Department's counter-fraud strategy. Internal Audit has conducted a number of investigations this year, two of which are being considered for further investigation by the police.

Quality Assurance of Analytical Models

11.81 Following the recommendations of the Macpherson Review into the quality assurance of government analytical models, the Department has developed a quality assurance action plan and we are implementing a quality assurance framework which will be used for all business critical models. The Department maintains an up-to-date list of business critical models, and this is publicly available.[5]

Evaluation

11.82 The Department is further strengthening its commitment to robust evaluation by more fully bringing oversight of evaluation of key programmes into the Performance Sub-Committee and Finance Sub-Committee. This will ensure the Department is using such evaluation evidence to understand the performance, impact and value for money of such programmes. It will also enhance the Department's accountability to Parliament and the public.

Horizon Scanning – the future

11.83 The Department plans to become more efficient by moving its corporate services functions into shared service arrangements where possible. Following the transfer of Legal and Internal Audit functions into cross Departmental arrangements earlier in the financial year, in February 2014 we transferred our entire procurement function into the Crown Commercial Service. We are seeking to outsource our transactional Finance and Human Resources back office functions as part of a wider government agenda led by Cabinet Office. With this in mind a team has been set up to deliver the required system functionality with the private sector partner. In addition a separate Intelligent Client Function is being set up to manage the Department's financial interests with regards to all outsourced corporate services.

The Governance Statement Assurance process in 2013-14

The Department scrutinises Governance Statements produced by each Director at both the half year and end of the year. Challenge panels are set up for high risk directorates at the mid-year point and all directorates at the end of year. The panels are chaired by our Non-Executive Directors, with support from the Director General Finance and

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[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206948/review_of_govt_models_annex_d_table_of_returns.pdf

Corporate Services; the Finance Director; and Deputy Directors in Finance and Corporate Performance.

11.84 The Department's end of year Governance Assurance exercise took place in May. All Directorates took part in the exercise by producing a governance statement and attending a challenge panel to explain their session. The areas of most significance were Housing, Local Economies Regeneration and European Programmes, Finance and Corporate Services and Local Government Finance. All Directorates have made improvements in their governance arrangements since the mid-year point. The key areas of focus for the challenge panels were around financial instruments, housing strategy, European Regional Development Fund, Public Sector Land, Local Enterprise Partnerships, arms length body sponsorships, the review of the finance function and the upcoming move to Marsham Street.

Enhancing staff skills and awareness

11.85 The Department has maintained its financial capacity and capability by ensuring that finance professionals are in post and providing professional development and training. For example, the head of our ALB sponsorship team is a qualified accountant and the majority of the staff making up that team are part or fully qualified.

11.86 Developing expertise for specialist staff is complemented by improving the Learning & Development offer 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. This year we have also provided corporate finance courses on Major Business Transactions and Corporate Governance. A tailored four day course was developed by the ratings agency Fitch for senior DCLG staff involved with work on financial instruments, and this is now being delivered.

11.87 The Department's operating model has changed fundamentally over the last two years. This has required us to update our existing skills and to develop and bring in new expertise. There is now an emphasis on increasing commercial awareness across the Department, with delivery of commercial awareness courses to over 100 staff in 2013-14.

Maintaining high standards of propriety

11.88 The Board was asked to update the Department on any potential conflicts of interest and no new interests were identified.

11.89 During 2013-14, there were no reported or suspected losses of personal or proprietary data in the Department.

Ministerial directions

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

Independent reporting

Internal Audit opinion

11.91 Following the completion of the planned audit work for 2013-14 for the Department, the Head of DCLG Internal Audit (within the Cross Departmental Internal Audit Service; (XDIAS) 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:

11.92 "We give an overall moderat*e* assurance on the adequacy and effectiveness of the system of internal control throughout the year. In the majority of individual areas (excluding the European Regional Development Fund (ERDF)) we were able to give substantial (and in some cases full) assurance, but our overall opinion reflects a broader view of the overall internal control framework.

11.93 A material factor in determining our overall opinion is that the Department has developed an ambitious programme of work involving loans, equity investments and guarantees, moving away from a focus on grants. In light of this, the Department is currently developing a new risk management framework to enable effective understanding and control of the new risks which are inherent in these new programmes. Given the materiality of this change to the department, while we have observed good progress in development of the framework, until it is operational we can only give moderate assurance on the adequacy and effectiveness of the system of internal control throughout the year.

11.94 For the European Regional Development Fund programmes, XDIAS also gives a moderate assurance.

11.95 In 2012-13 we offered a moderate assurance for European Regional Development Fund; this was due to a number of factors, including error rates exceeding the European Commission's 2% materiality threshold, serious deficiencies in management verifications, and the limited availability of evidence of expenditure for a number of high value projects. These concerns led to the EC interrupting payments to all European Regional Development Fund programmes in May 2013. The interruption was lifted in March 2014, based on corrective actions made by the Department. A number of these actions were implemented in February 2014, and we have plans to review the effectiveness of these changes in July 2014. Our moderate assurance for 2013-14 reflects this, and that the error rate for European Regional Development Fund expenditure remains above the materiality threshold."

National Audit Office reports

11.96 During 2013-14 the National Audit Office published 9 reports (including the Departmental Overview) relating to the Department, which are available on their website[6]. The titles and key findings of the reports (in chronological order) are outlined below. The Department is taking forward recommendations across all of these reports:

11.97 The report on the Department for Communities and Local Government Accounts 2012-13 (published on 28 June 2013) explained the reasons for the Comptroller and Auditor General issuing a qualified regularity opinion on the Department's 2012-13 financial statements. As explained in paragraphs 11.35-11.37 the Department has launched a comprehensive Finance Change programme to deal with the causes of this qualification and mitigate the risk of this happening in future.

[6] http://www.nao.org.uk/search/type/report/sector/communities-regions-and-regeneration/

11.98 The 2012-13 review of the data systems for the Department for Communities and Local Government (published 8 August 2013) undertook a sample review of the data informing the Department's key input and impact indicators (which are published and set out progress against the Department's business plan). All the data that was assessed was deemed to be 'fit for purpose.'

11.99 The 2012-13 Departmental Overview (published 15 October 2013) provided a summary of NAO's work on DCLG over the course of 2012-13.

11.100 The report on Programmes to help families facing multiple challenges (published 3 December 2013) undertook an early review of DCLG's Troubled Families programme alongside the Families with Multiple Problems programme (run by the Department for Work & Pensions). The report recommended more joined up working (both across Whitehall and across Local Authorities) and stressed the need for lessons from the existing programmes to inform any future investment.

11.101 The report on Funding Structures for Local Economic Growth published 6 December 2013 focuses on the government's progress in implementing structures and funding to support a shift in responsibility for local economic growth to local bodies. The Department and BIS led jointly on this report. The report concludes that without sufficient transparency or comparable performance information the new structures have not yet demonstrated that they are capable of delivering value for money. The report makes a number of recommendations around planning such reorganisations (ensuring that sufficient capacity is in place and that accountability is clear) and points to the need to address how departments intend to evaluate performance and monitor outcomes. In response the Department with BIS have changed the governance of local growth initiatives across government to improve coordination and decision-making more broadly; and have begun work on how to evaluate the growth initiatives.

11.102 The report on Council Tax Support (published 13 December 2013) praised the Department for introducing the Council Tax Support scheme on schedule, but noted that not all the Local Authority support schemes would achieve the expected objectives. The report outlined a number of recommendations to ensure that the Department safeguarded the long-term value for money of this reform.

11.103 The Progress report on the Regional Growth Fund (published 25 February 2014) assesses the progress made against the Public Accounts Committee recommendations in its September 2012 report. The NAO report noted the improvements made to the Fund's governance and made three recommendations: introduction of more sophisticated targets; improvements to management information systems; and processes for evaluating previous performance of repeat bidders to the Fund. The Department is taking these recommendations forward.

11.104 The Help to Buy equity loan scheme report (published 6 March 2014) noted the strong early demand for the scheme, that it had been launched on time and that the scheme is helping people to purchase homes. Whilst the Department made a full value for money assessment of the scheme the report noted the uncertainty around the number of additional homes being built as a result of the scheme. The report recommended that the Department keeps close track on the risk of people using the scheme with less than a 5% deposit; encouraged further development of the financial modelling for the scheme; recommended a formal evaluation; and outline the future of the programme. The Department is taking forward these recommendations, planning an evaluation of the scheme in 2015 and (as part of Budget 2014) announcing the extension of the scheme through to 2020.

11.105 The report Adult social care in England: overview, published 13 March 2014 is the first of a series of reports that the National Audit Office is planning on the adult care system, and highlighted the main risks and challenges as the system changes radically. The report detailed the increasing pressures on the adult care system and pointed out that government does not know if the capacity limits of the care system to continue to absorb pressures are being approached. It concluded that the government is engaging well with the adult care sector and aims to tackle the pressures in the adult care system through the Care Act, but warned that major changes to the system to improve outcomes and reduce costs will be challenging to achieve.

Public Accounts Committee report

11.106 The report Help to Buy: equity loans (published 18 June 2014) recommended that the Department maintains downward pressure on the Scheme’s costs; that in future (at the business case stage) the Department should more fully document its consideration of the alternative policy options available; that the Department continues to put in place the skills required to manage the resultant investment portfolio; and that the Department (as part of its planned Scheme evaluation) includes an assessment of impact on housing supply / demand and the impact on different regions. The Department is currently considering its response to these recommendations, however the Department’s clear position is that the Help to Buy equity loan scheme has been delivering significant economic benefits and has stimulated house building across the country. The Department and Homes and Communities Agency is well advanced in putting in place the technical and specialist expertise required to deliver and manage significant recoverable investment programmes.

Conclusion

11.107 The system of internal control has been in place in the Department for the year ending 31 March 2014 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.

11.108 I have reviewed the evidence provided to me by the management assurance exercise and assurance functions (the Cross Department Internal Audit Services opinion and the external audits of the Department), I am satisfied that the Department has maintained a sound system of internal control during the financial year 2013-14. Significant work has been undertaken over the financial year to improve the Department’s process and controls, while still delivering an innovative range of policies and programmes.

Sir Bob Kerslake **23 June 2014**

Accounting Officer

Permanent Secretary and Head of the Home Civil Service

Department for Communities and Local Government

Annex A: Board and sub-committee attendance

Board Members	Departmental Board	Audit and Risk Committee	Nominations and Governance Committee
Rt. Hon. Eric Pickles MP	2/4	n/a	n/a
Baroness Hanham CBE	2/2	n/a	n/a
Baroness Stowell of Beeston	2/2	1/2	n/a
Rt Hon. Baroness Warsi PC	0	n/a	n/a
Mark Prisk MP	1/2	n/a	n/a
Kelvin Hopkins MP	2/2	n/a	n/a
Nick Boles MP	3/4	n/a	n/a
Stephen Williams MP	2/2	n/a	n/a
Rt Hon. Don Foster MP	0/2	n/a	n/a
Brandon Lewis MP	3/4	n/a	n/a
Sara Weller (Non Exec)	4/4	n/a	1/2
Stephen Hay (Non Exec	4/4	4/4	0
Diana Brightmore-Armour (Non Exec)	2/2	n/a	1/2
Nick Markham (Non Exec)	4/4	4/4	1/1
Grenville Turner (Non Exec)	1/1	n/a	0
Sir Bob Kerslake (Perm Sec)	4/4	4/4	n/a
Sue Higgins (Management)	1/1	1/1	1/1
Helen Edwards (Management)	3/4	3/4	1/2
Peter Schofield(Management)	4/4	n/a	n/a
Louise Casey(Management)	3/4	n/a	n/a
Andrew Campbell(Management)	4/4	3/4	n/a
David Rossington(Management) (joined board in Sept 13)	4/4	4/4	n/a
David Hill (Management) (joined board in Sept 13)	3/4	n/a	n/a
Elizabeth Whatmore	n/a	2/3	n/a
Ian Robertson (independent member)	n/a	4/4	n/a
Martin Evans (Independent member) left Department in July)		1/1	

THE CERTIFICATE 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 2014 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 2013. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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) which are applicable to both the Communities and Local Government budgets, Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity
In my opinion, in all material respects:
- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements
In my opinion:
- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2014 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 Directors' Report and Strategic Review 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.

Sir Amyas C E Morse **25 June 2014**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

COMPTROLLER AND AUDITOR GENERAL'S REPORT ON THE AUDIT OF THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Introduction

The Department for Communities and Local Government (the Department) is responsible for: housing; local government; planning and building; the UK economy; public safety and emergencies; and community and safety. It works "to create great places to live and work, and to give more power to local people to shape what happens in their area."

I am the appointed auditor of the Department under the Government Resources and Accounts Act 2000. I have issued unqualified audit opinions on the Department's 2013-14 Group Accounts. This report accompanies my audit certificate on page 104 and explains in further detail how I have carried out my audit responsibilities in the context of the Department's current operating environment.

Overview of the audit

Materiality

I applied the concept of materiality both in planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements.

The choice of materiality requires professional judgement and for the Group financial statements as a whole was set at £365 million which is approximately one per cent of the Group's annual expenditure, a benchmark that I consider to be the principal consideration for users in assessing the financial performance of the Group.

As well as quantitative materiality there are certain matters that, by their very nature, would influence the decisions of users if not corrected. These include:

- senior staff remuneration, which is closely monitored by a range of stakeholders and subject to strict Cabinet Office approval processes;
- losses and special payments; and
- prior year comparative figures.

Assessment of any such misstatements would take into account these qualitative aspects as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity, and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

I agreed with the Department's Audit and Risk Committee that I would report to them all misstatements identified during our audit above £250,000. I also reported any misstatements that, in my view, warranted reporting for qualitative reasons.

Scope of the audit

The Departmental Group consists of seven separate Arms Length Bodies (ALBs) as well as the core Department. With the exception of the Leasehold Advisory Service, I audit all of the bodies in the Departmental Group. The core Department and one ALB, the Homes and Communities Agency (HCA), are considered significant to the Group and I placed reliance on the results of their audits. Together these represent 99.7 per cent of the Group's gross expenditure, 99.5 per cent of the Group's gross assets and 96.2 per cent of the Group's gross liabilities. Analytical procedures over the remaining ALBs provided sufficient assurance to support my audit opinion on the Departmental Group.

Risks identified and addressed through the audit

The Department's Governance Statement recognises several key delivery and financial risks (see page 95). The delivery risks are largely related to the impact of various reforms and changes on local authorities and I did not identify any significant risks of material misstatement to the financial statements in respect of these. The Department's top two financial risks did give rise to either a risk of material misstatement in the financial statements or an area of audit emphasis (being an area with the potential to develop into a significant risk but not currently assessed by us as such) in 2013-14. The significant risk related to the impact of the initial changes to the Department's operating model from a grant-giving body to underwriting a range of guarantees and other financial instruments; and the area of audit emphasis concerned the status of the European Regional Development Funding grant from the European Union. In addition, at the planning stage I identified two other areas of audit emphasis along with the presumed significant risk of management override of controls. Detail on the work undertaken to address each of these is set out below.

Impact of changes to the Department's operating model

The Department and the Homes and Communities Agency (HCA) are changing their operating model to move away from traditional grant-giving and instead offer banks, developers and house-buyers guarantees over their borrowing, loans or other financial arrangements to achieve policy objectives. Examples of these new schemes are the Department's Affordable Housing guarantees and the HCA's Help to Buy equity loan scheme.

The risk recognised by the Department is in respect of the significant step up in commercial experience and expertise required to monitor and manage these new arrangements. In 2013-14, the risk I identified in relation to the financial statements had two separate elements. The first concerned the core Department and was the risk of incorrect accounting treatment; this was the first year that guarantees were expected to be provided by the Department and decisions on the correct accounting treatment are complex. This risk did not materialise in–year due to delays in the rollout of the Affordable Housing guarantees scheme and no financial guarantees were entered into as at 31st March 2014. I will, therefore, examine this as part of my audit of the 2014-15 financial statements. The second element concerned the HCA. Although the HCA is used to accounting for a range of financial instruments, the risk related to the expected scale of the increase to these transactions during the period. The year-end balance has increased from £667 million in 2012-13 to £1.6 billion in 2013-14, in line with expectation.

As this element of the risk sat with a component body, the Group engagement team liaised closely with the HCA audit team to understand the scope of their work and placed reliance on the outcome of their audit.

I expect financial instruments to play an increasingly significant role in the audit of both the HCA and the Department, feeding through into the Group Accounts.

European Regional Development Fund

The European Regional Development Fund (ERDF) is a European Commission (EC) grant programme intended to tackle regional disparities across Europe. ERDF supports regional development through actions such as business innovation and support, and regeneration. Each programme lasts seven years and the total allocation for the 2007-13 programme was €3.3 billion (around £2.8 billion). The Department is the Managing Authority for ERDF (responsible for implementation and activity in compliance with EC regulations) in England. The scheme rules are numerous and complex; breaches can lead the EC to impose penalties (financial corrections).

Debt write-offs and financial corrections imposed by the EC under this grant stream are judged to be irregular payments and would lead me to qualify my regularity opinion if these were material either because of quantitative or qualitative factors. As part of the audit, I reviewed correspondence with the EC and the minutes of the ERDF debt treatment panel, ensuring proper authority was obtained for all write-offs and that the level of corrections agreed with the EC (£5.7 million) was accurately reported. Having assessed the final level of irregular payments I considered them to be immaterial. The European Commission interrupted the 2007-13 programme in England in May 2013 (i.e. it suspended reimbursement of grant claims paid out by the Department) after two qualified audit opinions from the Audit Authority (the Department's Internal Audit Service). After satisfactorily addressing these concerns, the Commission notified the Department that the interruption had been lifted in March 2014. Outstanding claims for reimbursement were not settled by the year–end and an accrued income figure of £834 million is reported in the Statement of Financial Position as a result. Subject to HM Treasury approval, responsibility for the management of the European Social Fund 2014-20 programme will transfer from the Department for Work and Pensions to the Department for Communities and Local Government. This change would mean that all EC structural funds are overseen by a single body in England. This could affect the risk profile of these transactions within the Department's Group Accounts in future years.

Business Rates Retention

The Business Rates Retention scheme was introduced with effect from 1 April 2013. The new policy is intended to incentivise local authorities to grow the amount of Business Rates collected from commercial properties in their locality and allows them to retain a share of the income collected. The remaining share is remitted to the Department.

The accounting treatment for the share of Business Rates retained by local authorities (the local share) under this new scheme was an area that required further clarification at the time of planning my audit. Following discussion with the Department and HM Treasury, it has been agreed that the balance of control over the local share rests with central government and is, consequently, recognised within the Group Accounts and the Trust Statement.

Regularity framework over grants to local authorities

Recent government policy has been to give local councils more power to decide how to spend public money in their area to meet local people's needs. Consequently, there has been a move away from ring-fenced grant funding to local authorities by government departments as this specifies how the grant must be spent and often required sign-offs or certification by independent parties to confirm that the funds had been distributed in accordance with the grant-giver's intentions. This funding mechanism has now largely been replaced with grants that do not specify how the funds should be spent. In addition, the Localism Act 2011 gave local authorities a 'general power of competence', allowing them to "do anything that individuals generally may do". Taken together, these two factors mean that little monitoring of local government is considered necessary by central government, and that there is very little, other than fraud or other illegality, that could be considered irregular within the framework of authorities governing the Department's Group Accounts. The conditions and level of specification associated with grants to local authorities compared to the associated assurance mechanisms are explored in my report Assurance to Parliament on funding to local authorities (HC 174).7

[7] http://www.nao.org.uk/wp-content/uploads/2014/06/Local-government-funding-assurance-to-parliament.pdf

Nevertheless, the Accounting Officer will require some form of assurance before signing his annual Group Accounts and, through that process, provide Parliament with assurance over the regularity of the Department's expenditure. At present, the Audit Commission is a significant source of assurance for the Accounting Officer. Local authority auditors are currently required to provide regular reports on the delivery of audits and on matters arising from these to the Audit Commission. The Audit Commission also produce an annual summary report on the outcome of prior year audits across the local government sector (Auditing the Accounts) which they publish on their website.8 Once the Commission has been abolished, there will be no such requirement on local authority auditors and no summary report produced, so this element of the assurance framework will no longer be available to the Department. The Department is currently considering the future of this activity post Audit Commission closure.

In anticipation of this potential change, we have been working with the Department to identify how it might draw together its other sources of assurance. These sources are set out in the Department's Accountability system statement for local government.9 The Department is developing its approach and reporting to the Accounting Officer at six-monthly intervals, with the intention of having a robust assurance mechanism in place by 1 April 2015 – the date when it is expected the Audit Commission will be abolished.

A consequent impact of the changes flowing from the localism agenda is on the level of audit work required to support my opinion on regularity. As noted above, the introduction of a general power of competence at the local level and the elimination of ring fencing or conditions attached to central government grant funding to local government has reduced the restrictions on spending and, therefore, reduced the risk that local authorities act outside of their framework of authorities. I employ a risk-based approach to the audit evidence needed to support my regularity opinion and less is, therefore, required in this regard than was the case previously.

Management override of controls

Auditing standards presume that a significant risk of material misstatement exists in relation to the potential for management to manipulate the financial statements deliberately by overriding controls. In the context of the Department, the primary incentive would be the manipulation of outturn against the different control totals to avoid any overspends and secure funding in future years. My team's audit procedures in this area were targeted at significant adjustments made in the accounts production process that moved expenditure between different Parliamentary control totals.

Conclusion

I have reported the detailed findings of my audit to the Accounting Officer and those charged with governance and made recommendations for improvements.

Sir Amyas C E Morse **25 June 2014**

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria London SW1W 9SP

[8] http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/auditing-the-accounts

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245118/Accounting_Officer_Accountability_System_statements_for_LG_and_FRAs.pdf

Statement of Parliamentary Supply

For the year ended 31 March 2014

Summary of Resource and Capital Outturn 2013-14

£'000

		2013-14							2012-13
		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	SoPS2.1	**2,071,092**	-	2,071,092	**1,935,677**	-	1,935,677	**135,415**	1,349,037
Capital	SoPS2.2	**3,867,315**	-	3,867,315	**3,808,000**	-	3,808,000	**59,315**	2,472,211
Spending in DEL - DCLG Local Government									
Resource	SoPS2.1	**16,640,427**	-	16,640,427	**16,625,421**	-	16,625,421	**15,006**	23,853,228
Capital	SoPS2.2	**1,000**	-	1,000	**-**	-	-	**1,000**	1,221
Spending in Annually Managed Expenditure (AME)									
Resource	SoPS2.1	**11,690,410**	-	11,690,410	**11,469,876**	-	11,469,876	**220,534**	552,948
Capital	SoPS2.2	**30,000**	-	30,000	**-**	-	-	**30,000**	(3)
Total Budget		**34,300,244**	-	34,300,244	**33,838,974**	-	33,838,974	**461,270**	28,228,642
Non Budget:									
Resource		**-**	-	-	**-**	-	-	**-**	-
Total		**34,300,244**	-	34,300,244	**33,838,974**	-	33,838,974	**461,270**	28,228,642
Total Resource	SoPS2.1	**30,401,929**	-	30,401,929	**30,030,974**	-	30,030,974	**370,955**	25,755,213
Total Capital	SoPS2.2	**3,898,315**	-	3,898,315	**3,808,000**	-	3,808,000	**90,315**	2,473,429
Total		**34,300,244**	-	34,300,244	**33,838,974**	-	33,838,974	**461,270**	28,228,642

Net Cash Requirement 2013-14

£'000

		2013-14			2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	SoPS4	**25,315,584**	**23,491,764**	1,823,820	29,027,027

Administration Costs 2013-14

£'000

		2013-14			2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Administration Costs	SoPS3.2	**414,802**	**367,885**	46,917	285,658

The Notes on pages 111 to 119 form part of these accounts

Notes to the Statement of Parliamentary Supply

SoPS 1. Statement of accounting policies

General

SoPS1.1. The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the Financial Reporting Manual are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

Accounting convention

SoPS1.2. The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives from International Financial Reporting Standard-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- Ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- Support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

Comparison with IFRS-based accounts

SoPS1.3. Many transactions are treated in the same way in National Accounts and International Financial Reporting Standard-based accounts, but there are a number of differences:

Grants

SoPS1.4. Grant expenditure and income for capital purposes is treated as capital (CDEL) in the Statement of Parliamentary Supply. Under International Financial Reporting Standards, as applied by the Financial Reporting Manual, there is no distinction between capital grants and other grants, and they score in the Consolidated Statement of Comprehensive Net Expenditure.

SoPS1.5. Grant in aid (GiA) to NDPBs does not score in budgets so does not appear in the Statement of Parliamentary Supply. Under International Financial Reporting Standards, Grant in Aid is treated in line with other grants and appears within the Consolidated Statement of Comprehensive Net Expenditure for the core Department. (Note that Grant in Aid is fully eliminated on consolidation.)

Receipts in excess of HM Treasury agreement

SoPS1.6. HM Treasury has applied a limit to income retainable by the Department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. International Financial Reporting Standard-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

Asset additions and disposals

SoPS1.7. Asset additions and disposals score as capital expenditure or income respectively in the Statement of Parliamentary Supply. In International Financial Reporting Standard accounts, asset additions and disposals are not treated as expenditure or income but as movements in the Statement of Financial Position.

Eliminations

SoPS1.8. Transactions between bodies within the consolidation boundary are eliminated on consolidation in the Statement of Parliamentary Supply and the International Financial Reporting Standards based accounts. But where transactions which would otherwise be eliminated are within separate budget categories (eg resource DEL and resource AME) the amounts are shown gross in the Statement of Parliamentary Supply and not eliminated.

Net Cash Requirement

SoPS1.9. The Net Cash Requirement shown in note SoPS4 is the amount of cash needed to support voted expenditure as reported in the Analysis of Net Resource and Capital Outturn by Section, SoPS2.1and SoPS2.2. This excludes some items, including Consolidated Fund Extra Receipts and Parliamentary Supply, which appear in the Statement of Cash Flows produced under International Financial Reporting Standard.

Receipts from land sales

SoPS1.10. In accounting terms receipts from development land sales are recognised at the point where there is an unconditional and irrevocable legally binding agreement for the sale (Note 1.51). However in cases where payment from the purchaser is spread over a number of accounting periods the income for budgeting purposes is not recognised until the payment is received. This policy only applies where the total value of the receipt involved is greater than £20 million, for smaller amounts the policies are consistent and for both budgeting and accounting purposes receipts are recognised when the sale contract is irrevocable.

SoPS 2. Net Outturn

SoPS 2.1. Analysis of net resource outturn by section

£'000

	2013-14										2012-13
	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	-	-	-	406,122	(37,001)	369,121	369,121	358,918	(10,203)	-	310,849
B Neighbourhoods	50,842	(13,410)	37,432	871,621	(754)	870,867	908,299	924,222	15,923	-	598,323
C Local Economies, Regeneration & European Programmes	-	-	-	292,815	(114,778)	178,037	178,037	219,342	41,305	-	53,922
D Troubled Families	-	-	-	160,969	(20,000)	140,969	140,969	141,677	708	-	116,924
E Research, Data & Trading Funds	-	-	-	20,561	(2,278)	18,283	18,283	42,901	24,618	14,415	20,438
F DCLG Staff, Building and Infrastructure Costs	233,780	(24,513)	209,267	1,286	(668)	618	209,885	257,497	47,612	-	172,901
G Localism (NDPB)(Net)	20,108	-	20,108	-	-	-	20,108	21,522	1,414	-	-
H Neighbourhoods (NDPB) (Net)	101,078	-	101,078	7,232	-	7,232	108,310	107,363	(947)	-	86,925
I Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	(17,335)	-	(17,335)	(17,335)	(2,350)	14,985	14,038	(11,245)
Total spending in DEL - DCLG Communities	**405,808**	**(37,923)**	**367,885**	**1,743,271**	**(175,479)**	**1,567,792**	**1,935,677**	**2,071,092**	**135,415**	**-**	**1,349,037**

										2013-14	2012-13
	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 DEL - DCLG Local Government											
Voted expenditure											
J Revenue Support Grant	-	-	-	15,200,902	-	15,200,902	15,200,902	15,200,902	-	-	477,406
K Other Grants and Payments	-	-	-	983,295	-	983,295	983,295	998,301	15,006	-	40,233
L Valuation Service	-	-	-	144,000	-	144,000	144,000	144,000	-	-	141,000
M Business Rates Retention	-	-	-	297,224	-	297,224	297,224	297,224	-	-	-
Local Government (NDPB) (Net)		-	- -		-	-	- -	-	-	-	20,288
Non-Domestic Rate Payments	-	-	-	-	-	-	-	-	-	-	23,119,000
London Governance	-	-	-	-	-	-	-	-	-	-	55,279
Audit Commission Disbanding		-	- -		-	-	- -	-	-	-	22
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**16,625,421**	**-**	**16,625,421**	**16,625,421**	**16,640,427**	**15,006**	**-**	**23,853,228**
TOTAL DEL spend	**405,808**	**(37,923)**	**367,885**	**18,368,692**	**(175,479)**	**18,193,213**	**18,561,098**	**18,711,519**	**150,421**	**-**	**25,202,265**

£'000

											2013-14	2012-13
	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												
N Localism	-	-	-	394,778	-	394,778	394,778	401,795	7,017	-		399,107
O Neighbourhoods	-	-	-	7,741	-	7,741	7,741	117,700	109,959	100,023		(12,540)
P Research, Data & Trading Funds	-	-	-	15,273	-	15,273	15,273	8,100	(7,173)	-		(1,621)
Q DCLG Staff, Building and Infrastructure Costs	-	-	-	(18,247)	-	(18,247)	(18,247)	(21,010)	(2,763)	-		9,226
R NNDR Outturn Adjustment	-	-	-	261,736	-	261,736	261,736	262,000	264	-		140,650
S Localism (NDPB)	-	-	-	719	-	719	719	5,400	4,681	-		-
T Neighbourhoods (NDPB) (Net)	-	-	-	(64,534)	-	(64,534)	(64,534)	40,395	104,929	-		(9,719)
U Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	10,842	-	10,842	10,842	25,000	14,158	3,620		24,408
V Business Rates Retention	-	-	-	14,143,469	(3,281,901)	10,861,568	10,861,568	10,851,030	(10,538)	-		-
Local Government (NDPB) (Net)	-	-	-	-	-	-	-	-	-	-		3,437
TOTAL AME spend	**-**	**-**	**-**	**14,751,777**	**(3,281,901)**	**11,469,876**	**11,469,876**	**11,690,410**	**220,534**	**-**		**552,948**
TOTAL DEL & AME	**405,808**	**(37,923)**	**367,885**	**33,120,469**	**(3,457,380)**	**29,663,089**	**30,030,974**	**30,401,929**	**370,955**	**-**		**25,755,213**

SoPS 2.2. Analysis of net capital outturn by section

£'000

						2013-14	2012-13
	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	943,829	(5,193)	938,636	931,193	(7,443)	-	954,038
B Neighbourhoods	239,475	(15,875)	223,600	229,342	5,742	-	229,191
C Local Economies, Regeneration & European Programmes	778,378	(223,625)	554,753	538,649	(16,104)	-	138,296
E Research, Data & Trading Funds -		-	-	-	-	-	-
F DCLG staff, building and infrastructure costs	2,294	(269)	2,025	3,755	1,730	-	1,590
G Localism (NDPB)	232	-	232	980	748	-	-
H Neighbourhoods (NDPB) (Net)	2,149,940	-	2,149,940	2,244,643	94,703	51,095	1,241,293
I Local Economies, Regeneration & European Programmes (NDPB) (Net)	(61,186)	-	(61,186)	(81,247)	(20,061)	-	(92,197)
Total spending in DEL - DCLG Communities	**4,052,962**	**(244,962)**	**3,808,000**	**3,867,315**	**59,315**		**2,472,211**
Spending in DEL - DCLG Local Government							
Voted:							
J Revenue Support Grant	-	-	-	-	-	-	-
K Other Grants and Payments	-	-	-	1,000	1,000	-	(36)
L Valuation Service	-	-	-	-	-	-	-
M Business Rates Retention	-	-	-	-	-	-	-
Local Government (NDPB) (Net)	-	-	-	-	-	-	1,257
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**1,000**	**1,000**	**-**	**1,221**
TOTAL spending in DEL	**4,052,962**	**(244,962)**	**3,808,000**	**3,868,315**	**60,315**	**-**	**2,473,432**
Annually Managed Expenditure (AME)							
Voted:							
O Neighbourhoods	-	-	-	30,000	30,000	-	33,368
R Non Domestic Rates Outturn Adjustments	-	-	-	-	-	-	(1,499)
S Local Government (NDPB) (Net)	-	-	-	-	-	-	(2,571)
T Neighbourhoods (NDPB) (Net)	-	-	-	-	-	-	(29,090)
U Local Economies, Regeneration & European Programmes (NDPB) (Net)	-	-	-	-	-	-	(211)
V Business Rates Retention	-	-	-	-	-	-	-
TOTAL spending in AME	**-**	**-**	**-**	**30,000**	**30,000**	**-**	**(3)**
TOTAL DEL & AME	**4,052,962**	**(244,962)**	**3,808,000**	**3,898,315**	**90,315**	**-**	**2,473,429**

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

3.1. Reconciliation of total resource outturn to net operating cost

£'000

		Notes	2013-14	2012-13
Total resource outturn in Statement of Parliamentary Supply		SoPS2.1	30,030,974	25,755,213
Add:	Capital Grants		2,757,125	2,307,992
	Capital budget adjustments		9,096	34,618
	Absorption and Asset Transfers	5,7	6,200	404,233
	Expected Return on Pension Assets		-	(33,456)
Less:	Income payable to the Consolidated Fund	SoPS5	(159,728)	(113,942)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**32,643,667**	**28,354,658**

3.2. Outturn against final administration budget and administration net operating cost

£'000

	Notes	2013-14 Outturn	2012-13 Outturn
Estimate - Administration Costs Limit		**414,802**	**373,279**
Outturn Gross Administration Costs	SoPS2.1	405,808	318,946
Outturn - Gross Income Relating to Administration Costs	SoPS2.1	(37,923)	(33,288)
Outturn - Net Administration Costs		**367,885**	**285,658**
Reconciliation to Operating Costs:			
Plus: non supply income (CFERs)		-	-
Less: other		-	-
Administration Net Operating Costs		**367,885**	**285,658**

The creation of a provision results in an AME (programme) charge in budgeting terms, movements in provisions can be seen in Note 5 - 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 2013-14 the value of these administration charges amounts to £20.2 m and these are included in administration costs above.

SoPS 4. Reconciliation of Net Resource and Capital Outturn to Net Cash Requirement

£'000

	Note	Estimate	Outturn	2013-14 Net total outturn compared with Estimate: saving/(excess)
Resource Outturn	SoPS2.1	30,401,929	30,030,974	370,955
Capital Outturn	SoPS2.2	3,898,315	3,808,000	90,315
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation and amortisation	4,5	(118,854)	(14,183)	(104,671)
Local Share (local authorities)			(10,851,030)	10,851,030
New provisions and adjustments to previous provisions	19	(40,246)	(15,080)	(25,166)
Other non-cash items	4,5,6, 7	(21,488)	(25,550)	4,062
Adjustments for NDPBs:				
Remove voted resource and capital		(2,361,706)	(2,148,507)	(213,199)
Add cash grant-in-aid		2,405,936	2,350,694	55,242
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories	15	-	49,829	(49,829)
Increase/(decrease) in receivables		380,000	334,314	45,686
(Increase)/decrease in payables		(9,249,602)	(102,107)	(9,147,495)
CFERs receivable		-	8	(8)
Use of provisions and payment of pensions	19, 20	21,300	21,085	215
Non cash adjustment in respect of Regional Growth Fund Loan		-	53,500	(53,500)
Other Adjustments		-	(183)	183
Net cash requirement		25,315,584	23,491,764	1,823,820

Local Share outturn is reported against non cash as non cash adjustment. The Estimate cover is included in the ‘increase/decrease in payables’ line resulting in offsetting variances being reflected in these lines above

SoPS 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

	Notes	Outturn 2013-14 Income	*Receipts*	Outturn 2012-13 Income	*Receipts*
Income outside the ambit of the Estimate	7	159,728	*159,728*	113,942	*113,936*
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		180	*180*	306	*306*
Total amount payable to the Consolidated Fund		**159,908**	***159,908***	**114,248**	***114,242***

5.2. Consolidated Fund Income

Consolidated Fund income shown in SoPS 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.

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

All activities are continuing.

£'000

	Note	Core Department 2013-14	Core Department & Agency 2013-14	Departmental Group 2013-14	Core Department 2012-13	Core Department & Agency 2012-13	Departmental Group 2012-13
Administration Costs							
Staff Costs	3	93,237	127,875	186,265	97,583	130,434	179,579
Other Costs	4	140,889	157,093	233,577	95,634	109,178	148,862
Income	6	(27,077)	(39,444)	(51,957)	(24,214)	(34,848)	(42,783)
Programme Costs							
Staff Costs	3	1,920	1,920	13,806	1,869	1,869	6,690
Other Costs	5	35,138,759	35,137,500	36,202,804	27,319,622	27,321,040	28,838,630
Income	7	(3,856,848)	(3,856,848)	(3,940,828)	(635,150)	(635,235)	(776,320)
Grant-in-aid to NDPBs		2,350,694	2,350,694	-	1,175,801	1,175,801	-
Net Operating Costs for the year ended 31 March		**33,841,574**	**33,878,790**	**32,643,667**	**28,031,145**	**28,068,239**	**28,354,658**
Total Expenditure		37,725,499	37,775,082	36,636,452	28,690,509	28,738,322	29,173,761
Total Income		(3,883,925)	(3,896,292)	(3,992,785)	(659,364)	(670,083)	(819,103)
Net Operating Costs for the year ended 31 March		**33,841,574**	**33,878,790**	**32,643,667**	**28,031,145**	**28,068,239**	**28,354,658**
Other Comprehensive Net Expenditure							
Items that will not be reclassified to net operating costs:							
Net (Gain) / Loss on:							
Pension Schemes	20	135	7	(54,157)	(301)	(421)	7,278
Revaluation of property, plant and equipment	8	2,618	2,634	2,663	(395)	(422)	(435)
Revaluation of inventories	15		-	(103,489)	-	-	(37,110)
Income tax on items in other comprehensive expenditure		-	-	31,406	-	-	10,794
Disposal of available for sale assets recognised in net expenditure		-	-	1,949	-	-	876
Items that may be reclassified to net operating costs:							
Net (Gain) / Loss on:							
Fair value gain on available for sale assets	12	-	-	(18,661)	-	-	(3,226)
Total comprehensive expenditure for the year ended 31 March		**33,844,327**	**33,881,431**	**32,503,378**	**28,030,449**	**28,067,396**	**28,332,835**

The Notes on pages 126 to 174 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

£'000

	Note	Core Department	Core Department & Agency	31-Mar-14 Departmental Group	Core Department	Core Department & Agency	31-Mar-13 Departmental Group
Non-current assets							
Property, plant and equipment	8	75,188	75,373	79,913	90,420	90,507	96,440
Intangible assets	9	5,498	6,729	9,975	9,403	10,062	13,972
Investments	11	57,609	57,609	360,134	8,617	8,617	347,909
Available for sale assets	12	-	-	1,553,937	-	-	666,905
Investment properties	13	32,208	32,208	32,208	28,708	28,708	28,708
Trade and other receivables	16	12,203	12,203	139,657	13,138	13,140	146,296
Total non-current assets		**182,706**	**184,122**	**2,175,824**	**150,286**	**151,034**	**1,300,230**
Current assets							
Assets classified as held for sale	14	4,737	4,737	4,737	5,790	5,790	5,790
Inventories	15	64,484	64,484	897,554	14,655	14,655	744,361
Trade and other receivables	16	882,271	887,845	1,223,410	572,481	577,736	753,850
Cash and cash equivalents	17	271,643	272,187	377,008	192,053	195,234	213,178
Total current assets		**1,223,135**	**1,229,253**	**2,502,709**	**784,979**	**793,415**	**1,717,179**
Total assets		**1,405,841**	**1,413,375**	**4,678,533**	**935,265**	**944,449**	**3,017,409**
Current liabilities							
Trade and other payables	18	979,913	984,296	1,279,183	914,329	918,394	1,254,515
Provisions	19	18,505	18,790	52,074	19,286	20,683	76,269
Pensions	20	155	155	155	156	156	248
Total current liabilities		**998,573**	**1,003,241**	**1,331,412**	**933,771**	**939,233**	**1,331,032**
Non-current assets plus/less net current assets/liabilities		**407,268**	**410,134**	**3,347,121**	**1,494**	**5,216**	**1,686,377**
Non-current liabilities							
Trade and other payables	18	300,353	300,449	367,767	302,692	302,692	303,791
Provisions	19	17,690	17,582	27,914	21,503	21,542	132,876
Pensions	20	1,601	1,601	(35,190)	1,462	1,590	50,360
Total non-current liabilities		**319,644**	**319,632**	**360,491**	**325,657**	**325,824**	**487,027**
Assets less liabilities		**87,624**	**90,502**	**2,986,630**	**(324,163)**	**(320,608)**	**1,199,350**
Taxpayers' equity							
General reserve		70,948	73,803	2,698,712	(343,185)	(339,541)	1,052,373
Revaluation reserve		16,618	16,641	248,956	18,829	18,868	192,716
Pension reserve		58	58	38,962	193	65	(45,739)
Total taxpayers' equity		**87,624**	**90,502**	**2,986,630**	**(324,163)**	**(320,608)**	**1,199,350**

Sir Bob Kerslake **23 June 2014**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 126 to 174 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

£'000

	Note	2013-14		2012-13	
		Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Cost	SoCNE	(33,878,790)	(32,643,667)	(28,068,239)	(28,354,658)
Adjusted for:-					
Finance costs	4,5,6,7	32,409	17,773	5,054	(9,083)
Profit /(loss) on disposal of non-current assets	4,5,6,7	485	(481)	315	608
Depreciation and amortisation	4,5	14,183	18,231	16,918	21,269
Revaluation of non-current assets passing through the SoCNE	4,5	(3,500)	(3,500)	(186)	(186)
Impairment of non-current assets	4,5	253	(7,405)	18,124	23,232
Increase / decrease in inventories	15	(49,829)	(51,229)	52,137	102,376
Other non cash transactions	4,5,6,7	1,481	1,340	11,379	11,772
(Increase) / decrease in trade & other receivables		(334,314)	(311,535)	(205,951)	(193,879)
Increase / (decrease) in trade & other payables		102,107	130,131	(749,103)	(598,224)
Movement in provisions	4,5	15,080	23,335	17,731	35,253
Utilisation of provisions		(20,933)	(79,065)	(8,746)	(39,088)
Pension fund adjustments		(152)	(34,767)	(8,217)	(39,336)
Local share (local authorities)		10,851,030	10,851,030	-	-
Adjustments for corporation tax		-	(31,406)	-	(10,983)
Adjustments for net operating (gains)/losses - absorption transfers	4,5,6,7	4,629	6,200	(179)	404,233
Net Cash outflow from operating activities		**(23,265,861)**	**(22,115,015)**	**(28,918,963)**	**(28,646,694)**
Cash Flows from Investing Activities					
Purchase of property, plant & equipment	8	(1,610)	(2,162)	(1,621)	(2,662)
Purchase of intangible assets	9	(1,491)	(2,802)	(875)	(3,424)
Purchase of financial assets	11,12	(58,500)	(1,245,581)	-	(292,589)
Proceeds from disposal of property, plant & equipment		344	356	-	11
Proceeds on disposal of financial assets		-	40,925	-	40,868
Proceeds from disposal of FSC assets (Held for Sale)	14	1,053	1,053	-	-
Repayment of financial assets	13	-	142,500	4,474	23,110
Public dividend capital	11	-	-	6,870	6,870
Interest Received	6,7	1,502	14,081	2,654	15,605
Net Cash inflow / (outflow) from investing activities		**(58,702)**	**(1,051,630)**	**11,502**	**(212,211)**
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		23,733,134	23,733,134	28,617,304	28,617,304
From the consolidated fund - Excess Vote 2012-13		55,456	55,456	-	-
Receipt of non operating CFERs	SoPS5	180	180	306	306
Capital element of payments in respect of finance leases		(1,212)	(2,184)	-	(1,204)
Interest paid	4,5	(6,253)	(6,318)	(5,115)	(5,257)
Other adjustments - financing activities		-	-	-	60
Foreign Exchange Movements	4,5,6,7	2	2	(516)	(516)
Net Cash inflow / (outflow) from financing activities		**23,781,307**	**23,780,270**	**28,611,979**	**28,610,693**

Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**456,744**	**613,625**	**(295,482)**	**(248,212)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(302)	(302)	(237)	(237)
Payments due to the Consolidated Fund		(162,536)	(162,536)	(119,086)	(119,086)
Other balances surrenderable to the Consolidated Fund					
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**293,906**	**450,787**	**(414,805)**	**(367,535)**
Cash and cash equivalents at the beginning of the period	17	**(21,719)**	**(73,779)**	**393,086**	**293,756**
Cash and cash equivalents at the end of the period	17	**272,187**	**377,008**	**(21,719)**	**(73,779)**

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2012		**475,996**	**221,107**	**(74,904)**	**622,199**
Change in relation to Machinery of Government changes		(8,102)			(8,102)
Restated Balance at 1 April 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		-	435	-	435
Net gain / (loss) on revaluation of inventories	15	-	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)	20	-	-	(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
CFERs payable to the Consolidated Fund	SoPS5	(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**
Restated Balance at 31 March 2013		**1,052,373**	**192,716**	**(45,739)**	**1,199,350**
Changes in taxpayers' equity for 2013-14					
Net gain / (loss) on revaluation of property, plant and equipment		-	(2,663)	-	(2,663)
Net gain / (loss) on revaluation of inventories	15	-	103,489	-	103,489
Release of reserves to the operating cost statement	SoCNE	(1,949)	-	-	(1,949)
Deferred tax movements		(29,001)	-	-	(29,001)
Recognition of actuarial gains/(losses)	20	-	-	54,157	54,157
Net operating cost for the year	SoCNE	(32,643,667)	-	-	(32,643,667)
Change arising from revaluations		18,661	-	-	18,661
Tax charge / credit on revaluations		-	(2,405)	-	(2,405)
Total comprehensive expenditure		**(32,655,956)**	**98,421**	**54,157**	**(32,503,378)**
Non-cash charges - auditor's remuneration		520	-	-	520
Local share (recognition through reserves)		10,851,030			10,851,030
Other adjustments to reserves		51,234	-	382	51,616
Movements in reserves:					
Transfers between reserves		12,019	(42,181)	30,162	-
Total recognised income and expense for 2013-14		**(21,741,153)**	**56,240**	**84,701**	**(21,600,212)**
Net Parliamentary Funding - drawn down		23,733,134	-	-	23,733,134
Net Parliamentary Funding - Consolidated Fund Supply payable		(241,370)	-	-	(241,370)
From the consolidated fund - Excess Vote 2012-13		55,456			55,456
CFERs payable to the consolidated fund	SoPS5	(159,728)	-	-	(159,728)
Sub Total		**- 23,387,492**		**-**	**23,387,492**
Balance at 31 March 2014		**2,698,712**	**248,956**	**38,962**	**2,986,630**

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2012		**(1,125,014)**	**19,085**	**(108)**	**(1,106,037)**
Change in relation to Machinery of Government changes		(8,102)			(8,102)
Restated 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		-	422	-	422
Recognition of Actuarial gains/losses	20	-	-	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
Supply payable for 2012-13		-	-	-	-
CFERs payable to the Consolidated Fund	SoPS5	(113,942)	-	-	(113,942)
Sub Total		**28,857,629**	**0**	**0**	**28,857,629**
Balance at 31 March 2013		**(339,541)**	**18,868**	**65**	**(320,608)**
Restated Balance at 31 March 2013		**(339,541)**	**18,868**	**65**	**(320,608)**
Changes in taxpayers' equity for 2013-14					
Net gain / (loss) on revaluation of property, plant and equipment		-	(2,634)	-	(2,634)
Recognition of actuarial gains/losses	20	-	-	(7)	(7)
Net operating cost for the year	SoCNE	(33,878,790)	-	-	(33,878,790)
Total comprehensive expenditure		**(33,878,790)**	**(2,634)**	**(7)**	**(33,881,431)**
Non-cash charges - auditor's remuneration		520	-	-	520
Local share (recognition through reserves)		10,851,030			10,851,030
Other adjustments to reserves		53,499	-	-	53,499
Movements in reserves:					
Transfers between reserves		(407)	407	-	-
Total recognised income and expense for 2013-14		**(22,974,148)**	**(2,227)**	**(7)**	**(22,976,382)**
Net Parliamentary Funding - drawn down		23,733,134	-	-	23,733,134
Net Parliamentary Funding - Consolidated Fund Supply payable		(241,370)	-	-	(241,370)
From the consolidated fund - Excess Vote 2012-13		55,456	-	-	55,456
CFERs payable to the consolidated fund	SoPS5	(159,728)	-	-	(159,728)
Sub Total		**- 23,387,492**		**-**	**23,387,492**
Balance at 31 March 2014		**73,803**	**16,641**	**58**	**90,502**

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 2013-14 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 Financial Reporting Manual 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.

Basis of consolidation

N1.3. These accounts comprise a consolidation of the core Department, the Departmental Agency (the Planning Inspectorate – PINS) and those arms length bodies which fall within the Departmental boundary as defined by the Financial Reporting Manual and these bodies make up the 'Departmental Group'. Transactions between and balances with entities included in the Departmental Group are eliminated. A list of all those entities within the departmental boundary is given at Note 29.

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 2014. For the English Cities Fund, an associate of the Homes and Communities Agency (HCA), audited financial statements to 31 December 2013 have been used because these do not 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 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 2014. The Department considers that all subsidiaries and associates are properly included in the consolidation under the terms of IAS 27, the Financial Reporting Manual and 2013-14 Designation Order.

N1.5. 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 International Financial Reporting Standards: there are no material differences arising from this.

N1.6. The Independent Housing Ombudsman (IHOL) was closed on 31 March 2013 and all its functions, staff, assets and liabilities immediately transferred to a replacement body, The Housing Ombudsman (THO). The Independent Housing Ombudsman was a company producing accounts in accordance with the Companies Act 2006, and The Housing

Ombudsman is a Corporation Sole. Both bodies adopted International Accounting Standards and prepare accounts in accordance with the Financial Reporting Manual, so there are no differences in policies. Balances in respect of the Independent Housing Ombudsman were transferred to The Housing Ombudsman at 1 April 2013.

N1.7. 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.

Accounting convention

N1.8. 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

N1.9. The preparation of the financial statements requires management to make estimates and judgement that affect the reported amounts. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate the relevant notes to the Accounts and the specific accounting policies provide further details on the estimation techniques. 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 value 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. (see N1.36)
- Available for sale financial assets are valued using either published regional house price indices or cash flow forecasts, depending on the scheme. However, these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and cash flow forecasts by their nature are based on estimates. (see N1.29)
- 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.
- The 2007-13 European Regional Development Fund programmes where significant judgments were made in assessments of the extent to which grant expenditure is eligible for grant. Details are in the Other Financial Information section of the Annual Report.

Changes in accounting policies

N1.10. 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, however, adoption by the Financial Reporting Manual is subject to consultation. This change simplifies the classification and measurement of financial assets.

- IFRS 10 Consolidated Financial Statements - effective date: financial periods beginning on or after 1 January 2013, with adoption by the Financial Reporting Manual from1 April 2014. this change 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 Financial Reporting Manual is effective 1 April 2014. This change 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 Financial Reporting Manual is effective 1 April 2014. This change requires more disclosure of the financial affects on, and risks to, consolidating entities.
- IFRS 13 - Fair Value Measurement – effective date: this standard was effective from 1 January 2013 for the private sector. The likely effective date for adoption in the public sector is expected to be 1 April 2015, early adoption is not permitted. The proposed change provides consistent guidance on fair value measurement.
- IAS 12 Income taxes - this standard has not been endorsed by the EU and adoption by the Financial Reporting Manual is subject to consultation. The proposed change provides guidance on the measurement of deferred tax liabilities arising on the revaluation of investment properties.
- IAS 27 Separate Financial Statements – effective date: financial periods beginning on or after 1 January 2013, adoption by the Financial Reporting Manual is effective 1 April 2014. This change is in respect of 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 Financial Reporting Manual is effective 1 April 2014. This change is in respect of Consolidated Statements and disclosure of interests in other entities.

Operating segments

N1.11. 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 Troubled Families. Details of expenditure and income against these segments are reported in Note 2.

N1.12. 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.

N1.13. 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.

Non –current assets (excluding trade and other receivables)

N1.14. Non-current assets are held at fair value, as described in more detail in the paragraphs below.

N1.15. The core Department's capitalisation threshold is £5,000. Other entities within the Group use capitalisation thresholds between £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.

Property, plant and equipment

N1.16. Title to freehold land and buildings assets owned by the core department and agency is held by the Secretary of State, otherwise the title is held by the relevant NDPB.

N1.17. Freehold land and buildings are restated at fair 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.

N1.18. Upward revaluations of assets are credited to the revaluation reserve. 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 Statement of Comprehensive Net Expenditure. Impairments are charged to the Statement of Comprehensive Net Expenditure except where the impairment is due to fluctuations in the market, in which case the treatment is the same as for revaluations.

N1.19. The Department allows grouping of items (including assets under construction) as follows:

- Information technology: Networked computer infrastructure; Strategic Information Technology equipment;
- Plant and machinery: Telecommunications assets, Civil resilience strategic material; and
- Furniture and fittings: Furniture assets purchased as part of a refurbishment project.

N1.20. No depreciation is provided on freehold land, as it has an unlimited or very long estimated useful life.

N1.21. In accordance with IAS 16 depreciation is provided at rates calculated to write off the value 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
• Leased assets	length of lease

Intangible assets

N1.22. 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.

N1.23. 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. Systems maintenance is expensed, but expenditure on enhancements to systems, ie where additional functionality is provided, is capitalised as systems under development.

N1.24. 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.

Investment properties

N1.25. 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.

N1.26. 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.

N1.27. Changes arising from revaluations are taken direct to the Statement of Comprehensive Net Expenditure. Investment properties are not depreciated.

Financial assets

N1.28. All non derivative financial assets are measured in accordance with relevant standards per class of asset. Loans, trade and other receivables, non-property inventories, cash and cash equivalents are classified as current assets unless settlement is expected to be at least twelve months after the end of the reporting period.

Available for sale financial assets

N1.29. The Department's available for sale financial assets are interests in future sale proceeds of properties bought with financial assistance from the HCA, and recognised under IAS 39. The investments are stated at fair value as below:

- The fair values of available for sale financial assets relating to housing units are calculated with reference to movements in the DCLG house price index at a regional level, being the most relevant available observable market data. This is supplemented by adjustments for experience of actual disposals since the inception of the schemes. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 7

- The fair values of available for sale financial assets relating to equity investments in private sector developments and infrastructure projects are calculated using cash flow forecasts for the projects concerned, discounted at rates set by HM Treasury. These fair values are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 7

N1.30. In accordance with IAS 39, gains and losses arising from changes in fair value are recognised in Other Comprehensive Expenditure, except for impairment losses which are recognised in the Statement of Comprehensive Net Expenditure. On disposal of the asset the cumulative gain or loss previously recognised in Other Comprehensive Expenditure is included in the Statement of Comprehensive Net Expenditure for the period.

Investments

N1.31. 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 an investment comprising of Public Dividend Capital (PDC) in the QEII Conference Centre. The QEII Conference Centre is a Trading Fund outside the Departmental accounting boundary. Under paragraph 9.2.4 of the Financial Reporting Manual, Public Dividend Capital is excluded from the Financial Instruments Standards and under paragraph 9.2.7c of the Financial Reporting Manual, Public Dividend Capital is valued at historical cost less impairments.

Loans

N1.32. Loans are shown at amortised cost using the effective interest rate and are included within non-current assets. These loans include loans to Water Companies, Local Authorities, Infrastructure loans and loans to Associates and Joint Ventures all of which are held with HCA and loans in respect of Regional Growth Fund held with DCLG.

Trade and other receivables

N1.33. Trade and other receivables are financial assets with fixed or determinable payments which are not quoted in an active market. The net of these balances is classified as either current or non-current ‘trade and other receivables’ in the Statement of Financial Position.

N1.34. Under the 2007-13 European Regional Development Fund 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 European Regional Development Fund Programme in England. The proportion paid over to the Greater London Authority (GLA) in respect of this advance is held as a non-current receivable in these accounts and valued in accordance with N1.33 above.

N1.35. 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

N1.36. Property assets, held for development purposes and consisting of land and buildings, are treated as inventories under the terms of the Financial Reporting Manual and IAS 2. Whilst IAS 2 requires that inventories are valued at the lower of cost and net realisable value, the Department’s policy is to value these inventories at fair value, as allowed by the Financial Reporting Manual. 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 and the results are taken to the revaluation reserve. 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.

N1.37. A receivable, (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.

N1.38. The receivable is 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 receivable.

N1.39. Claims for payment to European Regional Development Fund projects are initially charged against work in progress and only recognised as an expense once certified as compliant with the European Regional Development Fund Regulations, such that the related European Regional Development Fund income can be recognised. Where any amounts charged to work in progress subsequently fail certification, recovery of the cost is sought from projects. In accordance with IAS 2 work in progress is valued at the lower of cost and net realisable value.

Cash and cash equivalents

N1.40. 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 Statement of Financial Position. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

Financial liabilities

N1.41. All non-derivative financial liabilities are initially measured at fair value and subsequently measured at amortised cost. They comprise trade and other payables and other financial liabilities, 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.

N1.42. Under both the 2000-06 and the 2007-13 European Regional Development Fund 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. Until the final position is agreed, balances remain on the Statement of Financial Position but have been transferred to current liabilities.

N1.43. 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.

N1.44. 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.

Guarantees

N1.45. The Department has entered into housing guarantees in respect of Newbuy and, in principle, for the Affordable Housing Schemes with no actual guarantees being provided at the date of these accounts. The Newbuy guarantees are only called upon after other deposits have been exhausted. Each guarantee scheme is therefore assessed initially in accordance with IAS 37, IAS 39 and IFRS 9 to determine the classification of potential liability and the application of the classification.

N1.46. The Newbuy guarantee does not meet the criteria for financial instruments under IAS 39 and is therefore measured in accordance with IAS 37

N1.47. The Affordable Housing guarantee, in principle, does meet the criteria for financial instruments and will therefore be recognised in accordance with IAS 39 once the guarantees are entered into. Recognition of the guarantee is at the point it becomes live, ie at the point the funds are drawn down

Research and development expenditure

N1.48. 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 N1.24), is treated as programme expenditure in the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

Administration and programme expenditure and income

N1.49. Income and expenditure reported in the Statement of Comprehensive Net Expenditure is analysed between administration and programme. The classification of income and expenditure as administration or as programme follows the definitions set by HM Treasury.

Income

N1.50. Operating income is income which relates directly to the operating activities of the Department. Operating income includes certain income payable to the Consolidated Fund in accordance with the Financial Reporting Manual requirements.

N1.51. The Department collects amounts from local authorities in respect of council house sale receipts and these are then paid on to the Consolidated Fund in accordance with agreed timetables. The Department only recognises the income at the point of receipt rather than when the sale of the council house occurs as amounts collected by local authorities are subject to further calculations before final amounts due to the Consolidated Fund are known and cannot therefore be accrued at the point of sale.

N1.52. Income reflected in the Statement of Other Comprehensive Net Expenditure includes the impact of movements to the revaluation reserve in respect of Inventories. (see N1.36)

Value Added Tax

N1.53. 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.

N1.54. 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

N1.55. 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.

N1.56. The Corporation Tax charge represents the sum of current tax and deferred tax. Both current and deferred Corporation Tax are recognised in the Statement of Comprehensive Net Expenditure except to the extent that they relate to items recognised directly in Other Comprehensive Expenditure in which case they are recognised in Other Comprehensive Expenditure.

N1.57. 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

N1.58. The Departmental Group's functional and presentational currency is Sterling.

N1.59. Transactions in foreign currencies are recorded in Sterling at the rate of exchange ruling at the date of the transaction. European Regional Development Fund balances in the Department's Statement of Financial Position 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 Statement of Comprehensive Net Expenditure.

Pensions and other employee benefits

N1.60. IAS 19, Employee Benefits, was amended for accounting periods beginning on or after 1 January 2013 so for most central government Departments from 2013-14. The main impact of the change for this Department relates to funded pension schemes. Interest on scheme assets and liabilities is now calculated and accounted for on a net basis where, previously they were calculated and accounted for separately. The impact of this change is judged to be immaterial and therefore no prior period adjustment is required. Expected returns on scheme assets were previously accounted for as Capital AME with interest on scheme liabilities accounted for as Resource AME. Following the change the net interest charge is accounted for as Resource AME and is reflected in pension note 20.

N1.61. 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 over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the Principal Civil Service Pension Scheme and not recognised in these accounts. In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

N1.62. Employees of NDPBs are generally members of funded defined benefit schemes. Where practical these schemes are valued and the actuary's 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 Statement of Comprehensive Net Expenditure. 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.

N1.63. The Department accrues for short-term employee benefits (which fall due within twelve months of the period in which they are earned). The Department recognises a liability and expense for other employee benefits, including unused annual leave and maternity leave, accrued at the Statement of Financial Position date. The Department is required to pay, as termination benefits, the additional cost of benefits, beyond the normal Principal Civil Service Pension Scheme benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The Department accrues 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

N1.64. 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.

N1.65. 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 in accordance with the Financial Reporting Manual. These transactions are eliminated on consolidation.

N1.66. 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.

N1.67. 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 Statement of Comprehensive Net Expenditure.

N1.68. Under the Local Government Finance Act 1988, National Non-domestic Rates (NNDR) were paid to the Secretary of State who was 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 were 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 This system of collection, pooling and redistribution was replaced following the passing of the Local Government Finance Act 2012 with Business Rates Retention. Therefore, 2013-14 is the final year for recognition of any amounts in respect of National Non-domestic Rates which will be in relation to outturn adjustments for prior years. These amounts will be captured in the final White Paper Account for National Non-domestic Rates (The Transition Account) and in the Trust Statement for amounts payable to the Consolidated Fund. (see p181)

N1.69. The most significant change under Business Rates Retention is the local retention of 50% of collected business rates. The actual amounts of grant payable in respect of safety net, transitional arrangements, top ups and tariffs 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.

N1.70. Following the Office for National Statistics classification of Business Rates as a central government tax, the local share retained by local authorities must now be reflected in central government Estimates and Budgets. In order to avoid mis-alignment between Estimates, Budgets and Accounts, HM Treasury have advised that the Department reflect the local share as grant expenditure and therefore these accounts include the local share as a notional grant paid by the Department (recognised through Reserves) and this reflects the position had the full amount of Business Rates been collected and paid to the Consolidated Fund before being redistributed to local authorities. Therefore and additionally, Trust

Statement revenue has been grossed up to include the local share which is then shown as an allowable deduction before determining amounts to be paid to the Consolidated Fund.

N1.71. Two White Paper Accounts have been prepared in respect of Business Rates Retention; the Main Rating Account and the Levy Account reporting the amounts paid and received in respect of the scheme.

N1.72. The Department acts as an agent for the Consolidated Fund in respect of Business Rates Retention income due 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 they are 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. This Trust Statement is included in pages 175 to 186 of these accounts.

N1.73. The Department acts as a Managing Authority for the European Regional Development Fund 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 the final position is agreed, deferred income, accrued income and receivables balances relating to the 2000-06 programme remain on the Department's Statement of Financial Position. The 2007-13 programme is active. 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 rules by the Department's Certifying Authority team. Prior to certification the amounts are held as work in progress (inventory – see N1.39). On certification, the Department recognises the European Regional Development Fund expense and an equivalent amount of European Regional Development Fund income.

Leases

N1.74. 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 value of finance leases, together with the current value of future capital repayments are held as assets and liabilities in the Department's Statement of Financial Position. Asset values are depreciated in accordance with the policy relating to the asset class to which they are classified. Leases other than finance leases are classified as operating leases.

N1.75. 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.

N1.76. Operating leases are charged to the Statement of Comprehensive Net Expenditure 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 such that benefits from rent free or other incentives are equalised over the period of the lease or the period to the next rent review. Long term liabilities arising from this treatment are not discounted on grounds of materiality.

N1.77. 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 Statement of Financial Position as finance lease receivables at the amount of the net investment in the lease with the valuation reflecting the present value of the minimum future lease payments. Amounts received from finance leases are apportioned between finance income and a reduction in the remaining balance of the lease receivable so as to receive a constant rate of interest on the remaining balance of the receivable. Finance income is recognised in the Statement of Comprehensive Net Expenditure.

Provisions

N1.78. 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. Amounts are assessed on the basis of the best estimate of the expenditure required to settle 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.

Contingent Liabilities

N1.79. 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. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Application of Merger Accounting

N1.80. The Financial Reporting Manual defines the rules applying 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.

- Transfer by merger applies to departmental group level transfers of function, including all Machinery of Government (MoG) transfers, within central government. All current and prior year movements and balances are transferred as if the function had always been provided by the recipient body.
- All other transfers of function within the public sector, including transfers to or from Local Government, Public Corporations, NDPBs etc or within a departmental boundary, apply transfer by absorption accounting. The accounting transfer takes place as at the date of the transfer of function.

In neither case are assets or liabilities included in the transfer revalued at the point of transfer.

N1.81. Where transfer of asset or liabilities occur between public sector bodies which are not clearly defined as a transfer of function; these transfers are applied using asset transfer principles as defined by the Financial Reporting Manual. These principles are akin to transfers by absorption and assets and liabilities are not revalued on transfer.

Machinery of Government (MoG) changes

N1.82. During 2013-14, the following transfer of functions occurred between bodies within the Departmental Group, these have been applied on an absorption accounting basis:

Functions performed by the Independent Housing Ombudsman transferred to a new body, The Housing Ombudsman on 1 April 2013. This transfer has been recognised in these financial statements but there is no net impact.

West Northants Development Corporation transferred operations to local authorities in Northamptonshire. This transfer has been recognised in these financial statement under absorption accounting principles where amounts transferred are reflected as 'Capital Grant in Kind'.

N1.83. Further details on these transfers can also be found in the published accounts of individual bodies.

N1.84. 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.

Note 2. Operating costs by operating segment

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

Segment 1 Localism

Segment 2 Troubled Families

Segment 3 Neighbourhoods

Further information on the Department's segments can be found in section 1.5 of the Annual Report.

Activities in respect of Finance and Corporate Services, Strategy, Communications & Private Office are not reported as a segment as these are all administrative functions and expenditure is not allocated as per the Group Accounting Policy (N1.12)

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 (N1.12).

£'000

	Note	Segment 1	Segment 2	Segment 3	2013-14 Total	Segment 1	Segment 2	Restated Segment 3	2012-13 Total
Gross Expenditure	SoPS2	32,776,074	160,969	3,250,820	36,187,863	25,700,862	131,924	2,946,263	28,779,049
Income	SoPS2	(3,319,214)	(20,000)	(443,250)	(3,782,464)	(33,923)	(15,000)	(602,365)	(651,288)
Net Expenditure		**29,456,860**	**140,969**	**2,807,570**	**32,405,399**	**25,666,939**	**116,924**	**2,343,898**	**28,127,761**

In 2012-13, the Department's segments were considered to be Localism, Neighbourhoods and Local economies, regeneration and European programmes. For 2013-14 these have been restructured to the above and 2012-13 prior year comparatives restated to reflect the new structure

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.

2.1 Reconciliation between operating segments and SoCNE

£'000

	Note	Segment 1	Segment 2	Segment 3	2013-14 Total	Segment 1	Segment 2	Restated Segment 3	2012-13 Total
Total net expenditure reported for operating segments	2	29,456,860	140,969	2,807,570	32,405,399	25,666,939	116,924	2,343,898	28,127,761
Reconciling items:									
Income					(210,321)				(167,815)
Expenditure					308,300				372,889
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE				**32,503,378**				**28,332,835**

Note 3. Staff numbers and related costs

3.1 Staff costs

£'000

	Permanently Employed Staff	Ministers	Special Advisors	Others	2013-14 Total	2012-13 Total
Wages & Salaries	147,171	235	172	8,448	156,026	159,326
Social Security Costs	13,314	23	17	13	13,367	13,648
Pension Costs	30,643	-	35	-	30,678	13,295
Total Costs	**191,128**	**258**	**224**	**8,461**	**200,071**	**186,269**
Less Recoveries in respect of outward secondments	(642)	-	-	-	(642)	(447)
Total Net Costs	**190,486**	**258**	**224**	**8,461**	**199,429**	**185,822**
Of which:						
Core Department	88,220	258	224	6,455	95,157	99,452
Agency	34,226	0	0	412	34,638	32,851
Designated bodies	68,682	0	0	1,594	70,276	53,966

£'000

	2013-14			2012-13		
Of which:	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**
Core Department	93,237	1,920	95,157	97,583	1,869	99,452
Agency	34,638	-	34,638	32,851	0	32,851
Designated bodies	58,390	11,886	70,276	49,145	4,821	53,966
Total Costs	**186,265**	**13,806**	**200,071**	**179,579**	**6,690**	**186,269**

3.2 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	Others	Ministers	Special Advisers	2013-14 Total	2012-13 Total
Core Department	1,570	99	7	3	1,679	1,743
Agency	684	4	-	-	688	646
Designated Bodies	1,130	100	-	-	1,230	1,242
Total	3,384	203	7	3	3,597	3,631

3.3 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.

			2013-14	2012-13
				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 -		-	-	-
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	1	1	-
£50,000 - £100,000	- -	-		-
£100,000 - £150,000	-	-	-	1
£150,000 - £200,000	-	-	-	-
£200,001 onwards	-	-	-	-
Total number of exit packages	**-**	**1**	**1**	**1**
			£'000	£'000
Total cost	**-**	**49**	**49**	**137**

			2013-14	2012-13
				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 -		-	-	-
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	1	1	1
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	1
£150,000 - £200,000	-	-	-	-
£200,001 onwards	-	-	-	-
Total number of exit packages	**-**	**1**	**1**	**2**
			£'000	£'000
Total cost	**-**	**49**	**49**	**186**

			2013-14	2012-13
				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	3	11	15
£10,000 - £25,000	11	7	18	15
£25,000 - £50,000	2	6	8	7
£50,000 - £100,000	-	3	3	13
£100,000 - £150,000	2	2	4	4
£150,000 - £200,000	-	-	-	1
£200,001 onwards	-	-	-	(1)
Total number of exit packages	**23**	**21**	**44**	**54**
			£'000	£'000
Total cost	**561**	**810**	**1,371**	**1,680**

Note 4. Other administration costs

£'000

				2013-14			2012-13
	Notes	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Non-Cash Items							
Depreciation	8	8,091	8,149	10,374	4,406	4,471	6,384
Amortisation	9	4,175	4,221	6,044	6,116	6,158	7,747
Impairment of Assets		(707)	(707)	4,014	-	-	-
Revaluation of Assets		(3,500)	(3,500)	(3,500)	(197)	(186)	(186)
Loss on Disposal of Assets		269	286	286	2	2	76
Auditors Remuneration		462	520	520	517	582	582
Provision for Bad and Doubtful Debts		-	-	-	(40)	30	71
Total Non Cash Items		**8,790**	**8,969**	**17,738**	**10,804**	**11,057**	**14,674**
Cash Items:							
Rentals Under Operating Leases		231	338	1,491	218	344	1,541
Accommodation Including Rentals Under Operating Leases		76,238	79,553	85,594	35,780	39,739	44,485
Research and Development		-	-	-	200	200	200
Legal and Professional Services		7,951	13,198	15,856	7,195	10,838	13,635
Consultancy		243	243	329	1,201	1,201	1,348
Marketing and Communications		326	502	1,194	347	521	606
Training & Development		725	1,092	1,950	822	1,074	1,620
Auditor's Remuneration		-	-	380	-	-	377
IT Expenditure		13,221	15,155	18,031	16,494	18,205	20,595
Travel and Subsistence		1,564	3,432	6,344	1,702	3,258	5,848
Early Retirement Costs		6,267	6,267	6,334	7,192	7,279	7,382
Exchange Rate Losses (Realised)			-	-	2	2	2
Interest Payable		6,253	6,253	6,272	-	-	46
Taxation		9,776	10,429	11,801	9,509	10,179	11,179
Other Current Grants		-	-	-	1,130	1,130	1,130
Other Cash Costs		9,304	11,662	60,263	3,038	4,151	24,194
Total Cash Items		**132,099**	**148,124**	**215,839**	**84,830**	**98,121**	**134,188**
Total		**140,889**	**157,093**	**233,577**	**95,634**	**109,178**	**148,862**

The external auditors total group fees (notional and cash) for all statutory audit work were £842k. There were no fees for non audit services

Note 5. Programme Costs

£'000

	Notes	Core Department	Core Department & Agency	2013-14 Departmental Group	Core Department	Core Department & Agency	2012-13 Departmental Group
Non-Cash Items							
Non Operating Loss - Absorption Transfers		-	-	1,525	-	1,407	394,058
Capital Grant in Kind Expense - Asset Transfers		4,629	4,629	4,675	4,204	4,204	16,904
Depreciation	8	1,264	1,264	1,264	6,042	6,042	6,542
Amortisation	9	549	549	549	247	247	596
Impairment of Assets		960	960	10,780	18,124	18,124	36,363
Loss on Disposal of Assets		543	543	543	313	313	532
Write Offs		8	8	8	-	-	-
ERDF Write Off and Disallowances		919	919	919	10,169	10,169	10,169
ERDF Exchange Rate Losses (Unrealised)		15,273	15,273	15,273	-	-	-
Movement in Provisions	19	15,023	15,080	23,335	17,543	17,731	35,253
Provision for Bad and Doubtful Debts		34	34	(107)	598	598	950
Interest Payable on Pension Scheme Liabilities	20	63	63	63	93	171	29,651
Net Interest on Pension Scheme Liabilities	20	-	-	1,335	-	-	-
Share of Loss of Joint Ventures and Associates	11	-	-	9,282	-	-	14,294
Fair Value Adjustment - Financial Assets		10,463	10,463	10,463	-	-	-
Local Share (local authorities)		10,851,030	10,851,030	10,851,030	-	-	-
Other Non Cash Costs		3,996	3,996	3,996	3,828	3,828	3,828
Total Non Cash Items		**10,904,754**	**10,904,811**	**10,934,933**	**61,161**	**62,834**	**549,140**
Cash Items:							
Rentals Under Operating Leases		-	-	-	-	-	35
Accommodation Including Rentals Under Operating Leases		2	2	2,400	3,595	3,595	8,655
Research and Development		7,288	7,288	7,288	6,359	6,359	6,359
Legal and Professional Services		149,853	149,853	155,167	144,025	144,025	152,428
Consultancy		413	413	427	447	447	447
Marketing and Communications		2,001	2,001	2,088	2,427	2,427	3,073
Training & Development		1,493	1,493	1,507	219	219	447
Auditor's Remuneration		-	-	-	-	-	127
IT Expenditure		27,207	27,207	27,224	17,063	17,063	17,815
Travel and Subsistence		128	128	137	58	58	366
Early Retirement Costs		(6,039)	(6,039)	(6,039)	213	213	213
ERDF Financial Corrections		5,683	5,683	5,683	1,802	1,802	1,802
ERDF Exchange Rate Losses (Realised)		-	-	-	514	514	514
Interest Payable		-	-	46	5,115	5,115	5,211
Taxation		-	-	(29,895)	230	230	(8,215)
Subsidies		-	-	-	25,411	25,411	25,411
National Non Domestic Rates		-	-	-	23,119,000	23,119,000	23,119,000
National Non Domestic Rates Outturn Adjustment		261,736	261,736	261,736	138,434	138,434	138,434
ERDF Grants		336,065	336,065	336,065	384,002	384,002	384,002
Revenue Support Grant and PFI Grant		15,408,736	15,408,736	15,408,736	669,481	669,481	669,481
Business Rates Retention (top ups)		3,292,439	3,292,439	3,292,439	-	-	-
Other Capital Grants to Local Authorities		1,262,438	1,262,438	1,599,902	1,244,566	1,244,566	1,528,336
Other Current Grants to Local Authorities		2,838,979	2,838,979	2,839,201	1,233,794	1,233,794	1,234,954
Other Capital Grants		465,384	465,384	1,220,016	164,525	164,525	908,120
Other Current Grants		185,065	185,065	185,884	92,310	92,310	92,485
Other Cash Costs		(4,866)	(6,182)	(42,141)	4,871	4,616	(10)
Total Cash Items		**24,234,005**	**24,232,689**	**25,267,871**	**27,258,461**	**27,258,206**	**28,289,490**
Total		**35,138,759**	**35,137,500**	**36,202,804**	**27,319,622**	**27,321,040**	**28,838,630**

Note 6. Administration Income

£'000

	Notes	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Non Cash Items							
Gain on sale of Non Current Assets/Assets Held for Sale		344	344	344	-	-	-
Notional Income		169	-	-	202	-	-
Total Non Cash Items		**513**	**344**	**344**	**202**	**-**	**-**
Cash Items							
Grant Income		291	291	311	-	-	27
Goods and Services		3,342	4,978	5,577	3,913	5,204	5,409
Accommodation		17,782	17,640	16,928	13,637	13,637	12,456
Fees		-	10,398	14,578	-	9,292	13,775
Interest and Dividends		2	2	8,304	-	-	260
Miscellaneous		5,147	5,791	5,915	6,462	6,715	10,856
Total Cash Items		**26,564**	**39,100**	**51,613**	**24,012**	**34,848**	**42,783**
Total		**27,077**	**39,444**	**51,957**	**24,214**	**34,848**	**42,783**

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

			2013-14			2012-13
Objectives	**Full Cost**	**Income**	**Surplus/ (Deficit)**	**Full Cost**	**Income**	**Surplus/ (Deficit)**
DCLG: NewBuy Commercial Fees	(339) -	339		-	-	-
PINS: Local development frameworks, compulsory purchase orders, major specialist and national infrastructure	(16,624)	10,382	(6,242)	(13,683)	9,292	(4,391)
LTGDC - Planning Fees (development control)	-	-	-	-	256	256
IHO - Membership of Housing Ombudsman scheme	-	-	-	(4,045)	4,227	182
THO - Membership of Housing Ombudsman scheme	(3,695)	4,196	501	-	-	-
Total	**(20,658)**	**14,917**	**(5,741)**	**(17,728)**	**13,775**	**(3,953)**

Note 7. Programme income

£'000

	Notes	2013-14			2012-13		
		Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**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		-	-	13,465	-	-	1,982
Unwinding of Discount - Financial Asset		2,135	2,135	6,570	216	216	6,750
ERDF Exchange Rate Gains (unrealised)		-	-	-	1,621	1,621	1,621
Expected Return on Pension Scheme Assets	20	-	-	-	-	85	33,456
Total Non Cash Items		**2,135**	**2,135**	**20,035**	**7,627**	**7,712**	**50,538**
Cash Items							
Housing Revenue Account		-	-	-	37,956	37,956	37,956
CFER Income		159,728	159,728	159,728	113,942	113,942	113,942
Grant Income		35,793	35,793	70,974	62,890	62,890	118,953
ERDF Grant Income		336,065	336,065	336,065	383,353	383,353	383,353
Goods and Services		17,010	17,010	17,010	17,285	17,285	17,405
Accommodation		-	-	9,392	330	330	15,765
Fees		339	339	339	-	-	-
Business Rates Retention (tariff)		3,281,901	3,281,901	3,281,901	-	-	-
Interest and Dividends		1,500	1,500	14,081	2,654	2,654	20,542
ERDF Exchange Rate Gains (realised)		2	2	- 2		-	-
ERDF Match Income		-	-	-	600	600	600
Miscellaneous		22,375	22,375	31,301	8,513	8,513	17,266
Total Cash Items		**3,854,713**	**3,854,713**	**3,920,793**	**627,523**	**627,523**	**725,782**
Total		**3,856,848**	**3,856,848**	**3,940,828**	**635,150**	**635,235**	**776,320**

Note 8. Property, plant and equipment

£'000

							31-Mar-14
	Land	**Buildings**	**Information Technology**	**Plant & Machinery**	**Furniture & Fittings**	**Assets under Construction**	**Total**
Cost or Valuation							
At 1 April 2013	951	86,112	12,647	36,541	15,183	6,887	158,321
Additions	-	454	1,694	3	11	-	2,162
Capitalised Provisions	-	-	-	-	-	-	-
Impairments	25	1,308	(6)	(982)	(154)	-	191
Revaluations	(35)	(202)	(76)	(2,032)	(318)	-	(2,663)
Disposals	-	(663)	(1,582)	(6,122)	(1,977)	-	(10,344)
Reclassifications	-	-	254	-	-	(254)	-
Transfers	-	-	-	(17,538)	-	-	(17,538)
At 31 March 2014	**941**	**87,009**	**12,931**	**9,870**	**12,745**	**6,633**	**130,129**
Depreciation							
At 1 April 2013	-	16,269	9,784	23,330	12,498	-	61,881
Charged in year	-	5,963	1,844	2,347	1,484	-	11,638
Impairments	-	(874)	-	-	-	-	(874)
Revaluations	-	-	-	-	-	-	-
Disposals	-	(401)	(1,570)	(5,576)	(1,973)	-	(9,520)
Reclassifications	-	-	-	-	-	-	-
Transfers	-	-	-	(12,909)	-	-	(12,909)
At 31 March 2014	**-**	**20,957**	**10,058**	**7,192**	**12,009**	**-**	**50,216**
Net book value:							
31 March 2014	**941**	**66,052**	**2,873**	**2,678**	**736**	**6,633**	**79,913**
31 March 2013	**951**	**69,843**	**2,863**	**13,211**	**2,685**	**6,887**	**96,440**
Asset Financing:							
Owned	941	6,547	1,937	2,678	736	6,633	19,472
Financed leased	-	59,505	936	-	-	-	60,441
Net book value at 31 March 2014	**941**	**66,052**	**2,873**	**2,678**	**736**	**6,633**	**79,913**
Of the total:							
Core Department	65	63,818	1,942	2,585	145	6,633	75,188
Agency	-	-	185	-	-	-	185
Designated bodies	876	2,234	746	93	591	-	4,540
Net book value at 31 March 2014	**941**	**66,052**	**2,873**	**2,678**	**736**	**6,633**	**79,913**

There are no donated assets within the Department.

The Department's policy for revaluations is described in Notes 1.17-1.18

£'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
Capitalised Provisions	-	-	-	-	-	-	-
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
Agencies	-	-	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**

Note 9. Intangible assets

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

£'000

				31-Mar-14
	Software	**Licences**	**Systems Development**	**Total**
Cost or valuation				
At 1 April 2013	60,210	7,848	955	69,013
Additions	1,892	261	649	2,802
Impairment	(143)	-	-	(143)
Disposals	(12,982)	(968)	-	(13,950)
Reclassifications	242	170	(412)	-
Transfers	(101)	-	-	(101)
At 31 March 2014	**49,118**	**7,311**	**1,192**	**57,621**
Amortisation				
At 1 April 2013	49,027	6,014	-	55,041
Charged in year	5,654	939	-	6,593
Disposals	(12,965)	(968)	-	(13,933)
Transfers	(55)	-	-	(55)
At 31 March 2014	**41,661**	**5,985**	**-**	**47,646**
Net book value:				
31 March 2014	**7,457**	**1,326**	**1,192**	**9,975**
31 March 2013	**11,183**	**1,834**	**955**	**13,972**
Asset Financing:				
Owned	7,457	1,326	1,192	9,975
Finance Leased	-	-	-	-
Net book value at 31 March 2014	**7,457**	**1,326**	**1,192**	**9,975**
Of Which:				
Core Department	5,153	345	-	5,498
Agencies	63	-	1,168	1,231
Designated bodies	2,241	981	24	3,246
Net book value at 31 March 2014	**7,457**	**1,326**	**1,192**	**9,975**

£'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**

There are no donated assets within the Department.

Note 10. 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 2014, 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 £127million/£231million from that stated.

At 31 March 2014, 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 and infrastructure projects, before the effects of tax, would have been an increase/decrease of £9.4 million/£9.4 million from that stated.

The Department will be providing guarantees to the housing market in order to provide access to borrowing at a reduced interest rate to developers and other borrowers. The potential liabilities arising from provision of these guarantees will be subject to market risk such as a fall in house prices or a rise in interest rates which may have an impact on developers ability to repay loans issued under the guarantee

Currency Risk

A payables balance of £616.1 million is the sterling equivalent of a liability of €745.3 million translated at the accounting date. This relates to deposits from the EU for the 2000-06 and 2007-13 European Regional Development Fund 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 2014-15 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 £833.8 million which is the sterling equivalent of an asset of €1,008.7 million representing European Regional Development Fund 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 2013-14 there was an overall loss of around £15 million arising from these risks compared with a gain of about £1 million in 2012-13.

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 2014 £1 = €1.1.2097 – 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 2014:		
Receivables (ERDF)	-	-
Accrued income (ERDF)	833,829	1,008,683
Total assets at 31 March 2014	**833,829**	**1,008,683**
Total assets at 31 March 2013	523,646	619,106
Liabilities		
At 31 March 2014:		
Deposit from EU (ERDF 2000-06 Programmes)	(426,358)	(515,766)
Deposit from EU (ERDF 2007-13 Programmes)	(190,679)	(230,664)
Total liabilities at 31 March 2014	**(617,037)**	**(746,430)**
Total liabilities at 31 March 2013	(534,606)	(632,064)

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, in the future. 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 2014**	**Rate at 30 Mar 2014**	**Impact of rate change to**			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	1,008,683	1:1.2097	£175m gain	£83m gain	£58m loss	£113m loss
Liabilities	(746,430)	1:1.2097	£129m loss	£61m loss	£43m gain	£84m gain
Net gain/loss			£46m gain	£22m gain	£15m loss	£29m loss

Apart from European Regional Development Fund, 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 11 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 Public Dividend Capital is not a financial instrument because financial instruments are contractual whereas Public Dividend Capital is statutory. Therefore these items are outside the scope of this risk and the risks below. See Note 11 for details of Public Dividend Capital investments.

The Homes and Communities Agency has guaranteed the payments under loan obligations of Home Group, as disclosed in Note 41 of their statutory accounts. The total maximum exposure under these guarantees is £21.7 million 2013-14 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 associates and joint ventures are concentrated amongst three counterparties. Other loans relate mainly to a major public utility company and a local authority. Infrastructure loans are dispersed amongst various developers and housebuilders in the private sector and to various local authorities. 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 2014. All balances are held in sterling.

	Total	Non-interest bearing	Floating rate	Fixed rate
Primary Financial Instruments:	£'000	£'000	£'000	£'000
Financial Assets:				
Cash in Government Banking Service	362,502	169,575	192,927	-
Cash held at commercial banks	14,506	13,322	-	1,184
Coalfields Enterprise Fund	6,836	6,836	-	-
Santander Loan	44,952	-	44,952	-
HCA Loans	549,503	36,315	374,760	138,428
Balance at 31 March 2014	**978,299**	**226,048**	**612,639**	**139,612**
Balance at 31 March 2013	599,909	41,913	363,471	194,525

HCA loans are reflected in Note 11 (£293,384k) and Note 16 (£256,119k)

Fair values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2013 and 31 March 2014. 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
- Public Dividend Capital, being statutory, is reported 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 11. Investments

£'000

	Shares & Equity Investments	Investment Funds	Private Sector Loans	Public Sector Loans	Public Dividend Capital	Total Investments
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)
Dividends	-	-	-	-	-	-
Repayments	-	-	(17,766)	(5,344)	(6,870)	(29,980)
Profit / loss on JV or Associate	(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**
Additions	5,000	-	344,819	1,700	-	351,519
Write down/ Impairment	-	(960)	(1,164)	71	-	(2,053)
Repayments	-	-	(141,425)	(1,075)	-	(142,500)
Revaluation	-	-	(8,548)	-	-	(8,548)
Profit / loss on JV or Associate	(2,342)	-	-	-	-	(2,342)
Transfers in / (out)	-	-	(1,500)	-	-	(1,500)
Transfer to receivables < 1year	-	-	(182,351)	-	-	(182,351)
Balance at 31 March 2014	**14,141**	**6,836**	**313,670**	**24,666**	**821**	**360,134**
of which:						
Core Department	5,000	6,836	44,952	-	821	57,609
Agencies	-	- -	-	-	-	-
Designated bodies	9,141	-	268,718	24,666	-	302,525
	14,141	**6,836**	**313,670**	**24,666**	**821**	**360,134**

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)	Shares & Equity Investments (JV)	Fire Service College (PDC)	Fire Service College (Loans)	Regional Growth Fund (Private Sector Loans)	Total
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
Additions	-	-	-	5,000	-	-	53,500	58,500
Write down / Impairments	18	(978)	-	-	-	-	-	(960)
Revaluation	-	-	-	-	-	-	(8,548)	(8,548)
Balance as 31 March 2014	**4,639**	**2,197**	**821**	**5,000**	**-**	**-**	**44,952**	57,609

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: -	**2013-14**	**2012-13**
Cost or Valuation: -		
Balance at 1 April	11,483	12,779
Share of gains/(losses) of associates and joint ventures	(2,342)	(1,296)
Net liabilities (added)/disposed	-	-
Balance at 31 March	**9,141**	**11,483**

The aggregated amount of the share of total assets and liabilities of associates and joint ventures are as follows: -	**2013-14**	**2012-13**
Assets	69,426	191,482
Liabilities	(60,285)	(179,999)
Total group share of net assets of associates and joint ventures	**9,141**	**11,483**

Subsidiary undertakings as detailed below

£'000

	Departmental Group	
Subsidiary Undertakings	**2013-14**	**2012-13**
Aggregate capital and reserves as at 31 March	38	38
Profit / Loss for the reporting period ending March	-	-
Total cost or valuation of subsidiary undertakings: -		
Balance at 1 April	-	-
Balance at 31 March	**-**	**-**

The Core Department does not hold any investments in subsidiaries, associates or joint ventures. Please refer to individual bodies annual accounts for information on subsidiary, associate and joint venture undertakings.

Note 12. Available for sale financial assets

£'000

	2013-14			2012-13		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Cost or valuation						
At 1 April	-	-	666,905	-	-	550,208
Additions	-	-	902,367	-	-	194,746
Impairments	-	-	3,151	-	-	9,791
Disposals	-	-	(41,908)	-	-	(41,959)
Revaluations	-	-	18,661	-	-	3,226
Transfers	-	-	4,761	-	-	(49,107)
At 31 March	**-**	**-**	**1,553,937**	**-**	**-**	**666,905**

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

Note 13. Investment properties

£'000

	2013-14			2012-13		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Cost or valuation						
At 1 April	28,708	28,708	28,708	28,511	28,511	28,511
Revaluations	3,500	3,500	3,500	197	197	197
At 31 March	**32,208**	**32,208**	**32,208**	**28,708**	**28,708**	**28,708**

As at the 31 March 2014 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 2014 by GVA. The total valuation was reported at £26,500,000 but with a value of £25,588,098 in the department's books because of a trading fund outside interest in the property.

Burlington House, Piccadilly, London was valued during March 2014 by GVA, at £6,620,000. The Department received rental income of £87,325 (£33,952 2012-13) from tenants at Burlington House. This rise in rental income was directly attributable to the increased value of the property.

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. Maintenance charges of £450 were incurred during the period.

Note 14. Assets held for sale

£'000

	2013-14			2012-13		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Balance at 1 April	5,790	5,790	5,790	-	-	-
Disposals	(1,053)	(1,053)	(1,053)	-	-	-
Transfers	-	-	-	5,790	5,790	5,790
As at 31 March	**4,737**	**4,737**	**4,737**	**5,790**	**5,790**	**5,790**

Note 15. Inventories

£'000

			2013-14			2012-13
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Land and buildings						
Opening balance as at 1 April	-	-	729,706	-	-	1,055,087
Additions	-	-	121,884	-	-	48,909
Disposals	-	-	(98,285)	-	-	(86,017)
Impairments	-	-	(22,199)	-	-	(13,131)
Revaluation	-	-	103,489	-	-	37,110
Transfers	-	-	(1,525)	-	-	(312,252)
Closing balance Land and buildings as at 31 March	**-**	**-**	**833,070**	**-**	**-**	**729,706**
ERDF Work in Progress						
Opening balance as at 1 April	14,655	14,655	14,655	66,792	66,792	66,792
Payment to projects	274,122	274,122	274,122	319,211	319,211	319,211
Certified as expenditure	(224,293)	(224,293)	(224,293)	(371,348)	(371,348)	(371,348)
Closing balance ERDF as at 31 March	**64,484**	**64,484**	**64,484**	**14,655**	**14,655**	**14,655**
Total inventory closing balance as at 31 March	**64,484**	**64,484**	**897,554**	**14,655**	**14,655**	**744,361**

Inventories in respect of land and buildings relates to property and development land assets.

Note 16. Trade and other receivables

16.1 Analysis by type

£'000

	31-Mar-14			31-Mar-13		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Amount falling due within one year:						
Trade receivables	2,230	2,934	44,885	691	1,284	46,800
Deposits and advances	-	-	58	-	-	47
VAT receivables	1,728	1,793	2,164	3,978	4,108	6,718
Other receivables	17,725	19,147	54,180	24,947	26,065	77,707
ERDF accrued income	833,829	833,829	833,829	523,646	523,646	523,646
Prepayments and accrued income	26,759	30,142	32,175	19,219	22,633	25,085
Taxation and duties due	-	-	-	-	-	79
Current asset investments	-	-	256,119	-	-	73,768
Sub Total	**882,271**	**887,845**	**1,223,410**	**572,481**	**577,736**	**753,850**
Amounts falling due after more that one year:						
Trade receivables	-	-	96,299	-	-	76,581
Other receivables	-	-	31,155	-	-	56,575
ERDF Advances	10,264	10,264	10,264	10,043	10,043	10,043
Prepayments and accrued income	1,939	1,939	1,939	3,095	3,097	3,097
Sub Total	**12,203**	**12,203**	**139,657**	**13,138**	**13,140**	**146,296**
Total	**894,474**	**900,048**	**1,363,067**	**585,619**	**590,876**	**900,146**

16.2 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:	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Other Central Government bodies	6,311	1,283	1,939	3,095	7,124	1,991	1,939	3,095	17,372	4,597	1,939	3,095
Local authorities	5,669	7,788	-	-	8,859	10,556	-	-	22,578	22,455	22,586	9,180
NHS bodies		-	-	-	-	-	-	-	35	240	-	-
Public Corporations and Trading	-	(64)	-	-	-	29	-	-	-	29	-	-
Sub-total	**11,980**	**9,007**	**1,939**	**3,095**	**15,983**	**12,576**	**1,939**	**3,095**	**39,985**	**27,321**	**24,525**	**12,275**
Bodies external to Government	870,291	563,474	10,264	10,043	871,862	565,160	10,264	10,045	1,183,425	726,529	115,132	134,021
Total receivables at 31 March	**882,271**	**572,481**	**12,203**	**13,138**	**887,845**	**577,736**	**12,203**	**13,140**	**1,223,410**	**753,850**	**139,657**	**146,296**

Note 17. Cash and cash equivalents

£'000

	2013-14 Core Department	2013-14 Core Department & Agency	2013-14 Departmental Group	2012-13 Core Department	2012-13 Core Department & Agency	2012-13 Departmental Group
Balance at 1 April	192,053	195,234	213,178	393,086	393,086	440,682
Net change in cash and cash equivalent balances	79,590	76,953	163,830	(201,033)	(197,852)	(227,504)
Cash Balance at 31 March	**271,643**	**272,187**	**377,008**	**192,053**	**195,234**	**213,178**
Bank overdraft	-	-	-	(216,953)	(216,953)	(286,957)
Balance at 31 March	**271,643**	**272,187**	**377,008**	**(24,900)**	**(21,719)**	**(73,779)**

The bank overdraft in 2012-13 is disclosed within Note 18

The following balances at 31 March were held at:	31-Mar-14 Core Department	31-Mar-14 Core Department & Agency	31-Mar-14 Departmental Group	31-Mar-13 Core Department	31-Mar-13 Core Department & Agency	31-Mar-13 Departmental Group	31-Mar-12 Departmental Group
Other bank and cash	87	87	2,087	80	80	1,931	19,916
Commercial banks and cash in hand	-	-	12,419	-	-	14,142	25,154
Government Banking Service	78,629	79,173	169,575	1	3,182	5,133	208,360
Government Banking Service (ERDF)	192,927	192,927	192,927	191,972	191,972	191,972	187,252
Balance at 31 March	**271,643**	**272,187**	**377,008**	**192,053**	**195,234**	**213,178**	**440,682**

Note 18. Trade and other payables

18.1 Analysis by type

£'000

			31-Mar-14			31-Mar-13
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Amounts falling due within one year:						
Taxation and Social Security	1,859	1,859	6,912	2,180	2,180	3,784
Trade payables	3,274	3,443	238,194	35	172	200,239
Bank Overdraft	-	-	-	216,953	216,953	286,957
Other payables	8,056	9,529	15,503	40,744	42,338	52,536
Accruals	265,298	267,746	295,127	273,955	275,981	285,198
Finance lease	2,694	2,736	3,436	2,124	2,124	3,096
Deferred income	214	438	21,466	1,018	1,178	45,237
ERDF Deferred income	426,358	426,358	426,358	343,723	343,723	343,723
Amount issued from the Consolidated Fund for supply but not spent	241,370	241,370	241,370	-	-	-
- received	30,790	30,817	30,817	33,589	33,737	33,737
- receivable	-	-	-	8	8	8
Sub Total	**979,913**	**984,296**	**1,279,183**	**914,329**	**918,394**	**1,254,515**
Amounts falling due after more that one year:						
Finance lease	102,469	102,565	102,820	104,250	104,250	105,205
ERDF Deferred Income 07-13 Programme	190,679	190,679	190,679	190,882	190,882	190,882
Accruals	-	-	59,832	-	-	144
Deferred income	7,205	7,205	14,436	7,560	7,560	7,560
Sub Total	**300,353**	**300,449**	**367,767**	**302,692**	**302,692**	**303,791**
Total	**1,280,266**	**1,284,745**	**1,646,950**	**1,217,021**	**1,221,086**	**1,558,306**

18.2 Intra-Government Balances

	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:	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Other Central Government bodies	273,771	36,655	-	-	274,274	36,643	-	-	294,549	42,489	59,832	(17)
Local authorities	114,876	126,253	-	-	114,934	126,253	-	-	182,531	197,352	-	-
NHS bodies		-	- -	-		-	-	-	2,098	118	-	-
Public Corporations and Trading Funds	-	-	-	-	31	15	-	-	31	15	-	-
Sub-total	**388,647**	**162,908**	**-**	**-**	**389,239**	**162,911**	**-**	**-**	**479,209**	**239,974**	**59,832**	**(17)**
Bodies external to Government	591,266	751,421	300,353	302,692	595,057	755,483	300,449	302,692	799,974	1,014,541	307,935	303,808
Total payables at 31 March	**979,913**	**914,329**	**300,353**	**302,692**	**984,296**	**918,394**	**300,449**	**302,692**	**1,279,183**	**1,254,515**	**367,767**	**303,791**

Note 19. Provisions for liabilities and charges

(i) Early departure costs

The Department and its Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefit for employees who retire early. An amount is paid annually to the Principal Civil Service Pension Scheme for the period between early departure and the normal retirement date. The Department and Agency 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 1.8% in real terms.

£'000

			2013-14			2012-13
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	17,177	17,285	17,285	24,171	24,352	24,352
Increase	-	-	-	8	8	8
Utilisation	(6,277)	(6,347)	(6,347)	(7,087)	(7,174)	(7,174)
Unwinding of discount	(436)	(432)	(432)	85	99	99
Balance at 31 March	**10,464**	**10,506**	**10,506**	**17,177**	**17,285**	**17,285**
Of which:						
Current liabilities	6,001	6,043	6,043	5,927	5,996	5,996
Non-current liabilities	4,463	4,463	4,463	11,250	11,289	11,289
Balance at 31 March	**10,464**	**10,506**	**10,506**	**17,177**	**17,285**	**17,285**

(ii) 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

			2013-14			2012-13
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	23,612	24,940	191,860	7,566	7,788	190,260
Increase	16,429	16,538	27,661	19,564	19,792	32,840
Utilisation	(13,340)	(14,586)	(146,145)	(1,404)	(1,572)	(31,914)
Reversal	(738)	(794)	(2,557)	(2,575)	(2,629)	(4,150)
Unwinding of discount	(232)	(232)	(1,337)	461	461	6,456
Absorption Transfers		-	-	-	1,100	(1,632)
Balance at 31 March	**25,731**	**25,866**	**69,482**	**23,612**	**24,940**	**191,860**
Of which:						
Current liabilities	12,504	12,747	46,031	13,359	14,687	70,273
Non-current liabilities	13,227	13,119	23,451	10,253	10,253	121,587
Balance at 31 March	**25,731**	**25,866**	**69,482**	**23,612**	**24,940**	**191,860**

(iii) Total provisions

£'000

			2013-14			2012-13
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	40,789	42,225	209,145	31,737	32,140	214,612
Increase	16,429	16,538	27,661	19,572	19,800	32,848
Utilisation	(19,617)	(20,933)	(152,492)	(8,491)	(8,746)	(39,088)
Reversal	(738)	(794)	(2,557)	(2,575)	(2,629)	(4,150)
Unwinding of discount	(668)	(664)	(1,769)	546	560	6,555
Absorption Transfers		-	-	-	1,100	(1,632)
Balance at 31 March	**36,195**	**36,372**	**79,988**	**40,789**	**42,225**	**209,145**
Of which:						
Current liabilities	18,505	18,790	52,074	19,286	20,683	76,269
Non-current liabilities	17,690	17,582	27,914	21,503	21,542	132,876
Balance at 31 March	**36,195**	**36,372**	**79,988**	**40,789**	**42,225**	**209,145**

£'000

	Early Retirement and Pension Costs	ERDF Financial Corrections	Other	Total
Not later than one year	5,996	-	70,273	76,269
Later than one year and not later than five years	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**
Not later than one year	6,043	-	46,031	52,074
Later than one year and not later than five years	3,645	-	18,672	22,317
Later than five years	818	-	4,779	5,597
Balance at 31 March 2014	**10,506**	**-**	**69,482**	**79,988**

The discount rates in these accounts are set by HM Treasury and are:
Short term rate (general provisions with a time boundary of between 0 and 5 years) of -1.90%
Medium term rate (general provisions with a time boundary of between 5 and 10 years) of -0.65%
Long term rate (general provisions with a time boundary of over 10 years) of 2.20%

Note 20. Pensions

Staff of the core Department and the Planning Inspectorate are civil servants with pensions provided under the Principal Civil Service Pension Scheme. The Department is also responsible for the Firefighters Pension Scheme (1992). The staff of Non departmental Public Bodies 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 Statement of Financial Position as shown below.

The discount rate to be applied to pension schemes has been reduced from 2.35% to 1.8% with effect from 31 March 2014.

£'000

	Core Department	Core Department & Agencies	DCLG Consolidated 2013-14	Core Department	Core Department & Agencies	DCLG Consolidated 2012-13
Reconciliation of defined benefit obligation						
Opening balance	1,618	3,405	687,595	1,990	1,990	532,120
Transfer of outstanding pension liability from Standards Board to the Core Department	-	-	-	16,952	16,952	-
Transfer of opening pension liability from London Thames Gateway Development Corporation to the Core Department	92	92	92	-	-	-
Current service cost	-	-	11,748	-	-	10,531
Interest charges	63	63	29,735	93	171	29,651
Contribution by members	-	-	3,072	-	-	2,756
Contribution by employer	-	-	(2,265)	(16,952)	(16,952)	(29,087)
Remeasuremnet of (gains) /losses on liability	135	(1,652)	(34,537)	(301)	(300)	113,807
Past service cost/(gains)	-	-	63	-	-	11
Losses/(gains) on curtailment	-	-	-	-	-	46,380
Transfers Out	-	-	(59)	-	-	-
Absorption Transfers	-	-	-	-	1,708	-
Benefits paid						
Funded benefits paid	-	-	(23,790)	-	-	(17,659)
Unfunded benefits paid	(152)	(152)	(788)	(164)	(164)	(823)
Closing defined benefit obligation	**1,756**	**1,756**	**670,866**	**1,618**	**3,405**	**687,687**
Reconciliation of fair value of employer asset						
Opening balance	-	(1,659)	(637,079)	-	-	(444,607)
Transfer of outstanding pension liability from Standards Board to the Core Department	-	-	-	(8,899)	(8,899)	-
Interest income on scheme assets	-	-	(28,337)	-	(85)	(33,456)
Contributions by members	-	-	(3,072)	-	-	(2,756)
Contributions by employer	-	-	(43,600)	8,899	8,899	(4,408)
Remeasurement of gains/(losses) on asset	-	1,659	(19,620)	-	(121)	(106,529)
(Losses)/gains on curtailment	-	-	75	-	-	(62,982)
Absorption Transfers	-	-	-	-	(1,453)	-
Assets distributed on settlement	-	-	25,732	-	-	17,659
Closing fair value of employer asset	**-**	**-**	**(705,901)**	**-**	**(1,659)**	**(637,079)**
Closing Net Pension Liability	**1,756**	**1,756**	**(35,035)**	**1,618**	**1,746**	**50,608**
of which:						
Non Current	1,601	1,601	(35,190)	1,462	1,590	50,360
Current	155	155	155	156	156	248
of which:						
Funded	-	-	(47,417)	-	128	38,710
Unfunded	1,756	1,756	12,382	1,618	1,618	11,898

Unfunded schemes are held by DCLG, VTS, LTGDC (until its closure in February 2013) and the HCA. The opening balance at Group level in 2013-14 consists of the Opening Balance plus the transfer of opening balance from LTGDC (now closed). 2012-13 opening balances have been restated to 2012-13 to reflect the split between assets and liabilities for HCA previously reflected in these Group accounts as net.

The Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme 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 2013-14, employers' contributions of £18,671,322 (2012-13: £19,203,638) were payable to the Principal Civil Service Pension Scheme 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 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

An actuarial valuation of the Principal Civil Service Pension Scheme is currently underway, with an effective date of 31 March 2012. This valuation is being conducted in line with Directions made by HM Treasury, made under the Public Service Pensions Act 2013. Provisional results of the valuation indicate that there will be an increase of 2.2 percentage points in the average employer contribution rate paid to the scheme from 1 April 2015, with the average employer contribution rising from 18.9% to 21.1%. The full results of the valuation, which will also set an employer cost cap for the scheme, will be published in the coming months.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2013-14, employers' contributions of £94,075 (2012-13: £84,360) 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, for 2013-14, employer contributions of £0 (2012-13: £3,218), 0.8% of pensionable pay, were payable to the Principal Civil Service Pension Scheme 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 £7,241 (2012-13: £5,455). Contributions prepaid at that date were nil.

One member of staff (2012-13: two) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £nil (2012-13: £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 31.03.2014	Value at 31.03.2013	Value at 31.03.2012
Liability in respect of: Current pensioners	1,668	1,618	1,990
Total value of scheme liabiltiies	1,668	1,618	1,990

Note 21. Capital commitments

Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements:

£'000

	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Property, Plant and Equipment	14	14	14	-	34	34
Intangible assets	679	692	692	451	678	678
Development assets	-	-	-	-	-	8,754
Total	**693**	**706**	**706**	**451**	**712**	**9,466**

Note 22. Commitments Under Leases

22.1 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 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Payment due within 1 year	29,704	31,565	34,714	61,945	64,060	68,318
Payment due after 1 year but not more than 5 years	106,956	114,401	116,135	86,603	95,063	102,411
Payment due thereafter	210,517	214,239	214,531	222,305	228,650	229,263
Total value of obligations	**347,177**	**360,205**	**365,380**	**370,853**	**387,773**	**399,992**
Other:						
Payment due within 1 year	3	17	1,074	5	33	847
Payment due after 1 year but not more than 5 years	6	6	1,902	12	26	1,527
Total value of obligations	**9**	**23**	**2,976**	**17**	**59**	**2,374**

£'000

Receipts under operating sub-leases comprise:	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Receipts due within 1 year	18,573	18,573	22,430	12,560	12,560	16,521
Receipts due after 1 year but not more than 5 years	60,392	60,392	70,745	34,598	34,598	45,899
Receipts due thereafter	40,247	40,247	166,592	19,670	19,670	155,722
Total value of receivables	**119,212**	**119,212**	**259,767**	**66,828**	**66,828**	**218,142**
Other:						
Receipts due within 1 year	-	-	-	-	-	-
Receipts due after 1 year but not more than 5 y	-	-	-	-	-	-
Receipts due thereafter	-	-	-	-	-	-
Total value of receivables	**-**	**-**	**-**	**-**	**-**	**-**

22.2 Finance Leases

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

£'000

Obligations under finance leases comprise:	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Payment due within 1 year	8,686	8,686	9,386	8,525	8,525	9,562
Payment due after 1 year but not more than 5 years	36,019	36,019	36,274	35,036	35,036	36,022
Payment due thereafter	138,025	138,025	138,025	147,693	147,693	147,693
Less interest element	(78,479)	(78,479)	(78,479)	(84,880)	(84,880)	(84,976)
Present value of obligations	**104,251**	**104,251**	**105,206**	**106,374**	**106,374**	**108,301**
Other:						
Payment due within 1 year	366	408	408	-	-	-
Payment due after 1 year but not more than 5 years	702	798	798	-	-	-
Payment due thereafter	-	-	-	-	-	-
Less interest element	(156)	(156)	(156)	-	-	-
Present value of obligations	**912**	**1,050**	**1,050**	**-**	**-**	**-**

Present Value of payables under finance leases comprise:	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Lease liabilities due within 1 year	2,383	2,383	3,083	2,124	2,124	3,096
Lease liabilities due after 1 year but not more than 5 years	11,991	11,991	12,246	10,508	10,508	11,463
Lease liabilities due thereafter	89,877	89,877	89,877	93,742	93,742	93,742
Present value of obligations	**104,251**	**104,251**	**105,206**	**106,374**	**106,374**	**108,301**
Other:						
Lease liabilities due within 1 year	311	353	353	-	-	-
Lease liabilities due after 1 year but not more that 5 years	601	697	697	-	-	-
Lease liabilities due thereafter	-	-	-	-	-	-
Present value of obligations	**912**	**1,050**	**1,050**	**-**	**-**	**-**

£000

Receivables under finance leases comprise:	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Receipts due within 1 year	-	-	-	-	-	-
Receipts due after 1 year but not more than 5 years	-	-	-	-	-	-
Receipts due thereafter	-	-	-	-	-	-
Less interest element	-	-	-	-	-	-
Present value of receivables		**-**	**-**	**-**	**-**	**-**
Other:						
Receipts due within 1 year		-	-	-	-	-
Receipts due after 1 year but not more	-	-	-	-	-	-
Receipts due thereafter	-	-	-	-	-	-
Less interest element	-	-	-	-	-	-
Present value of receivables		**-**	**-**	**-**	**-**	**-**

Present Value of receivables under finance leases comprise:	Core Department	Core Department & Agency	Departmental Group 2013-14	Core Department	Core Department & Agency	Departmental Group 2012-13
Buildings:						
Lease entitlements due within 1 year	-	-	-	-	-	-
Lease entitlements due after 1 year but not more than 5 years	-	-	-	-	-	-
Lease entitlements due thereafter	-	-	-	-	-	-
Present Value of receivables	**-**	**-**	**-**	**-**	**-**	**-**

Note 23. 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:	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
			2013-14			2012-13
Payment due within 1 year	66,431	68,589	77,245	60,870	62,594	62,594
Payment due after 1 year but not more than 5 years	102,963	105,869	105,869	104,527	108,603	108,603
Payment due thereafter	36,981	36,981	36,981	47,489	47,489	47,489
Total Obligations	**206,375**	**211,439**	**220,095**	**212,886**	**218,686**	**218,686**

Note 24. 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-14	31-Mar-13
24a	The Department has around 200 cases managed by Treasury Solicitors with associated potential adverse costs	472	594
24b	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
24c	Claim for repair or repurchase of defective RTB homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
24d	Statutory Contingent Liability taken on under the provisions of the Banking Act 2009 in respect of Homeowners Support Scheme.	993	993
24e	Potential liability for restitution claims in respect to local property enquiry searches.	-	Unquantifiable
24f	Potential liabilities to the European Commission arising from current European legislation	Unquantifiable	-
24g	The Mayor is now charging the Community Infrastructure Levy across London in order to raise £301million 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 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	301,000
24h	Potential losses arising from inability to recover ineligible expenditure arising as a result of the closure of ERDF 2000-2006 and 2007-2013	Unquantifiable	-

		31-Mar-14	31-Mar-13
	programmes		
24i	PINS - Adverse cost payments associated with cases where PINS have yet to instruct the Treasury Solicitor or have instructed the Treasury Solicitor but have yet to go to court.	417	-
24j	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 £100million 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
24k	HCA : The freeholds of several hundred properties on two estates in Washington were transferred to Sunderland City Council on 1 April 1997. The transfer was subject to a HCA indemnity valid for a period of 30 years against costs which may be incurred in remedying shale related defects. This indemnity was issued with the approval of DCLG. The extent of the potential liability is unquantifiable at this time.	Unquantifiable	Unquantifiable
24l	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
24m	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	20	410

24.1. 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 Department has provided a Guarantee for the affordable housing sector guaranteeing debt of no more than £3.5 billion. This Guarantee meets the criteria of a financial instrument under IAS39. However, at the accounting date, no debt had been called for and, therefore, the value of the financial instrument recognised in these

statements is zero. Subsequently, the Department has approved borrowing of £633.7 million of which £208.4 million has been drawn down and is covered by the Financial Guarantee. Recognition of any liabilities arising from the Guarantee will be recognised in the Annual Report and Accounts for 2014-15.

- The Department intends to enter into further Guarantees with the private rented sector and is in the process of procuring a delivery partner to administer the scheme. It is not expected that any Guarantees will be entered into until 2016 and they will not exceed £6.5 billion.
- NewBuy claims by mortgage lenders. Potential losses from the guarantee provided under the NewBuy scheme to underwrite a % of mortgage lending risk. These guarantees have been measured in accordance with IAS 37 as they do not fit the recognition criteria for a financial instrument under IAS 39. Any liability arising as measured under IAS 37 is considered too remote for recognition as a contingent liability at the date of these accounts but is disclosed for parliamentary reporting and accountability purposes.

Note 25. Contingent assets disclosed under IAS 37

£'000

		31-Mar-14	31-Mar-13
25.1	HCA The HCA has in certain instances disposed of land or made grant payments with certain conditions attached which if no longer fulfilled will result in a payment to the Agency. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable 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 the Agency.	Unquantifiable	Unquantifiable

Note 26. Losses, Special Payments and Gifts

Managing Public Money and the Financial Reporting Manual require a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those which individually exceed £300,000. These relate to cash losses, stores, fruitless payments and claims abandoned as well as frauds. The amounts involved are as follows:

	2013-14						2012-13					
	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 (general)	42	817	42	817	42	817	19	5,429	19	5,429	32	5,618
Claims abandoned	15	6,657	38	6,741	56	54,416	49	1,037	68	1,102	68	1,102
Fruitless payments	1	27,000	1	27,000	1	27,000	-	-	6	1	6	1
Constructive losses	-	-	-	-	-	-	-	-	-	-	-	-

In 2013-14 there were six individual losses of over £300,000 worth £48,478k detailed below:

Losses (claims abandoned) over £300k	**£'000**
ERDF 00-06-London East Ethnic Business Association	383
ERDF 07-13 -East of England Energy Group	500
ERDF 07-13 Self Correction	5,683
HCA Norwepp exit from share in company	42,918
HCA NEPP exit from share in company	3,436
HCA Artisan FTBI partial write off of loan balance	1,141
Fruitless payment in respect of exit costs for Eland House in advance of the move to Marsham Street. Overall the move will produce savings, this fruitless payment is restricted to the exit costs only and does not include any benefits to be realised.	27,000

	2013-14						2012-13					
	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	85	1,455	132	1,812	132	1,812	78	1,058	121	1,664	121	1,664

	2013-14		2012-13	
	Cases	£000s	Cases	£000s
- Gifts		-	-	-

Note 27. Related Party Transactions

The Department is the parent of the Planning Inspectorate and a number of sponsored bodies listed in Note 29. 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 72) 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.

Terrie Alafat was a trustee up until 7 January 2014, of the Management Board for Crisis; a national charity for single homeless people. This was an unpaid position.

The Department paid £978,180 grant to the charity in 2013-14.

Peter Schofield is a member of the management board for Local Partnerships (HM Treasury representative). Local Partnerships is a company that is uniquely and jointly owned by HM Treasury and the Local Government Association, to provide commercial expertise on matters of infrastructure, legal and contractual complexity and act for the benefit of the public sector. The Board is responsible for the strategic direction of the company, reviews the policies, receives and approves the accounts and sets the business plan for the year. This is an unpaid position.

The Department paid out total of £217,141.40 on consultancy fees to Local Partnerships

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 28. Events after the reporting period

The Department's financial statements are laid before the Houses of Commons by HM Treasury. IAS 10 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 25 June 2014.

Since the accounting date of these Annual Report and Accounts, the Department has entered into Affordable Housing guarantees totalling £208.4m which has been drawn down as debt borrowing. Any liabilities arising from the provision of the guarantee will be recognised in accordance with the relevant standard in the 2014-15 Annual Report and Accounts.

Note 29. Entities within the Departmental boundary

The entities within the boundary during 2013-14 were as follows:

Title	Role & Future	Included in consolidation Y/N
Executive Agencies		
Planning Inspectorate	To help shape well planned environments and deliver sustainable development through examination of local development plans, and processing appeals and other casework arising from planning and allied legislation. From 1 April 2012, to advise ministers on major infrastructure projects. http://www.planningportal.gov.uk/planning/planninginspectorate/	Y
Advisory Bodies - Advisory NDPBs are expert bodies normally established to advise Ministers and Officials on specific policy areas where the expertise does not exist within the Department. Most members of such bodies are unpaid, although several bodies' chairpersons and members do receive a daily fee for attendance of meetings and other work.		
Building Regulations Advisory Committee	BRAC advises the relevant Secretary of State on the exercise of his/her power to make Building Regulations and on other related subjects in England and Wales.	Y
Tribunals		
Valuation	An independent appeals tribunal, funded by Parliament, to handle council	Y

Title	Role & Future	Included in consolidation Y/N
Tribunal for England	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.	
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. 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/ This organisation closed and it's functions transferred to The Housing Ombudsman on 1 April 2014.	Y (2012-13 only)
The Housing Ombudsman	A new body set up to take on the work of Independent Housing Ombudsman Ltd but as a Corporation Sole.	Y
The Leasehold Advisory Service	Provides free legal advice and information on all aspects of residential leasehold law in England and Wales. The future of this body is under consideration and the Department is looking at the appropriate way to provide its services. http://www.lease-advice.org/	Y
Valuation Tribunal Service	To provide the administrative function for the Valuation Tribunal for England. 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 was decided that this body would be abolished.The assets and liabilities were devolved to local government on 27 March 2014 with formal dissolution of WNDC taking place on 31 July 2014. http://www.wndc.org.uk/	Y
Other Bodies Not Classed as NDPBs		
Commission for Local Administration in England	More commonly known as the Local Government Ombudsman. Investigates complaints about councils (and some other bodies) in England on housing, planning, education, social services, council tax, housing benefit and highways. http://www.lgo.org.uk/	Y
Trading Funds		
Queen Elizabeth II Conference Centre	Located in the City of Westminster, London, the Centre specialises in events for 40 to 1,300 delegates.	N
Public Corporations		
Architects Registration Board	Independent regulator of all UK-registered architects.	N
Audit Commission for Local Authorities	Independent watchdog, driving economy, efficiency and effectiveness in local public services.	N

Title	**Role & Future**	**Included in consolidation Y/N**
and the National Health Service in England	From 1 September 2012, local public bodies will have a private sector auditor appointed by the Audit Commission. A much smaller Audit Commission remains in place to oversee the contracts and other statutory functions until its closure in June 2015.	

1 Trust Statement in respect of Business Rates Retention and 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 2013-14 in respect of the collection of final adjustments for National Non-Domestic Rate income and Business Rate Retention income from local authorities, central list businesses and the Ministry of Defence, and the payment to the Consolidated Fund of this income.

Background

1.3 The Department acts as an agent for the Consolidated Fund and receives cash in respect of National Non-Domestic Rates and Business Rates Retention which is paid over to the Consolidated Fund. This income does not flow through the Department's Statement of Comprehensive Net Expenditure but instead is held on the Statement of Financial Position as a liability until paid over to the Consolidated Fund. At the year end, where possible, all income recognised, for which the cash has been received, has been paid over to the Consolidated Fund. Any income recognised but for which the cash has not been received are shown in the following Trust Statement as current receivables. In the event cash has been received but not paid over, this is reflected as a cash balance on the Statement of Financial Position.

1.4 The new system of Business Rates Retention came into force on 1 April 2013, replacing the old collection and redistribution National Non-Domestic Rating system. Under Business Rates Retention, local authorities retain 50% of the rates collectable as local share. However, following the Office of National Statistics classification of the entire system as a central government tax, the local share is included in this Trust Statement as income collectable in respect of the tax and is then deducted as an allowable deduction thus reflecting the amount due to the Consolidated Fund.

1.5 Costs incurred in the collection of National Non-Domestic Rates and Business Rates Retention are borne by local authorities and an assessed amount for collection is deducted from amounts remitted. Income is grossed up for this amount in the Trust Statement and then a separate deduction of allowance line is shown to reach the amount due to the Consolidated Fund.

Introduction of Business Rates Retention from 2013-14

1.6 Under the Local Government Finance Act 1988, National Non-Domestic Rates (NNDR) were paid to the Secretary of State who was 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 were thus, in effect, pooled and redistributed. The operation of the pool was 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. This system of collection, pooling and redistribution was replaced following the passing of the Local Government Finance Act 2012 with Business Rates Retention. Therefore, 2013-14 will be the final year for recognition of any amounts in respect of the previous National Non-Domestic Rates system (outturn adjustments for prior years only). These amounts are captured in the final White Paper Account for National Non-Domestic Rates, called the National Non-domestic Rates Transition Account and in the Trust Statement for amounts payable to the Consolidated Fund (see N1.68)

1.7 The most significant change under Business Rates Retention is the local retention of 50% of collected business rates. The actual amounts of expenditure in respect of safety net, transitional arrangements, top up and tariff income are included in the Department's Consolidated Statement of Comprehensive Net Expenditure for the year together with the final outturn adjustment payments in respect of National Non-Domestic Rates. The new scheme reduces the actual business rates income for the Consolidated Fund by 50% as this is retained by local authorities as a local share.

Financial review

1.8 The results presented in this Trust Statement are separate from the results presented in the Department's Group Accounts although they flow through the Department's accounting system.

1.9 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

1.10 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 179 to 180. The auditor's notional remuneration of £19,000 (£24,000 in 2012-13) for this is included in the Department's Group Accounts. There were no fees in respect of non-audit work.

Basis for preparation

1.11 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 amounts receivable and payable in respect of National Non-Domestic Rates and Business Rates Retention. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Sir Bob Kerslake **23June 2014**

Accounting Officer

Department for Communities and Local Government

2 Statement of the Accounting Officer's Responsibilities in respect of the Trust Statement

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.

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.

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.

The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of Business Rates and National Non-Domestic Rates collected by the Department, together with the net amounts surrendered to the Consolidated Fund.

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 81 to 102.

Trust Statement

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 Business Rates Retention and National Non-Domestic Rates Trust Statement for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure; the Statement of Financial Position; the Statement of Cash Flows; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Business Rates Retention and National Non-Domestic Rates Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Business Rates Retention and National Non-Domestic Rates Trust Statement gives a true and fair view of the state of affairs of Business Rates Retention and National Non-Domestic Rates collected by the Department for Communities and Local Government on behalf of the Consolidated Fund as at 31 March 2014 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.

Sir Amyas C E Morse **25 June 2014**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

4 Statement of Revenue, Other Income and Expenditure

For the period ended 31 March 2014

£'000

	Note	2013-14	2012-13
Income			
Licence Fees and Taxes		-	-
National Non Domestic Rates		1,593,873	23,253,447
Business Rates Retention		21,734,700	-
Local Share			
Deduction of Local Share		(10,767,030)	-
Deduction of Local Share Allowance		(84,000)	(84,000)
Local Share Deductions		(10,851,030)	(84,000)
Total Revenue after deduction of Local Share	3	12,477,543	23,169,447
Net Revenue for the Consolidated Fund		**12,477,543**	**23,169,447**

There were no recognised gains or losses accounted for outside the above Statement of Revenue

The notes at pages 184 to 188 form part of this statement

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5 Statement of Financial Position

as at 31 March 2014

£'000

	Note	2013-14	2012-13
Current Assets			
Receivables	4	11,114	18,725
Cash and cash equivalants	CfS	3,419	-
Total current assets		**14,533**	**18,725**
Current liabilities			
Payables	5	5,101	3,857
Total current liabilities		**5,101**	**3,857**
Total assets less current liabilities		**9,432**	**14,868**
Represented by:			
Balance on Consolidated Fund	2	**9,432**	**14,868**

Sir Bob Kerslake **23 June 2014**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 184 to 188 form part of these accounts.

6 Statement of Cash Flows

for the period ended 31 March 2014

£'000

	Note	2013-14	2012-13
Cash flows from operating activities		**12,486,398**	**23,154,997**
Cash paid to the Consolidated Fund		**(12,482,979)**	**(23,154,997)**
Increase/(decrease) in cash in this period		**3,419**	**-**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	12,477,543	23,169,447
(Increase)/Decrease in receivables	4	7,611	(18,307)
Increase/(Decrease) in payables	5	1,244	3,857
Net Cash Flow from Operating Activities		**12,486,398**	**23,154,997**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		3,419	-
Net funds at 1 April		-	-
Net funds at 31 March		**3,419**	-

The Notes on pages 184 to 188 form part of these accounts.

7 Notes to the Trust Statement

Trust Statement Note 1 Statement of accounting policies

Basis of accounting

1.1 The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury under section 7 (2) of the Government Resources and Accounts Act 2000 and with the accounting policies detailed below. These have been agreed between the Department for Communities and Local Government and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to these statements.

1.2 The income and associated expenditure contained in these Statements are those flows of funds which the Department for Communities and Local Government handles on behalf of the Consolidated Fund where it is acting as agent rather than as principal.

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 were collectable in 2013-14 are reported in this 2013-14 Trust Statement. This Trust Statement reports both these final outturn adjustments for National Non-Domestic Rates and also the income collected under Business Rates Retention for the Main Rating Account and Levy Account.

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 and Business Rates Retention. 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.

1.6 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

1.7 Receivables, where applicable, are shown net of impairments in accordance with the requirements of IAS 39.

Payables

1.8 Payables, where applicable, are shown net of impairments in accordance with the requirements of IAS 39.

Costs of collection

1.9 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, Other Income and Expenditure should be shown gross of this allowance, which should then be applied as a deduction to reach the net revenue collected.

Deferral Scheme

1.10 The collection of Business Rates in 2013-14 and 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 £18.725 million was deferred from the Central Ratings List in 2012-13 and was reflected as a receivable balance in this account. The amounts to be deferred by Local Authorities were notified and deferred as part of the outturn adjustment process in 2013-14 and, therefore, the full amount was recognised as due in 2012-13.

Local share

1.11 Under Business Rates Retention, local authorities retain a percentage, currently 50%, of the business rates collectable as their local share. For the purposes of this Trust Statement, the total business rates revenue is recognised and the local share is then deducted as an allowable expense to calculate the amount due to the Consolidated Fund.

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Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	**31-Mar-14**	**31-Mar-13**
Balance on Consolidated Fund Account as at 1 April	14,868	418
Net Revenue for the Consolidated Fund	12,477,543	23,169,447
Less amount paid to the Consolidated Fund	(12,482,979)	(23,154,997)
Balance on Consolidated Fund Account as at 31 March	**9,432**	**14,868**

Trust Statement Note 3 Revenue collected on behalf of the Consolidated Fund

£'000

Revenue	**2013-14**	**2012-13**
NNDR revenue collectable on behalf of the Consolidated Fund	1,593,873	23,169,447
BRR revenue collected on behalf of the Consolidated Fund	10,883,670	-
Total Revenue	**12,477,543**	**23,169,447**

Trust Statement Note 4 Receivables

£'000

Receivables	**31-Mar-14**	**31-Mar-13**
Accrued revenue receivable	11,114	18,725
Total receivables	**11,114**	**18,725**

Trust Statement Note 5 Payables

£'000

Payables	**31-Mar-14**	**31-Mar-13**
Accrued revenue payable	5,101	3,857
Total payables	**5,101**	**3,857**

Trust Statement Note 6 Events after the reporting period

The Department's financial statements are laid before the Houses of Commons by HM Treasury. IAS 10 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 25 June 2014.

There were no other events after the reporting period.

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.

1.12 This direction applies to the Department for Communities and Local Government for the reporting of Business Rates Retention and National Non-Domestic Rates.

1.13 The Department shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2014 and subsequent financial years 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 that financial year.

1.14 The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of Business Rates and, for 2013-14 only, the final amounts in respect of National Non-Domestic Rates, and of the expenses incurred in the collection of those Rates; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

1.15 The Department shall report the total amount of Business Rates revenue, comprising the central share and local share. The Department shall show the local share as an allowable deduction from total amount of Business Rates revenue recognised and correspondingly reduce revenues payable to the consolidated fund by the amounts retained by local government in the form of the local share.

1.16 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.

1.17 When preparing the Statement, the Department shall comply with the guidance given in the Financial Reporting Manual. 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.

1.18 Compliance with the requirements of the Financial Reporting Manual 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 Financial Reporting Manual is inconsistent with the requirement to give a true and fair view, the requirements of the Financial Reporting Manual 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 Financial Reporting Manual. Any material departure from the Financial Reporting Manual should be discussed in the first instance with HM Treasury.

1.19 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.

1.20 The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

1.21 This Accounts Direction supersedes any previously issued Accounts Directions in respect of Business Rates Retention and National Non-Domestic Rates.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
10 February 2014

Annex A: Glossary

Accounting Date: The date at which the accounts were drawn up, in this case 31 March 2014 (previously commonly referred to as balance sheet date).

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

Administration Costs: The amount of budget a department may spend on running itself. This excludes the costs of running front line services delivered directly by the department.

Annually Managed Expenditure (AME): Expenditure which cannot reasonably be subject to departmental control.

Arms Length Body/Bodies (ALB): Organisations sponsored by the department – see Note 29.

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.

Business Rates Retention (BRR): The system of Business Rates Retention replaced National Non-Domestic Rates effective 1 April 2013. Local authorities are now empowered to retain a proportion of Business Rates collected for use as income. This proportion is currently set to 50% of rates due.

COBR: Cabinet Office Briefing Room

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 income 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 29.

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 interprets and applies International Financial Reporting Standards to the public sector.

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

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

Local Strategic Partnerships: Local Enterprise Partnerships (LEPs) are non-statutory, multi-agency partnerships, which match local authority boundaries. Local Enterprise Partnerships 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 were paid into a central pool. The pool was then divided between all authorities based on a number of factors including demographic, physical and social characteristics of each area. The total amount was set out in Section 3 of the Local Government Finance Report published as a House of Commons Paper and available from the Stationery Office. The system of National Non-Domestic Rates was replaced, from 1 April 2013, by Business Rates Retention (BRR).

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 29.

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 Non departmental Public Body: established in statute and carrying out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets;
- Advisory Non departmental Public Body: 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 National Non-Domestic Rates 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.

Annex B Section 70 Grant Payments to Charities

Institution	Payments	Purpose
	£000's	
Action Foundation *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Anne Frank Trust UK *Anne Frank Educational Programme*	**50**	To support the project that challenges prejudice by educating 20,000 young people, mainly in schools.
Apasenth *The e3 Pilot Project - English through Social, Economic and Community Action.*	**211**	First instalment of grant to English Language Competition winning project.
Ashram Housing Association *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Black Training and Enterprise Group *Black Training and Enterprise Group (BTEG) Opening Doors*	**49**	To support an initiative to establish an enterprise development programme, to train young unemployed and socially disadvantaged people in Haringey, Brent and Croydon to be entrepreneurs. The BTEG Opening Doors programme supports DCLG's Integration objectives and strengthens the overall portfolio of Integration projects in the area of social mobility in deprived areas. Specifically it will help local organisations work together to play an active role in improving the social mobility of young people.
Bradford Trident Trading Ltd *Our Place Pioneer Implementation*	**27**	The funding is to enable Bradford Trident enhance and accelerate implementation of their Our Place proposals to tackle worklessness in Bradford BD5. The funding will be used to expand volunteering opportunities, especially for young people, in the neighbourhood, including offering work experience/placements and better matching of people to organisation.
British Chamber of Commerce *BCC Local Enterprise Partnership Network*	**77**	Funding to support BCC Local Enterprise Partnership Network programmes.
Business in the Community *Portas Pilots Support Grant*	**43**	This work was to support the Portas pilots engaging with business.
Business in the Community *Enterprise Challenge*	**145**	Match Funding to expand and increase the reach of the Enterprise Challenge programme.
Centre for Engineering and Manufacturing Excellence *Centre for Engineering and Manufacturing Excellence*	**1,040**	The High Speed Sustainable Manufacturing Institute will bring together academic institutions, end users and their supply chain partners to create a new multi-industry partnership for research and development of new manufacturing systems. Based at the Centre for Engineering and Manufacturing Excellence (CEME) situated in Rainham and the London Borough of Havering and working in partnership with Ford Motor Company. The project is expected to deliver 22 new high value jobs, safeguard 100 existing jobs, create 4 new business starts along with supporting 200 existing businesses, to improve their efficiency, and lever in £6.75m of public and private funding within three years.

Institution	Payments	Purpose
	£000's	
Chartered Institute of Housing *The CIH Making Better Use of Stock Project*	**110**	To fund an action team to support social landlords make better use of their housing stock and reduce tenancy fraud.
Church Urban Fund *Near Neighbours Initiative*	**982**	Near Neighbours Initiative encourages 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.
Community Development Financed Association (CFDA) *Community Rights - Community Economic Development*	**108**	Towards the successful initiation and early development of the Bristol Community Economic Development Partnership to move smoothly to full implementation in 2014-15.
Community Development Foundation *Community Rights*	**50**	To contribute towards the successful development and establishment of a community-led and owned peer to peer website to support individuals and communities in community action through a combination of
Curzon Education Ltd *Integration & Extremism - Common ground*	**120**	To highlight the important contribution made by Commonwealth nations to the First World War.
Engineering Development Trust *Industrial Cadets*	**180**	Industrial Cadets offers young people experience of work within prestigious industrial firms to showcase the career opportunities in this sector.
Faith Based Regeneration Network UK *Strategic Plan*	**50**	FbRN aims to build the skills and capacity for faith based social action, and to connect communities with policy makers.
Faith Matters *Integration and Extremism - Tolerance*	**80**	To support Faith Matters who manage 'Tell MAMA' which is the first service to record incidents of anti-Muslim hatred and support victims.
FaithAction *Together in Service and WW1 Activities*	**105**	Programme to help faith groups work together.
FaithAction *English Language Competition*	**158**	First instalment of grant to English Language Competition winning project .
Future for Youth *To Tackle Youth Unemployment*	**13**	To support pilot project to assist **Neets** (those not in employment, education or training) in Salford.
Hackney Community and Volunteer Sector *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Hillingdon Association of Voluntary Services *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Holocaust Memorial Day Trust *Integration and Extremism - Tolerance*	**904**	To support Holocaust Memorial day activities in the UK.
Indoamerican Refugee and migrant Organisation *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Information Network on Religious Movement (INFORM) *Transition Funding Agreement - INFORM*	**165**	Organisation committed to providing up-to-date and reliable information about minority religions and fringe political movements currently active in the UK.
Inter Faith Network for the UK *Strategic Grant Offer*	**220**	Inter Faith Network works to promote strong and sustainable relations between different faiths communities.
J-GO Training Ltd *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Karmand Community Centre *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Keep Britain Tidy *Love Parks*	**5**	Support for Keep Britain Tidy for the 'Love Parks' week project. To raise awareness of the importance of parks and green spaces through showcasing the benefits they bring. Keep Britain Tidy has taken responsibility of organising Love Park Week 2013 following the sudden demise of Green Spaces.

Institution	Payments	Purpose
	£000's	
Locality *Locality Brokers Service*	**54**	To promote relationships that benefit both property professionals and community groups by supporting a mixture of free advice, deferred payment arrangements and joint ventures to support community asset ownership projects.
Muslims Charities Forum *Faith Minorities in Action*	**18**	To contribute to creating the increased capacity, leadership and governance of minority religious institutions in the UK.
The National Association of Decorative & Fine Arts Societies (NADFAS) *Integration & Extremism - common ground*	**125**	To help mobilise communities to reflect upon the service, sacrifice and impact on society of the First World War and engage collectively on community volunteering, educational and participative activities.
National Association of Local Councils (NALC) *Community Rights & Parishes*	**300**	Support for campaigns for new town and parish councils project.
National Association of Local Councils (NALC) *Parish Councils Work Programme*	**34**	Support for the revision of the Good Councillors Guide.
National Association of Local Councils (NALC) *Support for Parish Councils*	**6**	Support for the project to refresh the Quality Parish Scheme.
National Association of Local Councils (NALC) *Sustainable Communities*	**38**	To support the payments refund costs that NALC incurs in its role as Selector for town and parish councils for the Sustainable Communities Act.
National Communities Resource Centre *Tenant Empowerment Programme*	**268**	For delivery of residential training for social housing tenants.
One20 (Timebank) *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
One20 (Timebank) *Talking Together*	**299**	First instalment of grant to English Language Competition winning project.
Online Centres Foundation *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Paddington Development Trust *Neighbourhood Community Budgets Pilot Implementation* .	**40**	To provide support to enable Queen's Park to further develop its 'Our Place' approach and to develop a plan for its forthcoming community council.
Plunkett Foundation *Community Services Grants & Expansion of Advisory Hubs*	**20**	The payments for Plunkett Foundation were to provide a co-operative pubs telephone advice line.
Poplar Harca Ltd *Neighbourhood Community Budgets Pilot Implementation.*	**50**	Supporting the implementation of the NCBs.
Praxis Enterprises *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Pub is the Hub *Community Services Grants & Expansion of Advisory Hubs*	**95**	The payments to Pub is the Hub were to help facilitate projects for pubs to diversify their service provision.
QED-UK *Match-funding for Unity through Diversity English language project*	**75**	The project aims to improve the integration of 264 women over 22 months through an integrated programme of English language, qualifications, teaching on British culture and institutions and mentoring.
Race Equality Centre *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Sandwell Consortium *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.

Institution	Payments	Purpose
	£000's	
Schools Linking Network (SLN) *Schools Linking Network Unlocking Talent Programme*	**101**	SLN works with schools from different backgrounds and communities in London, Birmingham and Bradford to develop each child's personality and talents to the full, measuring skills development, personal aspiration and motivation by building capacity in schools and working with local employers.
Show Racism the Red Card *Combatting the influence of far right movements on young people*	**140**	DCLG funded show racism the Red Card a total of £201,000 over two years (July 2012-June 2014 to deliver a programme of work to combat the influence of the far right on young peoples attitudes and behaviours.
Social Investment Business *Assets of Community Value (Right to Bid)*	**8,733**	The support programme provides pre-feasibility grants, feasibility grants and capital grants to community groups to support community asset ownership projects.
Social Investment Business *Community Right to Challenge*	**1,739**	To provide pre - feasibility, feasibility and capital grants for community organisations wanting to build their capacity to compete to deliver public services.
Society of Local Council Clerks *Support for Parish Councils*	**25**	To support the revision of the CiLCA qualification.
St Paul's Community Development Trust *Neighbourhood Community Budgets Pilot Implementation*	**35**	Supporting the implementation of the NCBs.
Superact *Our Big Gig Project inc fundig for 14-15 gigs*	**442**	Grant funding to Superact to deliver a nationwide mass-participation musical event, to bring people from different backgrounds together and encourage participation in music on a sustained basis.
Superact *Integration & Extremism - The Last Post Campaign*	**34**	To promote First World War Centenary remembrance activities, encouraging people to organise their own events, to bring communities together.
Talk for a Change *Integration and Extremism - Tolerance*	**10**	To support an educational pilot study into caste prejudice.
The Arbour *Match-funding for connecting Mums English Language project*	**51**	Connecting Mums aims to improve the social inclusion of female third country nationals who are new mothers.
The National Literacy Trust *English Language Competition*	**6**	Development Support Grant to develop a fully-worked up business plan.
Tinder Foundation *English My Way*	**542**	First instalment of grant to English Language Competition winning project.
TPAS Ltd *Tenant Empowerment Programme*	**618**	The funding delivers a national programme of training and support that inspires social tenants to challenge landlords and get more involve in their community.
Tribal Education Ltd *Empty Homes Community Fund*	**10,662**	Payment for community groups delivering projects under the Empty Homes Community Fund.
Tribal Education Ltd *Empty Homes Community Fund*	**5,810**	Payment for community groups delivering projects under the Empty Homes Community Fund.
Umma Help *Srebrenica Memorial Day project*	**170**	For a memorial day to commemorate the victims of the Srebrenica massacre and to provide educational visits to Bosnia.
Urban Partnership Group *Neighbourhood Community Budgets Pilot Implementation.*	**30**	Supporting the implementation of the NCBs.
Waltham Forest Somali Women's Association *English Language Competition*	**5**	Development Support Grant to develop a fully-worked up business plan.
Youth United *Supporting Inclusion Programme*	**5,153**	The Youth United Social Inclusion Project will create opportunities for 10,800 young people in 600 newly established units run by 2,700 newly trained adult volunteers in deprived areas.
	40,691	

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