Department for Communities and Local Government

Annual Report and Accounts 2014-15

(For the year ended 31 March 2015)

HC 21

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Foreword from the Secretary of State

I was delighted to be appointed Secretary of State for Communities and Local Government in May 2015 and would like to thank my predecessor, the Rt Hon Eric Pickles MP, for his excellent leadership of the Department over the last Parliament. It is a great time to be here with the exciting challenges of passing more power to local people through devolution deals and meeting the Government's commitments to build more homes and support home ownership. The Department's 2014-15 Annual Report shows the continued progress that was made delivering major objectives for the Government.

Last year the Government ensured more people had the opportunity to purchase a home of their own, with the number of first time buyers at the highest rate since 2007. Over 27,000 sales were completed through the Help to Buy: Equity Loan scheme in the year to March 2015, of which 79 per cent were to first time buyers. The Government exceeded the target of delivering 170,000 affordable homes between 2011 and 2015; and government departments released surplus public sector land with capacity to deliver over 100,000 new homes which exceeded the June 2011 target.

2014-15 also saw the Government focus on local growth, handing greater control to local people over their local economy and local government. A Devolution Deal was signed with Greater Manchester to give the city region powers over transport, housing, planning and policing, as well as new powers to support business growth, skills and join up health and social care budgets. Subsequent deals were signed with Sheffield and Leeds.

Great progress was also made with the Troubled Families programme. By March 2015 the programme had turned round the lives of 105,000 troubled families, this represents 90 per cent of the initial goal of turning around the lives of 120,000 troubled families by the end of May 2015. Over 10,000 adults, from some of England's hardest-to-help households, are now in continuous work.

These are just the highlights of what the Department delivered in 2014-15 and I look forward to the year ahead as the Secretary of State for Communities and Local Government.

Rt Hon Greg Clark MP

Secretary of State for Communities and Local Government

Foreword from the Permanent Secretary

I was delighted to become Permanent Secretary at the Department on 1 March 2015. I would like to thank my predecessor Sir Bob Kerslake, now Lord Kerslake, for his leadership of the Department between 2010 and 2015.

The Annual Report shows that 2014-15 was an exceptionally busy year with a focus on delivering major objectives by the end of the last Parliament. There are many achievements for the Department to be proud of. These include delivery against the Department's and the Homes and Communities Agency's many housing programmes; new City Deals for Greater Manchester, Leeds and Sheffield; and the establishment of the Better Care Fund, which brings together health and social care budgets to provide more integrated services for people in local areas.

A further real success for the Department in 2014-15 was the progress made in turning round the lives of troubled families, with 90 per cent of the programme's goals delivered by March 2015. This has been a ground breaking approach to delivering services differently and is a model that we can now learn from in other parts of central and local government.

2014-15 also saw the Department's London headquarters successfully moved to 2 Marsham Street. This will provide savings of £9 million per annum from 2015-16 and £220 million over the life of the lease commitment to 2025.

Looking forward, the Department now faces the exciting challenge of delivering the priorities of the new Government, working in collaboration with our partners in local government, local business leaders and other government departments. Our achievements in the last Parliament stand us in good stead as we prepare to do this.

Melanie Dawes CB
Permanent Secretary
Department for Communities and Local Government

Lead Non-Executive Director’s Report

In the final full year of the last Parliamentary term, the Department continued to deliver successfully on its agenda, with particular focus on housing, local services and local growth.

The Ministerial board met four times, discussing items including the Better Care Fund, Local Growth and Town Centres, Integration, Housing and Ebbsfleet. External speakers attended three of these meetings, to inform discussion of the operation and impact of the Department's programmes.

The Department's Executives and Non-Executives met a further five times to review departmental performance against priorities, along with specific topics including winter pressures for adult social care, ERDF, Private Rented Sector Housing Guarantee Scheme, the Department's Change agenda, Board Effectiveness and the Senior Talent review.

The two Board sub-committees (Audit and Risk Assurance Committee and Nominations and Governance) met five and four times respectively to provide oversight and independent challenge to plans in these areas. Nick Markham took over as Audit and Risk Assurance Committee chair on 5 December 2014, from Stephen Hay.

Beyond formal meetings, Non-Executives continued to contribute their commercial and leadership experiences to a wide range of projects including the cross government Service Transformation panel, the review of Terms and Conditions in the Fire Service, the commercialisation of the Planning Portal and the development of the Better Care Fund.

Following the April 2014 Board Effectiveness Evaluation, which recommended closer engagement of Non-Executive Directors with the Department's key Arms Length Bodies, the Department’s Lead Non-Executive Director became Chairman of PINS in August 2014, and the Homes and Communities Agency and Department’s Non-Executive Directors instigated twice yearly meetings, to increase two-way discussion of progress and delivery challenges.

The 2015 Board evaluation reported in March 2015, and focused on: (1) assuring that the 2014 actions had been implemented; and (2) the Board's role in supporting the Department's successful transition to a new ministerial team post May.

Sara Weller

Introduction

This is the combined Annual Report and Accounts of the Department for Communities and Local Government ('the Department') for the period 1 April 2014 to 31 March 2015.The Annual Report provides an overview of the Department's performance in 2014-15.

This report aims to be accessible and also easy to navigate online – digital by default. It uses web links to provide access to further detail – the relevant news release 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 Department's general enquiry address at contactus@communities.gsi.gov.uk.

Key Achievements

The Department's key achievements in 2014-15 are:

- On **ensuring Council Tax payers get value for money and making their local council accountable to them**, the Department has:
    - Funded a fifth consecutive year of Council Tax freezes – 57 per cent of local authorities have frozen or reduced their Council Tax in 2015-16;
    - Made it a legal requirement for local authorities to publish key data which increases local accountability by placing more power into citizens hands;
    - Announced £174 million transformation challenge funding to local authorities and fire and rescue authorities to enable them to drive efficiencies and improve front-line services;
    - Awarded a £16 million counter-fraud fund to support local authorities tackle non-benefit fraud.
- On **turning round the lives of troubled families, giving them the chance of a better life and reducing the cost to the taxpayer**, the Department has:
    - Supported 105,000 troubled families – with children back in school, adults back in work and levels of youth crime and antisocial behaviour reduced;
    - Agreed to double the number of employment advisers in the troubled families programme.
- On **getting the housing market moving again so there are more homes to buy and to rent at prices people can afford**, the Department has:
    - Helped 27,000 households complete sales through the Help to Buy: Equity Loan scheme, 79 per cent were first time buyers;
    - Delivered nearly 186,000 affordable homes through the 2011-2015 Affordable Homes Programme, exceeding the 170,000 target;
    - Unlocked or accelerated delivery of 100,000 homes since the launch in 2013 of the £1.3 billion Large Sites Programme;

  - Released Public Sector land with capacity to deliver over 100,000 new homes;
  - Supported delivery of over 11,000 additional affordable homes with over £1.25 billion of investment approved so far through the Affordable Housing Guarantees scheme, with the lowest cost of long-term borrowing ever achieved in the affordable housing sector;
  - Committed to providing £1 billion to finance large scale private rented sector developments through the Build to Rent fund;
  - Taken action through the Deregulation Act 2015 against 'retaliatory evictions' where tenants have a legitimate complaint;
  - Improved the planning system so that 253,000 new homes were granted planning permission in the year to December 2014 - up 12 per cent on the previous year and up more than 50 per cent since 2010;
  - Made it easier for developers to gain planning permission to build Starter Homes which provide a 20 per cent discount for young first time buyers.
- On **putting local councils and businesses in charge of economic growth and bringing new business and jobs to their areas**, the Department has:
  - Agreed to fund in 2015-16 an extra £650 million of support for business rates bills;
  - Improved the planning system so that 77 per cent of major planning applications were determined on time in October to December 2014 – up from 57 per cent in July to September 2012, the quarter in which the Government announced its intention to designate poorly performing local authorities;
  - Signed £6 billion worth of Growth Deals with 39 Local Enterprise Partnerships and announced a further £1 billion expansion to the Growth Deals;
  - Signed a Devolution Deal with Greater Manchester which will see a directly-elected mayor and give Greater Manchester city region a greater control over their local economy and more powers over transport, housing, planning and policing, as well as new powers to support business growth, skills and join up health and social care budgets. Subsequent deals were signed with Sheffield City Region and Leeds City and West Yorkshire Region.
- On **bringing people together in strong united, communities**, the Department has:
  - Supported 65 communities to prepare neighbourhood plans that successfully passed examination. 42 neighbourhood plans prepared by communities were brought into legal force attaining the same legal status as a Local Plan;
  - Protected community pubs listed, or nominated, as Assets of Community value by dis-applying the permitted development rights for the change of use or demolition of such pubs;
  - Enabled over 330,000 people to get involved in the 30 integration projects supported by the Department;

- Supported commemorations for the Holocaust by initially sponsoring the UK Holocaust Memorial Foundation. This followed the launch of the Prime Minister’s ‘Britain’s Promise to Remember’ report on 27 January 2015, the 70th anniversary of the liberation of Auschwitz.

Directors' Report

1 About the Department for Communities and Local Government

How the Department is organised

1.1 During 2014-15 the Department consisted of the core Department, one Executive Agency and ten other Arms Length Bodies (ALBs). The Secretary of State, the Rt Hon Eric Pickles MP, had overall responsibility for the Department and led a team of Ministers:

- Brandon Lewis MP, Minister of State;
- Kris Hopkins MP, Parliamentary Under Secretary of State;
- Stephen Williams MP, Parliamentary Under Secretary of State;
- Penny Mordaunt MP, Parliamentary Under Secretary of State (from July 2014);
- Lord Ahmad, Parliamentary Under Secretary of State (from July 2014).

1.2 Other Ministers who served in the Department during 2014-15 were:

- Nick Boles MP, Parliamentary Under Secretary of State (until July 2014);
- Baroness Stowell of Beeston, Parliamentary Under Secretary of State (until July 2014);
- The Rt Hon Baroness Warsi of Dewsbury, Senior Minister of State (until August 2014).

1.3 A departmental Board, comprising of Ministers, Non-Executive Directors and the Executive Team met four times in the year. The Board's role is to advise on and supervise five key areas: strategic clarity; commercial sense; talented people; results focus; and management information.

1.4 The Non-Executive Directors bring independent advice and challenge to decision making based on their knowledge, skills and experience. They chaired two committees:

- The Audit and Risk Assurance Committee, which reviewed financial performance, interacted with internal and external auditors and reviewed the management of the Department's key risks;
- The Nominations and Governance Committee which advised on people strategy, including staff capability, engagement, succession planning and reward.

1.5 In 2014-15 the Non-Executive Directors were:

- Sara Weller – Lead Non-Executive Director;
- Stephen Hay - Chairman of the Audit and Risk Assurance Committee (until December 2014);
- Grenville Turner – Chairman of the Nominations and Governance Committee;
- Nick Markham – Chairman of the Audit and Risk Assurance Committee (from December 2014).

1.6 In 2014-15 the departmental Board was supported by an Executive Team, responsible for managing the Department's daily business, which has three sub-committees covering People, Finance and Performance.

1.7 The Department's work in 2014-15 was organised into five business areas: Neighbourhoods, Localism, Finance and Corporate Services, Troubled Families, and Strategy, Communications and Private Office.

1.8 Details of Ministers' areas of responsibility, the Department's Non-Executive Directors and the Executive Team can all be found at: https://www.gov.uk/government/organisations/department-for-communities-and-local-government

1.9 Information about the departmental Board and accountability is in the Governance Statement found on page 89 of this document. A summary of responsibilities of the Department's Executive Agency and other ALBs can be found in Note 31 of the Accounts.

1.10 Information on significant interests held by board members which may conflict with their management responsibilities can be found in Note 28 Related Party Transactions in the accounts.

Delivering the Coalition's priorities over the Parliament

1.11 The Department delivered on all its commitments in the Coalition Agreement and in its Business Plans with the exception of one commitment[1]. The Department was ranked second in Whitehall for completing business plan actions on time (93 per cent) during the two year period 2013-15. The Department's priorities for 2014-15 were:

- Putting local councils and businesses in charge of economic growth and bringing new business and jobs to their areas;
- Getting the housing market moving again so there are more homes to buy and to rent at prices people can afford;
- Ensuring Council Tax payers get value for money and making their local council accountable to them;
- Turning round the lives of troubled families, giving them the chance of a better life and reducing the cost to the taxpayer;
- Bringing people together in strong, united communities.

Future developments in the business

1.12 The new Government has set out an ambitious agenda to devolving powers to cities and local government, to promote local growth as well as home ownership and housing supply.

1.13 The Queen's Speech 2015 set out two major Bills for the Department to introduce in 2015-16. The Cities and Local Government Devolution Bill has already received its second reading, and the Housing Bill will be introduced later in the year.

[1] The commitment in Coalition Programme for Government to give residents power to instigate local referendums on any local issue was not delivered. Provisions to do this were included in the Localism Bill but were removed during the Bill's passage.

1.14 2015-16 will see the Department deliver major Government commitments including City Deals, the Starter Homes scheme and the extension of Right to Buy, as well as continuing major public service reforms, for example through the Better Care Fund.

2 How the Department performed in 2014-15

Ensuring Council Tax payers get value for money and making their local council accountable to them

Making sure Council Tax payers get good value for money

2.1 The Government agreed funding for a fifth consecutive year for Council Tax freezes to apply for bills in 2015-16. This amounted to a total funding package for Council Tax freezes of £5 billion over the five years of the previous Parliament. 57 per cent of eligible authorities have frozen or reduced their Council Tax in 2015-16.

2.2 Freezes since 2010 have meant Council Tax levels fell, in real terms, by 11 per cent, a saving of up to £1,059 for an average Band D household over the course of the previous Parliament.

2.3 The Department continued to work with local authorities to ensure households receive weekly bin collections. 2014-15 saw the final allocations from the £250 million Weekly Collection Support Scheme which is protecting weekly collections for six million households in 81 local authorities. Many local authorities are reporting significant service improvements through successfully utilising their funding.

2.4 In March 2015 the Department announced 46 successful bids to the £11 million Recycling Reward Scheme that will see millions of families across the country rewarded with cash prizes, shopping vouchers and loyalty points for reducing, reusing and recycling their household rubbish.

Statutory intervention

2.5 The Secretary of State exercised his Local Government Act 1999 statutory intervention powers in the case of two local authorities – in December 2014 at the London Borough of Tower Hamlets and in March 2015 at Rotherham Metropolitan Borough Council. In each case the Secretary of State appointed commissioners to the local authorities to exercise or oversee specific functions and directed them to undertake certain actions in order to ensure future sustainable compliance with the best value duty. This followed statutory inspection reports which found that they were both failing to comply with the best value duty.

Voluntary intervention

2.6 In July 2014 the Secretary of State and Sir Albert Bore, Leader of Birmingham City Council, appointed Sir Bob Kerslake to undertake an independent review of the governance and organisational capabilities at Birmingham City Council. Following Sir Bob's report, the Secretary of State appointed the Birmingham Independent Improvement Panel, chaired by John Crabtree OBE, to provide support and challenge to Birmingham City Council. This will enable it to undertake measures necessary to secure the improvements needed to deliver local public services for all the City's communities, give value for money for local taxpayers, and promote growth and wellbeing across the City.

Improving local authority accountability and transparency to local people

2.7 The reforms in the Local Audit and Accountability Act 2014 will deliver local audit within a new, leaner framework. They will allow freedom and flexibility for local public bodies to appoint their own auditors, improving local accountability and transparency and enabling the establishment of sector-led collective procurement bodies. The Act also introduced a new transparency code for the smallest local authorities, requiring them to publish key expenditure and governance information.

2.8 To provide an orderly transition to the new local audit arrangements, a transitional body, Public Sector Audit Appointments Ltd, was established to manage existing audit contracts until 2017. Responsibility for preparing the Code of Audit Practice and associated guidance passed to the National Audit Office (NAO). The NAO also received new powers to extend their existing value for money work and to give advice of a general nature to local authorities. The National Fraud Initiative will be based in the Cabinet Office, and the quality of audit monitored by the Financial Reporting Council and professional bodies. These reforms will save an estimated £1.35 billion over 10 years.

2.9 The Government announced in November 2014 a £16 million counter-fraud challenge fund to help 60 partnerships involving over 200 councils who will have the opportunity to increase their capacity and capability to tackle non-benefit fraud. It is expected that a £60 million saving to the public purse will be achieved over two years by tackling fraud through this fund.

2.10 The Secretary of State directed the Royal Borough of Greenwich, under his statutory powers, to publish its council newspaper no more than four times a year. The Royal Borough of Greenwich did not comply with the direction, and on 27 March 2015 the Government issued proceedings in the Court seeking enforcement of that direction.

2.11 The Government formally issued the Local Government Transparency Code 2014, augmented by the Local Government Transparency Code 2015. This made it a legal requirement for local authorities to publish specified key data. This supports the Government's desire to place more power into citizens' hands and increase democratic accountability by making it easier for local people to contribute to the local decision making process and help shape public services.

2.12 The Government introduced new rules in The Openness of Local Government Bodies Regulations 2014, which provide that all local government bodies must allow the public and press to film, photograph, blog, tweet, or use other social media to report from their public meetings. The Government also made The Local Government (Electronic Communications) (England) Order 2015, allowing agendas and papers for council meetings to be provided by email.

Changing the way local services are run

2.13 The Better Care Fund has increased to £5.3 billion as local authorities agreed to pool further funds additional to the original £3.8 billion Fund. All 150 local area Better Care Fund plans were approved and the Fund was formally established on 1 April 2015. The Fund's total projected savings in 2015-16 are expected to be over £500 million. The Fund is also expected to deliver both fewer admissions to hospital and unnecessary days spent in hospital due to delayed transfers of care.

2.14 Delays in arranging appropriate social care are responsible for around a quarter of delays in discharging patients. In 2014-15 the Government provided an additional £700 million to the NHS to improve resilience and emergency care across local healthcare economies. A further £49 million was distributed this winter to local government via the Department and the Department of Health. Some of this money was targeted at enabling local authorities to support over 9,500 more people from hospital back to their own home or residential care. It additionally allowed local authorities to increase the provision of domiciliary care – helping people get back to own home quickly and with the right support.

2.15 The Government announced the Transformation Challenge Award in April 2014, to support local authorities to overhaul how they deliver local services, join up to pursue greater efficiency, increase resilience and give better value for money for taxpayers. In September 2014, the Government awarded £8.6 million funding to 32 local authorities for innovative projects to improve their services for residents at the same time as reducing costs.

2.16 The Government announced 73 successful Transformation Challenge awards in November 2014, sharing £90.4 million involving 300 partners – including 124 local authorities and 165 other organisations across public, private and voluntary sectors. Together these partners will re-design and deliver services to improve outcomes for local people and achieve significant financial savings and economic benefits. The winning local authorities estimated that their proposals would save more than £10 for every £1 of Transformation Challenge Award money invested.

Funding for local authorities

2.17 In February 2015, the Government announced the Local Government Finance Settlement 2015-16. This included:

- £15.5 million for the Rural Services Delivery Grant in 2015-16, an increase of £4 million to recognise the challenges faced by rural communities; and
- An extra £74 million to assist upper tier authorities with continuing pressures on health and social care and in providing local welfare. This was on top of the extra £37 million provided in 2014-15 to enhance domiciliary care and tackle delays in care transfers.

Fire, resilience and emergencies

2.18 In October 2014, following a bidding process, the Government announced winning bids to a £75 million fire and rescue authority transformation fund. The winners will use their funding to drive efficiencies and transformation to improve frontline services. Fire and rescue authorities forecast these bids will save taxpayers over £300 million. In total, 37 projects from across the country will get funding.

2.19 The Government made continued progress to improve the resilience and efficiency of fire control rooms. The latest update to 31 December 2014 showed 27 per cent of projects completed. The Department expects this to rise to 73 per cent by the end of September 2015. The final project is expected to be completed towards the end of 2016 which will complete the programme as a whole. Savings forecast by fire and rescue authorities now stand at £135 million, an increase of £5 million since the previous update.

2.20 The Government continued to bear down on costs for Fire National Resilience, releasing savings of £2 million per annum compared to last year, following a review and reconfiguration of Urban Search and Rescue capability. Examples of savings include £750,000 in 2014-15 from national resilience assurance costs, and £500,000 per annum from the Firelink secure communications contract with further savings negotiated for after 2016.

2.21 An independent review of the conditions of service for chief fire officers and firefighters, and barriers to the reform, improvement and efficiency of fire and rescue services in England was commissioned by the Government in August 2014 and reported to Ministers in March 2015.

Achievement	**Link to more detail**
Council Tax freeze scheme	https://www.gov.uk/government/collections/council-tax-freeze-scheme
Weekly Collection Support Scheme	https://www.gov.uk/government/policies/making-sure-council-tax-payers-get-good-value-for-money/supporting-pages/bins-and-waste-collection
Recycling Reward Scheme	https://www.gov.uk/government/publications/recycling-reward-scheme-successful-bids
Intervention in Tower Hamlets	https://www.gov.uk/government/news/secretary-of-state-sends-in-commissioners-to-tower-hamlets
Intervention in Rotherham	https://www.gov.uk/government/speeches/intervention-in-rotherham-metropolitan-district-council
Birmingham	https://www.gov.uk/government/publications/birmingham-city-councils-governance-and-organisational-capabilities-an-independent-review
Closure of the Audit Commission	https://www.gov.uk/government/collections/local-audit-framework-replacing-the-audit-commission
£16 million counter-fraud challenge fund	https://www.gov.uk/government/news/government-clampdown-on-fraud
Directions on publishing town hall newspapers	https://www.gov.uk/government/publications/direction-to-the-royal-borough-of-greenwich-and-related-documents
The Openness of Local Government Bodies Regulations 2014	https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide
The Local Government (Electronic Communications) (England) Order 2015	http://www.legislation.gov.uk/uksi/2015/5/contents/made
Local Government Transparency Code 2015 (the 2015 Code) under section 2 of the Local Government, Planning and Land Act 1980 (the Act).	https://www.gov.uk/government/publications/local-government-transparency-code-2015

Achievement	Link to more detail
Transformation Challenge Award – a total of £99 million to support local authorities transform their local services	https://www.gov.uk/government/news/local-service-reforms-to-save-10-for-every-1-spent https://www.gov.uk/government/news/funding-awarded-to-improve-local-services-and-save-over-900-million
Rural Services Delivery Grant and extra £74 million to assist upper tier authorities with continuing pressures on health and social care and in providing local welfare	https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2015-to-2016
Fire Transformation Fund	https://www.gov.uk/government/news/fire-services-improvement-fund-public-get-a-win-win-better-local-services-and-at-lower-cost
Future control room services scheme	https://www.gov.uk/government/publications/future-control-room-services-scheme-and-ex-fire-regional-control-centres-march-2015-update

Turning round the lives of troubled families, giving them the chance of a better life and reducing the cost to the taxpayer

Helping troubled families turn their lives around

2.22 In December 2011, the Government set out a goal of turning around the lives of 120,000 families in England by May 2015. Significant progress has been made across the country – with over 105,000 families turned around, with children back in schools, levels of youth crime and antisocial behaviour reduced and over 10,000 adults now back in work. This means The Troubled Families Programme has achieved 90 per cent of its initial goal of 120,000 families with a final opportunity for local authorities to report results in May 2015.

2.23 The Department and the Department for Work and Pensions agreed in August 2014 to more than double the number of specialist employment advisers in the expanded Troubled Families Programme. £10 million of new investment from both departments will increase specialist employment advisers from 150 to over 300 from April 2015. The Department also worked with the Department of Health, Public Health England and the Local Government Association to produce a leadership statement that emphasised the importance of local health services working with families on the Troubled Families Programme and also produced materials such as examples of best practice and interim guidance on health information sharing.

2.24 The Spending Review 2013 announced a five year extension of the Troubled Families Programme, with an extra £200 million of cross-government funding allocated to help reach up to a further 400,000 families. 113 local authorities began delivering the expanded programme ahead of time and 146 areas were invited to begin delivering the expanded programme from April 2015.

Achievement	Link to more detail
Turning Around Troubled Families	https://www.gov.uk/government/publications/troubled-families-programme-progress-information-at-december-2014-and-families-turned-around-at-february-2015
Troubled Families Supporting Health Needs	https://www.gov.uk/government/publications/troubled-families-supporting-health-needs

Getting the housing market moving again so there are more homes to buy and to rent at prices people can afford

Increasing the supply of homes

2.25 Over 125,000 new homes were completed in England between 1 April 2014 and 31 March 2015. Over 140,000 new homes were started during the same period. The number of new homes completed was the highest since 2008-09 and the number of new homes started the highest since 2007-08.

2.26 The Government provided over £200 million through the Empty Homes Programme for innovative schemes run by community groups, councils and housing associations to bring empty homes back into use. In 2014-15 almost 6,000 homes were created from empty properties, as well as providing apprenticeships and training opportunities for those involved in the schemes. The number of long-term empty homes has fallen by a third from the baseline of 316,250 in October 2009 to 205,820 in October 2014, and the number of empty homes overall is at a ten year low.

2.27 In 2014-15 the New Homes Bonus grant totalled £917 million, recognising almost 133,000 net additions to housing stock and over 38,000 empty homes brought back into use over the period October 2012 to October 2013.

2.28 In 2014-15 government departments released surplus public sector land with capacity to deliver 32,293 new homes. This helped contribute to the Public Sector Land programme releasing land with capacity to deliver over 100,000 new homes by March 2015, exceeding the June 2011 target.

Helping people to own a home

2.29 The Government ensured more people have the opportunity to purchase a home of their own, with the number of first time buyers at the highest rate since 2007. The Help to Buy programmes have been actively supporting home ownership and new house building across all parts of the country.

2.30 Help to Buy: Equity Loan is for new build homes only. In 2014-15 there were 27,414 completed Equity Loan sales across England taking the cumulative total number of sales in the programme so far to 47,018. 79 per cent of sales in the scheme in 2014-15 were to first time buyers. In total, over 60,000 households have reserved a new-build home since the scheme began.

2.31 Help to Buy: NewBuy scheme has also supported a further 533 households purchase a new build home in 2014-15. 5,706 households purchased a new build home through the scheme from launch in March 2012 to March 2015. The scheme closed to new mortgage offers in March 2015.

2.32 The HM Treasury's Help to Buy: Mortgage Guarantee scheme enables people to buy a new build or existing home with a 5 per cent deposit. 39,564 households (32,498 in England) purchased a home through the scheme in 2014-15. Since October 2013 the scheme has enabled 46,877 households (38,388 in England) to purchase a home.

Affordable Homes

2.33 The Government's 2011- 2015 Affordable Homes Programme exceeded expectations, delivering nearly 186,000 affordable homes since April 2011, 16,000 more than originally planned. In 2014-15 there were 36,604 affordable housing starts on site and 59,226 affordable housing completions delivered in England through programmes managed by the Homes and Communities Agency (HCA) and the Greater London Authority (GLA).

2.34 Autumn Statement 2014 announced an extension of affordable housing capital investment to 2018-19 and 2019-2020, of £1.9 billion – bringing the delivery total for the extended Affordable Housing Programme, along with other programmes, to 275,000 affordable homes across 2015-2020.

2.35 The Government launched the new Rent to Buy programme in September 2014. The programme provides £400 million in low cost loans to help deliver more affordable homes and give more flexibility so people can rent affordably now, save for a deposit, and then either buy the home (or a different home) later.

2.36 The Government published in May 2014 a new ten year rent policy for social housing from April 2015, providing long-term certainty and stability to support investment in more new affordable homes. The Government also announced a rent policy for high income social tenants which allows social landlords to charge these households higher rents

Right to Buy

2.37 Between April 2014 and December 2014, the Right to Buy scheme helped over 8,900 households to buy their home, bringing the total sales since April 2012 to more than 33,000 (including Preserved Right to Buy). The Deregulation Act 2015 will reduce the qualifying period for the scheme from five to three years and the Government introduced secondary legislation to increase the Right to Buy discount annually by the CPI index. In February 2015 the Government launched a new £42 million Social Mobility Fund for 2015-16, to provide a cash sum to tenants to put towards the purchase of a property on the open market. To date, 42 councils have been allocated funding.

Actively supporting the self-build and custom-build sectors, helping people build or commission their own home

2.38 The Government fulfilled its commitment to consult on the scope of the Right to Build which proposes to give prospective custom builders a right to purchase a suitable plot of land to build a new home with the help of their local planning authority. In October 2014 the Department began work with 11 councils to test how the Right to Build would work in practice. Alongside this the Government supported the Self-build and Custom Housebuilding Act 2015 through Parliament. The Act established the requirement for local planning authorities to keep local custom build registers. In addition, in June 2014 the Government launched a new £150 million investment fund to support up to 10,000 serviced building plots.

Housing Guarantee Schemes

2.39 The Affordable Housing Guarantee Scheme will help to deliver more affordable housing by making debt cheaper for affordable housing providers. The £3.5 billion scheme is managed by Affordable Housing Finance Plc (a subsidiary of The Housing Finance Corporation Ltd), which was appointed by the Department on 20 June 2013.

- By March 2015, 35 affordable housing providers were approved under the Affordable Housing Guarantee Scheme. Combined, they will borrow over £1.25 billion of guaranteed debt, supporting the delivery of over 11,000 additional affordable homes across the United Kingdom;
- 23 of these borrowers were approved between 1 April 2014 and 31 March 2015 to borrow a total £774.5 million of guaranteed debt which will support over 6,400 additional affordable homes across the United Kingdom;
- In March 2015, the scheme issued the cheapest ever housing association bond and the cheapest debt of any kind in the sector for 27 years, breaking the 3 per cent barrier.

2.40 The Department appointed PRS Operations Ltd (a subsidiary of Venn Partners LLP) in December 2014 to operate the £3.5 billion Private Rented Sector Housing Guarantee Scheme which is now formally open for applications.

Bigger better private rented sector

2.41 The £1 billion Build to Rent Fund is providing development phase finance to large-scale private rented sector developments, building up to 10,000 new homes for private rent. Following strong market appetite, the scheme now has 17 contracts in place worth £484 million and is delivering over 4,400 new rented homes across England. More contracts are currently progressing through the due diligence phase.

2.42 The Government took action, through the Deregulation Act 2015, against 'retaliatory evictions' where tenants have a legitimate complaint. The Government also laid regulations requiring all private rented properties to have a working smoke alarm on each floor of the property at the start of the tenancy and carbon monoxide alarms in high risk rooms, to come into force in October 2015.

2.43 In 2014-15 the Government delivered a package of measures to inform and empower tenants and landlords in the private rented sector, including:

- The publication of a 'How to Rent' guide informing tenants of their rights and responsibilities;
- A voluntary code of practice for the letting and management of residential property; a Model Tenancy Agreement that landlords and tenants can choose to use, including clauses that can be used for longer, family-friendly tenancies;
- A short guide to 'Renting a Safe Home' which will help tenants recognise potentially harmful hazards in the home, such as damp, mould and excess cold and what to do about them.

2.44 In 2014-15 the Government also introduced targeted regulation in key areas in the private rented sector, including:

- Requiring letting and property management agents to join a redress scheme;
- Introduced, through the Consumer Rights Act 2015, a legal requirement for letting agents to be more transparent;
- taken action through the Deregulation Act 2015 against 'retaliatory evictions' where tenants have a legitimate complaint;
- Amended regulations allowing councils to introduce licencing schemes to tackle a wider range of problems.

Supporting house building

2.45 The Government laid statutory instruments in March 2015 establishing the Ebbsfleet Development Corporation with effect from 20 April 2015, and giving it planning powers with effect from 1 July 2015. The Corporation will work to develop a Garden City with up to 15,000 new homes.

2.46 Budget 2015 reiterated support for Bicester's proposals for a new Garden Town which was announced at Autumn Statement 2014, and for new garden communities in North Northamptonshire and at Basingstoke. These follow the publication in April 2014 of the Government's locally-led Garden Cities Prospectus.

2.47 The Large Sites Programme unlocked or accelerated major housing sites capable of delivering 100,000 homes since the launch in 2013 of the £1.3 billion programme, with almost 23,000 homes unlocked or accelerated in 2014-15. The Large Sites Infrastructure Programme, launched in April 2014, will provide £1 billion of recoverable loans between 2015 and 2020, building on the success of the Local Infrastructure Fund. As at the end of March 2015 there were 34 projects seeking investment totalling £961 million to unlock nearly 100,000 homes in the shortlist for the programme. The first contracts for funding, to unlock major sites at Lubbesthorpe in Leicestershire and Wood Wharf in London's Docklands, were signed in February and March 2015 respectively.

2.48 The Government published the Builders Finance Fund Prospectus in April 2014 offering £525 million of support in 2015-16 and 2016-17 in the form of recoverable loans for development finance to builders on smaller stalled housing schemes. The Government extended support available to schemes as small as five units in size, and invited bids on a continuous market engagement basis. At the end of March 2015 there were 108 projects seeking total investment of £352 million. These shortlisted projects represent nearly 8,000 homes. The Builders Finance Fund builds on the success of the Get Britain Building Programme where a further 4,684 homes funded through the programme were completed in 2014-15.

2.49 In March 2015 the Government reallocated £50 million from the Builders Finance Fund to invest alongside a similar amount from Lloyds Banking Group to create a £100 million Housing Growth Fund. The Fund will support smaller builders by making equity investments in specific projects and by increasing the skills and competitiveness of supported builders.

2.50 The Government published the Housing Zones Prospectus in August 2014, inviting local authorities outside London to bid, with developers, for recoverable loan funding from a £200 million pot, and a package of wider support. This is designed to kick-start development on large brownfield sites. Budget 2015 designated 20 Housing Zones, and the Department continues to work with eight other shortlisted areas. In total, these have potential to deliver up to 45,000 new homes. Combined with Housing Zones in London, which the Government supported by making £200 million of recoverable loan funding available to the GLA, this could support the delivery of up to 95,000 homes.

2.51 The Government announced in October 2014 that 66 local planning authorities would benefit from a £3 million Site Delivery Fund to help accelerate start of work on sites. The funding has given authorities additional capacity to focus on issues such as finalising section 106 agreements, discharging planning conditions and issuing related consents, with the aim of unlock stalled housing sites.

Social Housing

2.52 To strengthen local authorities' role in supporting house building, the Department allocated over £222 million of additional Housing Revenue Account borrowing in 2014-15 to deliver over 3,000 new affordable homes in 36 local authorities.

2.53 The Government provided almost £500 million in 2014-15 to support local authorities in making 42,780 homes decent. Since 2011, the Government's £1.6 billion investment has resulted in over 122,000 council homes being made decent. Two local authorities (Gloucester and Salford) transferred housing stock in 2014-15, supported by £121 million of government debt write-off funding, and the transferred homes will benefit from an estimated £820 million of private sector investment over the next forty years.

2.54 To kick-start and accelerate the regeneration of some of our most deprived estates, a new Estate Regeneration Fund of £150 million of recoverable investment was set up in 2014-15. Four schemes (Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf) have been shortlisted for funding, subject to due diligence and contract negotiations, and are expected to deliver over 8,000 new homes, of which more than 3,000 are additional to the existing supply of homes at the four shortlisted estates.

Planning

2.55 In 2014-15 the Government continued to make improvements to the planning system to support housing delivery and sustainable growth, removing red tape and reducing the regulatory burden on businesses. In the year to December 2014, 253,000 new homes were granted planning permission – up 12 per cent on the previous year and up more than 50 per cent since 2010.

2.56 The Department has continued to support local planning authorities to get up to date Local Plans in place so that local councils and communities can shape where housing and other development should and should not go in their areas. 64 per cent of authorities had an adopted Local Plan as at 31 March 2015, up from 54 per cent the previous year.

2.57 Around 17,100 home extensions and 2,600 office to residential conversions got the go-ahead in the nine months to December 2014 under permitted development rights, which the Government has extended.

2.58 The Government launched an incentive fund to encourage local planning authorities to get planning permissions in place for homes on brownfield sites. The aim by 2020 is to have planning permissions in place for housing for over 90 per cent of brownfield land. Over £1 million has been awarded to date to local planning authorities.

2.59 The Government introduced a major new planning policy in March 2015 to make it easier for developers to gain planning permission for Starter Homes on under-used brownfield land not currently allocated for housing. These Starter Homes will be offered exclusively to young first time buyers at a 20 per cent discount below the open market value.

2.60 In November 2014, the Government introduced thresholds for seeking affordable housing and tariff style section 106 contributions from small scale developments as well as an affordable housing contribution credit for vacant buildings brought back into use or demolished for re-development. These measures will help unblock stalled sites, get more homes built in our communities and provide increased incentives for smaller scale developers and brownfield land development. The Government also amended Community Infrastructure Levy regulations, with effect from 1 April 2015, to extend mandatory relief from the levy to include affordable housing provided by non-registered providers.

Supporting vulnerable people

2.61 There were 61,970 households in temporary accommodation at 31 December 2014. This remains well below the peak in 2004 when there were 101,000 households in temporary accomodation. The Government introduced new powers so that local authorities can place homeless families in suitable good quality private rented homes. Households leaving temporary accommodation now spend, on average, seven months less in temporary accommodation than they did in 2010. The March 2015 Budget announced that Government will consider options to support long-term investment in private rented accommodation for homeless families.

2.62 The Government provided £3 million funding in 2014-15 (from an overall £8 million fund) to encourage local authorities to work in partnership with local partners (public health, voluntary sector organisations, probation services) to tackle and prevent single homelessness. The Help for Single Homeless Fund aims to support 22,000 people in 168 local authority areas through 34 local authority led projects.

2.63 The Government provided £3 million funding in 2014-15 (from an overall £10 million fund) to stop refuges closing, improve standards of service and support in existing refuges, and grow provision in 148 local authority areas. This will help maintain a resilient national network of refuges that will keep vulnerable victims of domestic abuse and their families safe.

2.64 The Department also worked with the Cabinet Office to invest £15 million in the Fair Chance Fund, using payment by results and social investment to help turn around the lives of 1,600 vulnerable young homeless people aged 18-25.

2.65 To support an ageing population the Department has:

- Provided over £1 million further funding for the FirstStop information service to help it continue providing advice to older people and their families in 2015-16, reaching over 200,000 people annually; and
- Awarded a contract for over £1 million to Foundations – to deliver the National Body for Home Improvement Agencies – to make adaptions for older and disabled people's housing.

Achievement	**Link to more detail**
Supply of new homes	https://www.gov.uk/government/statistics/house-building-in-england-january-to-march-2015
Empty Homes programme	https://www.gov.uk/government/publications/2010-to-2015-government-policy-house-building/2010-to-2015-government-policy-house-building#appendix-2-empty-homes
New Homes Bonus	https://www.gov.uk/government/publications/2010-to-2015-government-policy-house-building/2010-to-2015-government-policy-house-building#appendix-8-new-homes-bonus
Surplus Public Sector land	https://www.gov.uk/government/news/unused-public-sector-land-will-provide-over-100000-new-homes)
Help to Buy: Equity Loan	https://www.gov.uk/government/statistical-data-sets/help-to-buy-equity-loan-scheme-monthly-statistics
Help to Buy: NewBuy	https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-and-help-to-buy-newbuy-statistics-april-2013-to-march-2015
Help to Buy: Mortgage Guarantee	https://www.gov.uk/government/statistics/help-to-buy-mortgage-guarantee-scheme-quarterly-statistics-october-2013-to-december-2014
Delivery of Affordable Homes	https://www.gov.uk/government/news/affordable-homes-top-260000-mark

Achievement	Link to more detail
Affordable Homes announcement at Autumn Statement 2014	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf
Rent to Buy	https://www.gov.uk/government/publications/rent-to-buy-2015-to-2017-prospectus
Rent policy for social housing	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/313355/14-05-07_Guidance_on_Rents_for_Social_Housing__Final_.pdf
Right to Buy	https://www.gov.uk/government/collections/social-housing-sales-including-right-to-buy-and-transfers
Social Mobility Fund	https://www.gov.uk/government/publications/right-to-buy-social-mobility-fund-prospectus
Right to Build	https://www.gov.uk/government/consultations/right-to-build-supporting-custom-and-self-build
Build to Rent Fund	https://www.gov.uk/government/collections/build-to-rent-guidance-and-allocations
Housing Guarantees Scheme	https://www.gov.uk/government/publications/housing-guarantee-scheme-rules-affordable-housing
Ebbsfleet Development Corporation	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/390340/20141222-Sweeney-Consultation-Response-Final.pdf
Garden Cities	https://www.gov.uk/government/publications/locally-led-garden-cities-prospectus
Large Sites Infrastructure Programme	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303712/20140410-Large-Sites-Infrastructure-Programme.pdf
Builders Finance Fund	https://www.gov.uk/government/publications/builders-finance-fund-prospectus
Housing Zones	https://www.gov.uk/government/publications/housing-zones-prospectus
Council house-building	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/404996/House_Building_Release_-_Dec_Qtr_2014.pdf
Estate Regeneration Fund	https://www.gov.uk/government/publications/estate-regeneration-programme
Improving Planning System	https://www.gov.uk/government/statistics/planning-applications-in-england-october-to-december-2014
Local Plans	http://www.planningportal.gov.uk/planning/planningsystem/localplans

Achievement	Link to more detail
Permitted Development Rights for home extensions and office to residential conversions	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414150/E2.ods
Incentive fund for granting planning permission on brownfield sites	https://www.gov.uk/government/publications/local-development-orders-for-housing-development-on-brownfield-land-invitation-to-bid
Starter Homes	https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/starter-homes
Section 106 thresholds	http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm141128/wmstext/141128m0001.htm#14112842000008
Amended Community Infrastructure Levy	http://planningguidance.planningportal.gov.uk/blog/guidance/community-infrastructure-levy/relief/social-housing/
Help for single homelessness	https://www.gov.uk/government/news/23-million-to-help-homeless-turn-around-their-lives
Fair Chance Fund	https://www.gov.uk/government/news/23-million-to-help-homeless-turn-around-their-lives
Funding FirstStop	https://www.gov.uk/government/news/older-people-helped-to-live-independently-thanks-to-government-funding

Putting local councils and businesses in charge of economic growth and bringing new business and jobs to their areas

Continuing to keep Business Rates down and help small businesses grow

2.66 The Government announced at Autumn Statement 2014 an extra £650 million of support for 2015-16 business rates bills. This brings the total support to £1.4 billion in 2015-16 when earlier measures introduced at the 2013 and 2014 Autumn Statements which run into 2015-16 are included.

Supporting local businesses through the planning system

2.67 The Government continued to make changes to the planning system to improve its efficiency and reduce the regulatory burden on businesses. 77 per cent of major planning applications were determined on time in October to December 2014, up from 57 per cent in July to September 2012 - the quarter in which the Government announced its intention to designate poorly performing local planning authorities.

2.68 The Government further simplified and streamlined the planning system as part of the Red Tape Challenge by passing the following Orders which reduced the number of Planning Statutory Instruments by 32 per cent.

2.69 The Government legislated to allow more development to take place without the need for a full planning application through the Town and Country Planning (General Permitted Development) (England) Order 2015. It also legislated to streamline the planning application process further through the Town and Country Planning (Development Management Procedure) (England) Order 2015, both of which came into force on 15 April 2015.

2.70 New permitted development measures include:

- Support for high streets ('click and collect', flexible changes of use for shops and financial and professional services);
- Contribution to the provision of housing (some businesses to residential changes of use, continuing to allow larger single storey home extensions); and
- Support for growth (supporting commercial filming, making it easier to install larger capacity solar panels on non-domestic buildings, making permanent larger business extensions, allowing like-for-like replacements within waste management facilities, and allowing equipment housings for sewerage undertakers).

2.71 New development management measures include:

- A new and faster 'deemed discharge' of certain planning conditions; and
- A reduction in statutory consultation requirements.

2.72 The Government committed to ensure the locally-led planning system supports the potential for shale gas extractions while protecting the environment. A Shale Gas Prospectus was published in March 2015 inviting bids for funding to support mineral planning authorities' capacity and capability to deal with shale gas applications. The Government also ensured through the Infrastructure Act 2015 that consent for onshore high volume hydraulic fracturing below 1,000 metres will not be given unless a number of environmental and planning-related conditions are met.

2.73 The Government completed its review of the nationally significant infrastructure planning regime and successfully implemented a number of changes which have improved the process for all users. The Government has also continued to take decisions on planning applications for the largest infrastructure projects within the statutory timescales set out in the Planning Act 2008. In September 2014, Thames Water Utilities Limited was granted consent for the Thames Tideway Tunnel – a new 'super sewer' for London which was the biggest project to go through the regime.

2.74 The Department also handled over 2,000 other planning cases in 2014-15, including consultations on certain planning applications, requests to call-in applications and recovered planning and enforcement appeals.

Empowering local areas through growth

2.75 The Government signed 39 Growth Deals worth £6 billion with Local Enterprise Partnerships in July 2014. These gave power and resources to local areas to drive economic growth. This was the first wave of allocations from the £12 billion Local Growth Fund, for investment in local projects which will result in more homes, better roads and public transport, greater support for local businesses to train young people and enhance skills, and faster broadband. In January 2015, the Government announced a further £1 billion expansion to the deals, to take the allocation to £7 billion so far.

2.76 The Government signed a Devolution Deal with Greater Manchester city region in November 2014. The deal will see a directly-elected mayor and gives the city region greater control over their local economy and local government, with powers over transport, housing, planning and policing. The Greater Manchester city region will also gain new powers to support business growth, skills, and help to join up health and social care budgets. The Government also announced in November 2014 the intention to devolve responsibility for a Housing Investment Fund to the Greater Manchester Combined Authority, as part of the agreement for a directly-elected mayor. The legal agreement to support this Housing Investment Fund was signed in March 2015. Devolution deals were agreed with the Sheffield City Region and Leeds City and West Yorkshire Region in March 2015.

2.77 The Department worked with the Mayor of London & the GLA in 2014-15 on a number of key pieces of legislation. This includes establishing the new Mayoral Development Corporation at Old Oak Common and Park Royal coming into effect on 1 April 2015 to support house building and regeneration in London. The Government also transferred the running of two programmes to the GLA in March 2015: the London Housing Bank (£200 million) and Housing Zones (£200 million).

Supporting economic growth and enterprise

2.78 The Enterprise Zones programme is a 25 year initiative which aims to rebalance the economy and achieve strong, lasting growth and widely shared prosperity by jobs and business investment. There are currently 24 enterprise zones across England, with most having a strong sectoral focus such as automotive, aerospace, renewable energy, and advanced manufacturing.

2.79 Enterprise Zones' own records show that around 15,500 jobs, including construction jobs, have been created since April 2012. In addition, they have attracted over 480 businesses, and secured around £2.1 billion of private sector investment.

2.80 To further accelerate development, the Government allocated £120 million of grant funding in 2014-15 to 15 successful enterprise zones following a competitive process.

2.81 At Autumn Statement 2014, it was announced that the Nottingham Enterprise Zone was being extended to a new site at Infinity Park, Derby. This extension came into force in April 2015. Following that, at Budget 2015, extensions to seven zones were announced; Manchester, Mersey Waters, Humber, Tees Valley, Oxford Science Vale, Leeds and MIRA Technology Park, East Midlands. The Budget also announced two new zones at Blackpool and Plymouth, as well as the proposed extension to Discovery Park, Sandwich, Kent, subject to business cases. All these changes are planned to come into force from April 2016.

Working with High Streets

2.82 The Department worked with the Future High Streets Forum in 2014-15, helping to develop practical policies to enable town centres to adapt and change. This included parking policies and discretionary rate relief.

2.83 The Government launched the Great British High Street competition and the Great British High Street Portal in summer 2014 to champion the innovative work of local people who are working together to support their high streets.

2.84 The Government reviewed the role of Business Improvement Districts to see what further powers could be made available to help shape the future of town centres. In March 2015 the Government launched a consultation and published detailed guidance.

2.85 The Government took forward a range of measures to address issues with parking, including restricting the use of CCTV through the Deregulation Act 2015, introducing 10 minute grace periods and publishing new statutory guidance on the right to challenge parking policies.

Reform regulations for building standards

2.86 The Government's Housing Standards Review has led to a significant rationalisation of the large number of technical standards applied by local authorities to new housing through the planning system. The changes made in the review will save business £96 million annually as confirmed in the Department for Business, Innovation and Skills' 'One-in, two-out ninth statement of new regulations' published in December 2014.

2.87 The competent person schemes enable people working in the building trade as installers to self-certify certain types of building work. Competent person scheme operators have to meet conditions of authorisation set by the Government and have been assessed against those conditions by the UK Accreditation Service (UKAS). All 15 scheme operators in the pilot were accredited by UKAS by June 2014 as meeting our conditions of authorisation and the international quality management standard BS EN 45011.

2.88 The Government introduced legislation to allow off-site carbon abatement measures ('allowable solutions') to be used by developers to meet the zero carbon standard via Section 37 of the Infrastructure Act. A threshold has also been set for on-site measures at the equivalent of the Level 4 energy standard in the Code for Sustainable Homes; with an exemption from the allowable solutions element of the zero carbon standard for small sites based on size of the development.

Successfully delivering results with the European Regional Development Fund and Regional Growth Fund

2.89 The Government work on the European Regional Development Fund (ERDF) and the Regional Growth Fund is delivering results for local growth on the ground.

2.90 The £2.8 billion ERDF Programme for 2007-13 has leveraged over £3.1 billion of match funding. The programme has supported almost 21,000 businesses (significantly exceeding the target) and created over 88,000 jobs. The 2007-13 ERDF Programme is in its final year of spend. Impact and evaluation reports will follow in due course.

2.91 The Regional Growth Fund supported more grant awards than ever before, to bring jobs and investment to places across England. By 2014-15 the Regional Growth Fund created and safeguarded over 100,000 jobs and supported over 9,000 small and medium sized enterprises.

2.92 Negotiations on the UK 2014-20 European Structural and Investment Funds Partnership Agreement were successfully concluded and the agreement was adopted by the European Commission (EC) in October 2014.

2.93 The major points of principle for the 2014-20 England ERDF Operational Programme have been agreed with the Commission. The programme will begin spend this year. First calls inviting applications for funding under the programme were published in March 2015.

2.94 The Department expects the 2014-20 ERDF Operational Programme to be formally adopted by the Commission in late June 2015.

Achievement	**Link to more detail**
Business Rates	https://www.gov.uk/government/news/autumn-statement-2014-16-things-you-should-know
Planning System	https://www.gov.uk/government/collections/planning-applications-statistics
Town and Country Planning – General Permitted Development Order	https://www.gov.uk/government/speeches/planning-update-march-2015 http://www.legislation.gov.uk/uksi/2015/595/contents/made
Town and Country Planning – Development Management Procedure Order	https://www.gov.uk/government/speeches/planning-update-march-2015 http://www.legislation.gov.uk/uksi/2015/596/contents/made
Shale Gas	https://www.gov.uk/government/publications/shale-exploration-support-for-mineral-planning-authorities-invitation-to-bid
Nationally Significant Infrastructure Planning Regime	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306404/Government_response_to_the_consultation_on_the_review_of_the_Nationally_Significant_Infrastructure_Planning_Regime.pdf
Decisions on recovered appeals and called in applications	https://www.gov.uk/government/collections/planning-applications-called-in-decisions-and-recovered-appeals
Growth Deals	https://www.gov.uk/government/news/growth-deals-gain-momentum-firing-up-local-economies
Devolution Deals	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/369858/Greater_Manchester_Agreement_i.pdf
Mayoral Development Corporations	https://www.london.gov.uk/priorities/planning/old-oak-park-royal
Enterprise Zones	http://enterprisezones.communities.gov.uk/
Future High Streets Forum - model for local leadership	https://www.atcm.org/policy_practice/future_high_streets_forum/future_high_streets_forum2014
Great British High Streets Competition	https://www.gov.uk/government/news/great-british-high-streets-2015
Business Improvement Districts guidance	https://www.gov.uk/business-improvement-districts

Achievement	Link to more detail
Parking measures in the Deregulation Act 2015	https://www.gov.uk/government/news/government-delivers-on-parking-promises-to-help-local-shops
Review of Local and Technical Housing Standards	https://www.gov.uk/government/policies/providing-effective-building-regulations-so-that-new-and-altered-buildings-are-safe-accessible-and-efficient/supporting-pages/technical-housing-standards-review
Allowable Solutions and Small Site Exemption	https://www.gov.uk/government/consultations/next-steps-to-zero-carbon-homes-small-sites-exemption
2007-13 ERDF	https://www.gov.uk/browse/business/funding-debt/european-regional-development-funding
Regional Growth Fund	https://www.gov.uk/understanding-the-regional-growth-fund
UK 2014-20 European Structural and Investment Funds Partnership Agreement	https://www.gov.uk/government/consultations/european-regional-development-fund-operational-programme-2014-to-2020

Supporting strong communities where people feel they belong

Giving communities more control over their local area

2.95 The Department's 'Delivering Differently in Neighbourhoods' programme was significantly over-subscribed. In 2014-15 the Department provided £1 million in the first year (of the two year scheme) to develop innovative models for delivery at neighbourhood level. The programme is providing 24 local authorities with grants of up to £90,000 to redesign local services with the involvement of local people and organisations – for example, reducing loneliness for older people by redesigning the meals on wheels service. The Department also contributed £870,000 to the Delivering Differently programme which was run jointly with the Cabinet Office, the Local Government Association and the Society of Local Authority Chief Executives. This has helped 10 councils to explore alternative delivery models and develop implementation plans for them.

2.96 In 2014-15 the Department provided £3.4 million in capital grants which helped communities buy or develop local assets and reopen them to the public or improve their existing use, including a Grade II listed former bank to be used as a community arts centre and derelict space converted to use as a community garden.

Giving communities control to design services to their needs

2.97 The 'Our Place' programme had a two financial year (2013-15) budget of £4.3 million. In 2014-15 the programme offered £2.2 million grant funding to over 100 neighbourhoods to design and deliver services that focus on local priorities and needs, deliver benefits and reduce costs. Grants were awarded to areas, and of the 118 areas supported in the final phase of the programme, 117 submitted 'Operational Plans' by March 2015 detailing their partnerships, resources and ambitions for services to tackle issues such as unemployment, social isolation and health inequalities. All areas made significant progress and will be implementing their proposals over the coming year.

Helping communities protect assets of community value

2.98 The Government took further steps to protect community pubs that are listed as Assets of Community Value. A statutory instrument was laid in March 2015 introducing secondary legislation to dis-apply the permitted development rights for the change of use or demolition of pubs having, or having been nominated for, Assets of Community Value status. This came into force on 6 April 2015.

Empowering communities to make policies on development and use of land

2.99 By the end of March 2015 over 1,450 communities had started the neighbourhood planning process, compared to around 980 at the start of April 2014. The number of neighbourhood plans which had successfully passed examination increased from 19 to 84 during this period, and the number of final plans 'made' in law increased from 7 to 49. A neighbourhood plan attains the same legal status as the Local Plan once it has been agreed at a referendum and is 'made' (brought into legal force) by the local planning authority. At this point it becomes part of the statutory development plan, along with the Local Plan.

2.100 The Department's neighbourhood planning programme supported over 900 groups who applied between 2013 and 2015. Groups received £4.8 million in neighbourhood planning programme grant funding in total.

2.101 The Department introduced reforms to make the process quicker and simpler for communities. New regulations, setting timescales for local authorities in designating new neighbourhood planning areas, came into effect in February 2015.

2.102 The Department also funded 40 local mobilisation events, and held the first national neighbourhood planning summit, attended by over 120 planning and development, local authority, and community sector professionals, to encourage greater support for neighbourhood planning, through its potential to build support for housing and economic growth and improve social capital.

Bringing people together in strong united communities

2.103 Since April 2014 the Department has enabled over 330,000 people to get involved in our 30 integration projects, spending over £12 million to support the projects.

2.104 On 27 January 2015, the 70th anniversary of the liberation of Auschwitz, the Prime Minister launched the report Britain's Promise to Remember. This report recommended the creation of a new Holocaust memorial and learning centre. The Department will initially sponsor the UK Holocaust Memorial Foundation which has been tasked with implementing the recommendations of the Holocaust Commission. The Department is supporting the Foundation to ensure that the testimony of Holocaust survivors and camp liberators is captured to ensure that their memories and experiences are never forgotten.

2.105 The Department's work to commemorate the 100th anniversary of the First World War continued, including an event in March 2015 at the National Memorial Arboretum, which was attended by the Prime Minister, the Secretary of State and Lord Ahmad to unveil 145 commemorative paving stones for those Victoria Cross recipients born overseas.

Achievement	**Link to more detail**
£3.4 million boost for communities to save a local building or asset	https://www.gov.uk/government/news/34-million-boost-for-communities-to-save-a-local-building-or-asset
Delivering Differently in Neighbourhoods	https://www.gov.uk/government/news/funding-boost-for-councils-putting-communities-back-in-control
Our Place	https://www.gov.uk/government/news/123-communities-to-take-control-of-neighbourhood-schemes
Pubs listed as Assets of Community Value and Permitted Development Rights	https://www.gov.uk/government/news/cheers-all-round-for-community-pubs-day--2
Neighbourhood Planning	https://www.gov.uk/government/publications/2010-to-2015-government-policy-planning-reform/2010-to-2015-government-policy-planning-reform#appendix-2-neighbourhood-planning
Integration projects	https://www.gov.uk/government/policies/bringing-people-together-in-strong-united-communities
Holocaust Memorial Foundation	https://www.gov.uk/government/consultations/the-holocaust-commission-keeping-the-memory-alive
100th anniversary of the First World War	https://www.gov.uk/government/topical-events/first-world-war-centenary

Efficiently supporting the Department

2.106 The Department undertook a number of major projects to transform the size and quality of its estate, saving the taxpayer money by reducing the rent, rates and operating costs of the buildings. Notably, the Department relocated its London headquarters from Eland House to 2 Marsham Street, to programme and under budget. This will provide savings of £9 million per annum from 2015-16 and will save taxpayers £220 million over the lifetime of lease commitments to 2025. The 2 Marsham Street relocation project has also embedded smarter working principles and seen utilisation improve with occupational density falling to 7m^2 per Full Time Equivalent staff member compared to 12m^2 at Eland House.

2.107 The Department made additional accommodation savings of over £7 million across the Department's estate by disposing of building leases, including leases at Bridge House, Guildford; Queen Street, Leeds; Paradise Circus, Birmingham; and through effective building relocations, including the Department's scheduled move to High Trees, Hemel Hempstead which reduces the occupied space by 36 per cent and generates a property holding cost reduction of £263,000 per annum excluding VAT. The cost per Full Time Equivalent staff member will reduce from £10,400 to £6,000.

2.108 The Department delivered a joint workplace transformation project with Cabinet Office to develop Temple Quay House and 2 Rivergate as a 'Government hub' in Bristol. As 2 Rivergate had previously been earmarked for disposal, this provides lifetime savings of £10 million to the Department by avoiding disposal costs and increasing rental income across both buildings. A further sum of £1 million has been invested by the Cabinet Office in 2014-15 resulting in ongoing receipts of almost £2 million per annum from two tenants relocating into 2 Rivergate.

2.109 The Government continued to sell Fire Service College houses and in 2014-15 this brought in receipts of over £4 million from the sales. This brings the total receipts to £5.4 million to date. Further receipts from the sale of the remaining houses will be delivered next year. The sale of the College has already delivered a benefit of over £27 million to the taxpayer, this includes £10 million received from the earlier sale of the College and the £12 million that Capita has subsequently invested in the physical appearance and structure of the College.

2.110 The Department has been successful in significantly reducing the costs of our buildings by subletting unwanted spaces to others, with total annual income from tenants reaching £18.8 million in 2014-15, including additional income of £130,000 from new sub-tenancies.

2.111 The Department exceeded the 2015 Greening Government Commitments for sustainable estate management and operations and continues to discharge its fire, health and safety (FHS) responsibilities effectively.

2.112 The Department has created and implemented a new model of sponsorship in our relationship with the HCA. This has put in place:

- A customer/supplier arrangement for the delivery of programmes, based on good commissioning practice; and
- A comprehensive and streamlined approach to Budget oversight, risk policy and management information.

Analysis and Evidence

2.113 In 2014-15 the Department undertook the following actions:

- Commissioned a new departmental Housing Market Model to understand the impacts of our programmes on housing supply and demand;
- Commissioned a consortium of housing academics and researchers to carry out an evaluation of the Help to Buy: Equity Loan scheme;
- Reviewed local government statistics with a view to reducing the burdens placed on local authorities of the Department's data collection. The Department carried out extensive user engagement and as a result has been able to discontinue two complete data collections and reduced the content required on six others. It is estimated that these changes represent a burden reduction in the region of 10 per cent in respect of local government finance returns;
- Continued to expand the range and volume of open datasets, and worked with various local authorities to begin linking the Department's and local sources. The Department's OpenDataCommunities site attracted almost 71,000 users in 2014-15, an increase of 59 per cent over the previous year.

3 Cutting back on Regulation

3.1 The Department has a strong record in reducing the burden of regulation on business. The Department for Business, Innovation and Skills' 'One-in, two–out: ninth statement of new regulations' published in December 2014 confirms the Department's position as a leader in Whitehall in reducing regulatory burdens on firms. Since January 2011, under One-In-One-Out and then, from January 2013, under One-In-Two-Out, the Department has delivered savings to business of £201 million per year. This is the fourth highest total amongst Whitehall departments.

4 Performance Reporting

4.1 The Department showed strong performance in delivering its commitments, as set out in the Coalition Agreement. All actions in the Department's 2013-15 Business Plan that were due in financial year 2014-15 were completed within the original deadline set at the time of publication. The Department achieved the rank of second across all government departments for actions completing on time (93 per cent) during the two year period 2013-15. In the previous financial year (2013-14) four actions were completed after the original deadline and were reported that year. The details and status on all Structural Reform Plan actions can be found on the Number 10 transparency website: http://transparency.number10.gov.uk/business-plan/2.

Input and Impact Indicators

4.2 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 can be found on the indicator dashboard at: http://dclgapps.communities.gov.uk/indicators/.

4.3 The following table provides the 2013-14 and 2014-15 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 the table is a brief summary commentary on each indicator:

Departmental Indicators

	2014-15	2013-14
Total number of housing starts and completions (seasonally adjusted) *		
Starts:		
1 April to 30 June	36,770	30,770
1 July to 30 September [(1)]	33,520	32,600
1 October to 31 December	30,700	32,650
1 January to 31 March	40,300	36,300
Completions:		
1 April to 30 June	29,490	27,490
1 July to 30 September	30,400	28,740
1 October to 31 December	30,850	28,510
1 January to 31 March	34,040	28,090
Number of affordable housing starts and completions delivered through the Homes and Communities Agency and the Greater London Authority * [(2)]		
Starts:		
1 April to 30 September	11,000	12,686
1 October to 31 March	25,604	28,939
Completions:		
1 April to 30 September	12,549	9,288
1 October to 31 March	46,677	27,046
Percentage of troubled families local authorities have identified (as at March 2015)	99%	94.0%
Households in temporary accommodation (seasonally adjusted)*		
1 April to 30 June	59,410	56,100
1 July to 30 September	60,570	57,030
1 October to 31 December (provisional)[(3)]	62,600	57,560
1 January to 31 March	N/A	58,360
Fire-related casualties (per 100,000 population) *		
1 April to 30 June	N/A	3.3
1 July to 30 September [(4)]	N/A	2.9
1 October to 31 December	N/A	3.2
1 January to 31 March	N/A	2.9
Number of areas designated by the relevant local authority for Neighbourhood Plans as at March [(5)]	1,288	786
The number of planning applications granted as a percentage of all applications for major and minor schemes[(6)]		
1 April to 30 June	85.1%	85.3%
1 July to 30 September [(7)]	84.4%	85.1%
1 October to 31 December	83.6%	84.6%
1 January to 31 March	N/A	84.3%
Percentage of local planning authorities having an adopted local plan prepared under the 2004 Planning and Compulsory Purchase Act (as at start March) [(8)]	64.0%	54.0%
Business rates yield within Enterprise Zones (forecast) [(9)]	£14.9m	£9.6m
Note N/A is not available at the time of this report		

* Provisional figures

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

1. Housing starts are at their highest level since 2007. Seasonally adjusted house building starts in England are estimated at 40,300 in the March quarter 2015. This is 11 per cent higher than the same quarter last year (March 2014). Seasonally adjusted starts are now 136 per cent above the trough in the March quarter 2009. Seasonally adjusted house building completions in England are estimated at 34,040 in the March quarter 2015. This is 21 per cent higher than the same quarter last year (March 2014).
2. From 1 April 2014 to 31 March 2015 there were 36,604 affordable housing starts on site delivered in England through programmes managed by the HCA and the GLA. This represents a decrease compared to 41,625 for the same period of the previous year. From 1 April 2014 and 31 March 2015 there were 59,226 affordable housing completions delivered through these programmes, an increase compared to the same period in the previous year.
3. Throughout England, the number of households in temporary accommodation on 31 December 2014, arranged by local authorities under the homelessness legislation, was 62,600 after seasonal adjustment. This was an increase of 9 per cent from 57,590 at the end of December 2013. 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 to 2014 followed the increase in the acceptances series that occurred during 2010 and 2011. The number of acceptances has been broadly stable from 2012 to 2014.
4. The rate of fire casualties fell by 15 per cent to 2.9 per 100,000 population in the last quarter of 2013-14, from 3.4 in the last quarter of 2012-13. 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. By the end of March 2015, there had been 68 successful neighbourhood planning referendums, with support from communities. The average 'Yes' vote at referendum was 88 per cent and the average turnout was 33 per cent. We know that a neighbourhood planning movement is developing: by the end of March 2015, 1,450 communities had taken an initial step in neighbourhood planning by applying to designate their 'neighbourhood area'.
7. In the year ending December 2014, 84 per cent of all major and minor planning applications were granted. During this period, permission was granted for 253,000 new homes, up 12 per cent on the year to December 2013, and up more than 50 per cent from the number granted permission during 2010. These figures demonstrate the positive impact of the National Planning Policy and other planning reforms.
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 64 per cent as at 31 March 2015, up 10 percentage points on the previous year.
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 £9.6 million is the first data point. 100 per cent business rate retention in Enterprise Zones will continue for 25 years, up to 2038.

Input Indicators

	2014-15	2013-14
Average capital grant payment per affordable rent dwelling by the Homes and Communities Agency (as at Dec) (1)	£18,704	£18,805
Percentage of local authority revenue expenditure funded by central government grants, broken down by class of authority		
England	N/A	78.1%
i) London boroughs	N/A	84%
ii) Metropolitan districts	N/A	84.7%
iii) Unitary authorities	N/A	77.1%
iv) Shire counties	N/A	70.4%
v) Shire districts	N/A	61.7%
vi) Greater London Authority	N/A	92.1%
vii) (a) Other authorities - fire authorities	N/A	56.8%
vii) (b) Other authorities - excluding fire authorities & GLA	N/A	77.8%
Total new homes bonus grant payable per year in 2014-2015 (2)	£1,168m	£917m
Expenditure per head on the Fire and Rescue Service	N/A	£38.78
Note N/A is not available at the time of this report		

1. The average capital grant payment per affordable rent dwelling by the HCA was £18,704, for offers agreed as at the end of December 2014. This represents the capital costs to Government of the supply of new affordable rent homes. This has decreased from £18,805 for the same period of the previous year.
2. The New Homes Bonus has increased to £1,168 million to be paid over the financial year 2014-15. This is up from the £917million paid over 2013-14. This is because the New Homes Bonus reflects four years of housing delivery as well as increases in the number of additional homes recognised.

Quarterly Data Summary

4.4 The link below provides data on the items included in the Quarterly Data Summary tables which are published four times a year by the Department. Data for quarters 1-3 are available to view. Data for Q4 will be published following the publication of departmental accounts. To access the tables go to http://www.gist.cabinetoffice.gov.uk/.

Operating and Improving Corporate Governance

4.5 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 within the Government Interrogation Spending Tool (GIST). 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 Internal Audit during the year, with no significant issues noted.

5 Other Information

Personal Data Related Incidents

5.1 The Department, its Agency and Non Departmental Public Bodies (NDPBs) manage a range of data which relates to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals. Procedures and processes are in place to protect information and data and to ensure it is only used for the purposes for which it was collected. The recommendations of the Data Handling Review have been implemented and a coordinated approach to compliance adopted across the departmental Group. This would meet the recommendation contained in section 17 of Sir Alex Allan's Records Review (August 2014).

5.2 The Department had no Personal Data Related Incidents to report in 2014-15. 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	Nil
V	Other	Nil

Complaints to the Parliamentary Ombudsman

5.3 There have been no cases against the Department accepted for investigation by the Parliamentary Ombudsman.

Performance in responding to correspondence from the public

5.4 In 2014-15 the Department processed 16,379 pieces of correspondence from members of the public. Of these, 53 per cent of letters requiring a response were replied to within our target of fifteen working days.

5.5 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.

Human resources[2]

Overview of key HR activities for 2014-15

5.6 A number of key business priorities were delivered by the HR function in 2014-15. These included:

- Completing the 2014 pay reform on 1 December 2014. For individuals who opted in to the new pay system payments were made in their December salary. This reform has removed automatic contractual progression for the majority of staff.
- Implementing a new open recruitment approach, including e-recruitment which was launched in April 2014. The HR function managed central recruitment programmes for Executive Officers and for Administrative Officer apprentices and trialled the cross-Civil Service Senior Civil Service Recruitment Service during a campaign to recruit to six Deputy Director Roles. In February 2015, we launched the trial of a new mandatory requirement to make all roles available on internal level transfer before going out to external recruitment.
- Continuing to develop a strategic workforce plan to help boost capability and meet resourcing needs.
- Continuing to embed the new performance management process, with an emphasis on visible leadership, quality conversations and continuous improvement.
- Helping to complete the Department's move to Marsham Street in July and August 2014.
- Migrating existing Casework and Reasonable Adjustment services to new Shared Service providers hosted by the Ministry of Justice and Department of Work and Pensions

5.7 The Annual Skills review showed improvements against all four priorities in the Capability Plan: Commercial, Project and Programme Management, Digital, and Leadership and Management of Change. A successful Autumn School was delivered for staff between HEO-G6 in February 2015.

5.8 Staff have been encouraged to engage in the equivalent of at least five days of learning and development activity each year and we are ensuring they are aware of the full range of development activities and options available to them.

Civil Service People Survey 2014

5.9 77 per cent of staff completed the 2014 Civil Service People Survey.

5.10 The Department improved its engagement index score by four percentage points to 53 per cent and is now above the Civil Service median in eight out of nine themes and a high performer in five of these.

5.11 The three themes that showed most improvement were:

- Leading and Managing Change, up ten percentage points to 50 per cent;
- Learning and Development, up seven percentage points to 55 per cent; and
- Organisational objectives and purpose up five percentage points to 80 per cent.

[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.

Diversity

5.12 The Department meets or exceeds cross Whitehall gender and ethnicity targets for the representation in the Senior Civil Service and in Top Management positions.

5.13 This year the Department is supporting staff on a range of centrally run developmental programmes such as Crossing Thresholds, Minority Ethnic Talent Association and Positive Action Pathways.

Staffing – staff in post

5.14 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.

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

Table 1.1: Staff in Post – full time equivalents

	2012-13 Actual (1)	2013-14 Actual (2)	2014-15 Actual (3)
Core Department			
Permanent staff (4)	1,655	1,547	1,529
Fixed Term Appointments	26	75	67
Total	**1,681**	**1,622**	**1,596**
Planning Inspectorate			
Permanent staff (4)	633	684	634
Fixed Term Appointments	23	22	38
Total Planning Inspectorate	**656**	**706**	**672**
Total Core Department and Agency	**2,337**	**2,328**	**2,268**
Arms Length Bodies			
Permanent staff (4)	1,161	1,217	1,179
Fixed Term Appointments (5)	1	2	48
Total Arms Length Bodies (6)	**1,162**	**1,219**	**1,227**
Total Core Department, Agency and Arms Length Bodies			
Permanent staff (4)	3,449	3,448	3,342
Fixed Term Appointments	50	99	153
Total	**3,499**	**3,547**	**3,495**

1 Full Time Equivalent Figures (FTE) (rounded) as at 31 March 2013

2 FTE figures (rounded) as at 31 March 2014

3 FTE figures (rounded) as at 31 March 2015

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 publishes monthly workforce management information, including numbers of payroll and non-payroll staff, for the core Department, Executive Agency and Executive NDPBs on the departmental website. This information can be found here: https://www.gov.uk/government/collections/workforce-management.

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

- Note 3 figures are in accordance with the Financial Reporting Manual (FReM) requirements and show average numbers for the year, whereas the figures above are staff in post at 31 March 2015.
- Note 3 figures are compiled according to FReM definitions whereas the figures above follow ONS definitions.

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

Table 1.2: Staff in Post – reconciliation

	Core	PINS	ALB
2014-15 Average Staff Numbers as per Note 3	**1,703**	**696**	**1,244**
numbers	(30)	(15)	81
March Actual Staff Numbers	**1,673**	**681**	**1,325**
Reconciliation from March Actual to ONS staff numbers:			
Excluded from ONS numbers:			
Excluded as not paid through DCLG Payroll:			
Reimbursed Secondment In	(13)		(11)
Reimbursed Loan in	(27)		-
Career Break			
Consultants & Contingent Labour	(29)	(9)	(87)
Excluded as not defined as civil servants:			
Ministers	(6)		-
Special Advisors	(2)		-
ONS (FTE) Staff Numbers Table 1.1 above	**1,596**	**672**	**1,227**
ONS (FTE) Staff Numbers	1,596	672	1,227
Difference	-	-	-

5.16 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 2014 and 31 March 2015 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 performed in line with the Civil Service Commissioners' Recruitment Principles.

5.17 Whilst 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 1.3: Recruitment 2014-15

Pay Band	Non-civil Servants	Fixed-term appointments	Permanent	Casual	Total recruitment	Women	BME	Disabled
1	-	-	-	-	-			
2	-	29	1	-	30	16	1	1
3	-	19	8	-	27	12	4	1
4 (1)	-	14	25	-	39	16	6	4
5	-	6	10	-	16	10	2	1
6	-	7	6	-	13	5	-	-
7	-	7	2	-	9	4	1	-
SCS	-	1	1	-	2	1	-	-
Totals	-	83	53	-	136	64	14	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 1.4: SCS Salaries as at 31 March 2015

Salary band	Number	Salary band	Number
£55,000 – £59,999	-	£120,000 – £124,999	1
£60,000 – £64,999	12	£125,000 – £129,999	-
£65,000 – £69,999	19	£130,000 – £134,999	2
£70,000 – £74,999	14	£135,000 – £139,999	-
£75,000 – £79,999	6	£140,000 – £144,999	-
£80,000 – £84,999	1	£145,000 – £149,999	-
£85,000 – £89,999	8	£150,000 – £154,999	-
£90,000 – £94,999	3	£155,000 – £159,999	-
£95,000 – £99,999	3	£160,000 – £164,999	-
£100,000 – £104,999	2	£165,000 – £169,999	1
£105,000 – £109,999	1	£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, in line with previous reports, reflect full time equivalent substantive salaries for those SCS staff on the Department's payroll. 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 2014-15) 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 at 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 2015 by the end of June 2015.

5.18 At the 31 March 2015 there were 80 Senior Civil Service staff on the Department's payroll, including the Permanent Secretary. Three of the individuals were non-Senior Civil Service staff in receipt of a temporary responsibility allowance. In addition, there were eight Senior Civil Service staff members who were not on the Department's payroll, of which, one was a shared resource with other government departments as part of a shared services arrangement, two were reimbursed secondments in, and five were on unpaid leave of absence, including two on unpaid loan out to another government department.

Table 1.5: Number of SCS by Pay Band as at 31 March 2015

	On DCLG Payroll	Shared Service	Loan or Secondment	Unpaid Leave of Absence
SCSPB1	57	1	2	4
SCSPB1A	2			
SCSPB2	16			1
SCSPB3	4			
Permanent Secretary	1			
	80	1	2	5

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, Audit or Crown Commercial Services, have not been included in the figures above.

Sickness Absence

5.19 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 core Department Group and its Executive Agency only. 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.

5.20 The quarterly statistics for the year to 31 December 2014 (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 7.3 days and compares to 7.4 days for the same period in 2013. The figure for the core Department was 6.4 and 7.6 for PINS.

5.21 Sickness levels have remained the same from the same quarter in 2013. 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 2014 Absence Management Survey.

5.22 The percentage of civil servants taking no sick leave during the 2014 calendar year was 56 per cent for the core Department and 44 per cent for PINS.

Reporting of off-payroll appointments

5.23 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 must publish information on their highly paid and/or senior off-payroll engagements.

5.24 The Department uses off-payroll arrangements for specialist or technical contractors and consultants 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 1.6: Off-payroll engagements as of 31 March 2015, 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 2015	**19**	**82**	**8**
of which:			
No. that have existed for less than one year at time of reporting	4	4	7
No. that have existed for between one and two years at time of reporting	4	6	-
No. that have existed for between two and three years at time of reporting	9	11	-
No. that have existed for between three and four years at time of reporting	1	7	-
No. that have existed for four years or more at time of reporting	1	54	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 1.7: New off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, 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 2014 and 31 March 2015	**14**	**92**	**7**
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	14	92	-
No. for whom assurance has been requested	14	90	7
Of which:			
No. for whom assurance has been received	14	89	7
No. for whom assurance has not been received	-	3*	-
No. that have been terminated as a result of assurance not being received	-	1**	-

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

* Three left before assurance was requested and HMRC have been informed.

** Of the three included in * above, one has been terminated and reported to HMRC.

Table 1.8: Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2014 and 31 March 2015:

	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-	3(1)(2)
Total no. of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year. The total figure must include engagements which are on payroll as well as those off-payroll	13	15	64

1. Details of the exceptional circumstances that led to each of these engagements:

ALB 1 - An ARAC member was appointed on 1 October 2014 as a self employed contractor by a previous Ombudsman. He received one payment of £250 for time spent on ARAC activity. As from 1 January 2015 this person transferred on-payroll where he remains at the year end.

ALB 2 - The advisory members' appointments had been approved via a business case by the Department. These cases included the fee and the basis of the appointment. These members were changed to on-payroll appointments in January 2015, following revised advice from the Department.

2. Details of the length of time each of these exceptional engagements lasted:

ALB 1 - Three months

ALB 2 - For one Board member, the first nine months of 2014-15 were off-payroll, the last three months on-payroll. For the other (who was appointed in November 2014), they were two months off-payroll and three months on-payroll.

Table 1.9: Expenditure on consultancy and temporary staff

	2014-15 £000	2013-14 £000	2012-13 £000
Cost of Contingent Labour			
DCLG	4,290	3,270	4,513
Executive Agency[1]	1,349	435	-
NDPBs [2]	2,330	1,452	1,591
Total	7,969	5,157	6,104
Cost of Consultancy			
DCLG	929	524	1,126
Executive Agency	-	-	-
NDPBs [2]	59	75	167
Total	988	599	1,293
Overall Total	**8,957**	**5,756**	**7,397**

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 provision to 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.
Figures include VAT when appropriate and irrecoverable
(1) Since November 2014, PINS have included FTE & expenditure in respect of non-salaried inspectors which is the reason for the increase in contingent labour costs.
(2) Figures have been included for any bodies in scope that have subsequently closed in the last three years

Pensions

5.25 Details of how the pensions are treated in the Department's accounts can be found in the Remuneration Report, the Statement of Accounting Policies and Note 20 to the Accounts.

6 Introduction to the Accounts

6.1 The Accounts present the consolidated results for the Department , its Executive Agency (the Planning Inspectorate - “PINS”), five NDPBs and one other body (The Commission for Local Administration in England – “CLAE”) for the year ended 31 March 2015. Note 31 of the 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 PINS, and all other bodies included in the consolidated Accounts, publish separate Annual Reports and Accounts which are available on their websites. Relevant links are included against each body in Note 31.

6.5 Information on the Group auditors can be found on page 66.

6.6 Information on Financial Instruments can be found in Note 10 of the Accounts.

6.7 So far as the Accounting Officer is aware, there is no relevant audit information of which the external auditors are unaware.

6.8 The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information, and to establish that the Department’s auditors are aware of that information.

Significant Events since the End of the Financial Year

Audit Commission closure

6.9 The Audit Commission closed on 1 April 2015. Under the terms of a series of Transfer Orders made under the terms of the Local Audit and Accountability Act 2014 the Audit Commission’s statutory responsibilities were being transferred to a number of bodies. Public Sector Audit Appointments Ltd is the transitional locally-led body set up to manage the existing audit contracts until they expire ahead of full local appointment of auditors in 2017. The NAO has taken on the Code of Audit Practice, whilst the Financial Reporting Council and professional accountancy bodies now monitor the quality of audit as they already do for the private sector. Finally, the Cabinet Office has assumed responsibility for the National Fraud Initiative which complements its existing anti-fraud work.

Ebbsfleet Development Corporation

6.10 The Ebbsfleet Development Corporation was established with effect from 20 April 2015. The Corporation will work to develop a Garden City with up to 15,000 new homes.

Melanie Dawes CB 22 June 2015
Accounting Officer
Department for Communities and Local Government

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 for 2015-16 has increased since the beginning of 2014-15, primarily as a result of additional funding for housing and local growth.

7.4 In particular, the Department secured funding for the following programmes in 2015-16:

- £2.7 million RDEL for planning measures
- £40 million CDEL for Housing Zones
- £3 million CDEL for Northstowe
- £1 million RDEL for the London Land Commission
- Transfer of £1.1 billion CDEL for the Local Growth Fund from the Department for Business, Innovation and Skills
- Transfer of £950 million RDEL for the New Homes Bonus from Local Government DEL to Communities DEL.

7.5 Based on current estimates (which account for inflation and machinery of government changes), the departmental Group reduced its annual running costs by around 50 per cent between 2010-11 and 2014-15. This equates to real terms savings of over £640 million over the Spending Review 2010 period.

7.6 The Department is also responsible for the Local Government resource budget (LG DEL). 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. The 2013 Spending Round resulted in a 10 per cent reduction to LG DEL.

7.7 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 6.9 per cent in 2014-15 and 6.4 per cent in 2015-16.

7.8 Local authority spending power will fall by 1.7 per cent in 2015-16 (excluding GLA but including Better Care Fund), lower than the 2.9 per cent fall in 2014-15. When transformation funding is included, spending power falls by just 1.5 per cent in 2015-16.

7.9 The expenditure plans in Tables 2a and 2b represents the Department's position following Budget 2015. As noted above, both capital and resource budgets have increased since the 2013-14 accounts.

7.10 The Autumn Statement 2014 announced additional capital funding of £1.9 billion to extend the Affordable Housing programmes to 2021, delivering an average of 55,000 homes per annum. An additional £141 million capital funding was announced to create Olympicopolis, an educational and cultural centre on the Olympic site.

7.11 In May 2014 at the Mansion House, £400 million of capital financial transaction funding was announced for new Housing Zones, of which £200 million has been devolved to the GLA. Funding for a Housing Infrastructure Fund to be devolved to Greater Manchester Combined Authority was also announced in 2014-15.

7.12 The Budget 2015 announced a commitment to lead development on the next phase of the Northstowe site. This will deliver up to 10,000 homes, with three quarters of the homes started by 2020 being developed under direct contract with the public sector. An additional £7 million of resource funding was also announced to support the delivery of the Croydon Growth Zone, enabling the delivery of over 4,000 homes and 10,000 jobs. The Department will also receive a further £97 million to support the successful delivery of the Brent Cross regeneration scheme.

Key changes for 2015-16

7.13 At the Supplementary Estimate for 2014-15, the Department used the budget exchange mechanism to reprioritise £1.2 billion of funding (£75 million resource and £1.17 billion capital) to support measures for housing and growth. This will align budgets with the likely pattern of expenditure and represents good financial management. This has increased the Department's 2015-16 budgets by £685 million (£75 million resource and £610 million capital), with the rest profiled into future years.

7.14 The Department was transferred £950 million for the New Homes Bonus from Local Government DEL. The Department was transferred £1.1 billion for the Local Growth Fund from the Department for Business, Innovation and Skills, and the Department for Transport.

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/150325-SoS-to-CLG-Select-Committee-re-2014-15-Supp-Ests.pdf.

Table 2a: Past, current and future departmental resource spending

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	outturn	outturn	outturn	outturn	outturn	outturn	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	390,848	457,387
B: Neighbourhoods	2,038,148	202,255	346,829	599,458	908,299	1,187,420	1,432,542
C: Local Economies, Regeneration & European Programmes	480,040	618,851	319,857	60,599	178,037	187,618	41,178
D: Troubled Families	-	-	10,377	116,924	140,969	127,854	113,000
E: Research, Data and Trading Funds	34,226	4,169	34,404	38,111	18,283	35,701	78,899
F: DCLG Staff, Building and Infrastructure Costs	290,137	308,793	209,410	170,528	209,885	145,417	3,000
G: Localism (ALB) (net)	3,546	1,217	964	-	20,108	24,541	0
H: Neighbourhoods (ALB)(net)	271,672	199,232	119,262	81,423	108,310	59,977	(17,288)
I: Local Economies, Regeneration & European Programmes (ALB) (net)	202,410	76,853	110,377	(11,380)	(17,335)	(28,337)	0
Departmental Unallocated Provision	-	-	-	-	-		78,370
Total Voted	4,333,846	3,845,324	1,821,401	1,349,037	1,935,677	2,131,039	2,187,088
Non voted expenditure							
Contingency Fund Advance						188	
Total Non Voted						188	
Total Spending in DEL - DCLG Communities	4,333,846	3,845,324	1,821,401	1,349,037	1,935,677	2,131,227	2,187,088
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	12,700,735	9,357,532
K: Other grants and payments	1,227,682	980,458	1,383,277	40,232	983,295	865,300	1,231,458
L: Business Rate Retention	-	-	-	-	297,224	90,790	50,000
Valuation Services	163,800	150,196	152,000	141,000	144,000		
Local Government (ALB)(net)	30,020	20,896	41,413	20,289	-	-	-
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	13,656,825	10,638,990
Total Resource DEL	29,850,573	29,710,939	28,379,049	25,202,265	18,561,098	15,788,052	12,826,078
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
Of which:							
M: Localism	260,268	383,803	315,743	399,111	394,778	499,208	493,156
N: Neighbourhoods	(86,530)	(581,415)	(703,440)	(12,540)	7,741	(1,770)	11,611
O: Research, Data and Trading Funds	31,190	(71,450)	(61,446)	(1,621)	15,273	(22,078)	8,100
P: DCLG Staff, Building and Infrastructure Costs	(10,869)	20,701	(20,329)	9,226	(18,247)	(2,177)	(19,273)
Q: NNDR Outturn adjustment	283,895	1,110,845	741,929	138,431	261,736	0	300,000
R: Localism (ALB)(Net)	-	-	-	-	719	(4,759)	(843)
S: Neighbourhoods (ALB)(Net)	-	11,068	64,190	(9,719)	(64,534)	3,238	263,213
T: Local Economies, Regeneration & European Programmes (ALB)(Net)	25,885	170,673	55,165	24,408	10,842	74,994	55,000
U: Business Rate Retention	-	-	-	-	10,861,568	11,661,903	11,275,296
Local Economies, Regeneration & European Programmes	35,401	-	-	-	-	-	-
Local Government (ALB)(Net)	-	38	(9,616)	5,652	-	-	-
Total Resource AME	539,240	1,044,263	382,196	552,948	11,469,876	12,208,559	12,386,260
Spending in Non-Budget Expenditure Limits							
Voted expenditure							
V: Prior Period Adjustment						(47,704)	
Total Resource	**30,389,813**	**30,755,202**	**28,761,245**	**25,755,213**	**30,030,974**	**27,948,907**	**25,212,338**

Table 2b: 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	outturn	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	994,242	965,277
B: Neighbourhoods	1,779,660	1,565,450	922,582	225,599	223,600	191,711	179,403
C: Local Economies, Regeneration & European Programmes	1,254,515	336,000	688,313	138,297	554,753	893,195	1,380,600
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	2,870	4,250
G: Localism (ALB)(Net)	1,382	15,100	-	-	232	169	250
H: Neighbourhoods (ALB)(Net)	4,957,408	3,561,378	1,836,730	1,197,588	2,149,940	2,345,737	2,605,099
I: Local Economies, Regeneration & European Programmes (ALB)(Net)	728,856	498,169	223,094	(44,900)	(61,186)	(29,502)	(17,700)
Departmental Unallocated Provision	-	-	-	-	-		223,088
Total Spending in DEL - DCLG Communities	8,992,408	6,070,084	3,820,927	2,472,211	3,808,000	4,398,422	5,340,267
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)	-	-	-
Non-Domestic Rate Payments	-	-	-	-	-	-	-
Local Government (ALB)(Net)	2,017	(197)	129	1,257	-	-	-
London Governance	1,600	1,600	-	-	-	-	-
Total Spending in DEL - DCLG Local Govt	260,354	(67,706)	(7,717)	1,221	-		
Total Capital DEL	9,252,762	6,002,378	3,813,210	2,473,432	3,808,000	4,398,422	5,340,267
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
Of which:							
M: Localism	-	-	-	-	-	-	-
N: Neighbourhoods	170,736	842,972	152,824	33,368	-	120,882	220,000
P: DCLG staff, building and infrastructure costs	-	-	-	-	-	-	-
Q: Non Domestic Rates Outturn Adjustments	-	-	-	(1,499)	-	-	-
S: Neighbourhoods (ALB) (Net)	-	-	-	(29,090)	-	-	-
T: Local Economies, Regeneration & European Programmes (ALB) (Net)	-	-	-	(211)	-	-	-
U: Business Rates Retention	-	-	-	-	-	-	-
Local Government (ALB) (Net)	-	-	-	(2,571)	-	-	-
Total Spending in AME	170,736	842,972	152,824	(3)	-	120,882	220,000
Total Capital	**9,365,817**	**6,845,350**	**3,966,034**	**2,473,429**	**3,808,000**	**4,519,304**	**5,560,267**

Table 3: 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	Outturn £'000	Plans £'000
B: Neighbourhoods	-	-	-	35,761	37,431	32,195	41,333
I: Local Economies, Regeneration & European Programmes (ALB)(Net)	13,548	12,480	26,370	172	-	-	-
F: DCLG Staff, Building & Infrastructure Costs	276,944	252,221	194,124	168,768	209,267	143,769	194,053
G: Localism (ALB)(Net)	3,548	1,118	964	-	20,108	24,541	19,425
H: Neighbourhoods (ALB)(Net)	190,381	153,814	117,521	80,957	101,078	55,907	58,589
Total Voted	484,421	419,633	338,979	285,658	367,884	256,412	313,400
Non Voted Expenditure							
Neighbourhoods - Contingency Fund Advance						188	(358)
Total Non Voted	-	-	-	-	-	188	(358)
Total Administration expenditure	484,421	419,633	338,979	285,658	367,884	256,600	313,042

Table 4 below provides detail of the capital employed by the Department

Table 4: 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 Outturn £'000	2015-16 Plans £'000
Assets							
Non-Current Assets (>1 year)							
Intangible Assets	79,936	24,734	16,832	10,062	6,729	6,066	6,499
Property, plant and equipment	71,945	118,661	109,004	90,507	75,373	73,191	67,626
of which							
Land and Buildings	12,808	73,992	79,640	67,056	63,883	63,748	59,260
Plant and machinery	9,349	7,893	4,587	3,507	514	118	51
Vehicles	24,171	21,674	11,176	9,562	2,071	1,130	910
Information technology	7,136	4,572	3,366	2,034	2,127	1,544	760
Payments on account and assets under construction	13,952	6,698	7,617	6,887	6,633	6,633	6,633
Other	4,527	3,832	2,618	1,461	145	18	12
Investment Property	-	28,806	28,511	28,708	32,208	49,242	55,245
Financial assets: investments	69,791	32,767	31,348	8,617	57,609	62,142	21,142
Trade and other receivables	170,334	174,328	14,346	13,140	12,203	12,128	11,263
Current Assets (<1 year)	711,507	762,968	826,673	793,415	1,229,253	852,723	841,929
Liabilities							
Current liabilities (<1 year)	(1,157,656)	(1,218,131)	(1,798,683)	(918,394)	(984,296)	(1,425,221)	(1,407,180)
Provisions and pensions (<1 year)	(121,941)	(57,530)	(10,061)	(20,839)	(18,945)	(103,572)	(9,572)
Non-current liabilities (>1 year)	(194,997)	(297,636)	(301,928)	(302,692)	(300,449)	(282,117)	(278,546)
Provisions and pensions	(29,341)	(29,713)	(22,079)	(23,132)	(19,183)	(20,564)	(17,053)
Financial guarantees	-	-	-	-	-	(3,983)	(12,500)
Capital employed within core Department and Agency	**(400,422)**	**(460,746)**	**(1,106,037)**	**(320,608)**	**90,502**	**(779,965)**	**(721,147)**
Non-Departmental Public Bodies' total assets less liabilities	**1,225,960**	**1,867,509**	**1,720,134**	**1,519,958**	**2,653,820**	**4,047,895**	**6,174,290**
Total capital employed in departmental group	**825,538**	**1,406,763**	**614,097**	**1,199,350**	**2,744,322**	**3,267,930**	**5,453,143**

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

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

7.17 Tables 5a to 5e on pages 59-63 of this Report, and the Statement of Parliamentary Supply on page 117 shows outturn figures against Estimates.

7.18 The Consolidated Statement of Cash Flows on pages 130-131 analyses the net cash flow from operating activities, identifies cash spent by the departmental group 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 5a: 2014-15 Resource outturn against budget

	2014-15 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	405,054	432,944	390,848	42,096
B:Neighbourhoods	1,213,675	1,209,586	1,187,420	22,166
C:Local Economies, Regeneration & European Programmes	437,592	198,286	187,618	10,668
D:Troubled Families	108,752	133,752	127,854	5,898
E:Research, Data and Trading Funds	62,973	77,094	35,701	41,393
F:DCLG Staff, Building and Infrastructure Costs	243,829	226,585	145,417	81,168
G: Localism (ALB)(Net)	18,042	19,706	24,541	(4,835)
H:Neighbourhoods (ALB)(net)	71,923	74,591	59,977	14,614
I:Local Economies, Regeneration & European Programmes (ALB) (net)	9,636	10,581	(28,337)	38,918
Departmental Unallocated Provision	2,723	-	-	-
Total Voted	2,574,199	2,383,125	2,131,039	252,086
Non Voted Expenditure				
Neighbourhoods - Contingency Fund Advance		358	188	170
Total Non Voted	-	358	188	170
Total Spending in DEL - DCLG Communities	2,574,199	2,383,483	2,131,227	252,256
Spending in DEL - DCLG Local Govt				
Voted expenditure				
J:Revenue Support Grant	12,526,772	12,700,735	12,700,735	-
K:Other grants and payments	645,539	867,984	865,300	2,684
Valuation Services				-
L:Business Rates Retention	167,750	90,790	90,790	-
Total Spending in DEL - DCLG Local Govt	13,340,061	13,659,509	13,656,825	2,684
Total Spending in DEL	15,914,260	16,042,992	15,788,052	254,940
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
M:Localism	449,156	629,156	499,208	129,948
N:Neighbourhoods	25,761	32,588	(1,770)	34,358
O: Research, Data and Trading Funds	-	8,100	(22,078)	30,178
P:DCLG Staff, Building and Infrastructure Costs	3,456	(3,361)	(2,177)	(1,184)
Q:NNDR Outturn Adjustment	300,000	10,743	-	10,743
R: Localism (ALB)(net)	1,124	2,413	(4,759)	7,172
S:Neighbourhoods (ALB)(net)	250,000	250,051	3,238	246,813
T:Local Economies, Regeneration & European Programmes (ALB)	55,000	55,000	74,994	(19,994)
U: Business Rates Retention	11,258,475	11,927,314	11,661,903	265,411
Total Spending in AME	12,342,972	12,912,004	12,208,559	703,445
TOTAL (DEL & AME)	28,952,312	28,954,996	27,996,611	958,385
Spending in Non-Budget Expenditure Limits				
Prior Period Adjustment		54,800	(47,704)	102,504
Total for Estimate	**28,257,232**	**29,009,796**	**27,948,907**	**1,060,889**

Table 5b: 2014-15 Capital outturn against budget

	2014-15 £'000			
	original budget	final budget	outturn	variance against final budget
Spending in DEL - DCLG Communities				
Voted expenditure				
A:Localism	977,631	987,976	994,242	(6,266)
B:Neighbourhoods	208,257	196,949	191,711	5,238
C:Local Economies, Regeneration & European Programmes	138,562	904,467	893,195	11,272
D:Troubled Families	-	-	-	-
E: Research, Data and Trading Funds	-			-
F: DCLG Staff, Building and Infrastructure Costs	5,942	5,942	2,870	3,072
G: Localism (ALB)(Net)	58	564	169	395
H:Neighbourhoods (ALB) (net)	3,658,227	2,670,661	2,345,737	324,924
I: Local Economies, Regeneration & European Programmes (ALB)	26,351	(30,803)	(29,502)	(1,301)
Departmental Unallocated Provision	143,588	-	-	-
Total Spending in DEL - DCLG Communities	5,158,616	4,735,756	4,398,422	337,334
Spending in DEL - DCLG Local Govt				
Voted expenditure				
K:Other grants and payments	1	1	-	1
Total Spending in DEL - DCLG Local Govt	1	1	-	1
Total Spending in DEL	**5,158,617**	**4,735,757**	**4,398,422**	**337,335**
Spending in Annually Managed Expenditure (AME)				
Voted expenditure				
M:Localism	-	-	-	-
N: Neighbourhoods	430,000	245,000	120,882	124,118
P:DCLG staff, building and infrastructure costs	-	-	-	
Q:Non Domestic Rates Outturn Adjustments	-	-	-	
S:Neighbourhoods (ALB) (Net)	-	-	-	-
T:Local Economies, Regeneration & European Programmes (ALB)	-	-	-	-
U:Business Rates Retention	-	-	-	-
Local Government (ALB) (Net)	-	-	-	-
Total Spending in AME	430,000	245,000	120,882	124,118
Total for Estimate	**5,588,617**	**4,980,757**	**4,519,304**	**461,453**

7.19 The outturn above shows the resources consumed by the Department. As well as the Resource Requirement in the departmental Estimates, the Department also has a Resource Budget, which is split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). DEL resource budgets are split into “DCLG Communities” and “DCLG Local Government”.

Table 5c: Reconciliation of Statement of Consolidated Net Expenditure to resource Estimate and budget

	2014-15 Plans £'000	2014-15 Outturn £'000
Gross Administration Costs	**391,698**	**295,849**
Plus:		
Contingency Fund Expenditure		188
Less:		
Administration DEL (DCLG Communities) Income	(46,224)	(39,437)
Net Administration Costs	**345,474**	**256,600**
Gross Programme Costs (1)	**35,448,626**	**34,200,032**
Less:		
Programme DEL (DCLG Communities) Income	(448,920)	(105,067)
Programme AME Income (1)	(3,155,487)	(3,220,082)
Non-budget income	(168,000)	(178,527)
Net Programme Costs	**31,676,219**	**30,696,356**
Total Net Operating Costs	**32,021,693**	**30,952,956**
Of which:		
Resource DEL (DCLG Communities)	2,379,021	2,131,227
Resource DEL (DCLG Local Govt)	13,659,509	13,656,825
Capital DEL (DCLG Communities)	2,989,696	3,013,990
Capital DEL (DCLG Local Govt)	1	
Resource AME	12,916,466	12,208,559
Capital AME	245,000	120,882
Non-budget	(158,000)	(178,527)
Adjustments to remove:		
Capital in the SoCNE	(3,066,697)	(3,134,872)
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	168,000	167,829
Other adjustments	(178,000)	10,698
Total Resource Budget	**28,954,996**	**27,996,611**
Of which:		
Resource DEL (DCLG Communities)	2,383,483	2,131,227
Resource DEL (DCLG Local Govt)	13,659,509	13,656,825
Resource AME	12,912,004	12,208,559
Adjustments to include:		
Prior period adjustments	54,800	(47,704)
Total Resource (Estimate)	**29,009,796**	**27,948,907**

[1] These figures differ to those published in the Supplementary estimates because HM Treasury incorrectly classified the budget they provided to the Department in respect of BRR local share expenditure as programme income. The Department agreed the issue with HM Treasury and the budget has been correctly presented in this table against gross programme costs.

Table 5d: Reconciliation of net resource requirement to net cash requirement

	2014-15 Final budget £'000	2014-15 Outturn £'000
Net Resource Requirement	**29,009,796**	**27,948,907**
Net Capital Requirement	**4,980,757**	**4,519,304**
Accruals to cash adjustments	**(9,475,633)**	**(11,588,566)**
of which		
Adjustments to remove non-cash items		
Depreciation and amortisation	(33,263)	(9,055)
New provisions and adjustments to previous	(211,383)	(101,012)
Prior period adjustments	(54,800)	47,704
Other non-cash items	(11,055,412)	(10,714,428)
Adjustment for NDPBs		
Remove voted resource and capital	(3,052,764)	(2,446,168)
Add cash grant in aid	2,927,852	2,446,027
Adjustments to reflect movements in working balances		
Increase (+)/decrease (-) in inventories	-	22,400
Increase (+)/decrease (-) in receivables	379,700	(543,317)
Increase (-)/decrease (+) in payables	1,622,795	(303,515)
Use of provisions and payment of pensions	2,000	15,029
Adjustments	-	(2,043)
Removal of non-voted budget items		
of which		
Contingency Fund Advance	(358)	(188)
Net Cash Requirement	**24,514,920**	**20,879,645**

Table 5e: Reconciliation of resource expenditure between Estimates, accounts and budgets

	2014-15 Outturn £'000	2013-14 Outturn £'000
Net Resource Outturn	**27,948,907**	**30,030,974**
Adjustments to remove non-budget elements:		
Prior period adjustments	47,704	
Total Resource Budget Outturn	**27,996,611**	**30,030,974**
of which		
Departmental Expenditure Limits (DEL)	15,788,052	18,561,098
Annually Managed Expenditure (AME)	12,208,559	11,469,876
Adjustments include:		
Capital grants	3,141,567	2,757,125
Consolidated Fund Extra Receipts in the SoCNE	(167,829)	(159,728)
Grant in aid to NDPBs		-
Other	(17,393)	15,296
Prior Period Adjustment		(33,768)
Total Net Operating Costs	**30,952,956**	**32,609,899**

2014-15 Variances of outturn against Estimate

7.20 Variance explanations are provided in the following table where the comparison of outturn against Estimate has shown an overspend or an underspend of more than £0.5million and 10 per cent of the Estimate.

Table 5f: Subhead variance against Estimate – resource

Subhead Variance	Explanation
E:Research, Data and Trading Funds	The underspend is due to the movement in the Euro/Sterling exchange rate, which resulted in realised ERDF foreign exchange gains that were higher than expected, and the release of accruals made in respect of estimated ineligible expenditure on the closure of three 2000-06 ERDF Programmes but not fully utilised when the Department settled each Programme with the EC
F:DCLG Staff, Building and Infrastructure Costs	The underspend is due to the Department's continuing work to drive efficiency savings, as well as a revaluation of the DCLG Estate leading to a substantial credit and a further credit resulting from the clearance from the balance sheet of an historic overstated accrual for the 2010-11 Departmental restructuring programme.
G: Localism (ALB)	Following the triennial valuation of the LPFA pension, the Department made a payment to reduce CLAE’s pension fund deficit, which will reduce the future ongoing funding requirement for this mandatory cost. The payment was technically a provision utilisation payment, which results in a DEL ‘hit’ and an equivalent AME credit.
H:Neighbourhoods (ALB)(net)	The underspend is owing to efficiencies made on administration costs and professional fee costs for the Homes and Communities Agency.The Department's inventories balance increased during the year due to fluctuation in the ERDF work in progress.
I:Local Economies, Regeneration & European Programmes (ALB) (net)	The variance is owing to a strong performance to secure significant receipts for the Homes and Communities land programme, and lower than expected land holding costs.
M: Localism	The underspend is mainly due to a budget being set aside for the outcome of the Pensions Ombudsman case, which was not fully utilised.
N:Neighbourhoods	A budget was set aside for the New Buy programme that was not fully utilised. The provision for costs relating to a legal case for property searches was utilised, resulting in a DEL hit and an AME credit.
O: Research, Data and Trading Funds	The underspend is due to the movement in the Euro/Sterling exchange rate, which resulted in realised ERDF foreign exchange gains that were higher than expected
P: DCLG Staff, Building and Infrastructure Costs	During the year, revaluations to provisions held for personal injury compensation payments and ‘tail costs’ for previous years staff redundancy schemes led to increased AME costs.
Q: NDR Outturn Adjustment	Budget was set aside for adjustments relating to the City of London Offset and this was not utilised.
R: Localism (ALB)(net)	Following the triennial valuation of the LPFA pension, the Department made a payment to reduce CLAE’s pension fund deficit, which will reduce the future ongoing funding requirement for this mandatory cost. The payment was technically a provision utilisation payment, which results in a DEL ‘hit’ and an equivalent AME credit.
S: Neighbourhoods (ALB)(net)	The underspend is owing to lower than expected impairments being required for HCA programmes, in particular Help to Buy, Get Britain Building and the Affordable Homes Programme.
T: Local Economies, Regeneration & European Programmes (ALB) (net)	The variance is owing to impairments made on the Homes and Communities Agency's land programmes.
V: Prior Period Adjustment	The variance related to credit balances as a result of derecognition of revaluation, increase in profit from sale and adjustment to capital additions which all resulted in credit balances. Budget cover was not required for negative adjustments resulting in a large variance on this estimate line.

Table 5g: Subhead variance against Estimate – capital

Subhead Variance	Explanation
F: DCLG Staff, Building and Infrastructure Costs	Delays on a number of key IT projects, in particular the IT platform for the ERDF 14-20 programme, meant that budget set aside for those projects was not utilised.
H:Neighbourhoods (ALB) (net)	The variance is due to underspends predominately on Help to Buy owing to the demand-led nature of the programme.
N: Neighbourhoods	This underspend is owing to changes in contract timing on a local authority stock transfer programme.

7.21 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 £3,635 million (15 per cent) against the Estimate provision for the Net Cash Requirement of £24,515 million (2013-14: £1,824 million (7.2 per cent) against an Estimate of £25,316 million).

7.22 Table 5d above provides more detail and variance explanations are provided below in table 5h where the comparison of outturn against Estimate has resulted in a variance of the greater of £0.5 million and 10 per cent of the Estimate.

Table 5h: Variance against Net Cash Requirement Estimate

Variance	Explanation
Resource and Capital outturn: variance of £1,522 million against Estimate of £33,991 million	Please see tables 5f and 5g for the explanations by subhead variance.
Movements in working balances: variance on movements in receivables £923 million against an Estimate of £380 million and a variance on payables of £1,926 million against an Estimate of £1,623 million	The Department's increase in payables was as a result of recognising accruals in respect of a final confirmed deficit related to business rates. The decrease in receivables was as a result of a large decrease in accrued income related to ERDF primarily due to the interruptions being lifted in 2014-15.
Grant in Aid: variance of £482 million against an Estimate of £2,928 million	The reduction in grant in aid reflects efficiency savings and wider underspends, primarily for Help to Buy owing to the demand-led nature of the programme.

A National Statistical analysis of departmental expenditure by the countries within the UK and by English areas for the years to 2014-15 can be accessed via the HM Treasury website: http://www.hm-treasury.gov.uk/pespub_index.htm.

Payment Performance

7.23 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.

7.24 The five day prompt payment performance for the Department and Agency in 2014-15 was that 83.21 per cent of invoices were paid on time, against a target of 80 per cent. This represents 8,928 invoices being paid to target from a total of 10,730 invoices processed in 2014-15. Overall year on year performance reduced slightly compared to 2013-14 when the percentage of invoice payments made on time was 83.56 per cent (representing 9,975 invoices paid on time from a total of 11,937 invoices paid).

Payments to Charities

7.25 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.

7.26 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.

7.27 The table at Annex B sets out the financial assistance provided by the Secretary of State under this power for the year 2014-15, totalling £42.253 million (2013-14, £40.691million).

Auditors

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

7.29 The total cost of the audit across the departmental Group is £826,500 of which £351,500 is a cash charge and £475,000 is a notional charge (2013-14: £321,600 cash costs and £520,000 notional charge totalling £841,600).

7.30 The audit fee for the core Department is £350,000 (2013-14: £390,000), broken down as £344,000 for the departmental audit, and £6,000 for the cost of consolidation work. This includes £15,000 for the departmental audit on Whole of Government Accounts.

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

- Main Rating Account: £38,000 (2013-14: £40,000).
- Levy Account: £7,000 (2013-14: £7,000).
- Trust Statement: £19,000 (2013-14: £19,000).

These fees are all notional charges and included in the Group Accounts.

7.32 The NAO performed other statutory audit work, including value for money studies, and other reports to management at no cost to the Department.

Whistleblowing

7.33 The Department keeps its policies and procedures on whistleblowing under regular review, including adopting the cross-Whitehall model policy.

7.34 The Department carried out a further review in the light of the recent Public Accounts Committee (PAC) recommendations. Many of those were already covered by the policy, and in addition we have taken further action to nominate a senior board official to have overall responsibility for whistleblowing practices and to ensure that whistleblowing is regularly considered by both the Board and the Department’s Audit and Risk Assurance Committee.

7.35 NDPBs have adopted the model policy and procedure for NDPBs as developed by Civil Service Employee Policy. We developed guidance for commercial colleagues managing procurement to engage with the small and medium sized enterprises to encourage an effective whistleblowing processes.

7.36 The Department, its Executive Agency and NDPBs have not received any concerns under the whistleblowing procedures. However, there are processes in place for the Department to handle complaints effectively and to review its policies and procedures. The Department will publish any changes made as a result of the whistleblowing outcome.

Fire, Health and Safety

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

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

Performance Summary

7.39 During 2014-15, the Department’s FHS management system has been subject to continual improvement, reflecting best practice and a common sense approach. Enhancements have included implementation of a number of revised procedures and communicating these to both internal and external stakeholders.

7.40 Active monitoring has provided evidence to support the effectiveness of the Department’s statutory and occupational health and safety compliance assurance systems. This has enabled prioritisation in team resourcing with timely remedial action taken on a risk-based approach.

Strategic Progress

7.41 During 2014-15, the Department has:

- Implemented a new management structure for FHS delivery with additional resource being provided through private sector delivery partners;
- Continued to reduce FHS risks associated with departmental business activities;
- 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 training;
- Revised its fire, statutory compliance and occupational health and safety reporting tools to enhance simple and effective data interrogation;
- Supported effective delivery of the Department's Estate Strategy by assisting in the delivery of projects including the move to 2 Marsham Street, Apex Court, Rosebrae Court; and
- Continued consultation on FHS issues with the departmental Trade Union Side.

Strategic Objectives

7.42 In the coming year, the Department will:

- Continue to monitor and review the Total Facilities Management contract to ensure FHS processes and arrangements are sufficiently robust;
- Aid in the effective delivery of the move from Vulcan House to 2 St Paul's Place in Sheffield ;
- Retrain staff in non-Total Facilities Management sites to enhance their health and safety knowledge and systems; and
- Support cross government initiatives on efficiency savings within its FHS management systems through the Next Generation HR programme and Property Asset Management Unit processes.

Departmental accident statistics for 2014-15

7.43 The safety performance has remained strong during 2014-15. Overall accident rates are again low, with no enforcement action taken against the Department. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2014-15, compared to only one in 2013-14. The Reportable Accident Rate was calculated as 0 per 100,000 employees, which is significantly lower than the 2013-14 Public Service average (the last year for which results have been published). A total of 13 accidents were reported by employees in 2014-15, against 21 in 2013-2014. The Department will continue to focus on eliminating and/or controlling workplace hazards so far as reasonably practicable during 2015-16.

Table 6: Departmental Accident Statistics

	2014-15	2013-14	2012-13
Number of Accidents	13	21	29
Number of RIDDORs per 100,000 staff	0	61	74
Public Service average number of RIDDORs per 100,000 staff	*	270	289
General Office/Admin average number of RIDDORs per 100,000 staff	*	242	261

* Data not yet available

Sustainability development

Progress on delivering sustainable local growth

7.44 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 are partnerships of businesses and local leaders providing strategic leadership on growth.

7.45 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.

7.46 We announced the first round of Growth Deals in July 2014 with allocated £6bn of Local Growth Fund funding each individual Local Enterprise Partnership. A further set of Growth Deals was agreed in January 2015 which allocated a further £1bn. Growth Deals are based on multi-year Strategic Economic Plans drawn up locally to meet local growth priorities. Growth Deals provide funding for infrastructure and growth through the Local Growth Fund but as well as including greater local influence over key levers affecting local growth, and freedoms and flexibilities to drive local growth. In return, Local Enterprise Partnerships have made tangible commitments to Government, including use of local authority assets to unlock resources for growth, commitment to growth through Local Plans, and better joint decision making locally.

7.47 Alongside this, a majority of European funding for the England Structural and Investment Fund Growth Programme, (which for the 2014-20 programme will include all of ERDF and European Social Fund, along with a proportion of the European Agricultural Fund for Rural Development (EAFRD)) will be allocated to Local Enterprise Partnership areas. This is on the basis of their Structural and Investment Fund strategies, which are required to demonstrate that they will incorporate measures to ensure that they meet the principles of sustainable development. Furthermore, all European Structural and Investment Funds Operational Programmes in England will include integrated strategies for addressing environmental, social and economic concerns guided by the principles of sustainable development

7.48 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

7.49 Departments have released surplus Public Sector Land with capacity to deliver over 100,000 new homes – exceeding the June 2011 ambition. (https://www.gov.uk/government/news/unused-public-sector-land-will-provide-over-100000-new-homes)

7.50 Autumn Statement 2014 announced that the Government will set ambitious targets for the release of public sector land between 2015 and 2020 and is committed to releasing land with capacity for up to 150,000 homes.

Impact assessment

7.51 The Department 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 the Department, 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

7.52 The Department works closely with DEFRA to develop housing policies which take account of the potential impact on rural communities and with the HCA on improving the quantity, quality and speed of delivery of rural affordable housing.

Community Rights

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

- Neighbourhood Planning & Community Right to Build;
- Community Right to Bid; and
- Community Right to Challenge.

7.54 The Department is also supporting a range of other initiatives to support communities to take control of their neighbourhoods. These include:

- Our Place;
- Creating a new parish and the Sustainable Communities Act; and
- Community Shares.

7.55 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.

7.56 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.

7.57 Our Place, launched in January 2014, worked with over 100 areas to enable communities, public service providers and other partners to tackle local issues ranging from creating local employment and training opportunities for young people, through to improving health and wellbeing and environmental management of the local area. 117 areas submitted Operational Plans to the Department setting out their proposals, of which 44 also produced Cost Benefit Analyses (CBA) (not all proposals warranted a full CBA). The average financial rate of return of the 34 signed off CBA was 3.14 per cent.

Rural Funding

7.58 The Department provided £11.5 million of Rural Services Delivery Grant in 2014-15 to help the 94 most rural authorities secure more efficient services, recognising that costs can be higher in sparsely populated areas.

7.59 During 2014-15, the Department commissioned research into the costs of delivering services in rural areas. This found that there were some extra costs to local authorities in rural areas, for example in relation to broadband and a lack of private sector providers inhibiting outsourcing of some services.

7.60 Government was already investing £780 million for areas where commercial coverage will not reach, and for 2015-16 the Rural Services Delivery Grant was increased to £15.5 million. The funding changes for 2015-16 continue to show a reduction in the gap in spending power between urban and rural areas.

Climate change

Adaptation

7.61 Following the first national Climate Change Risk Assessment in January 2012 and the National Adaptation Programme (helping to make the UK more resilient to the effects of climate change) in July 2013, the Department has exercised its responsibilities for planning, building regulations and resilience. We are also contributing to a progress report on the National Adaptation Programme which is due in July 2015.

7.62 The Department provided evidence for the Environment Audit Committee, which issued its report, Climate Change Adaptation, on 11 March 2015.

Planning

7.63 The National Planning Policy Framework expects local planning authorities to plan proactively to mitigate and adapt to climate change, taking full account of flood risk, coastal change and water supply and demand considerations. The Framework's policies are implemented through Local Plans and planning decisions.

Sustainable drainage

7.64 The Department worked closely with Defra in taking forward proposals to deliver sustainable drainage systems through the planning system. Following public consultation, the Secretary of State announced a strengthening of planning policy on the provision of sustainable drainage systems in major new developments wherever appropriate. We issued revised planning practice guidance in March 2015 to support the change in policy coming into effect from 6 April 2015.

Community resilience

7.65 The Department 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.

Overheating

7.66 The Department is supporting research by the Zero Carbon Hub on overheating. The work will review research and case studies to understand how to define overheating, its causes and the practical solutions which can be adopted to avoid or tackle it. Five evidence reviews setting out current understanding were published in March 2015. Final outputs are expected by the end of 2015.

Zero-carbon homes

7.67 New regulations, strengthening of Part L of the Building Regulations relating to energy efficiency requirements for buildings, came into force on 6 April 2014. These require average reductions of 6 per cent in CO_2 emissions for new homes and 9 per cent for new non-domestic buildings compared to Part L 2010 regulations. This is the next step towards zero carbon buildings.

7.68 We introduced the powers needed to enable off-site carbon abatement measures (Allowable Solutions) to contribute to achieving the zero carbon standard future strengthening of minimum on-site energy performance requirements, as part of the Infrastructure Act 2015. However we recognise that achieving the zero carbon standard will be a challenge for home builders and in particular smaller home builders. Following consultation, we decided there will be an exemption for small housing sites of 10 units or fewer, which are most commonly developed by small scale home builders and can be more expensive to develop irrespective of the size of the builder, from the allowable solutions element of the zero carbon homes target. This means that all new homes will be required to meet the strengthened on-site energy performance standard but those building on small sites will not be required to support any further off-site carbon abatement measures. We will also put in place legislation to ensure that this exemption is not abused.

Housing standards review

7.69 The housing standards review, as part of the rationalisation of standards that are applied locally, has seen the introduction of a new, tighter optional water efficiency requirement into the Building Regulations for local authorities to use where there is a clear local need.

Energy performance of buildings - data

7.70 Since April 2014 a new quarterly series of experimental official statistics has been released. This presents information about certificates on the energy efficiency of domestic and non-domestic buildings in England and Wales that have been constructed, sold, or let since 2008 and of larger public authority buildings recorded since 2008. Figures are drawn from 2 datasets on the Energy Performance of Buildings Registers:

- Energy Performance Certificates (EPCs) for domestic and non-domestic properties covering England and Wales,

- Display Energy Certificates (DECs) for buildings occupied by public authorities in England and Wales.

7.71 Statistics cover the period 2008 to 2013, with an aggregate level breakdown by England and Wales, by local authority, by property and tenure types.

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

7.72 The Department and our NDPBs together have increased our amount of procurement spend with Small and Medium Enterprises from 12 per cent in May 2010 to 26.9 per cent in 2014-15 (23.6 per cent by direct spend and a minimum of 3.3 per cent via indirect subcontracted spend). In monetary terms, our overall spending with SME's has increased from £49.9 million to £60.4 million in 2014-15.

7.73 We review all of our new tendering requirements to make sure that where possible we break them into smaller lots, making it easier for small businesses to bid for the work.

7.74 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 have the maximum opportunity to contribute to and compete in the subsequent tender process.

7.75 We require our prime contractors to pay their sub-contractors on terms no worse than the Department pays them.

7.76 The Department maintains a section within its area of the gov.uk website specifically aimed at SMEs and includes other support such as links to free training packages and information about how to do business with us.

7.77 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

7.78 Full details of the Department's action plan and performance on the Green Government Commitments (GGC) can be found in Annex C, including an overview of the Sustainable Operations and Procurement Strategy.

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).

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 FReM. These transfers are applied under asset transfer principles, and the impact of application is the recognition of the asset (or removal) at the date of transfer with associated capital grant in kind expenditure or income (and therefore, budget neutral). During 2014-15, the most significant asset transfers took place in respect of the following:

- The Department transferred fire assets to Fire and Rescue Services worth £676k; and
- HCA received inventories from the Department for Health worth £7,700k

Business Rates Retention

8.4 Following the passing of the Local Government Finance Act 2012, the system of Business Rates Retention in respect of Business Rates collectable replaced the system for the distribution of National Non-Domestic Rates from 1 April 2013. Under the new system, the most significant change was that local authorities retain 50 per cent of the collectable business rates reducing the requirement for pooling and re-distribution and amounts collectable and paid to the Consolidated Fund via the Trust Statement.

8.5 Amounts collectable or payable in respect of Business Rates are accounted for in a number of accounts:

- This Annual Report and Accounts includes grant expenditure payable to local authorities including notional grant expenditure in respect of the retained Local Share above;
- The Trust Statement (included within this Annual Report and Accounts) includes amounts collectable for the Consolidated Fund including recognition of notional income in respect of the Local Share which is then deducted as an allowable expense to arrive at the actual amount of income due to the Consolidated Fund; and

- Two separate White Paper Memorandum Accounts are produced in respect of the Main Rating Account and Levy Account. The Main Rating Account includes all amounts receivable and payable by the Secretary of State plus any debit allowable under legislation. Levy income and Safety Net Payments are included within the Levy Account along with any credit allowable under the legislation.

European Regional Development Fund

8.6 The ERDF was set up in 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). The Department acts as Managing Authority for the 2000-2006, 2007-2013 and 2014-2020 Programmes.

European Regional Development Fund 2000-2006

8.7 The 2000-2006 programmes were completed on 31 March 2010 when final declarations and reports were forwarded to the EC for their consideration. During the course of the year, three of the ten remaining 2000-2006 ERDF Programmes have been settled and signed off by the EC. The Department has made significant progress with the EC in respect of the seven remaining Programmes and is confident that final closure of these 2000-2006 Programmes will be achieved and similarly signed off during 2015-16.

8.8 Where project expenditure is not in accordance with ERDF regulations it becomes ineligible for ERDF grant funding. The Department seeks to recover such ineligible expenditure from grant recipients in the first instance. Where recovery is not possible or feasible, the liability ultimately falls to the Department to manage and, where appropriate, write off. In parallel with the closure process, the Department undertook a full review of the current state of ERDF supported projects to identify all potential liabilities. The liabilities were then categorised as accruals or provisions with possible liabilities either recorded as contingent liabilities or, where sufficiently remote, not disclosed in the accounts.

8.9 Closing three programmes during 2014-15 has resulted in de-recognition of £8.1 million of ineligible ERDF expenditure. The Department has previously accrued for such instances of ineligible expenditure which have been released and offset the £8.1 million charge to the Department's Statement of Comprehensive Net Expenditure.

8.10 No further provision has been made in respect of the remaining seven 2000-2006 ERDF Programmes as existing accruals made in previous years are deemed sufficient.

European Regional Development Fund 2007-13 programme

8.11 The Department is responsible for managing the ERDF 2007-13 programme. In London, the ERDF continues to be delivered by an intermediary body, the GLA.

8.12 ERDF income is recognised once the relevant claim has been certified by the Department's ERDF 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.

8.13 All programmes have an associated intervention rate, which is the percentage of eligible project expenditure which attracts ERDF funding. This intervention rate is applied over the programme at regional level and must be achieved by the end of the programme period, and any surplus income would need to be returned to the EC. Claims are made to the EC 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.

8.14 At the start of the programme 7.5 per cent of the value of the programme was paid by the EC 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 EC. 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.

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

000's

Item	At 31 March 2015	At 31 March 2014
Project payments:		
Inventories	64,484	14,655
Intervention rate:		
Inventories	-	-
Deferred income	(186,428)	(151,712)
Interest received:		
Deferred income[1]	6,222	5,739
Advances to GLA[2]	10,489	10,264
ERDF bank account [3]	193,409	192,927

(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 interest earned on the Department's bank deposit, is available for use as ERDF match funding

2. Balance reflects advance paid to the GLA

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

8.16 During the course of the year, the Audit Authority tested the validity of 235 claims, equating to €422 million out of total declared expenditure of €910m. Testing of the audit sample revealed instances of ineligible expenditure on a number of ERDF projects in excess of the 2 per cent materiality threshold set by the Commission. The Audit Authority calculated the total projected error rate for the 2013/14 period as being 2.414 per cent, exceeding the materiality threshold.

8.17 To ensure an error rate of less than 2 per cent is reported in the Annual Control Report (ACR), the Department applied a self-correction to the ERDF Programme by removing €1.99 million from the 2014 Declaration of Expenditure to the EC. The Department has effectively waived its claim for reimbursement, and has therefore incurred a loss of £1.568m.

Programme Closure

8.18 The 2007-2013 Programme draws to a close on 31 December 2015. Preparations for programme closure have progressed throughout 2014-15 and the Department is expected to submit formal closure documents, as required by ERDF regulations, to the EC by 31 March 2017.

Programme Interruption

8.19 The Department has received formal notification from the EC that two operational ERDF Programmes – the East Midlands and Yorkshire & Humber - have been interrupted. The EC has undertaken audits on the two programmes and have raised concerns around the compliance of high-value procurement exercises run by project applicants. The Department is currently undertaking an exercise to check and identify potential procurement issues across all ERDF Programmes which is expected to be completed by June 2015. The Department expects to respond to the EC's concerns once this work is complete and is confident that the interruptions will be lifted. The East of England programme was also interrupted during 2014-15 but the interruption was lifted following responses to the ECA.

8.20 The Department does not expect to make a provision for impairment of €172 million income which is still outstanding from the EC in respect of the East Midlands and Yorkshire & Humber programmes.

European Regional Development Fund 2014-2020

8.21 The Department has successfully agreed England's Partnership Agreement for the 2014-2020 ERDF Programme. The contents of the one, national Operational Programme for England has been agreed in with the EC, with formal sign off expected in the summer. The Department does not expect to make payments to project applicants until the latter half of 2015-16.

Closure of entities within the departmental boundary

8.22 During 2014-15 one entity in the departmental boundary closed. The Department has considered the 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. The impact of this closure 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 remained in existence until 31 July 2014 to wind up its affairs. At that point its remaining asset, consisting of a final bank balance, was incorporated into that of the Department.

Melanie Dawes CB **22 June 2015**
Accounting Officer
Department for Communities and Local Government

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 2015 Annual Report on Senior Salaries can be found at: https://www.gov.uk/government/publications/37th-annual-report-on-senior-salaries-2015

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.

Further information about the work of the Civil Service Commissioner can be found at: www.civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements

9.4 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 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 9.9.

[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 (subject to audit)

Single total figure of remuneration								
Ministers	Salary (£)		£ Benefits in kind (to nearest £100)		£ Pension benefits[1] (to nearest £1000)		£ Total (to nearest £1,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
The Rt Hon Eric Pickles MP	67,505	68,169	-	-	22,000	25,000	90,000	93,000
Brandon Lewis MP	29,004	23,039	-	-	10,000	9,000	39,000	32,000
Kris Hopkins MP	22,375	11,148[(6)]	-	-	8,000	4,000	30,000	15,000
Stephen Williams MP	22,375	11,148 [(7)]	-	-	8,000	4,000	30,000	15,000
Lord Ahmad of Wimbledon	68,339[(2)]	-	-	-	12,000	-	80,000	-
Penny Mordaunt MP	15,939[(3)]	-	-	-	6,000	-	22,000	-
Baroness Stowell of Beeston MBE	20,845[(4)]	30,543[(8)]	-	-	5,000	9,000	26,000	39,000
Nick Boles MP	6,376[(5)]	23,039	-	-	-	-	6,000	23,000
Baroness Hanham CBE	-	37,404[(9)]	-	-	-	-	-	37,000
Mark Prisk MP	-	16,694[(10)]	-	-	-	6,000	-	23,000
The Rt Hon Don Foster MP	-	11,891[(11)]	-	-	-	5,000	-	17,000

2014-15

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 **F**igure quoted is for the period 15 July 2014 to 31 March 2015, which also includes House of Lords Allowance. The basic salary, full year equivalent is £68,710
3 Figure quoted is for the period 15 July 2014 to 31 March 2015. The full year equivalent is £22,375
4 Figure quoted is for the period 1 April to 14 July 2014, which also includes House of Lords Allowance. The full year equivalent is £68,710
5 Figure quoted is for the period 1 April to 13 July 2014. The full year equivalent is £22,375

2013-14

6. Figure quoted is for the period 7 October 2013 to 31 March 2014. The full year equivalent is £23,039
7. Figure quoted is for the period 7 October 2013 to 31 March 2014. The full year equivalent is £23,039
8. 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
9. 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
10. Figure quoted is for the period 1 April to 6 October 2013. The full year equivalent is £32,344
11. Figure quoted is for the period 1 April to 6 October 2013. The full year equivalent is £23,039

Please see paragraphs 9.5 to 9.8 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)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Melanie Dawes Permanent Secretary	10-14 (2)	-	-	-	-	-	19,000	-	30-35	-
Sir Bob Kerslake Permanent Secretary	185-189 (3)	190-194 (5)	-	-	36,300 (3)	75,000	74,000	68,000 (13)	295-300	330-335
Peter Schofield Director General	130-134	130-134	5-9	5-9	-	-	23,000	89,000	165-170	230-235
Helen Edwards Director General	165-169	145-149 (6)	-	-	-	-	49,000	20,000	210-215	165-170
Andrew Campbell Acting Director General	105-109	95-99 (7)		5-9	-	-	41,000	15,000	145-150	120-125
Louise Casey Director General	130-134	95-99 (8)	-	-	-	-	43,000	25,000	175-180	120-125
David Rossington Director	110-114	65-69 (9)	-	-	-	-	55,000	-	165-170	65-70
David Hill Director	85-89	35-39 (10)	-	-	-	-	38,000	16,000	120-125	55-60
Dawn Brodrick Director	5-9 (4)	-	-	-	-	-	2,000	-	5-10	-
Sue Higgins Director General	-	55-59 (11)	-	-	-	-	-	33,000	-	90-95
Simon Ridley Acting Director General	-	10-14 (12)	-	5-9	-	-	-	-	-	20-25

	2014-15	2013-14
Director's total remuneration (FTE)	170-174 (14)	170-174 (15)
(FTE)	39,121	37,875
Remuneration ratio	4.4	4.6

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

2014-15

1. The 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 increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2. The figure quoted for the period 1 March to 31 March 2015. Full year equivalent in the range £160k-164k.
3 The figure for the period 1 April 2014 to 28 February 2015 includes £18k allowance as Head of Civil Service which Sir Bob continued to receive up until 28 February, despite stepping down as Head of Civil Service in August 2014. This was approved by Cabinet Office in recognition of the fact that he undertook a wider role on local growth deals and Birmingham in the interim. The full year equivalent - salary in the range of £170k-174k and Head of Civil Service Allowance is £20k. An additional payment in the range of £10k -£14k was made in respect of untaken annual leave. Please see paragraph 9.10, which explains the reason why Sir Bob's benefits in kind in 2014-15 is lower than in 2013-14.
4. Figure quoted for the period 2 March to 31 March 2015. The full year equivalent is in the range £95k-£99k.

2013-14

5. Figure for the period 1 April 2013 to 31 March 2014 is the full year salary including £20k allowance as Head of Civil Service, the full amount of the allowance is recovered from Cabinet Office.
6. Figure quoted for the period 7 May 2013 to 31 March 2014. The full year equivalent is in the range £160k-164k.
7. 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.
8. Figure quoted for the period 10 July 2013 to 31 March 2014. The full year equivalent is in the range £130k-£134k.
9. Figure quoted for the period 2 September 2013 to 31 March 2014. The full year equivalent is in the range £110k-114k.
10. Figure quoted for the period 14 October 2013 to 31 March 2014. The full year equivalent is in the range £80k-£84k.
11. 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.
12. Figure quoted for the period 1 April to 7 May 2013 as acting Director General during which temporary responsibility allowance was paid.
13. Sir Bob's pension figure for 2013-14 has changed as the balance from last year was inclusive of pension increase that was not due on the figures at the time of calculations.

Pay Multiples Table:

14. **2014-15** Total salary is £185k-189k which includes £18k element for Head of Civil Service role paid by Cabinet Office, therefore only the departmental element shown in fair pay calculation (£170k-174k)
15. Total salary is £190k-195k which includes £20k element for Head of Civil Service role paid by CO therefore only the departmental element shown in fair pay calculation (£170k-174k).

Salary

9.5 '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.

9.6 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 (£66,396 from 1 April 2013, £67,060 from 1 April 2014) and various allowances to which they are entitled are borne centrally.

9.7 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 Lord Ahmad, 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 within the Ministers' remuneration table above.

9.8 Baroness Warsi was a Minister and not paid by the Department, therefore her salary details are not included in the tables above. She left the Department on 5 August 2014.

9.9 Non-Executive Directors received the following fees for their work during 2014-15 (subject to audit):

	Fees (£)	
Non-Executive Directors	2014-15	2013-14
Sara Weller	20,000	20,000
Stephen Hay	10,000	10,000
Nick Markham	11,667 (1)	10,000
Grenville Turner	15,000	2,630 (2)
Diana Brightmore-Armour	-	8,750 (3)

2014-15
1. Figure quoted is for the period 1 April to 30 November 2014 relates to full year fee entitlement of £10k. Fee increased to £15k per annum and this relates to the period 1December 2014 to 31 March 2015.

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

Benefits in Kind

9.10 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. Sir Bob Kerslake, as Head of Civil Service, 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 used the car predominantly for home to office journeys. The Head of the Civil Service used the car predominantly for home to office journeys and journeys between the Cabinet Office, Parliament and the the Department's London Office, and the benefit-in-kind arising was £36,300. (In 2013-14 the benefit in kind arising was £75,000) based on the full year). The Head of Civil Service role ended on 31 August 2014 and use of the car ceased from that date.

Bonuses

9.11 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 2014-15 relate to performance in 2013-14 and the comparative bonuses reported for 2013-14 relate to the performance in 2012-13.

Pay Multiples

9.12 The banded remuneration of the highest paid director in the Department, the Permanent Secretary, in the financial year 2014-15 was £170k - £174k (2013-14: £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 4.4 times (2013-14: 4.6 times) the median remuneration of the workforce, which was £39,121 (2013-14: £37,875).

9.13 Remuneration ranged from £18k - £174k (2013-14: £18k - £174k). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

9.14 The median salary for 2014-15 has increased by £1,246 compared to the 2013-14 median salary. This increase is due to the application of the 2014 pay award together with staff turnover.

Ministerial Pension benefits (subject to audit)

Minister	Accrued pension at age 65 as at 31/03/15	Real increase in pension at age 65	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV £
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Eric Pickles MP	5-10	0-2.5	147	112	18
Brandon Lewis MP	0-5	0-2.5	18	10	3
Kris Hopkins MP	0-5	0-2.5	12	4	4
Stephen Williams MP	0-5	0-2.5	11	3	4
Lord Ahmad of Wimbledon	0-5	0-2.5	20	11	5
Penny Mordaunt MP	0-5	0-2.5	4	-	2
Baroness Stowell of Beeston MBE	0-5	0-2.5	36	31	2
Nick Boles MP	-	-	-	-	-

To note: No disclosure of Pension Benefits available for Nick Boles MP as he did not contribute to a Pension scheme in 2014-15.

9.15 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).

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

9.17 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions' Increase Legislation. From 1 April 2014 members pay contributions of 8.4 per cent and 17.9 per cent depending on their level of seniority and chosen accrual rate.

9.18 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.

9.19 In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a Career Average pension scheme, have an accrual rate of 1.775 per cent, revaluation based on the change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1 per cent.

The Cash Equivalent Transfer Value (CETV)

9.20 This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Civil Service pensions

9.22 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' pension benefits (subject to audit)

Officials	Accrued pension at pension age as at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV £000's
	£'000	£'000	£'000	£'000	£'000
Melanie Dawes	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5	698	664	14
Sir Bob Kerslake	15-20 plus lump sum of Nil	2.5-5 plus lump sum of Nil	299	226	53
Peter Schofield	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 2.5-5	594	551	12
Helen Edwards	30-35 plus lump sum of 0-5	2.5-5 plus lump sum of 0-2.5	622	566	47
Andrew Campbell	45-50 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	931	849	36
Louise Casey	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 5-10	567	506	29
David Rossington	60-65 plus lump sum of 100-105	2.5-5 plus lump sum of 0-2.5	1,230	1,123	48
David Hill	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5-10	240	208	19
Dawn Brodrick	50-55 plus lump sum of Nil	0-2.5 plus lump sum of Nil	783	780	1

9.23 Employee contributions are salary-related and range between 1.5 per cent and 6.85 per cent of pensionable earnings for classic and 3.5 per cent and 8.85 per cent for premium, classic plus and nuvos. 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 per cent 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.

9.24 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 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).

9.25 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.

9.26 New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at: http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/.

The Cash Equivalent Transfer Value

9.27 A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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 membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

The real increase in the value of the CETV

9.29 This reflects the increase in the CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Melanie Dawes CB **22 June 2015**
Accounting Officer
Department for Communities and Local Government

10 Statement of Accounting Officer's Responsibilities

10.1 Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Communities and Local Government to prepare, for each financial year, consolidated accounts detailing the resources acquired, held, or disposed of and the use of resources during the year by the Department (inclusive of its executive agency) and its sponsored non departmental and other arms length public bodies designated by order made under the Government Resources and Accounts Act by Statutory Instrument 2014 number 531 (together known as the 'departmental group', consisting of the Department and bodies listed in Note 31 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 2015, HM Treasury appointed Melanie Dawes, 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 arm's 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 NDPBs. 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 accountability mechanisms in place for decentralised service delivery ensures the proper use of public money.

11.6 The accountability system statement for local government, local authorities and fire and rescue authorities[4] was updated in April 2015. The accountability system statement was updated primarily to reflect changes resulting from the commencement of measures in the Local Audit and Accountability Act 2014, including the closure of the Audit Commission on 1 April 2015. The system statement sets out:

- Current funding systems, legislation and guidance which forms the system at present; and

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/420079/150320_-_LG_and_Fire_Accountability_System_Statement_-_2015__final_.pdf

- Signposts changes which have been or are expected to be made during the year.

11.7 The PAC and certain NAO reports from the past year have recommended a focus on the sustainability of local government services in light of funding reductions. We continue to work with other departments, inspectorates and regulators to maintain an overview of risks to local service performance. Sustainability will be considered as part of the forthcoming Spending Review.

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

11.9 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.

11.10 As the Department's Accounting Officer, I ask for an annual review of the evidence that the accountability system for local authorities remained robust over the last year. This evidence will include information published by the Audit Commission and consultancy reports on fraud, governance, accounts and audit, which speaks to regularity, propriety and achieving value for money locally. The advice will take account of the Audit Commission closure and conclude 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 the auditor is satisfied that authorities have proper arrangements in place to achieve value for money
- where necessary, local authorities are receiving sector-led improvement support to address their finance and governance challenges

11.11 Therefore, there is no immediate need for any changes to the accountability system. The advice will recommend that I keep a continued awareness of the risk of councils not being able to manage their resources properly under increased financial pressures and consider whether the Department should develop an internal mechanism for understanding expenditure and financial sustainability locally and have a strategy in place for responding in the unlikely event of a financial failure in a local authority. Also, that I keep abreast of developments on the Department's ongoing intervention at Tower Hamlets, Rotherham and Birmingham councils, I will keep the systems under review.

The Department's Board and governance structure

11.12 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 2014-15.

11.13 The Board met four times in 2014-15 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 its meetings, the Board considered Finance (Spending Round, Budget, Autumn Statement), Local Growth and Town Centres, Health and Social Care Integration, Board Effectiveness Evaluation, Housing, Local Growth Deliverables, Integration, Winter Pressures, Ebbsfleet and Performance.

11.14 The Department also has an 'Interim' Board which met five times in 2014-15. The Interim Board is chaired jointly by the Permanent Secretary and Lead Non-Executive Director. It is attended by the Executive Team and Non-Executive Directors. Its role is to support the Board on the operational impacts and effectiveness of policy proposals. At its meeting the Interim Board considered Health and Social Care Integration, Board Effectiveness Evaluation, Progress Against Priorities, Senior Talent Review, Department's Change Agenda, Private Rented Sector Guarantee Scheme, Community Rights, Integration, Winter Pressures, European Programmes and Performance.

11.15 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

11.16 The Board is supported by two sub-committees:

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

11.17 The Audit and Risk Committee is made up of Non-Executive Directors and independent external members. The Nominations and Governance Committee is made up of members of the Executive Team and Non-Executive Directors.

11.18 The **Audit and Risk Assurance Committee** is chaired a Non-Executive Director and met five times in 2014-15. Stephen Hay was the Chair until September 2014; he stood down ahead of the expiration of his contract in July 2015, Nick Markham took over the Chair. The Committee is responsible for providing oversight of 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;
- The assurances received on the existence and effectiveness of the Department's systems for accountability and control;
- Reviewing and approving the Department's Annual Report and Consolidated Accounts; and
- Scrutinising the Department's overall risk register, undertaking a detailed review of the Department's approach to particular risks.

11.19 The **Nominations and Governance Committee** is chaired by Non-Executive Director Grenville Turner and met four times in 2014-15. It is responsible for providing governance of the Department's Senior Civil Service performance evaluation. This is done by:

- Providing challenge, advice and support on the Department's approach to talent management, succession planning and leadership development to ensure we have the appropriate balance of skills and experience at senior levels across the organisation;
- Reviewing, challenging and providing assurance on the diversity make-up and appointment processes for the boards across the departmental Group; and
- Ensuring that a robust approach to SCS performance management and reward is in place and implemented in line with Cabinet Office requirements.

11.20 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

11.21 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, Communications and Private Office.

11.22 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 ongoing 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.

11.23 The Executive Team is responsible for addressing the issues that are escalated to it from the Department via its sub-committees and are accountable for those decisions made. It is also responsible for ensuring which issues are escalated to the Board.

Executive Team Sub-Committees

11.24 There are three sub-committees to the Executive Team Committee, which meet on a monthly basis and consist of the Department's senior leadership team:

11.25 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.

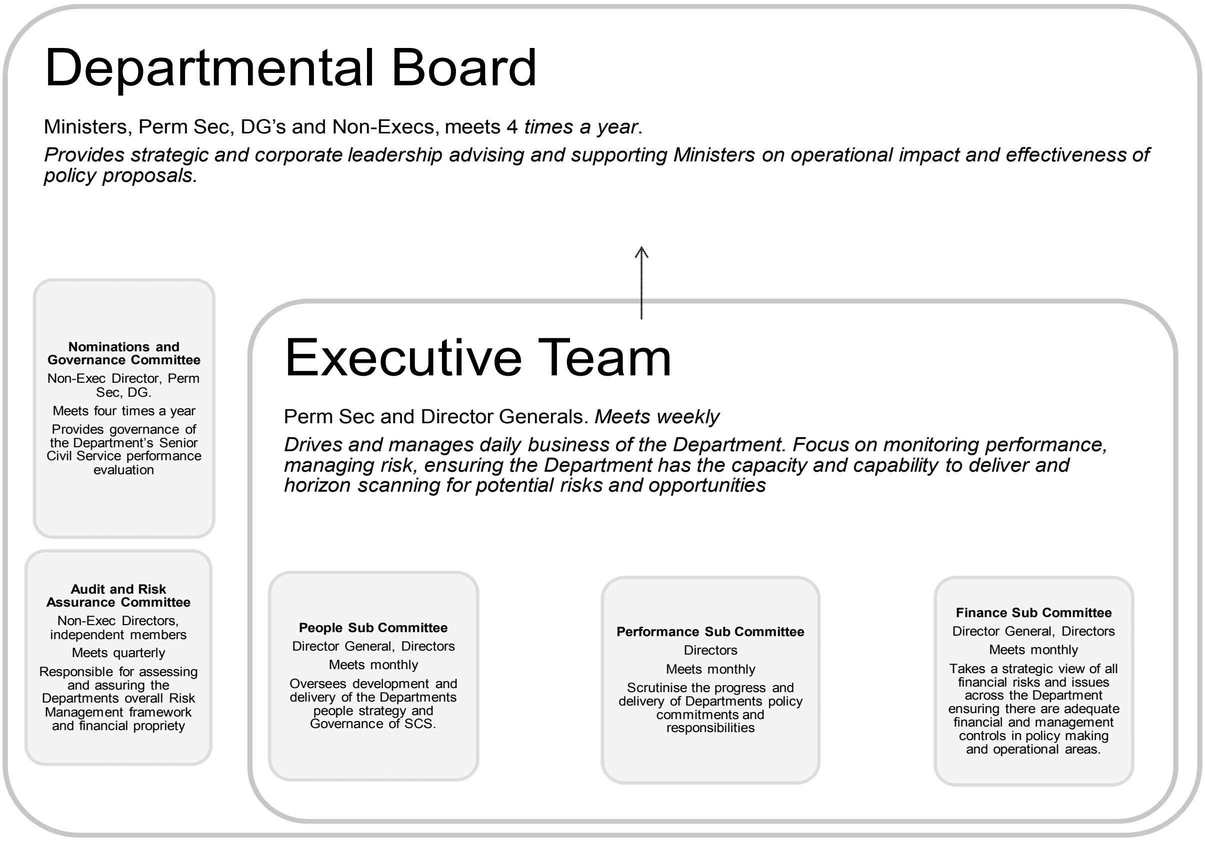
11.26 The **People Sub-Committee** is responsible for overseeing the development and delivery of the Department's People Strategy and for governance of Senior Civil Service performance. It provides oversight of the people-related issues, including overall resourcing levels, arising from changes to the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

11.27 The **Finance Sub-Committee** takes a strategic view of all financial risks and issues across the departmental 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 £50million (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:

11.28 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.

11.29 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

11.30 The Department has sought to integrate the HCA 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 HCA and Planning Inspectorate are attendees of the Department's Finance Sub-Committee and attend the quarterly business review meetings with the Executive Team. The HCA Audit and Risk Committee Chair is a member of the departmental Audit and Risk Assurance Committee. These closer working relationships have helped significantly to integrate our significant Arms Length Bodies into the Group-wide financial planning, risk management and decision making.

Accountability to Parliament

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

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

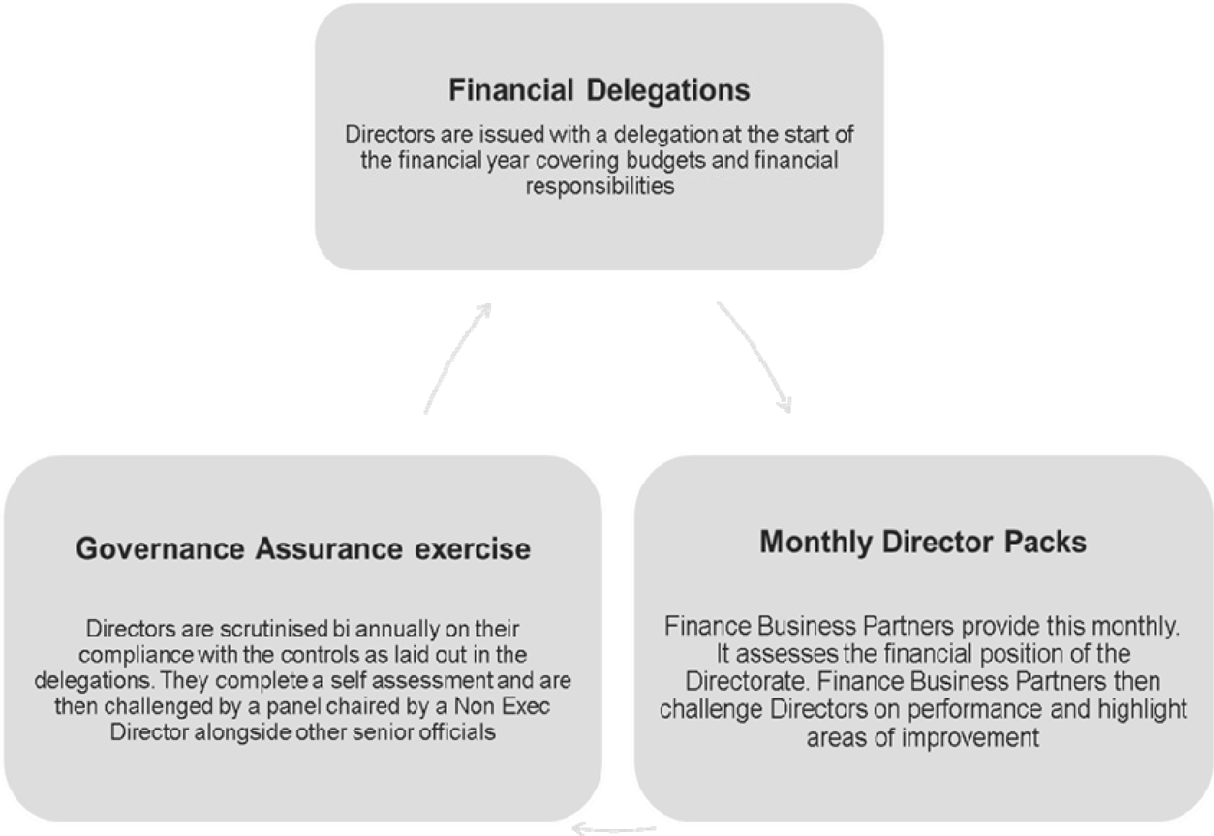
Propriety

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

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

Operational-level governance structures

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



Sponsorship of Arms Length Bodies

11.36 The Department had 11 Arms Length Bodies during 2014-15 after West Northamptonshire Development Corporation closed on 31 July 2014. The Department worked with the Audit Commission in advance of their closure on 1 April 2015. It was announced the Urban Development Corporation in Ebbsfleet was to be formed in 2015-16.

11.37 There are two sponsorship teams within the Department: a specialist team for the HCA and one within the Finance Directorate covering PINS and the smaller bodies. The role of sponsor teams is to provide support and challenge to Arms Length Bodies, ensuring that they adhere to their individual Framework Documents, various delegations including budget delegations and annual pay remits, Managing Public Money, and Cabinet Office Spending Controls. Sponsor teams act as their first point of contact.

11.38 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 the Department's Accounting Officer and ALB's Accounting Officers to help ensure that Arms Length Bodies are operating within both their delegations and framework documents.

Homes and Communities Agency

11.39 The key challenges faced by the HCA over 2014-15 were:

- Delivering the 2011-15 Affordable Housing Programme and exceeding the contribution to the 170,000 affordable homes aspiration while launching the 2015-18 Programme, contracting with delivery partners to maintain delivery momentum and bring forward starts on site;
- Ensuring the ongoing smooth operation of Help to Buy to maximise coverage for housebuilders and sales to purchasers;
- Bringing in new skills and utilising private sector expertise to enhance the commercial capacity and capability of HCA-I to manage the growing recoverable investment portfolio;
- Implementation of a revised land operating model in preparation for the HCA's single land programme and role as Government's central land disposal agent from 1 April 2015;
- Successful completion of Shaping our Future, an organisational change programme, to ensure the Agency is fit for purpose and able to meet future challenges effectively;
- Publishing a new Regulatory Framework following extensive sector consultation, whilst continuing effectively to regulate an increasingly complex sector; and
- Continuing to maintain effective delivery and achievement of corporate targets given the increasing scale and complexity of activities, and resource constraints.

Planning Inspectorate

11.40 In August 2014, following a review of the Inspectorate's Board and its wider governance, PINS announced the creation of the first independent Chairman of its Board. Sara Weller took up that role in October 2014. In addition the remit of the Remuneration Committee was expanded to turn it into a People Committee. The contract of one of PIN's Non-Executive Directors ended in December 2014 and we have recruited a replacement. New Non-Executive Directors will be recruited in the coming year as the other contracts come to an end.

11.41 The Planning Inspectorate's key risks in 2014-15 were:

- Increased political focus on planning;
- Recruiting sufficient skilled resources;
- Meeting volatile demand; and
- Ability to manage with a reduced budget.

Mitigations are in place and being actively managed.

Propriety and information security

11.42 All civil servants working within the Department and its Arms Length Bodies are required to comply with the Civil Service Code. New employees are made aware of the Civil Service Code and the Department's 'Blueprint' (covering the Department's values) both of which are accessible via the Department's intranet and the Cabinet office website.

11.43 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

11.44 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 the Department's internal auditors were derived. On 1 October 2014 the Government Internal Audit Authority launched a shadow agency and will have full agency status in April 2015.

11.45 The Government Internal Audit Agency (GIAA) will help ensure government and the wider public sector provides services effectively. They are responsible for:

- Reviewing the functions and activities of government and public sector organisations, and assessing their efficiencies and risks;
- Making recommendations for improvement, based on their assessments; and
- Adding value to public services and improving how effectively organisations provide them.

11.46 The GIAA operate in accordance with Public Sector Internal Audit Standards and to an Internal Audit Plan approved by the Department's Audit and Risk Assurance Committee. GIAA updates the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Assurance 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 Audit recommendations, and the collection of evidence to verify their implementation, is reported to the Audit and Risk Assurance Committee.

External scrutiny

11.47 The Department's delivery of its policies and programmes is also subject to external scrutiny, in particular from the NAO 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 2014-15

Performance of the Board

11.48 The Code of Practice on Corporate Governance states that the Lead Non-Executive in each Department should support the Chair to ensure that a Board effectiveness evaluation is carried out annually and carrying out such an evaluation is good practice. Given the timing of this year's evaluation in relation to the Election the advice from the Government Lead Non-Executive was that it was for individual Chairs, in discussion with the Lead Non-Executive, to agree whether they wish to carry out a Year 4 Board Effectiveness evaluation or not. A light touch evaluation was led by our Lead Non-Executive Director, Sara Weller.

11.49 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 2014-15 that have been completed are:

- Agree the best frequency and duration for the Ministerial and Interim Boards for 2015, given the agenda that we need to cover;
- Canvas all board members for proposals for external attendees and schedule these in well ahead of time;
- Undertake formal briefing of any new departmental joiners on the role of the Ministerial Board; and
- Connect regularly with ministerial offices to ensure the agenda continues to reflect overall priorities.

11.50 The key actions from the light touch 2014-15 Board Effectiveness Evaluation are:

- Continue the programme of Non-Executive Directors visits, prioritising visits to understand the operation of the Better Care Fund in Spring 2015;
- Continue the engagement with other ALBs and include key metrics of ALB performance in the Department's performance report;
- Non-Executive Directors to continue to support the Executive in their "Match Fit" preparations with particular focus on the "How" workstream, and the Department's organisational readiness;
- Provide a short briefing for new Ministers on the operation and value of the departmental Board, and the role of the Non-Executive Directors;
- Provisional dates for the remainder of 2015 for Ministerial Boards and Interim Boards to be finalised as soon as possible (recognising they will need to respond to the input of an incoming Secretary of State);
- Depending on this input, the Executives and Non Executives would continue to encourage the involvement of external speakers in Boards to ensure an outward focus to discussions;
- Non-Executive Directors should also continue to provide support on an ad hoc basis to key programmes where an external perspective or broad business and commercial skills can add value; and

- The Non-Executive Directors should do as much as they can to ensure engagement and learning is transferred from other departments, through the various Non-Executive Director networks.

Ensuring compliance with the Corporate Governance Code

11.51 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. The Department is fully compliant with the Code.

Quality of information used by the Board

11.52 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.

11.53 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.

11.54 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 and Corporate Services to ensure accuracy. The Department's processes for this data were reviewed by Internal Audit during the year, with no significant issues noted.

11.55 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, ERDF, Integration and Devolution 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.

11.56 The Investment Sub-Committee met frequently during the reporting period. It has reviewed high profile policies and programmes such as Private Rented Sector Guarantees, Builders Finance Fund, Public Sector Land, Enterprise Zones, City Deals along with Community rights and National Resilience. Investment appraisals outside the delegated authority of the HCA and Planning Inspectorate were also scrutinised, and governance arrangements around the Department's large housing programmes continue to be monitored.

Risk management

11.57 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.

11.58 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

11.59 Risks must be taken if the Department 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.

11.60 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.

11.61 The risk appetite statement below was used through the course of 2014-15.

Risk appetite

Areas Of Activity	Risk Appetite	Summary
Policy - Development of new approaches	High	The Department played a key role in delivering the Coalition Government's ambitious reform agenda and maximised the opportunities for local growth. We are delivering real change through our priorities of: better local services for people; helping people to have a home of their own; supporting businesses to grow and create jobs; and supporting strong communities where people feel they belong. To 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 'hungry' (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

Areas Of Activity	Risk Appetite	Summary
		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 key services to the public (e.g. Fire Service, Resilience)	Medium	The Department is responsible for the provision of a number of key services (both directly and through local government, fire and rescue services etc) to the public – for example ensuring we have an effective Fire and Rescue service and also co-ordinating a regional emergency response. However, the Department must continue to push for innovation and look for new ways to cost effectively deliver these services and make them more accountable to the communities they serve and encourage Fire and Rescue Authorities to do the same. It is important that the provision of these services to the public is maintained at its current level and that public confidence is retained in these services. Therefore, the desired level of risk appetite will be slightly lower for any activities which will have a direct impact on the level of service provision.
Financial Management - 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 ‘averse’ (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 an open (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 ‘averse’ (low).
Investment programmes: Financial Instruments – Development of New Products	High	The Department (and the Homes & Communities Agency - HCA) is developing and delivering a number of large-scale programmes that are underpinned by innovative Financial Instruments. Crystallisation of risks linked to these Financial Instruments may have a very significant impact on the Department’s overall financial position. These Financial Instruments take the form of investments (loans and equity) and guarantees, and involve a significantly different risk profile to the Department’s traditional grant-making approach. The programmes currently include Affordable Housing and Private Rented Sector Guarantees (run by the Department) and Help to Buy, Get Britain Building, Builders’ Finance Fund, Estates Regeneration, Build to Rent, Rent to Buy, Self-Build / Custom Build, Large Sites, Enterprise Zones, Large Sites Infrastructure Fund, Local Growth Fund and Housing Zones. At each fiscal event (Budgets, Autumn Statements, Spending Reviews) there is the

Areas Of Activity	**Risk Appetite**	**Summary**
		potential for further programmes to emerge. The risk rating of each programme is assessed separately and agreed with Ministers. Demand for programmes tends to be counter-cyclical to the wider economy whereas financial instrument risks embedded within programmes tend to be pro-cyclical. Key to each programme's risk rating is the Department's capacity to absorb any accounting volatility arising from a potential crystallisation of its financial instrument risks within programmes and as necessary across the portfolio. These risks should be taken into account at the earliest stage of product design and kept under review throughout the product life. Looking across the portfolio of investments, the Department's risk appetite is high. This reflects: • the novel nature, and scale, of the programmes; • ongoing development of departmental capability to manage these investments; and • the long-term financial risks linked to these Financial Instruments which are driven by variables that are out-with the control of the Department (market demand, local economic change, the property cycle, etc). The potential scale of impact of the crystallisation of financial instruments' risks requires strong mitigations to be in place.
Investment programmes: Financial Instruments – Product Governance, Execution and Operation	Medium	The scale of these investments and their inherent risk requires strong risk mitigations to deliver governance, executive and operation within the medium risk appetite set for these. These mitigations include: • control systems enabling decisions to be taken within agreed risk parameters (including specific financial limits); • management information that enables projected financial exposure to be managed including oversight across the portfolio of investments (current and planned) and ongoing analysis of economic and market changes; • recruitment of appropriately skilled staff with investment and lending experience; • appointment of the Chief Risk Officer reporting directly to the Department's Finance Director; and • governance arrangements within the Department (for example the Guarantees Credit Committee) and the HCA (various Project Executives with clear delegations to sign off Build to Rent and Get Britain Building propositions). Operational risks arising from Financial Instruments programmes require strong end-to-end product management disciplines. These include: • legal documentation protecting the Department's position; • complete and up-to-date record of all contractual exposures and inventory of financial instruments to which the Department is exposed; • robust security and cash flow management procedures, including the taking and releasing of security, invoicing and reconciling interest income, and accounting; and • resources and appropriately skilled staff to deal with any default or potential default situations.
Operations – Deregulation and compliance with existing	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

Areas Of Activity	Risk Appetite	Summary
regulations		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 'open' (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

11.62 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.

11.63 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 2014-15

11.64 Some of the **potential** risks that the Department faced in 2014-15 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;
- Risks relating to Adult Social Care;
- Failure to deliver the Troubled Families programme;
- Impact of the fire strikes;
- Flooding;
- The impact of increased community tensions resulting from an unanticipated event that could undermine our integration efforts;
- Emergence of potential new cases of serious governance failure in individual councils.

Financial risks include:

- Risk to future programme budgets if the Department fails to successfully manage material and complex financial instruments; and
- Risk of further interruption from EC on the ERDF 2007-13 Programme.

11.65 The section below details the Department's most significant risks for 2014-15 and the actions in place to mitigate them.

Financial instruments

11.66 Financial exposure, financial and commercial capability remains a significant risk to the Department with a number of our programmes underpinned by the use of financial instruments. The Department has continued to implement actions from the Shareholder Executive and PriceWaterhouseCoopers reviews in 2013. A risk management framework has been drafted. The framework allows the Department to better identify, measure, mitigate and manage relevant financial risks.

11.67 The Department has conducted Financial Risk Assessments for all live programmes and will continue to do this for all new programmes. A risk appetite statement has been created to specifically look at the risk appetite that should apply to the portfolio of financial instruments; this is in addition to the overall departmental risk appetite statement in this document at paragraph 11.61 which doesn't define individual programmes. The Financial Instruments risk appetite statement sets up a number of specific financial risk appetite thresholds and guidelines for the different financial risks that have been identified. It is primarily a portfolio tool. Specific credit policies need to sit below this document specifying credit lending criteria that are set up to protect the Department financial position at individual project and client level exposure.

11.68 In addition to the framework and appetite statement, the Financial Risk Management team, in conjunction with the relevant HCA and departmental teams, are prioritising detailed stress testing of the full departmental portfolio, agreeing with HCA roles and responsibilities for writing recovery plans and playbooks that the Department could take to reduce the impact of stress in the portfolio and engaging with the Department's Finance Sub Committee, Ministers and HMT to agree steps that the Department could take to manage potential volatility under stress.

11.69 During the year, the HCA continued to focus on delivering improvements to financial forecasting. Improvements to operating area and programme level forecasts have not been implemented as quickly as was hoped and the HCA's internal audit team were only able to provide a limited assurance report in this area.

11.70 The Department continues to improve commercial and financial capabilities with key recruitment in both HCA and the Department now complete. The HCA who deliver most of the commercial programmes have recruited investment professionals who will ensure front line investment is managed. Internally, the Department - through a training provider – is providing in depth commercial awareness training and the Department's Chief Risk Officer has conducted a number of presentations on the new risk management framework. There is a new Commercial Director who will provide commercial advice to policy makers and an Intelligent Client Function which will oversee the Department's contract management capability.

European Regional Development Fund

11.71 On 2000-06 ERDF, closed three Programmes by the end of the 2014-15 and are close to reaching final settlement with the EC on the seven remaining programmes that are currently disputed. We expect to finally close these programmes in the first half of 2015-16.

11.72 All 10 English 2007-13 ERDF Programmes were interrupted in 2013-14 which represented a significant risk to the Department. As a result of the interruption, the Department implemented a number of improvements to its management and control environment, including a new national Article 13 team which has undertaken additional project assurance visits and checking claims prior to paying projects. This has ensured 15 per cent of total declared expenditure during the year has been checked before submitting any claims to the EC for reimbursement of ERDF, reducing the risk of liabilities arising later in the project's lifecycle.

11.73 The interruption of the East of England programme has now been lifted following responses to the ECA. The final response on the East Midlands interruption will be sent by the end of June 15 and should result in the lifting of the interruption. In 2014-15 the Yorkshire and Humber programme was interrupted following an ECA report. The Department is addressing the findings of the report and expects to provide a final response to the ECA by the end of summer 2015.

11.74 Preparatory work on 2007-13 closure has begun in earnest with a number of pilot closure schemes taking place across select regions with the aim of refining closure guidance and process, alongside earning lessons from 2000-06 closure, ahead of the formal closure of the 2007-13 Programme from December 2015 onwards.

11.75 Implementation of the 2014-20 is progressing well, the first call for applications was issued in March 2015 with a second call for applications planned for late July. The first call in March should expedite the appraisal and contracting processes once the 2014-20 ERDF Operational Programme is formally signed off by the EC in the summer.

Closure of the Audit Commission

11.76 The Department worked with the Audit Commission in advance of their closure on 1 April 2015. As there will is no residual Audit Commission body post closure, the Department is now producing the 2014-15 accounts and completing a number of closure activities such as storage of MI. We worked closely with the Audit Commission to manage closure and accounts production and have tried to ensure as much work was completed before April as possible.

Managing fraud risk

11.77 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 and Debt; has completed 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.

Quality assurance of analytical models

11.78 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]

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

Evaluation

11.79 The Department further strengthened its commitment to robust evaluation in 2014-15 by bringing oversight of evaluation of key programmes into the Performance Sub-Committee and Finance Sub-Committee. This has ensured 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

Intelligent Client Function

11.80 In response to the cross-government requirement to improve contract management, and due to the drive to move corporate services into shared service arrangements, a new Intelligent Client Function was set up in Autumn 2014. Its dual functions are to increase the value (or level of savings) that the Department receives from its contracts by identifying areas for improvement and implementing improvements, and to manage those corporate services managed outside the Department. These are procurement and commercial services (Crown Commercial Service – CCS); facilities and estates management (Department for Education); legal services (Government Legal Department); and internal audit (Government internal Audit Agency). The work of this new team is governed by the Commercial Delivery Board, chaired by the Finance Director.

Transactional Finance & HR Shared Services Programme

11.81 The Department intends to transfer its Transactional Finance and HR services to a shared service operated by the government's contractor arvato. The Framework Authority for this programme is Cabinet Office, and the Department is one of four customer departments. Our initial contractual cut over date was 1 April 2015, however delays to the migrations of other departments preceding us meant that we agreed with arvato that we will not migrate our services before April 2016. We are cognisant of the business continuity risk that the uncertainty causes for the staff that will be affected by this programme, and are committed to communicating with them regularly. The work of the programme team is governed by the Shared Services Board that meets on a monthly basis to receive updates and provide a strategic steer.

Preparatory work for the new Government

11.82 To ensure that the Department was fully prepared for the General Election and for any future spending review process, a comprehensive programme of preparation was in place from the early part of 2015. Preparatory work took account of the Department's possible overall financial position for future years and the full financial implications of individual policy choices.

Departmental performance

11.83 The Department's performance in completing Business Plan actions on time improved significantly over course of this Parliament and we are currently ranked 2nd across Whitehall, an improvement on 2013-14. We have delivered all 28 commitments in Department's chapter in Coalition Programme for Government. One commitment from Coalition Programme for Government has not been delivered – giving residents power to instigate local referendums on any local issue. Provisions to do this were included in Localism Bill but were removed following opposition in the House of Lords during the Bill's passage. A more detailed review of our performance and priorities can be found in the Annual Report which can be found at the beginning of this report (sections 2-4).

11.84 The Department's people survey 2014 saw an increase in staff engagement of 4 per cent on the previous year and now stands at 53 per cent. As a result of restructuring and downsizing, the Department had seen a drop in the engagement score of 8 per cent therefore considerable work and effort has gone in to improving engagement. As a result of the 2013-14 people survey, senior management took steps to ensure the Department improved on previous scores by focusing heavily on leadership and equipping managers to lead and manage change, placing a premium on quality engagement, this has now led to an increase of 10 per cent in leadership and managing change. The Department has delivered major change projects successfully including both the new IT rollout and a successful move of the HQ to 2 Marsham Street. The other main area of improvement is Learning and Development which has seen an increase of 7 per cent on the previous year. Part of that success is due to the investment of over £3 million in formal training for the Department's staff to support development of relevant skills and improve overall capability.

Efficiencies and savings

11.85 The Department will have reduced its admin budget by just over 40 per cent in real terms by the end of 2014-15 – delivering savings of over £640 million over the current Spending Review period. Crucial to the admin savings was the relocation of the Department's hedquarters, reducing net running costs by £9 million a year from 2015-16. The Department moved into 2 Marsham Street in July 2014 to share with the Home Office. The move has been well received and provides an efficient, modern working environment for the Department's staff. The Marsham Street offices support a more flexible way of working, which involves desks being available on a 7:10 ratio and increased working at home by staff. The move supports Government policy to reduce the estate footprint in Central London by letting go of expensive leaseholds into a 'core' estate and it enables the more efficient use of PFI buildings. In addition the Department re-let the IT services contract which updated and improved the services with new hardware and better connectivity which has saved the Department £3.4 million per year in IT costs and has complimented the flexible ways of working with better connectivity allowing many staff to access services remotely.

The Governance Statement assurance process in 2014-15

11.86 The Department scrutinises Governance Statements produced by each Director at both half year and end of 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 Corporate Services; the Finance Director; and Deputy Directors in Finance and Strategy.

11.87 The Department's end of year Governance Assurance exercise took place in March/April 2015. All Directorates took part in the exercise by producing a Governance Statement and attending a challenge panel to discuss their Statement. The areas of most significance were Housing, European Programmes, Land and Property, Local Growth, 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, financial and commercial capabilities, ERDF 2014-20 programme, Public Sector Land targets, Local Enterprise Partnerships accountability, welfare reform, and preparations for a new government.

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 2014-15, there were no reported or suspected losses of personal data in the Department. There was one incident where commercial information was released in error on the Gov.uk website. A subsequent review was carried out and actions taken to strengthen information storage and publication.

11.90 There were no significant internal control issues during 2014-15.

Ministerial directions

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

Independent reporting

Internal Audit opinion

11.92 Following the completion of the planned audit work for 2014-15 for the Department, the Group Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management, governance and internal control. It stated that:

11.93 "We give an overall moderate assurance on the adequacy and effectiveness of the system of internal control throughout the year. In the majority of individual areas we were able to give moderate (and in some cases substantial) assurance. In our opinion there has been a strengthening of the Department's governance, risk management and control since 2013-14.

11.94 During 2014-15, the Department has further developed an ambitious programme of work involving loans, equity investments and guarantees, moving away from a focus on grants. A particularly material factor in determining our overall opinion is that the Department has made good progress over the last year in implementing a new risk management framework to enable identification, assessment and modelling of risk across this portfolio of financial instruments. While further work is ongoing to fully develop and implement the framework, our assessment is that it is enabling an increasingly sophisticated and effective understanding and control of the new risks inherent to this delivery approach.

11.95 Our wider work across the Department has provided similar levels of assurance. In the majority of areas, we have provided moderate assurance, having identified some areas for further strengthening of internal control. Limited assurance was provided on only five reviewed areas. Of these, the only area materially affecting our opinion was overall contract management within the Department, where weaknesses in the governance, capability and controls over contract management were identified, particularly for smaller contracts. In response to this review, we have seen rapid and positive action taken in year to strengthen the approach, although there is further work to be done during 2015-16.

11.96 Specifically regarding the ERDF programmes, we have taken into account the work, findings, and assurances of the ERDF Audit Authority. The ERDF Audit Authority's most recent Annual Control Report and Opinion was submitted to the EC on 19 December 2014. This offered an "unqualified" opinion on the basis that:

- A level 2 assessment of the management and control system, meaning that "some improvements are needed". This was based on the findings of an audit plan which tests the system of control to deliver the "key requirements" as set out in EC regulation and guidance.
- The concluded error rate of 2.414 per cent relating to ERDF expenditure certified and declared to the Commission during 2013 (the most recent audit period). This represents an improvement from the prior two years. Action by the Department has enabled the unqualified opinion because it has reduced the residual level of risk to within acceptable tolerance (i.e. below 2 per cent).

NAO reports

11.97 During 2014-15 the NAO published 4 reports (including the Departmental Overview) directly relating to the Department, which are available on their website. The titles and key findings of the reports are outlined below. The Department is taking forward recommendations across all of these reports:

11.98 The 2013-14 Departmental Overview (published October 2014) provided a summary of NAO's work on The Department over the course of 2013-14.

11.99 The report on Local Government Funding: Assurance to Parliament: (published 25 June 2014) focused on how the Department implements and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities. The report concluded that the Department implemented the government policies to increase local authorities' flexibility over their funding and reduce reporting burdens and the local authorities now have more freedom to allocate resources according to local priorities. Recommendations from the report suggest the Department sets out current assurance arrangements, assesses the appropriateness of continuing to fund local authorities through targeted grants, consider value for money as well as financial and service sustainability, when assessing whether the local accountability system is effective and consider updating the guidance on specific grant determinations.

11.100 The report on financial sustainability of local authorities 2014 (published 19 November 2014) examined whether the Department understood the impact of funding reductions on the financial and service sustainability of local authorities. The report concludes that local authorities have worked hard to manage the reductions in government funding through a mixture of efficiency measures and service transformation. However there is some evidence of reductions in service levels. The report recommended that the Department should publish a real-terms time series of change in individual local authority income since 2010-11, analyse savings so far from local authorities' transformational schemes and the timescales involved, have a clearer ongoing understanding of whether authorities' funding is sufficient to support their core services and strengthen its processes for assessing local authority funding requirements at future spending reviews.

11.101 The report on Planning for Better Care Fund (published 11 November 2014) concluded that the Better Care Fund was an innovative idea for joining-up care services locally for the benefit of patients. However, the quality of early planning and preparations did not match the scale of ambition. The report did accept that the pioneering nature, the many organisations involved and the complex behaviour changes required in the fund, were always going to be a challenge. The Department and the Department of Health were jointly covered by this report. The report outlined a number of recommendations around the clarification of the funds long-term vision, performance management and the balance between local areas' freedom to set Fund objectives and centrally mandated objectives. In addition they concluded there was a need to develop indicators to measure the extent and effectiveness of local service change and integration and to draw up a Fund accountability system statement, saying how the accounting officers will gain assurance on how local areas spend the Fund.

11.102 The Department also contributed to a number of cross government NAO reports in 2014-15 including Government Travel Expenditure, Conflicts of Interest, Companies in Government, Paying Government suppliers on time and Transforming Government contract management.

Public Accounts Committee reports

11.103 There were 6 published PAC reports in 2014-15 relating to the Department as a result of a PAC hearing; Promoting economic growth locally (published on 16 May 2014 from the 2013-14 session), Help to Buy Equity Loans (published on 18 June 2014), Adult Social Care (published on 10 July 2014), Local Government Funding: Assurance to Parliament (published on 10 September 2014), Financial Sustainability (28 January 2015) and Better Care Fund (26 February 2015). The Government has formally responded via a Treasury Minute to the recommendations in the above reports[6] apart from the response to the Better Care Fund which will be published in July 2015.

Conclusion

11.104 The system of internal control has been in place in my Department for the year ending 31 March 2015 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.

11.105 I have reviewed the evidence provided to me by the management assurance exercise and compliances functions (the Cross Department Internal Audit Services opinion and the external audit of the Department), I am satisfied that the Department has maintained a sound system of internal control during the financial year 2014-15. 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.

Melanie Dawes CB **22 June 2015**

Accounting Officer

Department for Communities and Local Government

[6] https://www.gov.uk/government/collections/treasury-minutes

Annex A: Board and sub-committee attendance

Board Members	Departmental Board	Audit and Risk Committee	Nominations and Governance Committee
Rt. Hon. Eric Pickles MP	3/4	n/a	n/a
Baroness Stowell of Beeston	2/2	1/2	n/a
Rt Hon. Baroness Warsi PC	n/a	n/a	n/a
Lord Ahmad of Wimbledon	2/2	0/3	n/a
Nick Boles MP	2/2	n/a	n/a
Penny Mordaunt MP	1/2	n/a	n/a
Kris Hopkins MP	1/4	n/a	n/a
Stephen Williams MP	3/4	n/a	n/a
Brandon Lewis MP	4/4	n/a	n/a
Sara Weller (Lead Non-Exec)	4/4	n/a	4/4
Stephen Hay (Non-Exec)	4/4	4/5	n/a
Nick Markham (Non-Exec)	4/4	5/5	0/4
Grenville Turner (Non-Exec)	3/4	n/a	4/4
Sir Bob Kerslake (Perm Sec)	4/4	1/4	n/a
Melanie Dawes (Perm Sec from 01/03/15)	n/a	1/1	n/a
Helen Edwards (Management)	2/4	3/5	4/4
Peter Schofield(Management)	3/4	n/a	n/a
Louise Casey(Management)	2/4	n/a	n/a
Andrew Campbell(Management)	4/4	5/5	n/a
David Rossington(Management)	3/4	5/5	n/a
David Hill (Management)	4/4	n/a	n/a
Dawn Brodrick (Management)	n/a	n/a	n/a
Ian Robertson (Independent member)	n/a	4/5	n/a
Peter Baynham (Independent member - joined Department 1 May 2014)	n/a	4/5	n/a

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department for Communities and Local Government and of its departmental Group for the year ended 31 March 2015 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 2014. 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 the Communities and Local Government Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity
In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 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 2015 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.

Report
I have no observations to make on these financial statements.

Sir Amyas C E Morse **Date: 23 June 2015**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Parliamentary Supply

For the year ended 31 March 2015

Summary of Resource and Capital Outturn 2014-15

£'000

								2014-15	2013-14
		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	**2,383,125**	**358**	2,383,483	**2,131,039**	188	2,131,227	**252,256**	1,935,677
Capital	SoPS2.2	**4,735,756**	**-**	4,735,756	**4,398,422**	-	4,398,422	**337,334**	3,808,000
Spending in DEL - DCLG Local Government									
Resource	SoPS2.1	**13,659,509**	**-**	13,659,509	**13,656,825**	-	13,656,825	**2,684**	16,625,421
Capital	SoPS2.2	**1**	**-**	1	**-**	-	-	**1**	-
Spending in Annually Managed Expenditure (AME)									
Resource	SoPS2.1	**12,912,004**	**-**	12,912,004	**12,208,559**	-	12,208,559	**703,445**	11,469,876
Capital	SoPS2.2	**245,000**	**-**	245,000	**120,882**	-	120,882	**124,118**	-
Total Budget		**33,935,395**	**358**	33,935,753	**32,515,727**	188	32,515,915	**1,419,838**	33,838,974
Non Budget:									
Resource		**54,800**	**-**	54,800	**(47,704)**	-	(47,704)	**102,504**	-
Total		**33,990,195**	**358**	33,990,553	**32,468,023**	188	32,468,211	**1,522,342**	33,838,974
Total Resource	SoPS2.1	**29,009,438**	**358**	29,009,796	**27,948,719**	188	27,948,907	**1,060,889**	30,030,974
Total Capital	SoPS2.2	**4,980,757**	**-**	4,980,757	**4,519,304**	-	4,519,304	**461,453**	3,808,000
Total		**33,990,195**	**358**	33,990,553	**32,468,023**	188	32,468,211	**1,522,342**	33,838,974

The table above includes a PPA for the HCA detailed in Note 30. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2014–15 the PPA has been included within voted supply in the Estimate as Non Budget. In 2013–14 this would have been a decrease of £47million outturn.

Net Cash Requirement 2014-15

£'000

				2014-15	2013-14
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	SoPS4	**24,514,920**	**20,879,645**	3,635,275	23,491,764

Administration Costs 2014-15

£'000

				2014-15	2013-14
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Administration Costs	SoPS3.2	**347,578**	**256,600**	90,978	367,885

The Notes on pages 118 to 127 form part of these accounts

Notes to the Statement of Parliamentary Supply

SoPS 1. Statement of accounting policies

SoPS 1.0. Overview

The Statement of Parliamentary Supply (SoPS) and supporting notes have been prepared in accordance with the 2014-15 FReM issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance (CBG) and Supply Estimates Guidance Manual.

SoPS 1.1. Accounting convention

The SoPS and related notes are presented consistently with HM 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' (ESA10). ESA10 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 (IFRS)-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.

SoPS1.2. Comparison with IFRS based Accounts

Many transactions are treated in the same way in National Accounts and IFRS - based accounts, but there are a number of differences as detailed below:

1.2.a. Capital Grants

Grants for capital purposes are treated as capital (CDEL) in the SoPS. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

Grant-in-aid (GiA) to NDPBs does not score in budgets so does not appear in the SoPS. Under IFRS, GiA is treated in line with other grants and appears within the Consolidated Statement of Comprehensive Net Expenditure for the core Department. (Note that GiA is fully eliminated on consolidation.)

1.2.b. Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.

The Department has made three adjustments to prior year figures, as outlined below:

- The first adjustment relates to the de-recognition of the revaluation reserve in respect of inventories. Further information on those restatement is disclosed in Note 15. See also Note 30.
- The second adjustment relates to the recognition point when HCA acquires equity in properties. Historically the recognition point was deemed to be at the point of contract exchange, however, it has subsequently been concluded that the recognition point is upon completion. This means that acquisitions for which contracts had been exchanged but transfer of ownership had not been completed as at the reporting date need to be de-recognised. The restatement is disclosed in Note 12. See also Note 30.
- The third adjustment relates to contractual assets from contracts that give rise to financial assets (majority of which were made by predecessor organisations). These contracts give rise to financial assets which have been recognised in the Statement of Financial Position by restating prior periods (previously expensed). The restatement is disclosed in Notes 11 and 12. See also Note 30.

1.2.c. Receipts in excess of HM Treasury agreement

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 SoPS. IFRS-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.

1.2.d. Asset additions and disposals

Asset additions and disposals, including development land held as inventories (see accounting policy 14) score as capital expenditure or income respectively in the SoPS. In IFRS accounts, asset additions and disposals are not as expenditure or income but as movements in the Statement of Financial Position (SoFP).

1.2.e. Net Cash Requirement

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, SoPS2.1 and SoPS2.2. This excludes some items, including Consolidated Fund Extra Receipts and Parliamentary Supply, which appear in the Statement of Cash Flows produced under IFRS.

1.2.f. Receipt of land sales

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 (accounting policy 14). 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

	2014-15										2013-14
	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	-	-	-	417,652	(26,804)	390,848	390,848	432,944	42,096		369,121
B Neighbourhoods	46,615	(14,420)	32,195	1,155,673	(448)	1,155,225	1,187,420	1,209,586	22,166		908,299
C Local Economies, Regeneration & European Programmes	-	-	-	360,535	(172,917)	187,618	187,618	198,286	10,668		178,037
D Troubled Families	-	-	-	152,854	(25,000)	127,854	127,854	133,752	5,898		140,969
E Research, Data & Trading Funds	-	-	-	37,960	(2,259)	35,701	35,701	77,094	41,393		18,283
F DCLG Staff, Building and Infrastructure Costs	168,786	(25,017)	143,769	2,680	(1,032)	1,648	145,417	226,585	81,168	(4,835)	209,885
G Localism (ALB)(Net)	24,541	-	24,541	-	-	-	24,541	19,706	(4,835)	4,835	20,108
H Neighbourhoods (ALB) (Net)	55,907	-	55,907	4,070	-	4,070	59,977	74,591	14,614		108,310
I Local Economies, Regeneration & European Programmes (ALB) (Net)	-	-	-	(28,337)	-	(28,337)	(28,337)	10,581	38,918		(17,335)
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-		-
Total Voted	**295,849**	**(39,437)**	**256,412**	**2,103,087**	**(228,460)**	**1,874,627**	**2,131,039**	**2,383,125**	**252,086**		**1,935,677**
Non Voted Expenditure											
IA Neighbourhoods	188	-	188	-	-	-	188	358	170		-
Total Non Voted	188	-	188	-	-	-	188	358	170		-
Total spending in DEL - DCLG Communities	**296,037**	**(39,437)**	**256,600**	**2,103,087**	**(228,460)**	**1,874,627**	**2,131,227**	**2,383,483**	**252,256**		**1,935,677**

£'000

	2014-15										2013-14
	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	-	-	-	12,700,735	-	12,700,735	12,700,735	12,700,735	-		15,200,902
K Other Grants and Payments	-	-	-	865,300	-	865,300	865,300	867,984	2,684		983,295
L Business Rates Retention	-	-	-	90,790	-	90,790	90,790	90,790	-		297,224
Valuation Service	-	-	-	-	-	-	-	-	-		144,000
Local Government (ALB) (Net)	-	-	-	-	-	-	-	-	-		-
Non-Domestic Rate Payments	-	-	-	-	-	-	-	-	-		-
London Governance	-	-	-	-	-	-	-	-	-		-
Audit Commission Disbanding	-	-	-	-	-	-	-	-	-		-
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**13,656,825**	**-**	**13,656,825**	**13,656,825**	**13,659,509**	**2,684**		**16,625,421**
TOTAL DEL spend	**296,037**	**(39,437)**	**256,600**	**15,759,912**	**(228,460)**	**15,531,452**	**15,788,052**	**16,042,992**	**254,940**		**18,561,098**

£'000

										2014-15	**2013-14**
	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											
M Localism	-	-	-	541,725	(42,517)	499,208	499,208	629,156	129,948		394,778
N Neighbourhoods	-	-	-	(1,770)	-	(1,770)	(1,770)	32,588	34,358		7,741
O Research, Data & Trading Funds	-	-	-	-	(22,078)	(22,078)	(22,078)	8,100	30,178		15,273
P DCLG Staff, Building and Infrastructure Costs	-	-	-	(2,177)	-	(2,177)	(2,177)	(3,361)	(1,184)		(18,247)
Q NDR Outturn Adjustment	-	-	-	-	-	-	-	10,743	10,743		261,736
R Localism (ALB)(Net)	-	-	-	(4,759)	-	(4,759)	(4,759)	2,413	7,172		719
S Neighbourhoods (ALB) (Net)	-	-	-	3,238	-	3,238	3,238	250,051	246,813	(19,994)	(64,534)
T Local Economies, Regeneration & European Programmes (ALB) (Net)	-	-	-	74,994	-	74,994	74,994	55,000	(19,994)	19,994	10,842
U Business Rates Retention	-	-	-	14,817,390	(3,155,487)	11,661,903	11,661,903	11,927,314	265,411		10,861,568
TOTAL AME spend	**-**	**-**	**-**	**15,428,641**	**(3,220,082)**	**12,208,559**	**12,208,559**	**12,912,004**	**703,445**		**11,469,876**
TOTAL DEL & AME	**296,037**	**(39,437)**	**256,600**	**31,188,553**	**(3,448,542)**	**27,740,011**	**27,996,611**	**28,954,996**	**958,385**		**30,030,974**
Spending in Non-Budget Expenditure Limits											
Voted expenditure											
V Prior Period Adjustment	-	-	-	(40,036)	(7,668)	(47,704)	(47,704)	54,800	102,504		-
TOTAL	**296,037**	**(39,437)**	**256,600**	**31,148,517**	**(3,456,210)**	**27,692,307**	**27,948,907**	**29,009,796**	**1,060,889**		**30,030,974**

SoPS 2.2. Analysis of net capital outturn by section

£'000

						2014-15	2013-14
	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	994,919	(677)	994,242	987,976	(6,266)	6,266	938,636
B Neighbourhoods	203,565	(11,854)	191,711	196,949	5,238		223,600
C Local Economies, Regeneration & European Programmes	1,182,616	(289,421)	893,195	904,467	11,272		554,753
E Research, Data & Trading Funds	-	-	-	-	-		-
F DCLG staff, building and infrastructure costs	3,093	(223)	2,870	5,942	3,072		2,025
G Localism (ALB)(Net)	169	-	169	564	395		232
H Neighbourhoods (ALB) (Net)	2,345,737	-	2,345,737	2,670,661	324,924	(6,266)	2,149,940
I Local Economies, Regeneration & European Programmes (ALB) (Net)	(29,502)	-	(29,502)	(30,803)	(1,301)		(61,186)
Departmental Unallocated Provision	-	-	-	-	-		-
Total spending in DEL - DCLG Communities	**4,700,597**	**(302,175)**	**4,398,422**	**4,735,756**	**337,334**		**3,808,000**
Spending in DEL - DCLG Local Government							
Voted:							
J Revenue Support Grant	-	-	-	-	-		-
K Other Grants and Payments	-	-	-	1	1		-
L Business Rates Retention	-	-	-	-	-		-
Valuation Service	-	-	-	-	-		-
Local Government (ALB) (Net)	-	-	-	-	-		-
Total spending in DEL - DCLG Local Government	**-**	**-**	**-**	**1**	**1**		
TOTAL spending in DEL	**4,700,597**	**(302,175)**	**4,398,422**	**4,735,757**	**337,335**		**3,808,000**
Annually Managed Expenditure (AME)							
Voted:							
N Neighbourhoods	120,882	-	120,882	245,000	124,118		-
Q Non Domestic Rates Outturn Adjustments	-	-	-	-	-		-
R Local Government (ALB) (Net)	-	-	-	-	-		-
S Neighbourhoods (ALB) (Net)	-	-	-	-	-		-
T Local Economies, Regeneration & European Programmes (ALB) (Net)	-	-	-	-	-		-
U Business Rates Retention	-	-	-	-	-		-
TOTAL spending in AME	**120,882**	**-**	**120,882**	**245,000**	**124,118**		
TOTAL DEL & AME	**4,821,479**	**(302,175)**	**4,519,304**	**4,980,757**	**461,453**		**3,808,000**

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	2014-15	2013-14 restated
Total resource outturn in Statement of Parliamentary Supply		SoPS2.1		
Budget			27,996,611	30,030,974
Non Budget			(47,704)	-
			27,948,907	30,030,974
Add:				
	Capital Grants		3,141,567	2,757,125
	Capital budget adjustments		(10,698)	9,096
	Absorption and Asset Transfers	5,7	(6,695)	6,200
	Expected Return on Pension Assets		-	-
	Grant in Aid			
Less:	Income payable to the Consolidated Fund	SoPS5	(167,829)	(159,728)
	Prior Period Adjustment:		47,704	(33,768)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**30,952,956**	**32,609,899**

The Non Budget Outturn for 2014-15 includes the whole impact of the Prior Period Adjustments (PPAs) whereas the 2013-14 figure for PPAs shows only the resource impact.

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

£'000

	Notes	2014-15 Outturn	2013-14 Outturn
Estimate - Administration Costs Limit		**347,578**	**414,802**
Outturn Gross Administration Costs	SoPS2.1	295,849	405,808
Outturn - Gross Income Relating to Administration Costs	SoPS2.1	(39,437)	(37,923)
Outturn - Net Administration Costs		**256,412**	**367,885**
Reconciliation to Operating Costs:			
Plus:			
Contingency Fund Expenditure		188	-
non supply income (CFERs)			
Less: other		-	-
Administration Net Operating Costs		**256,600**	**367,885**

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 2014-15 the value of these administration charges amounts to £5.7 million 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	2014-15 Net total outturn compared with Estimate: saving/(excess)
Resource Outturn	SoPS2.1	29,009,796	27,948,907	1,060,889
Capital Outturn	SoPS2.2	4,980,757	4,519,304	461,453
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation and amortisation	4,5	(33,263)	(9,055)	(24,208)
New provisions and adjustments to previous provisions	19	(211,383)	(101,012)	(110,371)
Prior Period Adjustments		(54,800)	47,704	(102,504)
Other non-cash items	4,5,6, 7	(11,055,412)	(10,714,428)	(340,984)
Adjustments for NDPBs:				
Remove voted resource and capital		(3,052,764)	(2,446,168)	(606,596)
Add cash grant-in-aid		2,927,852	2,446,027	481,825
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories	15	-	22,400	(22,400)
Increase/(decrease) in receivables		379,700	(543,317)	923,017
(Increase)/decrease in payables		1,622,795	(303,515)	1,926,310
CFERs receivable		-	-	-
Use of provisions and payment of pensions	19, 20	2,000	15,029	(13,029)
Other Adjustments		-	(2,043)	2,043
Removal of non-voted budget items:				
Consolidated Fund Advance		(358)	(188)	(170)
Net cash requirement		24,514,920	20,879,645	3,635,275

The note above includes a PPA for the HCA detailed in Note 30. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2014–15 the PPA has been included within voted supply in the Estimate as Non Budget. In 2013–14 this would have been a decrease of £47million outturn.

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 is payable to the Consolidated Fund (cash receipts being shown in italics).

£'000

	Notes	Outturn 2014-15 Income	Outturn 2014-15 *Receipts*	Outturn 2013-14 Income	Outturn 2013-14 *Receipts*
Income outside the ambit of the Estimate	7	167,829	*167,829*	159,728	*159,728*
Other amounts collectable on behalf of the Consolidated Fund					
Excess cash surrenderable to the Consolidated Fund		74	*74*	180	*180*
Total amount payable to the Consolidated Fund		**167,903**	***167,903***	**159,908**	***159,908***

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 2015

All activities are continuing

£'000

	Note	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
				2014-15			2013-14 restated
Administration Costs							
Staff Costs	3	93,545	128,879	189,379	93,237	127,875	186,265
Other Costs	4	75,731	87,012	132,052	140,889	157,093	233,577
Income	6	(32,112)	(40,662)	(64,831)	(27,077)	(39,444)	(51,957)
Programme Costs							
Staff Costs	3	2,169	2,169	13,666	1,920	1,920	13,806
Other Costs	5	33,637,912	33,638,158	34,727,595	35,138,759	35,137,500	36,210,714
Income	7	(3,917,690)	(3,917,690)	(4,044,905)	(3,856,848)	(3,856,848)	(3,982,506)
Grant-in-aid to ALBs		2,446,027	2,446,027	-	2,350,694	2,350,694	-
Net Operating Costs for the year ended 31 March		**32,305,582**	**32,343,893**	**30,952,956**	**33,841,574**	**33,878,790**	**32,609,899**
Total Expenditure		36,255,384	36,302,245	35,062,692	37,725,499	37,775,082	36,644,362
Total Income		(3,949,802)	(3,958,352)	(4,109,736)	(3,883,925)	(3,896,292)	(4,034,463)
Net Operating Costs for the year ended 31 March		**32,305,582**	**32,343,893**	**30,952,956**	**33,841,574**	**33,878,790**	**32,609,899**
Other Comprehensive Net Expenditure							
Items that will not be reclassified to net operating costs:							
Net (Gain) / Loss on:		-	-	-	-	-	-
Pension Schemes	20	(45)	(45)	51,490	135	7	(54,157)
Revaluation of property, plant and equipment	8	(8)	(7)	(9)	2,618	2,634	2,663
Revaluation of inventories	15	-	-	-	-	-	-
Income tax on items in other comprehensive expenditure		-	-	5,751	-	-	18,863
Disposal of available for sale assets recognised in net expenditure		-	-	14,251	-	-	9,229
Items that may be reclassified to net operating costs:							
Net (Gain) / Loss on:							
Fair value gain on available for sale assets	12	-	-	(74,673)	-	-	(25,978)
Total comprehensive expenditure for the year ended 31 March		**32,305,529**	**32,343,841**	**30,949,766**	**33,844,327**	**33,881,431**	**32,560,519**

2013-14 comparators have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

The Notes on pages 134 to 184 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2015

£'000

	Note	Core Department	Core Department & Agency	31-Mar-2015 Departmental Group	Core Department	Core Department & Agency	31-Mar- 2014 restated Departmental Group	1- Apr- 2013 restated Departmental Group
Non-current assets								
Property, plant and equipment	8	72,865	73,191	77,491	75,188	75,373	79,913	96,440
Intangible assets	9	4,545	6,066	9,153	5,498	6,729	9,975	13,972
Investments	11	62,142	62,142	553,837	57,609	57,609	363,141	350,343
Available for sale assets	12	-	-	2,818,150	-	-	1,549,373	709,785
Investment properties	13	49,242	49,242	49,242	32,208	32,208	32,208	28,708
Trade and other receivables	16	12,128	12,128	151,857	12,203	12,203	139,119	145,602
Total non-current assets		**200,922**	**202,769**	**3,659,730**	**182,706**	**184,122**	**2,173,729**	**1,344,850**
Current assets								
Assets classified as held for sale	14	1,794	1,794	1,794	4,737	4,737	4,737	5,790
Inventories	15	86,884	86,884	601,706	64,484	64,484	607,150	514,857
Trade and other receivables	16	308,410	313,793	608,208	882,271	887,845	1,239,468	753,567
Cash and cash equivalents	17	447,854	450,252	690,430	271,643	272,187	377,008	213,178
Total current assets		**844,942**	**852,723**	**1,902,138**	**1,223,135**	**1,229,253**	**2,228,363**	**1,487,392**
Total Assets		**1,045,864**	**1,055,492**	**5,561,868**	**1,405,841**	**1,413,375**	**4,402,092**	**2,832,242**
Current liabilities								
Trade and other payables	18	1,420,007	1,425,221	1,835,362	979,913	984,296	1,245,050	1,254,515
Provisions	19	103,150	103,572	118,647	18,505	18,790	52,074	76,269
Pensions	20	-	-	-	155	155	155	248
Total current liabilities		**1,523,157**	**1,528,793**	**1,954,009**	**998,573**	**1,003,241**	**1,297,279**	**1,331,032**
Non-current assets plus/less net current assets/liabilities		**(477,293)**	**(473,301)**	**3,607,859**	**407,268**	**410,134**	**3,104,813**	**1,501,210**
Non-current liabilities								
Trade and other payables	18	281,979	282,117	292,226	300,353	300,449	367,767	303,791
Provisions	19	18,932	18,932	37,354	17,690	17,582	27,914	132,876
Pensions	20	1,632	1,632	6,366	1,601	1,601	(35,190)	50,360
Financial guarantees	21	3,983	3,983	3,983	-	-	-	-
Total Non-current liabilities		**306,526**	**306,664**	**339,929**	**319,644**	**319,632**	**360,491**	**487,027**
Assets less liabilities		**(783,819)**	**(779,965)**	**3,267,930**	**87,624**	**90,502**	**2,744,322**	**1,014,183**
Taxpayers' equity								
General fund		(800,536)	(796,690)	3,259,197	70,948	73,803	2,688,727	1,041,034
Revaluation reserve		16,614	16,622	16,615	16,618	16,641	16,633	18,888
Pension reserve		103	103	(7,882)	58	58	38,962	(45,739)
Total taxpayers' equity		**(783,819)**	**(779,965)**	**3,267,930**	**87,624**	**90,502**	**2,744,322**	**1,014,183**

Comparators as at 1 April 2013 and 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Melanie Dawes CB **22 June 2015**
Accounting Officer
Department for Communities and Local Government
The Notes on pages 134 to 184 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

£'000

	Note	2014-15		2013-14 restated	
		Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Costs	SoCNE	(32,343,893)	(30,952,956)	(33,878,790)	(32,609,899)
Adjusted for:					
Finance costs	4,5,6,7	18,760	(18,976)	32,409	17,727
(Profit) / loss on disposal of non-current assets	4,5,6,7	(1,201)	(14,752)	485	(7,761)
Depreciation and amortisation	4,5	9,055	12,119	14,183	18,231
Revaluation of non-current assets passing through the SoCNE	4,5	(17,599)	(17,599)	(3,500)	(3,500)
Impairment of non-current assets	4,5	(5,550)	6,716	253	(9,742)
Increase / decrease in inventories	15	(22,400)	13,144	(49,829)	(93,818)
Other non cash transaction	4,5,6,7	(7,129)	(5,115)	1,481	1,340
(Increase) / decrease in trade & other receivables		543,317	502,462	(334,314)	(328,031)
Increase / (decrease) in trade & other payables		303,515	396,648	102,107	95,998
Movement in provisions	4,5	101,012	100,878	15,080	23,335
Utilisation of provision		(14,880)	(24,865)	(20,933)	(79,065)
Pension fund adjustments		(149)	(7,848)	(152)	(34,767)
Local share (local authorities)	5	10,761,083	10,761,083	10,851,030	10,851,030
Adjustments for Corporation Tax		-	(5,751)	-	(18,863)
Adjustments for net operating (gains)/losses - absorption transfers	4,5,6,7	1,005	(6,695)	4,629	6,200
Net Cash outflow from operating activities		**(20,675,054)**	**(19,261,507)**	**(23,265,861)**	**(22,171,585)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment	8	(1,279)	(2,265)	(1,610)	(2,162)
Purchase of intangible assets	9	(1,816)	(3,716)	(1,491)	(2,802)
Purchase of financial assets		(2,000)	(1,600,832)	(58,500)	(1,214,244)
Proceeds from disposal of property, plant and equipment		-	14,706	344	356
Proceeds on disposal of financial assets		-	88,684	-	49,504
Proceeds from disposal of FSC assets (Held for Sale)		4,748	4,748	1,053	1,053
Repayment of financial assets	11	-	199,986	-	142,500
Interest received		2,960	40,342	1,502	30,735
Other adjustments - investing activities		77	(16,183)	-	-
Net Cash inflow / (outflow) from investing activities		**2,690**	**(1,274,530)**	**(58,702)**	**(995,060)**
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		21,051,000	21,051,000	23,733,134	23,733,134
From the consolidated fund - Excess Vote 2012-13		-	-	55,456	55,456
Advances from the contingencies fund	SoPS2.1	358	358	-	-
Receipt of non operating CFERs	SoPS5				
Capital element of payments in respect of finance leases		(2,782)	(3,737)	(1,212)	(2,184)
Interest paid	4,5	(5,860)	(5,875)	(6,253)	(6,318)
Foreign exchange movements	4,5,6,7	(30,998)	(30,998)	2	2
Net Cash inflow / (outflow) from financing activities		**21,011,718**	**21,010,748**	**23,781,127**	**23,780,090**

Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**339,354**	**474,711**	**456,564**	**613,445**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(100)	(100)	(302)	(302)
Payments due to the Consolidated Fund		(161,263)	(161,263)	(162,536)	(162,536)
Other balances surrenderable to the Consolidated Fund	SoPS5	74	74	180	180
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**178,065**	**313,422**	**293,906**	**450,787**
Cash and cash equivalents at the beginning of the period	17	**272,187**	**377,008**	**(21,719)**	**(73,779)**
Cash and cash equivalents at the end of the period	17	**450,252**	**690,430**	**272,187**	**377,008**

2013-14 comparators have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

The Notes on pages 134 to 184 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2013		**1,052,373**	**192,716**	**(45,739)**	**1,199,350**
Changes in Accounting Policy	30	(11,339)	(173,828)		(185,167)
Restated balance at 1 April 2013		**1,041,034**	**18,888**	**(45,739)**	**1,014,183**
Changes in taxpayers' equity for 2013-14					
Net gain / (loss) on revaluation of property, plant and equipment		-	(2,663)	-	(2,663)
Release of reserves to the operating cost statement	SoCNE	(9,229)	-	-	(9,229)
Deferred tax movements		(18,863)	-	-	(18,863)
Recognition of actuarial gains and losses	20	-	-	54,157	54,157
Net operating costs for the year	SoCNE	(32,609,899)	-	-	(32,609,899)
Change arising from revaluations		25,978	-	-	25,978
Total comprehensive expenditure		**(32,612,013)**	**(2,663)**	**54,157**	**(32,560,519)**
Non cash charges - auditor's remuneration		520	-	-	520
Other adjustments to reserves		51,234	-	382	51,616
Local Share (recognition through reserves)	5	10,851,030	-	-	10,851,030
Movements in reserves:					
Transfers between reserves		(30,570)	408	30,162	-
Total recognised income and expenses for 2013-14		**(21,739,799)**	**(2,255)**	**84,701**	**(21,657,353)**
Net Parliamentary Funding - drawn down		23,733,134	-	-	23,733,134
Net Parliamentary Funding - deemed supply		(241,370)	-	-	(241,370)
Supply payable for 2013-14	18	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		**2,688,727**	**16,633**	**38,962**	**2,744,322**
Changes in Accounting policy					
Restated balance at 1 April 2014		**2,688,727**	**16,633**	**38,962**	**2,744,322**
Changes in taxpayers' equity for 2014-15					
Net gain / (loss) on revaluation of property, plant and equipment		-	9	-	9
Release of reserves to the operating cost statement	SoCNE	(14,251)	-	-	(14,251)
Deferred tax movements		(5,751)	-	-	(5,751)
Recognition of actuarial gains and losses	20	-	-	(51,490)	(51,490)
Net operating costs for the year	SoCNE	(30,952,956)	-	-	(30,952,956)
Change arising from revaluations		74,673	-	-	74,673
Total comprehensive expenditure		**(30,898,285)**	**9**	**(51,490)**	**(30,949,766)**
Non cash charges - auditor's remuneration		475	-	-	475
Local share (recognition through reserves)	5	10,761,083	-	-	10,761,083
Movements in reserves:					
Transfers between reserves		(4,619)	(27)	4,646	-
Total recognised income and expenses for 2014-15		**(20,141,346)**	**(18)**	**(46,844)**	**(20,188,208)**
Net Parliamentary Funding - drawn down		21,051,000	-	-	21,051,000
Net Parliamentary funding - deemed supply		241,370	-	-	241,370
Supply payable for 2014-15	18	(412,725)	-	-	(412,725)
CFERs payable to the consolidated fund	SoPS5	(167,829)	-	-	(167,829)
Sub Total		**20,711,816**	**-**	**-**	**20,711,816**
Balance at 31 March 2015		**3,259,197**	**16,615**	**(7,882)**	**3,267,930**

The Notes on pages 134 to 184 form part of these accounts.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2013		**(339,541)**	**18,868**	**65**	**(320,608)**
Changes in Accounting policy					
Restated balance at 1 April 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 and losses	20	-	-	(7)	(7)
Net operating costs 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)	5	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 expenses 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 - deemed supply		(241,370)	-	-	(241,370)
Supply payable for 2013-14		55,456	-	-	55,456
CFERs payable to the Consolidated Fund	SoPS5	(159,728)	-	-	(159,728)
Sub Total		**23,387,492**	**0**	**0**	**23,387,492**
Balance at 31 March 2014		**73,803**	**16,641**	**58**	**90,502**
Changes in Accounting policy					
Restated balance at 1 April 2014		**73,803**	**16,641**	**58**	**90,502**
Changes in taxpayers' equity for 2014-15					
Net gain / (loss) on revaluation of property, plant and equipment		-	7	-	7
Recognition of actuarial gains and losses	20	-	-	45	45
Net operating costs for the year	SoCNE	(32,343,893)	-	-	(32,343,893)
Total comprehensive expenditure		**(32,343,893)**	**7**	**45**	**(32,343,841)**
Non cash charges - auditor's remuneration		475	-	-	475
Local share (recognition through reserves)	5	10,761,083	-	-	10,761,083
Movements in reserves:					
Transfers between reserves		26	(26)	-	-
Total recognised income and expenses for 2014-15		**(21,582,309)**	**(19)**	**45**	**(21,582,283)**
Net Parliamentary Funding - drawn down		21,051,000	-	-	21,051,000
Net Parliamentary funding - deemed supply		241,370	-	-	241,370
Supply payable for 2014-15	18	(412,725)	-	-	(412,725)
CFERs payable to the consolidated fund	SoPS5	(167,829)	-	-	(167,829)
Transfer of assets and liabilities		-	-	-	-
Sub Total		**20,711,816**	**-**	**-**	**20,711,816**
Balance at 31 March 2015		**(796,690)**	**16,622**	**103**	**(779,965)**

The Notes on pages 134 to 184 form part of these accounts.

Notes to the Departmental Accounts

Statement of Accounting Policies

1. General

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.

The accounting policies adopted are in accordance with the 2014-15 FReM issued by HM Treasury and apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the the departmental Group 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.

2 Basis of consolidation

These Financial Statements consolidate those of the core Department, the Department's Executive Agency (PINS) and those Arms Length Bodies (ALBs) which fall within the departmental boundary as defined by the FReM; these bodies make up the 'departmental Group'. The Department for Communities and Local Government is the ultimate parent of the departmental Group. Where material, accounting policies of the group have been aligned. 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 in Note 31.

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 operations or joint ventures are undertakings in which the Group has joint control with another party. 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 includes the Group's share of profits or losses of associates and joint ventures, whilst its share of net assets of associates is shown in the Consolidated Statement of Financial Position.

Where possible, the share of net assets and profit or loss information is based on audited Financial Statements to 31 March 2015. For the English Cities Fund, an associate of the HCA, audited financial statements to 31 December 2014 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. The Department considers that all subsidiaries and associates are properly included in the consolidation under the terms of IFRS 10, the FReM and 2014-15 Designation Order.

3 Accounting convention

These accounts have been prepared under the historical cost convention modified by the revaluation of assets and liabilities to fair value as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM.

4 Significant estimates and judgements

The preparation of the financial statements requires management to make estimates and judgements 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 involves a significant amount of estimation uncertainty, particularly given the complexity of some of the HCA's properties. 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 accounting policy 14).
- 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 accounting policy 10).
- 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 ERDF 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.
- The determination of the fair value of financial guarantees is measured using statistical modelling techniques (see accounting policy 12).

5 Changes in accounting policies

The Department has assessed the following standards and amendments 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 – will be effective from the 2018-19 reporting period. The new standard simplifies the classification and measurement of financial assets as well as addressing how impairments should be calculated and reported. IFRS 9 has yet to be endorsed by the EU and its application in the public sector context has yet to be interpreted by the FReM. There is therefore significant uncertainty about how the standard may affect central government departments.

- IFRS 13 - Fair Value Measurement – IFRS will be effective from the 2015-16 reporting period. The new standard aims to provide consistent guidance on fair value measurement.
- IAS 36 Impairment of Assets (amendment on recoverable amount disclosures) – Amendments to IAS 36 seek to address the implications of references to IFRS 13 'Fair Value Measurement' The amendments modify some of the disclosure requirements regarding the measurement of the recoverable amount of impaired assets. Any adaptations or interpretations are yet to be considered for the 2015-16 FReM. It is not expected the changes will have a material effect on the accounts.

There were two HCA related changes in accounting policy in the reporting period that have been accounted for as Prior Period Adjustments (PPA). One further HCA PPA has also been accounted for that relates to a prior period accounting error. These adjustments are not material to the Department. The Department has applied a full restatement. Details are given in Note 30 including a summary impact of each change on the financial statements.

6 Operating segments

IFRS 8 requires that segments are determined based on the entity's business model including the reporting of information to business decisions makers. Although interlocking, the Department's objectives are separated into the segments reported in Note 2.

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 a reportable segment. Furthermore, administration 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.

Assets and liabilities are not segmented for information purposes.

7 Non–current assets (excluding trade and other receivables)

Non-current assets are held at fair value, as described below.

The core Department's capitalisation threshold is £5,000. Other entities within the Group use capitalisation thresholds between £1,000 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

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 ALB.

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. All other assets reported in accordance with IAS 16 (*Property, Plant and Equipment*) are stated at depreciated historical cost revalued annually using appropriate indices published by the ONS. In some ALBs, 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.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve with any excess charged to the SoCNE. Impairments in property, plant and equipment are charged to the SoCNE except where the impairment is due to fluctuations in the market, in which case the treatment is the same as for revaluations.

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.

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

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)
- IT & Strategic IT: 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

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.

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, i.e. where additional functionality is provided, is capitalised as systems under development.

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.

8 Investment properties

IAS 40 requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals, or both. Investment properties are valued at fair value with movements in the fair value being recorded in the Statement of Comprehensive Net Expenditure for the period in which they arise.

The Department's investment properties are the QEII Conference Centre which operates as a Trading Fund but the Department has freehold ownership of land and building and Burlington House which is let to tenants.

9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

10 Financial Assets

The departmental Group's financial assets have been classified into the following categories:

- Available for sale financial assets
- Loans and receivables

Available for sale financial assets

The Department's available for sale financial assets are interests in future sale proceeds of properties bought with financial assistance from the HCA. The investments are stated at fair value as outlined below:

- The fair values of available for sale financial assets relating to housing units are calculated with reference to movements in the ONS 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. 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.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market.

Loans are initially measured at fair value and are subsequently carried at amortised cost using the effective interest rate. 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 the Department.

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. 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 per cent), in accordance with the terms of IAS 39.

Cash and cash equivalents

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.

11 Financial liabilities

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.

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 per cent) in accordance with the terms of IAS 39

12 Financial Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised in the financial statements at fair value at the point it becomes live i.e. the funds being guaranteed are drawn down.

The fair value of the guarantee liabilities at initial recognition are estimated as the fair value of the guarantee fee income where appropriate, assuming the fee has been set at a commercial market rate. In cases where the fee has not been set at a commercial rate or there isn't a fee, the fair value of financial guarantee liabilities will be equal to the probability weighted expected loss over the duration of the guarantee.

After initial recognition, financial guarantee liabilities are measured at the higher of the initial measurement, less cumulative amortisation and the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

13 Investments

Financial interests in public sector entities outside the departmental Boundary are treated as investments since they are held for the long term. These include Public Dividend Capital (PDC) investments and are recognised at historic cost adjusted for impairment as permitted by the FReM.

14 Inventories

HCA's property/development assets, consisting of land and buildings, are shown in the Consolidated Statement of Financial Position at the lower of cost and net realisable value. Net realisable value is determined by deducting expected disposal costs from the valuation of each asset. The valuation methodology reflects HCA's objectives and conditions for each asset. A valuation of the whole portfolio is carried out as at each reporting date by both internal and external qualified valuers, with independent external valuers appointed for the majority of the portfolio's value and also to value complex properties. In all cases valuations are in accordance with RICS Valuation - Professional Standards (9th Edition) published by the Royal Institution of Chartered Surveyors

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.

The long term 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.

Claims for payment to 2007-13 ERDF projects are initially charged against work in progress and only recognised as an expense once certified as compliant with the ERDF Regulations, such that the related ERDF income can be recognised. Where any amounts charged to work in progress subsequently fail certification, recovery of the cost is sought from projects. In accordance with IAS 2 work in progress is valued at the lower of cost and net realisable value.

15 Administration and programme expenditure and income

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 programme follows the definitions set by HM Treasury.

16 Income

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 FReM requirements.

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.

17 Value Added Tax

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

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.

18 Corporation Tax

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

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.

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.

19 Foreign exchange

The departmental Group’s functional and presentational currency is Sterling.

Transactions in foreign currencies are recorded in Sterling at the rate of exchange ruling at the date of the transaction. ERDF balances in the Department’s 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.

20 Pensions and other employee benefits

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.

Employees of ALBs 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.

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.

21 Grants payable

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.

Grant-in-Aid payments from the core Department to ALBs are paid only when the need for cash has been demonstrated by the body concerned. ALBs treat receipts of Grant in Aid as financing in accordance with the FReM. These transactions are eliminated on consolidation.

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.

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.

Grant expenditure and income in respect of Business Rates is also recognised at the point at which eligibility is determined. For the Accounting Year, Business rates income is determined via NNDR1 claim forms submitted by local authorities and the associated expenditure, including the notional charge for the Local Share, and income are recognised once these claim forms are approved. The amounts recognised also include final adjustments to prior years' figures where eligibility has been confirmed by inclusion of audited figures in local authority NNDR3 returns.

The Department acts as a Managing Authority for the ERDF in England. The 2000-06 programme is now complete and will be closed once the Department has agreed the final position on each programme with the EC. 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.

22 Leases

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.

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.

23 Provisions

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.

24 Contingent Liabilities

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.

25 Application of Merger Accounting

The FReM 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, ALBs 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.

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 FReM. These principles are akin to transfers by absorption and assets and liabilities are not revalued on transfer.

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.

26 Machinery of Government (MoG) changes

There were no transfers of functions between bodies within the departmental Group during 2014-15.

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

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 (accounting policy 6)

Net programme expenditure against these segments is shown in the following table. Programme expenditure on 'Research, Data and Trading Funds' (Estimate Row E in the Estimate) and Administration expenditure is not allocated to segments as per the Group Accounting Policy (accounting policy 6).

£'000

					2014-15				2013-14
	Note	Segment 1	Segment 2	Segment 3	Total	Segment 1	Segment 2	Segment 3	Total
Gross Expenditure	SoPS2	30,423,460	152,854	4,126,101	34,702,415	32,776,074	160,969	3,250,820	36,187,863
Income	SoPS2	(3,224,808)	(25,000)	(591,004)	(3,840,812)	(3,319,214)	(20,000)	(443,250)	(3,782,464)
Net Expenditure		**27,198,652**	**127,854**	**3,535,097**	**30,861,603**	**29,456,860**	**140,969**	**2,807,570**	**32,405,399**

The HCA's PPAs made no impact on the above segmental report.

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

					2014-15				2013-14 restated
	Note	Segment 1	Segment 2	Segment 3	Total	Segment 1	Segment 2	Segment 3	Total
Total net expenditure reported for operating segments	2	27,198,652	127,854	3,535,097	30,861,603	29,456,860	140,969	2,807,570	32,405,399
Reconciling items:									
Income					(268,924)				(210,321)
Expenditure					357,087				399,209
Prior period adjustment									(33,768)
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE				**30,949,766**				**32,560,519**

2013-14 comparators have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Note 3. Staff numbers and related costs

3.1 Staff costs

£'000

	Permanently Employed Staff	Ministers	Special Advisors	Others	2014-15 Total	2013-14 Total
Wages & Salaries	149,545	253	127	9,094	159,019	156,026
Social Security Costs	13,448	23	13	4	13,488	13,367
Pension Costs	30,510	-	28	-	30,538	30,678
Total Costs	**193,503**	**276**	**168**	**9,098**	**203,045**	**200,071**
Less Recoveries in respect of outward secondments	(794)	-	-	-	(794)	(642)
Total Net Costs	**192,709**	**276**	**168**	**9,098**	**202,251**	**199,429**
Of which:						
Core Department	88,954	276	168	6,316	95,714	95,157
Agency	34,961	-	-	373	35,334	34,638
Designated Bodies	69,588	-	-	2,409	71,997	70,276

£'000

	2014-15			2013-14		
Of which:	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**	**Charged to Administration Budget**	**Charged to Programme Budget**	**Total**
Core Department	93,545	2,169	95,714	93,237	1,920	95,157
Agency	35,334	-	35,334	34,638	-	34,638
Departmental Group	60,500	11,497	71,997	58,390	11,886	70,276
Total Costs	**189,379**	**13,666**	**203,045**	**186,265**	**13,806**	**200,071**

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	2014-15 Total	2013-14 Total
Core Department	1,521	174	6	2	1,703	1,679
Agency	685	11	-	-	696	688
Departmental Group	1,145	99	-	-	1,244	1,230
Total	3,351	284	6	2	3,643	3,597

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.

			2014-15	2013-14
				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	-	1	1	-
£10,000 - £25,000	-	6	6	-
£25,000 - £50,000	-	4	4	1
£50,000 - £100,000	-	7	7	-
£100,000 - £150,000	-	1	1	-
£150,000 - £200,000	-	-	-	-
£200,001 onwards	-	-	-	-
Total number of exit packages	**-**	**19**	**19**	**1**
			£'000	£'000
Total Cost	**-**	**861**	**861**	**49**

			2014-15	2013-14
				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	-	1	1	-
£10,000 - £25,000	-	6	6	-
£25,000 - £50,000	-	4	4	1
£50,000 - £100,000	-	7	7	-
£100,000 - £150,000	-	2	2	-
£150,000 - £200,000	-	-	-	-
£200,001 onwards	-	-	-	-
Total number of exit packages	**-**	**20**	**20**	**1**
			£'000	£'000
Total cost	**-**	**984**	**984**	**49**

			2014-15	2013-14
				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	4	2	6	11
£10,000 - £25,000	-	12	12	18
£25,000 - £50,000	-	9	9	8
£50,000 - £100,000	-	16	16	3
£100,000 - £150,000	-	6	6	4
£150,000 - £200,000	-	-	-	-
£200,001 onwards	-	-	-	-
Total number of exit packages	**4**	**45**	**49**	**44**
			£'000	£'000
Total cost	**17**	**2,379**	**2,396**	**1,371**

Note 4. Other administration costs

							£'000
				2014-15			2013-14
	Notes	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Non-Cash Items							
Depreciation	8	6,145	6,302	7,502	8,091	8,149	10,374
Amortisation	9	1,733	1,914	3,778	4,175	4,221	6,044
Impairment of assets		(4,006)	(4,006)	(4,006)	(707)	(707)	4,014
Revaluation of Assets		(17,600)	(17,600)	(17,600)	(3,500)	(3,500)	(3,500)
Loss on Disposal of Assets		38	38	257	269	286	286
Auditors Remuneration		414	475	475	462	520	520
Provision for Bad and Doubtful Debts		-	23	23	-	-	-
Total Non Cash Items		**(13,276)**	**(12,854)**	**(9,571)**	**8,790**	**8,969**	**17,738**
Cash Items:							
Rentals Under Operating Leases		225	535	1,173	231	338	1,491
Accommodation Including Rentals Under Operating Leases		44,218	44,234	50,327	76,238	79,553	85,594
Research and Development		35	35	35	-	-	-
Legal and Professional Services		8,152	12,543	14,350	7,951	13,198	15,856
Consultancy		135	135	175	243	243	329
Marketing and Communications		313	732	935	326	502	1,194
Training & Development		760	1,089	1,608	725	1,092	1,950
Auditor's Remuneration		-	-	406	-	-	380
IT Expenditure		12,644	13,495	17,818	13,221	15,155	18,031
Travel and Subsistence		1,848	3,532	6,367	1,564	3,432	6,344
Early Retirement Costs		(3,289)	(3,246)	(3,246)	6,267	6,267	6,334
Interest Payable		5,827	5,860	5,861	6,253	6,253	6,272
Taxation		7,942	7,942	8,775	9,776	10,429	11,801
Other Cash Costs		10,197	12,980	37,039	9,304	11,662	60,263
Total Cash Items		**89,007**	**99,866**	**141,623**	**132,099**	**148,124**	**215,839**
Total		**75,731**	**87,012**	**132,052**	**140,889**	**157,093**	**233,577**

The external auditors total group fees (notional and cash) for all statutory audit work were £826.5k. Of the £406k cash charge for Auditor’s remuneration, £351.5k relates to external audit fees and the remaining £54k relates to other assurance work.

Note 5. Programme costs

£'000

	Notes	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 restated Departmental Group
Non-Cash Items							
Non Operating Loss - Absorption Transfers		-	-	-	-	-	1,525
Capital Grant in Kind Expense - Asset Transfers		1,005	1,005	1,005	4,629	4,629	4,675
Depreciation	8	290	290	290	1,264	1,264	1,264
Amortisation	9	549	549	549	549	549	549
Impairment of assets		(1,544)	(1,544)	95,360	960	960	8,443
Revaluation of Assets		-	1	1	-	-	-
Loss on Disposal of Assets		-	-	-	543	543	543
Write Offs		-	-	-	8	8	8
ERDF Write Off and Disallowances		(7,825)	(7,825)	(7,825)	919	919	919
ERDF Exchange Rate Losses (Unrealised)		-	-	-	15,273	15,273	15,273
Movement in Provisions	19	100,658	101,012	100,878	15,023	15,080	23,335
Provision for Bad and Doubtful Debts		198	198	2,212	34	34	(107)
Interest Payable on Pension Scheme Liabilities	20	-	-	-	63	63	63
Net Interest on Pension Scheme Liabilities	20	70	70	(2,324)	-	-	1,335
Admin Charge on Pension Liabilities		-	-	83	-	-	-
Share of Loss of Joint Ventures and Associates	11	-	-	(4,668)	-	-	9,282
Fair Value Adjustment - Financial Assets		-	-	-	10,463	10,463	10,463
Local Share (local authorities)		10,761,083	10,761,083	10,761,083	10,851,030	10,851,030	10,851,030
Other Non Cash Costs		8,066	8,066	8,066	3,996	3,996	3,996
Total Non Cash Items		**10,862,550**	**10,862,905**	**10,954,710**	**10,904,754**	**10,904,811**	**10,932,596**
Cash Items:							
Accommodation Including Rentals Under Operating Leases		18	18	2,049	2	2	2,400
Research and Development		6,839	6,839	6,839	7,288	7,288	7,288
Legal and Professional Services		151,239	151,239	155,624	149,853	149,853	155,167
Consultancy		1,020	1,020	1,120	413	413	427
Marketing and Communications		1,750	1,750	1,906	2,001	2,001	2,088
Training & Development		977	977	975	1,493	1,493	1,507
IT Expenditure		27,218	27,218	27,227	27,207	27,207	27,224
Travel and Subsistence		133	133	144	128	128	137
Early Retirement Costs		25	25	25	(6,039)	(6,039)	(6,039)
ERDF Financial Corrections		1,568	1,568	1,568	5,683	5,683	5,683
ERDF Exchange Rate Losses (Realised)		30,998	30,998	30,998	-	-	-
Interest Payable		-	-	14	-	-	46
Taxation		-	-	(2,991)	-	-	(17,352)
National Non Domestic Rates Outturn Adjustment		-	-	-	261,736	261,736	261,736
ERDF Grants		459,121	459,121	459,121	336,065	336,065	336,065
Revenue Support Grant and PFI Grant		12,937,294	12,937,294	12,937,294	15,408,736	15,408,736	15,408,736
Business Rates Retention (top ups)		3,166,230	3,166,230	3,166,230	3,292,439	3,292,439	3,292,439
Other Capital Grants to Local Authorities		1,877,728	1,877,728	2,179,914	1,262,438	1,262,438	1,597,606
Other Current Grants to Local Authorities		3,553,088	3,553,088	3,555,247	2,838,979	2,838,979	2,839,201
Other Capital Grants		332,341	332,341	1,021,102	465,384	465,384	1,220,016
Other Current Grants		206,658	206,658	208,791	185,065	185,065	185,884
Other Cash Costs		21,117	21,008	19,688	(4,866)	(6,182)	(42,141)
Total Cash Items		**22,775,362**	**22,775,253**	**23,772,885**	**24,234,005**	**24,232,689**	**25,278,118**
Total		**33,637,912**	**33,638,158**	**34,727,595**	**35,138,759**	**35,137,500**	**36,210,714**

2013-14 comparators have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Note 6. Administration income

£'000

	Notes	2014-15 Core Department	2014-15 Core Department & Agency	2014-15 Departmental Group	2013-14 Core Department	2013-14 Core Department & Agency	2013-14 Departmental Group
Non Cash Items							
Gain on sale of Non Current Assets/Assets Held for Sale		1,239	1,239	1,239	344	344	344
Notional Income		177	-	-	169	-	-
Total Non Cash Items		**1,416**	**1,239**	**1,239**	**513**	**344**	**344**
Cash Items							
Grant Income		266	266	336	291	291	311
Goods and Services		5,012	5,329	5,599	3,342	4,978	5,577
Accommodation		23,858	20,462	19,541	17,782	17,640	16,928
Fees		-	11,242	16,086	-	10,398	14,578
Interest and Dividends		-	-	15,096	2	2	8,304
Miscellaneous		1,560	2,124	6,934	5,147	5,791	5,915
Total Cash Items		**30,696**	**39,423**	**63,592**	**26,564**	**39,100**	**51,613**
Total		**32,112**	**40,662**	**64,831**	**27,077**	**39,444**	**51,957**

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

	2014-15			2013-14		
Objectives	**Full Cost**	**Income**	**Surplus/ (Deficit)**	**Full Cost**	**Income**	**Surplus/ (Deficit)**
PINS: Local development frameworks, compulsory purchase orders, major specialist and national infrastructure	(18,176)	11,242	(6,934)	(16,624)	10,382	(6,242)
THO - Membership of Housing Ombudsman scheme	(4,495)	4,850	355	(3,695)	4,196	501
Total	**(22,671)**	**16,092**	**(6,579)**	**(20,319)**	**14,578**	**(5,741)**

Note 7. Programme income

£'000

	Notes	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 restated Departmental Group
Non Cash Items							
Capital Grant in Kind Income - Asset Transfers		-	-	7,700	-	-	-
Gain on sale of Non Current Assets		-	-	43,035	-	-	56,625
Unwinding of Discount - Financial Asset		1,215	1,215	5,402	2,135	2,135	6,570
ERDF Exchange Rate Gains (unrealised)		22,059	22,059	22,059	-	-	-
Total Non Cash Items		**23,274**	**23,274**	**78,196**	**2,135**	**2,135**	**63,195**
Cash Items							
CFER Income		167,829	167,829	167,829	159,728	159,728	159,728
Grant Income		37,060	37,060	81,472	35,793	35,793	69,671
ERDF Grant Income		459,121	459,121	459,121	336,065	336,065	336,065
Goods and Services		23,085	23,085	23,085	17,010	17,010	17,010
Accommodation		-	-	11,352	-	-	9,497
Fees		68	68	68	339	339	339
Business Rates Retention (tariff)		3,155,487	3,155,487	3,155,487	3,281,901	3,281,901	3,281,901
Interest and Dividends		2,960	2,960	14,449	1,500	1,500	14,127
ERDF Exchange Rate Gains (realised)		-	-	-	2	2	2
Miscellaneous		48,806	48,806	53,846	22,375	22,375	30,971
Total Cash Items		**3,894,416**	**3,894,416**	**3,966,709**	**3,854,713**	**3,854,713**	**3,919,311**
Total		**3,917,690**	**3,917,690**	**4,044,905**	**3,856,848**	**3,856,848**	**3,982,506**

2013-14 comparators have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Note 8. Property, plant and equipment

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under Construction	31-Mar-15 Total
Cost or Valuation							
At 1 April 2014	941	87,009	12,931	9,870	12,745	6,633	130,129
Additions	-	1,052	1,125	-	88	-	2,265
Impairments	(7)	3,827	-	-	-	-	3,820
Revaluations	-	-	9	(1)	1	-	9
Disposals	-	(4,219)	(2,918)	(3,055)	(5,555)	-	(15,747)
Transfers	(65)	(695)	-	(2,223)	-	-	(2,983)
At 31 March 2015	**869**	**86,974**	**11,147**	**4,591**	**7,279**	**6,633**	**117,493**
Depreciation							
At 1 April 2014	-	20,957	10,058	7,192	12,009	-	50,216
Charged in year	-	5,113	1,512	673	494	-	7,792
Impairments	-	(182)	-	-	-	-	(182)
Revaluations	-	-	(1)	-	-	-	(1)
Disposals	-	(4,219)	(2,896)	(3,050)	(5,536)	-	(15,701)
Transfers	-	(613)	-	(1,509)	-	-	(2,122)
At 31 March 2015	**-**	**21,056**	**8,673**	**3,306**	**6,967**	**-**	**40,002**
Net book value:							
31-Mar-15	**869**	**65,918**	**2,474**	**1,285**	**312**	**6,633**	**77,491**
31-Mar-14	**941**	**66,052**	**2,873**	**2,678**	**736**	**6,633**	**79,913**
Asset Financing:							
Owned	869	6,253	1,729	1,285	312	6,633	17,081
Financed leased	-	59,665	745	-	-	-	60,410
Net book value at 31 March 2015	**869**	**65,918**	**2,474**	**1,285**	**312**	**6,633**	**77,491**
Of the total:							
Core Department	-	63,748	1,218	1,248	18	6,633	72,865
Agency	-	-	326	-	-	-	326
Designated bodies	869	2,170	930	37	294	-	4,300
Net book value at 31 March 2015	**869**	**65,918**	**2,474**	**1,285**	**312**	**6,633**	**77,491**

There are no donated assets within the Department.

As at 31 March 2015 the Departments 6 Regional Fire Control Centres were revalued professionally, in accordance with RICS Valuation Standards, by GVA Grimley Limited – Commercial Property and Property Management Consultants. The measurement basis used was Depreciated Replacement Cost (DRC).

The Department's policy for revaluation is described in section 7 of the accounting policies.

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under Construction	31-Mar-14 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
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
Charge in year	-	5,963	1,844	2,347	1,484	-	11,638
Impairments	-	(874)	-	-	-	-	(874)
Disposals	-	(401)	(1,570)	(5,576)	(1,973)	-	(9,520)
Transfers	-	-	-	(12,909)	-	-	(12,909)
At 31 March 2014	**-**	**20,957**	**10,058**	**7,192**	**12,009**	**-**	**50,216**
Net book value:							
31-Mar-14	**941**	**66,052**	**2,873**	**2,678**	**736**	**6,633**	**79,913**
31-Mar-13	**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
Finance 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**

Note 9. Intangible assets

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

£'000

				31-Mar-15
	Software	**Licences**	**Systems Development**	**Total**
Cost or valuation				
At 1 April 2014	49,118	7,311	1,192	57,621
Additions	1,946	248	1,522	3,716
Disposals	(14,552)	(1,040)	(194)	(15,786)
Reclassifications	993	-	(993)	-
At 31 March 2015	**37,505**	**6,519**	**1,527**	**45,551**
Amortisation				
At 1 April 2014	41,661	5,985	-	47,646
Charged in year	3,669	658	-	4,327
Disposals	(14,552)	(1,023)	-	(15,575)
At 31 March 2015	**30,778**	**5,620**	**-**	**36,398**
Net book value:				
31-Mar-15	**6,727**	**899**	**1,527**	**9,153**
31-Mar-14	**7,457**	**1,326**	**1,192**	**9,975**
Asset Financing:				
Owned	6,727	899	1,527	9,153
Net book value at 31 March 2015	**6,727**	**899**	**1,527**	**9,153**
Of Which:				
Core Department	2,963	182	1,400	4,545
Agencies	1,394	-	127	1,521
Designated bodies	2,370	717	-	3,087
Net book value at 31 March 2015	**6,727**	**899**	**1,527**	**9,153**

£'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
Impairments	(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-Mar-14	**7,457**	**1,326**	**1,192**	**9,975**
31-Mar-13	**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**

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 currently exposed to limited liquidity risk. As financial instruments play a greater role in the funding of the Department this risk is likely to increase. The increased risk is being managed and mitigated by the Department via the Financial Risk Management framework which was introduced in 2014 and follows standard financial industry practices.

Market risk

The Department and HCA have completed a risk assessment for all live financial instruments exposed to market risk; and, monitor performance and changes in risk profile on a regular basis. HCA and the Department are also planning on running a portfolio wide stress testing exercise during 2015-16 in order to identify any areas of potential weakness and implement further risk mitigation actions where required. Stress testing will be carried out taking into consideration best financial industry standards and using Bank of England stress testing scenarios to inform our analysis.

The HCA's results and equity are dependent upon the prevailing conditions of the UK economy, in particular UK house prices. The UK housing market affects the valuation of the Agency's non-financial assets and liabilities, especially development assets.

The HCA is also exposed to market price risk in its available for sale financial assets. These 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 2015, if UK house prices had been 10 per cent 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 £257 million/£429 million from that stated.

At 31 March 2015, if development returns had been 10 per cent 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 £18.6 million from that stated.

The Department has provided guarantees to strongly rated (low risk) Private Registered Providers (PRPs) to facilitate access to borrowing at competitive interest rates. This borrowing is then used by the borrowers to build affordable housing. The potential liabilities arising from provision of these guarantees will be subject to market risk, particularly increases in rental arrears and void properties which may have an impact on the Private Registered Providers ability to repay loans issued under the guarantee. The Department has set up a number of risk mitigations to minimise any risk derived from the Guarantees including a rigorous eligibility criteria and credit process.

Currency risk

A payables balance of £497.2 million is the sterling equivalent of a liability of €687.2 million translated at the accounting date. This relates to deposits from the EU for the 2000-06 and 2007-13 ERDF Programmes and the Sterling value is therefore recalculated at the end of each period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. The deposits will be utilised as the programmes near completion, which in relation to the 2000-06 programme is expected to be during 2015-16 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 £212.3 million which is the sterling equivalent of an asset of €293.4 million representing ERDF grant payments made but yet to be claimed from the EU. These balances are fixed in Euros being the Euro equivalent of the Sterling expenditure applying at the time the expenditure was incurred using the 'Europa' rate in accordance with the regulations. They are recalculated at the end of each accounting period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. In addition, as ongoing funding for these programmes is processed through the EU, there are realised exchange rate gains and losses as the sterling equivalent of the Euro claims are settled. The Department is therefore exposed to currency risks which vary depending on the level of balances, the rate at which claims are submitted and the time taken for them to be processed by the EU.

In 2014-15 an unrealised exchange rate gain of £22 million is reported as a result of end of year revaluation of ERDF payables and receivables. In addition to this, a realised exchange rate loss of £31 million is reported in 2014-15 due to an unfavourable exchange rate at the point that the EC reimbursed the Department for the ERDF receivables held by the Department in 2013-14 when the programme was interrupted. An overall £15 million unrealised exchange rate loss was reported in 2013 -14.

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 2015 £1 = €1.3821 - 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 March 2015		
Receivables (ERDF)	-	-
Accrued income (ERDF)	212,254	293,356
Total assets at 31 March 2015	**212,254**	**293,356**
Total assets at 31 March 2014	833,829	1,008,683
Liabilities		
At 31 March 2015:		
Deposit from EU (ERDF 2000-06 Programmes)	(326,649)	(451,463)
Deposit from EU (ERDF 2007-13 Programmes)	(170,552)	(235,719)
Total liabilities at 31 March 2015	**(497,201)**	**(687,182)**
Total liabilities at 31 March 2014	(617,037)	(746,430)

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.

The Department is currently reviewing its approach to managing its foreign exchange rate risk and exploring potential options in line with good practice observed in other government departments.

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 2015	Rate at 31 Mar 2015	Impact of rate change to			
	€'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	293,356	1.3821	£81m gain	£54m gain	£13m gain	£3m loss
Liabilities	(687,182)	1.3821	£190m loss	£128m loss	£31m loss	£6m gain
Net gain/loss			£109m loss	£74m loss	£18m loss	£3m gain

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

Credit Risk

The Department has placed investments in a number of public-sector owned organisations, as shown in Note 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.

As at the 31 of March, the Department had approved circa £1.3 billion worth of debt finance to be raised by Affordable Housing Finance on behalf of Private Registered Providers. Of the circa £1.3 billion, £668 million has been drawn down and is therefore covered by the guarantee. The creditworthiness of all borrowers was appraised and mapped to the Department's Credit Rating Table and assigned a Probability of Default. Sensitivity analysis was conducted by changing both the credit rating and the assumption used regarding the size of any Loss Given Default.

The table below shows the results of the sensitivity testing. The testing adjusted the credit grade down by 5 Standard & Poor's (S&P) equivalent grades (this is very conservative as the Registered Providers industry have a history of zero defaults and are strongly rated by external rating agencies) and increased the Loss Given Default around the central estimate. Although in reality there might be some relationship between the Probability of default and the Loss Given Default, the analysis and the underlying probability-weighted losses model treats the Probability of Default and Loss Given Default as two independent variables that are multiplied together in arriving at the financial guarantee liability. This is in line with how credit risk models generally treat these variables. The result is a range for potential losses from £0.78 million to £29.3 million. The impact of the variables included within the sensitivity analysis demonstrates that any variations arising as a result of a move in the factors is not significant.

Standard PD

LGD scenarios	Expected Loss (£m)
5%	0.78
10%	3.98
15%	7.23
20%	10.48
25%	13.74

High PD

(S&P rating downgraded 5 notches)

LGD scenarios	Expected Loss (£m)
5%	1.67
10%	8.50
15%	15.43
20%	22.37
25%	29.30

The HCA's maximum exposure to credit risk, without taking into account any security held, is the same as the carrying amount of financial assets recorded in the Financial Statements, as disclosed in Note 33 of their accounts.

The nature of the credit risk arising from the HCA's most significant financial assets can be summarised as follows:

- Receivables arise largely from disposals of development assets, generally to major developers and house builders in the private sector. These receivables are always secured by the 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.
- 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 owners of housing units are secured by a second charge over their property.

- Four private sector developers account for 31 per cent of development loans. A single loan of £81.6 million accounts for 35 per cent of infrastructure loans. 80 per cent of other loans relate to a major public utility company and a former associated undertaking. The remainder of the loan portfolio is dispersed amongst private sector developers and local authorities.

There are no significant concentrations of credit risk in the HCA's other financial instruments.

For all financial assets excluding cash, the maximum exposure to a single counterparty at 31 March 2015 was £108.6 million, and the five largest counterparties accounted for 8.8 per cent of the total balance.

Interest rate risk

The Department is not exposed to significant interest rate risks. 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 2015. 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	676,971	483,562	193,409	-
Cash held at commercial banks	13,459	10,308	3,151	-
Coalfields Enterprise Fund	8,380	8,380	-	-
Santander Loan	45,941	-	45,941	-
Loan- Bright Futures	2,000	-	-	2,000
HCA Loans	645,028	27,670	521,195	96,163
Balance at 31 March 2015	**1,391,779**	**529,920**	**763,696**	**98,163**
Balance at 31 March 2014	978,299	226,048	612,639	139,612

HCA loans are reflected in Note 11 (£478m) and Note 16 (£167m)

Fair values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2014 and 31 March 2015. 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;
- The Affordable Housing financial guarantees liabilities are valued at the level of the probability weighted expected losses;
- Cash at bank balances are at their book values;
- Public Dividend Capital, being statutory, is reported at nominal value; and
- 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	restated Total Investments
Opening balance at 1 April 2013	11,483.00	7,796	303,839	23,970	821	347,909
Prior period adjustments	-	-	2,434	-	-	2,434
Restated balance at 1 April 2013	**11,483**	**7,796**	**306,273**	**23,970**	**821**	**350,343**
Additions	5,000	-	344,865	2,227	-	352,092
Write down / Impairments	-	(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**	**316,150**	**25,193**	**821**	**363,141**
Additions	-	-	284,093	13,470	-	297,563
Write down/ Impairments	-	1,544	(3,059)	-	-	(1,515)
Repayments	-	-	(195,199)	(4,787)	-	(199,986)
Revaluation	-	-	989	-	-	989
Profit / (loss) on JV or Associate	4,668	-	-	-	-	4,668
Transfer to receivables < 1year	-	-	101,898	(12,921)	-	88,977
Balance at 31 March 2015	**18,809**	**8,380**	**504,872**	**20,955**	**821**	**553,837**
Of which:						
Core Department	5,000	8,380	47,941	-	821	62,142
Agencies	-	-	-	-	-	-
Designated bodies	13,809	-	456,931	20,955	-	491,695

Comparators as at 1 April 2013 and 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

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)	Nottingham Joint Ventures (Shares & Equity Investments)	Regional Growth Fund (Private Sector Loans)	Total
Balance at 31 March 2013	**4,621**	**3,175**	**821**	**-**	**-**	**8,617**
Additions	-	-	-	5,000	53,500	58,500
Write down / Impairments	18	(978)	-	-	-	(960)
Repayments	-	-	-	-	-	-
Revaluation	-	-	-	-	(8,548)	(8,548)
Balance at 31 March 2014	**4,639**	**2,197**	**821**	**5,000**	**44,952**	**57,609**
Additions	-	-	-	-	2,000	2,000
Write down / Impairments	1,344	200	-	-	-	1,544
Repayments	-	-	-	-	-	-
Revaluation	-	-	-	-	989	989
Balance at 31 March 2015	**5,983**	**2,397**	**821**	**5,000**	**47,941**	**62,142**

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: -	**2014-15**	**2013-14 restated**
Cost or Valuation: -		
Balance at 1 April	14,141	11,483
Share of gains/(losses) of associates and joint ventures	4,668	2,658
Balance at 31 March	**18,809**	**14,141**

The aggregated amount of the share of total assets and liabilities of associates and joint ventures are as follows: -	**2014-15**	**2013-14**
Assets	40,555	74,426
Liabilities	(21,746)	(60,285)
Total group share of net assets of associates and joint ventures	**18,809**	**14,141**

Restatement of 2013-14 figures – we have now disclosed the Core Department's £5 million Nottingham Joint Venture in the above figures.

Subsidiary undertakings as detailed below.

£'000

	Departmental Group	
Subsidiary Undertakings	**2014-15**	**2013-14**
Aggregate capital and reserves as at 31 March	38	38
Profit / loss for the reporting period ending March	73	-
Total cost or valuation of subsidiary undertakings:-		
Balance at 1 April	-	-
Movements in Year	-	-
Balance at 31 March	**-**	**-**

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

Note 12. Available for sale financial assets

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

£'000

	2014-15			**2013-14 restated**		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Cost or valuation						
Opening balance at 1 April			**1,549,373**			**666,905**
Prior period adjustments						42,880
Restated balance at 1 April			**1,549,373**			**709,785**
Additions			1,292,472			853,848
Write offs			(9,203)			5,488
Disposals			(89,165)			(50,487)
Revaluations			74,673			25,978
Transfers			-			4,761
At 31 March			**2,818,150**			**1,549,373**

Comparators as at 1 April 2013 and 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Note 13. Investment properties

£'000

	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
Cost or valuation						
At 1 April	32,208	32,208	32,208	28,708	28,708	28,708
Revaluations	17,034	17,034	17,034	3,500	3,500	3,500
At 31 March	**49,242**	**49,242**	**49,242**	**32,208**	**32,208**	**32,208**

Queen Elizabeth II Conference Centre, Broad Sanctuary, London was valued during March 2015 by GVA. The total valuation was reported at £38,500,000 but with a value of £35,597,000 in the Department's books because of a trading fund outside interest in 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.

Burlington House, Piccadilly, London was valued during March 2015 by GVA, at £13,645,000. The Department received rental income of £85,661 (£87,325 2013-14) from tenants at Burlington House.

Note 14. Assets held for sale

£'000

	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
At 1 April	4,737	4,737	4,737	5,790	5,790	5,790
Disposals	(3,509)	(3,509)	(3,509)	(1,053)	(1,053)	(1,053)
Revaluations	566	566	566	-	-	-
At 31 March	**1,794**	**1,794**	**1,794**	**4,737**	**4,737**	**4,737**

Note 15. Inventories

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

£'000

	2014-15			2013-14 restated		
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Land and buildings						
Opening balance at 1 April	**-**	**-**	**542,666**	**-**	**-**	**729,706**
Prior period adjustment	-	-	-	-	-	(229,504)
Restated balance at 1 April	**-**	**-**	**542,666**	**-**	**-**	**500,202**
Additions	-	-	191,949	-	-	121,884
Disposals	-	-	(135,155)	-	-	(55,696)
Impairments	-	-	(84,638)	-	-	(22,199)
Transfers	-	-	-	-	-	(1,525)
Closing balance Land and buildings as at 31 March	**-**	**-**	**514,822**	**-**	**-**	**542,666**
ERDF Work in Progress						
Opening balance as at 1 April	64,484	64,484	64,484	14,655	14,655	14,655
Payments to Projects	436,862	436,862	436,862	274,122	274,122	274,122
Disposals	(414,462)	(414,462)	(414,462)	(224,293)	(224,293)	(224,293)
Closing balance ERDF as at 31 March	**86,884**	**86,884**	**86,884**	**64,484**	**64,484**	**64,484**
Total inventory closing balance as at 31 March	**86,884**	**86,884**	**601,706**	**64,484**	**64,484**	**607,150**

Comparators as at 1 April 2013 and 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

Note 16. Trade and other receivables

16.1 Analysis by type

£'000

	2014-15			2013-14 restated			1 April 2013 restated
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group	Departmental Group
Amount falling due within one year:							
Trade receivables	1,289	2,111	57,743	2,230	2,934	44,885	46,800
Deposits and advances	-	-	61	-	-	58	47
VAT receivables	1,433	1,433	10,112	1,728	1,793	2,164	6,718
Other receivables	29,992	30,458	75,432	17,725	19,147	54,082	77,424
ERDF accrued income	212,254	212,254	212,254	833,829	833,829	833,829	523,646
Prepayments and accrued income	63,442	67,537	85,464	26,759	30,142	48,331	25,085
Taxation and duties due	-	-	-	-	-	-	79
Current asset investments	-	-	167,142	-	-	256,119	73,768
Sub Total	**308,410**	**313,793**	**608,208**	**882,271**	**887,845**	**1,239,468**	**753,567**
Amounts falling due after more that one year:							
Trade receivables	-	-	114,556	-	-	96,299	76,581
Other receivables	-	-	25,173	-	-	30,617	55,881
ERDF Advances	10,489	10,489	10,489	10,264	10,264	10,264	10,043
Prepayments and accrued income	1,639	1,639	1,639	1,939	1,939	1,939	3,097
Sub Total	**12,128**	**12,128**	**151,857**	**12,203**	**12,203**	**139,119**	**145,602**
Total	**320,538**	**325,921**	**760,065**	**894,474**	**900,048**	**1,378,587**	**899,169**

Comparators as at 1 April 2013 and 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

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:	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14 restated	2014-15	2013-14 restated
Other Central Government bodies	1,122	6,311	1,352	1,939	1,802	7,124	1,352	1,939	18,221	17,372	1,352	1,939
Local authorities	46,670	5,669	-	-	50,571	8,859	-	-	81,221	22,578	1,950	22,586
NHS bodies	-	-	-	-	-	-	-	-	95	35	-	-
Public Corporations and Trading	19	-	-	-	19	-	-	-	19	-	-	-
Sub Total	**47,811**	**11,980**	**1,352**	**1,939**	**52,392**	**15,983**	**1,352**	**1,939**	**99,556**	**39,985**	**3,302**	**24,525**
Bodies external to Government	260,599	870,291	10,776	10,264	261,401	871,862	10,776	10,264	508,652	1,199,483	148,555	114,594
Total receivables at 31 March	**308,410**	**882,271**	**12,128**	**12,203**	**313,793**	**887,845**	**12,128**	**12,203**	**608,208**	**1,239,468**	**151,857**	**139,119**

The restatements for 1 April 2013 have not been included in this table due to the cost benefit of collecting this information; restated 1 April 2013 balances are shown in Note 16.1.

Note 17. Cash and cash equivalents

£'000

	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
Balance at 1 April	271,643	272,187	377,008	192,053	195,234	213,178
Net change in cash and cash equivalent balances	176,211	178,065	313,422	79,590	76,953	163,830
Cash Balance at 31 March	**447,854**	**450,252**	**690,430**	**271,643**	**272,187**	**377,008**
Bank overdraft	-	-	-	-	-	-
Balance at 31 March	**447,854**	**450,252**	**690,430**	**271,643**	**272,187**	**377,008**

£'000

The following balances at 31 March were held at:	Core Department	Core Department & Agency	31-Mar-15 Departmental Group	Core Department	Core Department & Agency	31-Mar-14 Departmental Group
Other bank and cash	-	-	2,850	87	87	2,087
Commercial banks and cash in hand	-	-	10,609	-	-	12,419
Government Banking Service	254,445	256,843	483,562	78,629	79,173	169,575
Government Banking Service (ERDF)	193,409	193,409	193,409	192,927	192,927	192,927
Balance at 31 March	**447,854**	**450,252**	**690,430**	**271,643**	**272,187**	**377,008**

The 1 April 2013 cash and cash equivalents values recorded in the Statement of Financial Position is net of bank overdrafts disclosed in Note 18.1

Note 18. Trade and other payables

18.1 Analysis by type

£'000

	2014-15 Core Department	2014-15 Core Department & Agency	2014-15 Departmental Group	2013-14 restated Core Department	2013-14 restated Core Department & Agency	2013-14 restated Departmental Group
Amounts falling due within one year:						
Taxation and Social Security	1,915	2,659	4,233	1,859	1,859	6,912
Trade payables	5,347	5,381	270,341	3,274	3,443	204,061
Bank Overdraft	-	-	-	-	-	-
Other payables	26,193	26,939	29,584	8,056	9,529	15,503
Advances from Contingency Fund	358	358	358	-	-	-
Accruals	605,178	608,531	731,078	265,298	267,746	295,127
Finance lease	2,923	3,050	3,050	2,694	2,736	3,436
Deferred income	1,363	1,572	19,987	214	438	21,466
ERDF Deferred income	326,649	326,649	326,649	426,358	426,358	426,358
Amount issued from the Consolidated Fund for supply but not spent	412,725	412,725	412,725	241,370	241,370	241,370
Consolidated fund extra receipts to be paid to the Consolidated Fund						
-received	37,356	37,357	37,357	30,790	30,817	30,817
-receivable	-	-	-	-	-	-
Sub Total	**1,420,007**	**1,425,221**	**1,835,362**	**979,913**	**984,296**	**1,245,050**
Amounts falling due after more that one year:						
Finance lease	105,761	105,899	105,899	102,469	102,565	102,820
ERDF Deposits held	170,552	170,552	170,552	190,679	190,679	190,679
Accruals	-	-	-	-	-	59,832
Deferred income	5,666	5,666	15,775	7,205	7,205	14,436
Sub Total	**281,979**	**282,117**	**292,226**	**300,353**	**300,449**	**367,767**
Total	**1,701,986**	**1,707,338**	**2,127,588**	**1,280,266**	**1,284,745**	**1,612,817**

Comparators as at 31 March 2014 have been restated to reflect prior period adjustments in the HCA Accounts. Further detail on the restatements, along with their cumulative impact on the Group Accounts, is provided in Note 30.

18.2 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:	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14 restated	2014-15	2013-14 restated
Other Central Government bodies	487,401	273,771	-	-	488,698	274,274	138	-	606,131	294,549	138	59,832
Local authorities	440,640	114,876	-	-	440,640	114,934	-	-	502,164	182,531	-	-
NHS bodies	-	-	-	-	-	-	-	-	139	2,098	-	-
Public Corporations and Trading Funds	-	-	-	-	-	31	-	-	-	31	-	-
Sub Total	**928,041**	**388,647**	**-**	**-**	**929,338**	**389,239**	**138**	**-**	**1,108,434**	**479,209**	**138**	**59,832**
Bodies external to Government	491,966	591,266	281,979	300,353	495,883	595,057	281,979	300,449	726,928	765,841	292,088	307,935
Total payables at 31 March	**1,420,007**	**979,913**	**281,979**	**300,353**	**1,425,221**	**984,296**	**282,117**	**300,449**	**1,835,362**	**1,245,050**	**292,226**	**367,767**

The restatements for 1 April 2013 have not been included in this table due to the cost benefit of collecting this information; restated 1 April 2013 balances shown in Note 18.1.

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 1.3 per cent in real terms.

£'000

			2014-15			2013-14
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	10,464	10,506	10,506	17,177	17,285	17,285
Increase	4,009	4,009	4,009	-	-	-
Utilisation	(4,984)	(5,027)	(5,027)	(6,277)	(6,347)	(6,347)
Unwinding of discount	164	166	166	(436)	(432)	(432)
Balance at 31 March	**9,653**	**9,654**	**9,654**	**10,464**	**10,506**	**10,506**
Of which:						
Current liabilities	3,461	3,462	3,462	6,001	6,043	6,043
Non-current liabilities	6,192	6,192	6,192	4,463	4,463	4,463
Balance at 31 March	**9,653**	**9,654**	**9,654**	**10,464**	**10,506**	**10,506**

(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.

Pension Ombudsman Provision

The Pension Ombudsman recently upheld a challenge from a retired Scottish firefighter against the Government Actuary's Department. In that case, the Ombudsman found that an opportunity to review the commutation factors applicable to the calculation of his lump sum was lost in 2001/2 and then again between 2002 and 2004. The full determination is available at www.pensions-ombudsman.org.uk. The Government accepts the Ombudsman's Determination in full and will ensure that the directions made in relation to this case are taken forward in due course. The Government also recognises that there may be other individuals who are potentially affected by the principles set out in this Determination, including some retired firefighters in England. Discussions are continuing in order to agree how these payments will be funded.

The Department pays top-up grant payments to Fire and Rescue Authorities (FRAs) to help manage the costs of the fire pension schemes. The Department has therefore established a provision on this basis to reflect the estimated cost of probable revised lump sum pension payments for eligible retired firefighters in England. We are working with pension scheme administrators to identify those who may be affected by this ruling and to ensure that appropriate payments are made. The Department's provision has been estimated as £94 million, made up of lump sum payments and interest.

£'000

			2014-15			2013-14
	Core Department	Core Department & Agency	Departmental Group	Core Department	Core Department & Agency	Departmental Group
Open balance at 1 April	25,731	25,866	69,482	23,612	24,940	191,860
Increase	98,179	98,600	99,408	16,429	16,538	27,661
Utilisation	(9,787)	(9,853)	(19,838)	(13,340)	(14,586)	(146,145)
Reversal	(1,649)	(1,718)	(2,303)	(738)	(794)	(2,557)
Unwinding of discount	(45)	(45)	(402)	(232)	(232)	(1,337)
Balance at 31 March	**112,429**	**112,850**	**146,347**	**25,731**	**25,866**	**69,482**
Of which:						
Current liabilities	99,689	100,110	115,185	12,504	12,747	46,031
Non-current liabilities	12,740	12,740	31,162	13,227	13,119	23,451
Balance at 31 March	**112,429**	**112,850**	**146,347**	**25,731**	**25,866**	**69,482**

(iii) Total provisions

£'000

	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
Open balance at 1 April	36,195	36,372	79,988	40,789	42,225	209,145
Increase	102,188	102,609	103,417	16,429	16,538	27,661
Utilisation	(14,771)	(14,880)	(24,865)	(19,617)	(20,933)	(152,492)
Reversal	(1,649)	(1,718)	(2,303)	(738)	(794)	(2,557)
Unwinding of discount	119	121	(236)	(668)	(664)	(1,769)
Balance at 31 March	**122,082**	**122,504**	**156,001**	**36,195**	**36,372**	**79,988**
Of which:						
Current liabilities	103,150	103,572	118,647	18,505	18,790	52,074
Non-current liabilities	18,932	18,932	37,354	17,690	17,582	27,914
Balance at 31 March	**122,082**	**122,504**	**156,001**	**36,195**	**36,372**	**79,988**

£'000

	Early Retirement	ERDF Financial Corrections	Other	Total
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**
Not later than one year	3,462	-	115,185	118,647
Later than one year and not later than five years	5,426	-	20,332	25,758
Later than five years	766	-	10,830	11,596
Balance at 31 March 2015	**9,654**	**-**	**146,347**	**156,001**

The discount rates in these accounts are set by HM Treasury and are:

Term	**Rate**
Short term rate (general provisions with a time boundary of between 0 and 5 years)	1.50%
Medium term rate (general provisions with a time boundary of between 5 and 10 years)	1.05%
Long term rate (general provisions with a time boundary of over 10 years)	2.20%

Note 20. Pensions

Staff of the core Department and PINS 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 1.8 per cent to 1.3 per cent with effect from 31 March 2015.

£'000

			2014-15			2013-14
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Reconciliation of defined benefit obligation						
Opening balance	1,756	1,756	670,866	1,710	3,497	687,687
Current service cost	-	-	11,395	-	-	11,748
Interest charges	70	70	29,440	63	63	29,735
Admin Charge on Pension Liabilities	-	-	83	-	-	-
Contribution by members	-	-	3,435	-	-	3,072
Contribution by employer	-	-	-	-	-	(2,265)
Remeasurement of (gains) /losses on liability	(45)	(45)	105,934	135	(1,652)	(34,537)
Past service cost/(gains)	-	-	102	-	-	63
Transfers	-	-	(40)	-	-	(59)
Benefits paid						
Funded benefits paid	-	-	(19,195)	-	-	(23,790)
Unfunded benefits paid	(149)	(149)	(818)	(152)	(152)	(788)
Closing defined benefit obligation	**1,632**	**1,632**	**801,202**	**1,756**	**1,756**	**670,866**
Reconciliation of fair value of employer asset						
Opening balance	-	-	(705,901)	-	(1,659)	(637,079)
Interest income on scheme asset	-	-	(31,764)	-	-	(28,337)
Contributions by members	-	-	(3,435)	-	-	(3,072)
Contributions by employer	-	-	(18,527)	-	-	(43,600)
Remeasurement of gains/(losses) on asset	-	-	(54,444)	-	1,659	(19,620)
(Losses)/gains on curtailment	-	-	-	-	-	75
Assets distributed on settlement	-	-	19,235	-	-	25,732
Closing fair value of employer asset	**-**	**-**	**(794,836)**	**-**	**-**	**(705,901)**
Closing Net Pension Liability	**1,632**	**1,632**	**6,366**	**1,756**	**1,756**	**(35,035)**
of which:						
Funded	-	-	(6,587)	-	-	(47,417)
Unfunded	1,632	1,632	12,953	1,756	1,756	12,382

Unfunded schemes are held by the Department, VTS, and the HCA.

Pensions are no longer split between current and non-current as this split is not required by accounting standards

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 2014-15, employers' contributions of £18,767,139 (2013-14: £18,671,322) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable earnings, 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 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2014-15, employers' contributions of £167,850 (2013-14: £94,075) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of pensionable earnings. In addition, for 2014-15, employer contributions of £0 (2013-14: £0), 0.8 per cent 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 date were £8,099 (2013-14: £7,241). Contributions prepaid at that date were nil.

One member of staff (2013-14: one) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £4,615 (2013-14: £7,681 restated).

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 March 2015	Value at 31 March 2014	Value at 31 March 2013
Liability in respect of:			
Current pensioners	1,545	1,668	1,618
Total value of scheme liabiltiies	1,545	1,668	1,618

Note 21. Financial guarantees

A guarantee to the Affordable Housing sector has been provided by the Department. Further details are provided in Note 25.1.

£'000

	2014-15			2013-14		
	Core Department	Core Department and Agency	Departmental Group	Core Department	Core Department and Agency	Departmental Group
Opening balance at 1 April	**-**	**-**	**-**	**-**	**-**	**-**
Additions	3,983	3,983	3,983	-	-	-
Closing balance at 31 March	**3,983**	**3,983**	**3,983**	**-**	**-**	**-**

Note 22. Capital commitments

Contracted capital commitments at 31 March 2015 not otherwise included in these financial statements:

£'000

	2014-15			**2013-14**		
	Core Department	**Core Department & Agency**	**Departmental Group**	**Core Department**	**Core Department & Agency**	**Departmental Group**
Property, Plant and Equipment	-	-	-	14	14	14
Intangible assets	522	522	522	679	692	692
Other	482	482	482	-	-	-
Total	**1,004**	**1,004**	**1,004**	**693**	**706**	**706**

Note 23. Commitments under leases

23.1 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	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
Buildings:						
Payment due within 1 year	27,269	27,269	32,660	29,704	31,565	34,714
Payment due after 1 year but not more than 5 years	106,799	106,799	115,733	106,956	114,401	116,135
Payment due thereafter	206,120	206,120	207,060	210,517	214,239	214,531
Total value of obligations	**340,188**	**340,188**	**355,453**	**347,177**	**360,205**	**365,380**
Other:						
Payment due within 1 year	-	23	1,063	3	17	1,074
Payment due after 1 year but not more than 5 years	3	8	1,044	6	6	1,902
Total value of obligations	**3**	**31**	**2,107**	**9**	**23**	**2,976**

£'000

Receipts under operating sub-leases comprise:	Core Department	Core Department & Agency	2014-15 Departmental Group	Core Department	Core Department & Agency	2013-14 Departmental Group
Buildings:						
Receipts due within 1 year	17,816	17,816	21,086	18,573	18,573	22,430
Receipts due after 1 year but not more than 5 years	66,763	66,763	74,778	60,392	60,392	70,745
Receipts due thereafter	46,485	46,485	162,902	40,247	40,247	166,592
Total value of receivables	**131,064**	**131,064**	**258,766**	**119,212**	**119,212**	**259,767**

23.2 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 2014-15	Core Department	Core Department & Agency	Departmental Group 2013-14
Buildings:						
Payment due within 1 year	8,686	8,686	8,686	8,686	8,686	9,386
Payment due after 1 year but not more than 5 years	37,183	37,183	37,183	36,019	36,019	36,274
Payment due thereafter	128,174	128,174	128,174	138,025	138,025	138,025
Less interest element	(65,982)	(65,982)	(65,982)	(78,479)	(78,479)	(78,479)
Present value of obligations	**108,061**	**108,061**	**108,061**	**104,251**	**104,251**	**105,206**
Other:						
Payment due within 1 year	366	516	516	366	408	408
Payment due after 1 year but not more than 5 years	336	485	485	702	798	798
Less interest element	(79)	(113)	(113)	(156)	(156)	(156)
Present value of obligations	**623**	**888**	**888**	**912**	**1,050**	**1,050**

Present Value of payables under finance leases comprise:	Core Department	Core Department & Agency	Departmental Group 2014-15	Core Department	Core Department & Agency	Departmental Group 2013-14
Buildings:						
Lease liabilities due within 1 year	2,610	2,610	2,610	2,383	2,383	3,083
Lease liabilities due after 1 year but not more than 5 years	14,440	14,440	14,440	11,991	11,991	12,246
Lease liabilities due thereafter	91,011	91,011	91,011	89,877	89,877	89,877
Present value of obligations	**108,061**	**108,061**	**108,061**	**104,251**	**104,251**	**105,206**
Other:						
Lease liabilities due within 1 year	313	440	440	311	353	353
Lease liabilities due after 1 year but not more than 5 years	310	448	448	601	697	697
Present value of obligations	**623**	**888**	**888**	**912**	**1,050**	**1,050**

Note 24. Other financial commitments

The Department, its Agency and ALBs 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 ALBs 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 2014-15	Core Department	Core Department & Agency	Departmental Group 2013-14
Payment due within 1 year	43,087	43,087	43,088	66,431	68,589	77,245
Payment due after 1 year but not more than 5 years	116,445	116,445	116,447	102,963	105,869	105,869
Payment due thereafter	31,589	31,589	31,592	36,981	36,981	36,981
Total Obligations	**191,121**	**191,121**	**191,127**	**206,375**	**211,439**	**220,095**

Note 25. 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-15	31-Mar-14
25a	The Department has approximately 300 cases managed by Treasury Solicitors with associated potential adverse costs	371	472
25b	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.	Unquantifiable	Unquantifiable
25c	Claim for repair or repurchase of defective RTB homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
25d	Statutory Contingent Liability taken on under the provisions of the Banking Act 2009 in respect of Homeowners Support Scheme.	993	993
25e	Potential liabilities to the EC arising from current European legislation	Unquantifiable	Unquantifiable
25f	Potential losses arising from inability to recover ineligible expenditure arising as a result of the closure of ERDF 2000-2006 and 2007-2013 programmes	Unquantifiable	Unquantifiable
25g	RPTS pension obligations – Following the Supreme Court judgement in respect of Part-Time Workers Regulations 2000, The Department has received a number of similar claims from fee-paid members of the RPTS.	Unquantifiable	n/a
25h	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 the Department. The extent of the potential liability is unquantifiable at this time.	Unquantifiable	Unquantifiable
25i	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
25j	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	210	417
25k	PINS: Ex-gratia payments which may possibly be made to appellants or other appeal parties who have incurred abortive appeal costs following an error made by the Inspectorate's member of staff.	1044	20
25l	VTS: Potential Employment Tribunals: (i) Employment claim under three heads: disability discrimination, failure to make reasonable adjustments and unfair dismissal (ii) County Court Claim from service user under head of disability discrimination (non-employment)	89	n/a

25.1 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.
- Indemnity has been provided should civil claims be brought against the inspectors in relation to the investigation into the governance of Rotherham Borough Council and its findings.
- The Department has provided a Guarantee for the affordable housing sector guaranteeing debt of no more than £3.5 billion. At the accounting date, the Department has approved borrowing of £1.3 billion of which £668 million has been drawn down and is covered by the guarantee. The guarantee has been valued in accordance with IAS39 and has been recognised as a financial guarantee in the Statement of Financial Position.
- The Department intends to enter into further Guarantees with the private rented sector. A delivery partner was appointed in December 2014 to administer the scheme. It is not expected that any Guarantees will be entered into until 2016 and they will not exceed £3.5 billion.
- NewBuy claims by mortgage lenders. Potential losses from the guarantee provided under the NewBuy scheme to underwrite a percentage 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.
- The Mayor is now charging the Community Infrastructure Levy across London in order to raise £301 million between 2012/13 & 2018/19 for the Abbeywood Spur of Crossrail. There are two agreements in place (one between HMT and the Department (2007) and one between the Department for Transport and Transport for London (2008) that set out the circumstances in which the Government/the Department could be asked to make up any CIL funding shortfall). The agreement does not place the Department 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.

Note 26. Contingent assets disclosed under IAS 37

£'000

		31-Mar-15	31-Mar-14
26.1	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 27. Losses, special payments and gifts

Managing Public Money and the FReM require a statement showing losses and special payments by value and by type to be shown where they exceed £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:

	2014-15						2013-14					
	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)	24	45	24	45	24	45	42	817	42	817	42	817
Claims abandoned	5	4,234	19	4,263	39	47,797	15	6,657	38	6,741	56	54,416
Fruitless payments	3	1,265	4	1,266	4	1,266	1	27,000	1	27,000	1	27,000
Constructive losses	-	-	-	-	-	-	-	-	-	-	-	-

In 2014-15 there were 10 individual losses of over £300,000 worth £48,266k detailed below:

Losses (claims abandoned) over £300k	£'000
ERDF 07-13 Self-correction	1,568
ERDF write-off	1,990
ERDF write-off	390
Friars Gate Lease surrender	670
Bridge House Lease surrender	395
HCA exit from share in company	22,061
HCA exit from share in company	9,282
HCA exit from share in company	8,892
HCA partial write off of loan balance	673
HCA Receivable write off	2,345

	2014-15						2013-14					
	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	68	966	95	1,366	95	1,366	85	1,455	132	1,812	132	1,812

	2014-15		2013-14	
	Cases	£000s	Cases	£000s
Gifts	-	-	-	-

Note 28. Related party transactions

The Department is the parent of PINS and a number of sponsored bodies listed in Note 31. 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 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.

Peter Schofield is a member of the management board for Local Partnerships LLP (HM Treasury representative). Local Partnership 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 £703,990 to Local Partnerships LLP, made up of consultancy fees (£252,507), agency staff (£164,611) and grants (£286,872).

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 29. 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 23 June 2015.

Following the abolition of the Audit Commission on 1 April 2015, the Commission's residual assets and liabilities, including the pension liability arising from the Audit Commission Pension Scheme transferred to the Department. A summary of the assets and liabilities transferred on 1 April 2015 are as follows:

Total assets transferred	£761k
Total current liabilities transferred	(£761k)
Net pension liability transferred	£157,414k

As a result the Department will recognise a £157,414k loss on absorption transfer in its 2015-16 Statement of Comprehensive Net Expenditure.

The Department had already received a £200k cash transfer from the Audit Commission which has been recognised as a liability in the Department's Accounts as at the 31 March 2015.

Further details on the transfer and the pension scheme can be found in the Audit Commission's 2014-15 Annual Report and Accounts.

Note 30. Impact of Prior Period Adjustments

The Department has incorporated the restatement of HCA's prior period adjustment in these accounts. These adjustments are as a result of changes in accounting policy and one error and are not material to the Department. However, the Department has elected to apply a full restatement. The HCA restated prior periods in three separate respects:

- **Inventories measurement basis** - The 2014-15 FReM has been amended from previous years to direct that inventories should be valued using the historic cost convention, without the modification previously included to revalue inventories to fair value. As a result, the HCA's property/development assets are now recorded at the lower of cost and net realisable value. Prior periods have been restated accordingly to reflect the change in accounting policy.

  The effect of this change is to eliminate the revaluation reserve of £232.3 million and reduce the carrying value of property/development assets by £290.4 million at 31 March 2014. It also reduces the cost of property disposals by £42.6 million in 2013-14.

- **Help to Buy recognition point** - the HCA has determined that the correct recognition point for Help to Buy investments is on legal completion of the property sale by the developer. The HCA previously used exchange of contracts as the recognition point, and therefore a prior period adjustment has been made to reflect this change. This change has the effect of delaying the recognition of the HCA's investment, and reducing the investment recognised in the Statement of Financial Position at any given point.

  The impact is to reduce Help to Buy units recognised by £50.3 million at 31 March 2014, by reducing accruals where developers have yet to make a claim following legal completion by £34.1m, and introducing a prepayment of £16.2 million for those units where payment has been made to the developer shortly before completion. The impairment charge in 2013-14 has also reduced by £2.2 million as there were fewer units invested in at 31 March 2014.

- **Contractual assets** - The HCA has completed a review of potential contractual assets, and determined that certain contracts, under which costs were previously expensed, give the HCA the unconditional right to future income. These contracts therefore give rise to financial assets which have been recognised in the Statement of Financial Position by restating prior periods. The majority of these contracts relate to investments made by predecessor organisations.

  The impact is to recognise additional assets, mainly available for sale assets of £43.5 million and loans of £3.0 million at 31 March 2014, which were not previously recognised. The restatement also involves the reclassification of amounts originally paid out as grants by restating the income and expenditure reserve by £36.5 million at 31 March 2014.

  A summary of the impact of each change on the main elements of the financial statements is as follows:

£'000

	Balance at 31 March 2014 per 2013-14 published accounts	Nature of restatement: Inventories - Accounting policy change	Help to Buy - Accounting policy change	Contractual Assets - Accounting error	Restated balance at 31 March 2014
Consolidated Statement of Comprehensive Net Expenditure					
Net operating costs	32,643,667	(30,046)	(2,337)	(1,385)	32,609,899
Other comprehensive net income and expenditure	(140,289)	91,289		(380)	(49,380)
Total comprehensive expenditure	32,503,378	60,900	(2,221)	(1,538)	32,560,519
Consolidated Statement of Financial Position					
Non-current assets	2,175,824		(48,068)	45,973	2,173,729
Current assets	2,502,709	(290,404)	16,156	(98)	2,228,363
Current liabilities	1,331,412		(34,133)	0	1,297,279
Total equity	2,986,630	(290,404)	2,221	45,875	2,744,322

£'000

	Balance at 1 April 2013 per 2013-14 published accounts	Nature of restatement: Inventories - Accounting policy change	Help to Buy - Accounting policy change	Contractual Assets - Accounting error	Restated balance at 1 April 2013
Consolidated Statement of Financial Position					
Non-current assets	1,300,230			44,620	1,344,850
Current assets	1,717,179	(229,504)		(283)	1,487,392
Current liabilities	1,331,032				1,331,032
Total equity	1,199,350	(229,504)		44,337	1,014,183

Note 31. Entities within the Departmental Boundary

The entities within the boundary during 2014-15 were as follows:

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

Title	Role & Future	Included in consolidation Y/N
Tribunals		
Valuation Tribunal for England	An independent appeals tribunal, funded by Parliament, to handle Council Tax and rating appeals in England.	Y
Executive Non departmental Public Bodies (NDPBs)		
Homes and Communities Agency	To create opportunity for people to live in high-quality, sustainable places. To provide funding for affordable housing, bring land back into productive use and enable local authorities to achieve housing and regeneration ambitions for their own areas. http://www.homesandcommunities.co.uk/	Y
The Housing Ombudsman	To provide a free, independent and impartial service to review complaints about registered housing providers, including housing associations and other landlords, managers, and agents. http:/www.housing-ombudsman.org.uk/	Y
The Leasehold Advisory Service	Provides free legal advice and information on all aspects of residential leasehold law in England and Wales. The future of this body is under consideration and the 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 of the Corporation were devolved to local government on 27 March 2014 with formal dissolution of the body 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, the Centre is London's specialist events venue for up to 1,500 delegates.	N
Public Corporations		
Architects Registration Board	Independent regulator of all UK-registered architects.	N
Audit Commission for Local Authorities and the National Health Service in England	Statutory body responsible for appointing local auditors. Following Royal Assent of the Local Audit and Accountability Act in January 2014, the Audit Commission was abolished on 1 April 2015.	N

1 Trust Statement in respect of Business Rates Retention and 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 2014-15 in respect of the collection of Business Rate income under the Business Rate Retention system 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 Business Rates under the Business Rates Retention system 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 is shown in the 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.

Introduction of Business Rates Retention from 2013-14

1.4 The new scheme of Business Rates Retention came into force on 1 April 2013, replacing the old collection and redistribution National Non-Domestic Rating system. Under the system, local authorities retain 50 per cent 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.

Financial review

1.5 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.

1.6 Any cash receipts or payments are presented through the Statement of Cash Flows in the Trust Statement only and are excluded from the Department's Consolidated Statement of Cash Flows.

Auditors

1.7 The Trust Statement is audited by the Comptroller and Auditor General under Section 7 of the Government Resources and Accounts Act 2000. The audit opinion is on pages 189 to 190. The auditor's notional fee of £19,000 (2013-14: £19,000) for this is included in the Department's Group Accounts. There were no fees in respect of non-audit work.

Basis for preparation

1.8 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department for Communities and Local Government to prepare the Trust Statement to give a true and fair view of the position relating to the amounts receivable and payable in respect of Business Rates. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Melanie Dawes CB **22 June 2015**

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 Melanie Dawes, the Permanent Head of the Department, the Accounting Officer for the Business Rates Retention and Non-Domestic Rates Trust Statement.

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 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 (FReM) 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 FReM 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's Governance Statement, covering both the Group Accounts and the Trust Statement, is shown on pages 89 to 114.

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 Non-Domestic Rates Trust Statement (the Trust Statement) for the year ended 31 March 2015 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 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 Non-Domestic Rates Trust Statement gives a true and fair view of the state of affairs of the income collectable under Business Rates Retention and Non-Domestic Rates by the Department for the Communities and Local Government on behalf of the Consolidated Fund as at 31 March 2015 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 **Date: 23 June 2015**
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 2015

£'000

	Note	2014-15	2013-14
Income			
Licence Fees and Taxes:			
Non Domestic Rates	3	1,272,375	1,593,873
Business Rates	3	22,257,698	21,734,700
Local Share			
Deduction of Local Share		(10,761,083)	(10,851,030)
Local Share Deductions		(10,761,083)	(10,851,030)
Total Revenue after deduction of Local Share	3	12,768,990	12,477,543
Net Revenue for the Consolidated Fund		**12,768,990**	**12,477,543**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 194 to 197 form part of this Statement

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5 Statement of Financial Position

as at 31 March 2015

£'000

	Note	2014-15	2013-14
Current Assets			
Receivables	4	52,085	11,114
Cash and cash equivalants	CfS, 6	19,029	3,419
Total current assets		71,114	14,533
Current liabilities			
Payables	5	19,029	5,101
Total current liabilities		19,029	5,101
Total assets less current liabilities		52,085	9,432
Represented by:			
Balance on Consolidated Fund	2	52,085	9,432

Melanie Dawes CB **22 June 2015**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 194 to 197 form part of these accounts.

6 Statement of Cash Flows

for the period ended 31 March 2015

£'000

	Note	2014-15	2013-14
Cash flows from operating activities		12,741,947	12,486,398
Cash paid to the Consolidated Fund		(12,726,337)	(12,482,979)
Increase/(decrease) in cash in this period		**15,610**	**3,419**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	12,768,990	12,477,543
(Increase)/Decrease in receivables	4	(40,971)	7,611
Increase/(Decrease) in payables	5	13,928	1,244
Net Cash Flow from Operating Activities		**12,741,947**	**12,486,398**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		15,610	3,419
Net funds at 1 April		3,419	-
Net funds at 31 March	6	**19,029**	**3,419**

The Notes on pages 194 to 197 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 handles on behalf of the Consolidated Fund where it is acting as agent rather than as principal.

1.3 This Trust Statement reports the income collectable under the Business Rates Retention system as reported on the Main Non-Domestic Rating Account and the Levy Account. The Levy Account recognises a non-cash credit required by legislation. This is not actual income due or collectable on behalf of the Consolidated Fund and it has not been recognised in this Trust Statement. Tariff receipts are also excluded from the Trust Statement as they are used to pay for Top Ups and not surrendered to the Consolidated Fund.

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 Business Rates. Revenue is measured in accordance with IAS 18 and recognised when the underlying event giving rise to the liability to the Consolidated Fund has occurred, can be measured reliably and it is probable that that the economic benefits will flow to the Exchequer.

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.

Deferral Scheme

1.9 The collection of Business Rates in 2014-15, 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 per cent 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 with £9.363 million released in 2013-14 and in 2014-15. 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

1.10 Under Business Rates Retention, local authorities retain a percentage, currently 50 per cent, 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.

1.11 The cost of collection borne by local authorities included within the Local Share is £84 million (£84 million in 2013-14).

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Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	31-Mar-15	31-Mar-14
Balance on Consolidated Fund Account as at 1 April	9,432	14,868
Net Revenue for the Consolidated Fund	12,768,990	12,477,543
Less amount paid to the Consolidated Fund	(12,726,337)	(12,482,979)
Balance on Consolidated Fund Account as at 31 March	**52,085**	**9,432**

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

£'000

Revenue	2014-15	2013-14
Central list and other: Non-Domestic Rates revenue collectable on behalf of the Consolidated Fund	1,272,375	1,593,873
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	11,496,615	10,883,670
Total Revenue	**12,768,990**	**12,477,543**

Trust Statement Note 4 Receivables

£'000

Receivables	31-Mar-15	31-Mar-14
Accrued revenue receivable	52,085	11,114
Total receivables	**52,085**	**11,114**

Trust Statement Note 5 Payables

£'000

Payables	31-Mar-15	31-Mar-14
Accrued revenue payable	19,029	5,101
Total payables	**19,029**	**5,101**

Trust Statement Note 6 Cash at Bank

The cash at bank and net funds disclosed in the Statement of Cash Flows are held with the Government Banking Service.

Trust Statement Note 7 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 23 June 2015.

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.

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

The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2015 and subsequent financial years for the revenue and other income, as directed by HM 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.

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; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

The Department shall report the total amount of Business Rates revenue, comprising the central and local share, including those elements that are recorded separately. These include levy income receivable from local authorities and other income following reconciliation adjustments. The Department shall show the local share as an allowable deduction from the 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.

The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

When preparing the Statement, the Department shall comply with the guidance given in the FReM. The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

The Trust Statement, together with this direction (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 HM Treasury have agreed that the Trust Statement may be laid at a later date.

This Accounts Direction supersedes any previously issued Accounts Directions in respect of Business Rates Retention.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
9 February 2015

Annex A: Glossary

Accounting Date: The date at which the accounts were drawn up, in this case 31 March 2015 (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 PAC 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 31.

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 per cent 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 ONS 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 31.

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 FReM 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 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.

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 31.

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).

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 PAC.

Public Accounts Committee (PAC): 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 per cent 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	
28 Too Many *Tackling FGM & Honour Based Violence*	**7**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Afruca Tackling FGM & Honour Based Violence	**10**	Funding for 10 Anti-FGM Youth Champions to deliver FGM awareness sessions to young people in the Manchester area.
Anne Frank *Trust UK* *Anne Frank Educational Programme*	**97**	Funding will enable the Trust to deliver their programme to 35,000 young people in London and the West Midlands by July 2015 to challenge prejudice and reduce hatred, encouraging people to embrace positive attitudes, responsibility and respect for others.
Apasenth *The e3 Pilot Project - English Through Social, Economic and Community Action.*	**289**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
Apasenth *English Language Community Based Learning*	**64**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
Arc *Theatre Tackling FGM & Honour Based Violence*	**5**	Arc Theatre's to deliver a series of INSET training sessions for primary school teachers and staff to improve the delivery of FGM awareness in schools. The includes knowledge and understanding of FGM, recognising and acting on suspected abuse.
Birmingham and Solihull Womens Aid *Tackling FGM & Honour Based Violence*	**15**	Funding 15 community projects to prevent FGM and other forms on honour based violence.
Black Training and Enterprise Group *Black Training and Enterprise Group (BTEG) Opening Doors*	**101**	(Opening Doors Network a programme) to establish an enterprise development course to train young unemployed and socially disadvantaged people in Haringey, Brent and Croydon to be entrepreneurs.
Bolton Solidarity Community Association *Tackling FGM & Honour Based Violence*	**16**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
British Chamber of Commerce *BCC Local Enterprise Partnership Network*	**22**	Funding to support BCC Local Enterprise Partnership Network programmes.
Brook *Tackling FGM & Honour Based Violence*	**15**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Business in the Community *Mosaic Enterprise Challenge*	**40**	BITC match funding of Mosaic Enterprise Challenge Competition, a schools project, in parts of London, Luton, Birmingham and Sheffield.
Castle Vale Community Housing *Our Place*	**48**	DCLG to provide bridging funding to enable the development of a sustainability/ business plan by July and engagement with partners to develop propositions to secure ongoing funding.
Centre for Ageing Better (CfAB) *What Works Centre for Ageing Better*	**200**	Funding to support the building of the centre for Ageing Better capabilities
Centre for Engineering and Manufacturing Excellence *Centre for Engineering and Manufacturing Excellence*	**1,193**	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.
Chartered Institute of Housing *The CIH Making Better Use of Stock Project*	**99**	To fund the Chartered Institute of Housing to provide advice and support to social landlords on making better use of their stock'.
Church Urban Fund *Near Neighbours Initiative*	**1,500**	Programme to build productive working relationships between people of different faiths at local level living in diverse communities.
CIPFA *Local Audit: CIPFA Auditor Panel Guidance*	**13**	Production of guidance to support Local Authority Audit Act
Civic Voice *Community Rights Workshops*	**5**	DCLG paid Civic Voice on behalf of the Localism Alliance to organise and host 3 workshops on community rights in Bristol 29 March, Wakefield 5 April and London 17 April.

Clean Up Britain *Cleaning Up Town Centres project*	**20**	Funding for cleaning up Town Centre Project , with initial focus on Plymouth.
Community Development Foundation *Community Rights - Just Act peer to peer website*	**47**	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 crowd-sourced content, links to other websites, a peer to peer forum and expert contributions from a variety of organisations and experienced individuals working in communities.
Community Development Foundation *Our Place Support Programme*	**2,012**	£4.3m Our Place Support Programme budget will support over 120 areas to adopt an Our Place approach (giving communities the power to take control of services in their area and tackle local issues).
Community Security Trust *Enhancement of Security for Jewish Buildings*	**1,000**	Project will help to enhance the physical security of around 200 Jewish locations across the UK. This includes (but not limited to) synagogues, schools, community centres, care homes and Jewish communal buildings.
Enfield Child & Young Persons Service *Tackling FGM & Honour Based Violence*	**12**	Funding 15 community projects to prevent FGM and other forms on honour based violence.
FaithAction *Community based English Language Competition*	**673**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
FaithAction *English Language Competition*	**55**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
FaithAction *Together in Service*	**147**	A 2-year programme of faith-based social action building on the success of A Year of Service (2012). Every month the social action of a different faith community is celebrated and new multi-faith projects encouraged. The project is supported by the Together in Service Fellowship of willing volunteers and a small grants fund to kick-start new inter faith projects.
Faiths Forum for London *Big Iftar*	**21**	To support the delivery a dedicated iftar (fast breaking) campaign during Ramadan, encouraging places of worship and community groups to come together, host and share iftars.
Forward *Tackling FGM & Honour Based Violence*	**49**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Holocaust Memorial Day Trust *Integration and Extremism - Tolerance*	**940**	Work with Holocaust Memorial Day Trust to deliver the UK's annual Holocaust Memorial Day and support its work with schools and local communities throughout the year to raise awareness and deliver local events.
Imkaan *Tackling FGM & Honour Based Violence*	**40**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Imperial War Museum *First World War Centenary - Show and Tell*	**55**	Online resource for communities, which includes libraries and local historical societies, to work with local areas to identify First World War stories and artefacts.
Information Network on Religious Movement (INFORM) *Transition Funding Agreement - INFORM*	**130**	An independent charity providing information that is as up-to-date and reliable as possible about what many call cults, sects, new religious movements (NRMs) and non-conventional religions.
Integrate Bristol *Tackling FGM & Honour Based Violence*	**20**	Integrate Bristol trustees to work with schools to equip them to use age appropriate tools to raise awareness of FGM amongst their students, enabling them to protect girls at risk on a long term basis.
Inter Faith Network for the UK Strategic Grant Offer	**220**	A charity that links up and resources local and national inter faith bodies and faith umbrella bodies
Inter Faith Network for the UK *Inter Faith Week 2013 Reporting Project*	**10**	A charity that links up and resources local and national inter faith bodies and faith umbrella bodies
Jan Trust *Jan Trust: Integration of Muslim Women*	**18**	A fashion design course for Black, Asian and Minority Ethnic women in Haringey and Enfield
Jan Trust *Tackling FGM & Honour Based Violence*	**18**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Karma Nirvana *Tackling FGM & Honour Based Violence*	**19**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Locality *Our Place Support Programme*	**88**	Support for 10 Parishes and 23 Emerging Potential Areas (giving communities the power to take control of services in their area and tackle local issues)
Mencap *Changes Places Application*	**30**	This project is to develop a replacement for the current Changing Places Toilet Map in order to ensure adequate provision of toilet facilities to meet the needs of most disable people.

Muslim Womens Network *Tackling FGM & Honour Based Violence*	**15**	MWN - to produce and disseminate a resource of accessible information on FM/HBV to increase knowledge and understanding of FM/HBV in communities, including its impact, legal consequences, and support available
Muslims Charities Forum *Faith Minorities in Action*	**92**	To improve the governance, capacity and leadership of mosques and other places of worship.
National Association of Local Councils (NALC) *Local Audit: Initial Funding*	**60**	Initial work on delivery of Sector Led body and Transparency Fund
National Association of Local Councils (NALC) *Quality Councils Scheme Revision*	**26**	Support for revision of the Quality Councils Scheme (now Local Councils Awards Scheme)
National Association of Local Councils (NALC) *Sustainable Communities Act Selector role*	**9**	The payments refund costs that NALC incurs in its role as Selector for town and parish councils for the Sustainable Communities Act.
National Association of Local Councils (NALC) *Support for Parish Councils*	**516**	Support for campaigns for new town and parish councils - NALC New Councils programme
National Communities Resource Centre *Tenant Empowerment Programme*	**285**	For delivery of residential training for social housing tenants
National Holocaust Centre & Museum Holocaust Testimony Capture	**300**	The National Holocaust Centre in Newark will capture Holocaust survivor testimony in such a way that it can be used interactively in the future
National Memorial Arboretum *Victoria Cross Recipient Commemorative Paving Stone Project*	**311**	Project to commemorate WWI VC recipients with a paving stone across the country at their birth place or at the National Memorial Arboretum (Staffordshire) for overseas born VC recipients.
Nottingham Community and Voluntary Service *Nottingham North Rebalancing Project*	**100**	This is a long term project and DCLG's one-off funding will be targeted towards helping bring this project to life and ensure that meaningful community participation is encouraged and resourced.
One20 (Timebank) *English Language Competition*	**33**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
One20 (Timebank) *Talking Together*	**649**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
Plunkett Foundation *Co-operative Pubs Advice Line*	**50**	Creation of a co-operative pubs advice line and supplementary support for community group for exploring taking ownership of their pub.
Plunkett Foundation *Community Services Grants & Expansion of Advisory Hubs*	**10**	The payments for Plunkett Foundation were to provide a co-operative pubs telephone advice line.
Pub is the Hub *Community Services Grants & Expansion of Advisory Hubs*	**75**	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*	**19**	DCLG match-funded three community-based ESOL projects' successful applications to the European Integration Fund.
Refuge *Tackling FGM & Honour Based Violence*	**13**	Two separate projects, FGM and HBV .FGM: To deliver 4 specifically-tailored informal training/awareness raising events on the topic of Female Genital Mutilation (FGM) in Lewisham. HBV:To deliver 12 specifically-tailored informal training/awareness raising events on the topic of Forced Marriage (FM) and Honour Based Violence (HBV) in Derby and Hackney.
Reserve Forces' and Cadets Association for Greater London *A Soldier's Tale*	**50**	To educate communities about what the First World War meant to one soldier and his family through out the centenary. The project will create a character and tell his life story for four years, in real time, through the medium of social media.
ROSA *Tackling FGM & Honour Based Violence*	**13**	Funding 15 community projects to prevent FGM and other forms of honour based violence.
Sadaqa Day Ltd *Sadaqu Day*	**20**	To support the delivery of a dedicated project bringing together Muslims with people of different backgrounds in local areas through social action.
Schools Linking Network (SLN) *Schools Linking Network Unlocking Talent Programme*	**98**	Unlocking Talent and Potential scheme to bring together pupils from different backgrounds, provide them with business mentors and work experience opportunities, and enable the most committed pupils to go on to establish new enterprises.
Social Investment Business *Assets of Community Value (Right to Bid)*	**3,096**	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 Ownership and Management of Assets*	**2,513**	This is both a resource and capital grant payment to help local groups to develop ideas and build their capacity to acquire and manage community assets. And also to support innovative demonstrator asset projects with large capital grants.

Social Investment Business *Community Right to Challenge*	**2,483**	The support programme provides 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*	**30**	Support for refresh of Certificate in Local Council Administration (qualification for town & parish council clerks)
Superact *Our Big Gig Project.*	**217**	Delivery of a national mass-participation musical event from 11-13 July, together with targeted activity in selected areas over a longer period, with the aim of bringing diverse communities together and encouraging local participation in music on a sustained basis.
Superact *First World War Centenary - The Last Post*	**34**	Encouraging communities to engage and come together through local music events, which includes playing the 'Last Post' on any instrument.
Tenant Participation and Advisory Service (TPAS Ltd) *Tenant central - Tenant training and support programme*	**455**	The funding delivers a national programme of training and support that inspires social tenants to challenge landlords and get more involve in their community.
The Media Trust *Advocacy Project*	**96**	Fulfilling Extremism Task Force Action to provide a platform for young people to share positive stories about integration. 60 young people being trained as journalists and will produce at least 120 stories and 2 million opportunities to view by end of June 2015.
Tinder Foundation *English My Way*	**577**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
Tinder Foundation *English Language Community Based Learning*	**265**	Support for six projects providing community-based English language tuition to 24,000 isolated people in selected target areas.
Tribal Education Ltd *Empty Homes Community Fund*	**18,732**	Payment for community groups delivering projects under the Empty Homes Community Fund.
Umma Help *Srebrenica Genocide project*	**468**	To support the charity, Ummah Help, to deliver it's Remembering Srebrenica Genocide project.
Victoria Cross Trust *Victoria Cross Trust Grant Grave Restoration Campaign*	**160**	For the restoration of Victoria Cross Recipients' graves from the First World War.
Woman's Health and Family Services *Tackling FGM & Honour Based Violence*	**14**	Funding 15 community projects to prevent FGM and other forms on honour based violence.
Youth United *Supporting Inclusion Programme*	**918**	The project aims to create opportunities for 10,800 young people in 400 newly established units run by 2,700 volunteers.
	42,253	

Annex C Sustainability Report

Introduction

1.1 The Department for Communities and Local Government is fully committed to sustainable development and actively works to reduce the environmental impact of its operations and procurement by adopting low carbon, resource efficient processes; we support this by conducting as far as practicable best environmental, social and economic practices. The Department is now in its fifth reporting year for sustainability performance within the Annual Report and Accounts, reporting on financial and non-financial indictors in line with HM Treasury guidance 'Public Sector Sustainability Reporting' published at https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2014-to-2015.

1.2 The Department is reporting a full data set which includes information from our Executive Agency and NDPBs. The Department reports sustainability data and delivery plans on a regular basis to Defra and Cabinet Office.

Scope

1.3 The report is aligned to both the Greening Government Commitments and departmental accounting boundaries. Where differences exist between the two, the financial data is aligned to the Department's accounting boundary and the non-financial data is aligned to the Greening Government Commitments. Non-financial information will include the Queen Elizabeth II Conferencing Centre.

1.4 The Queen Elizabeth II Conferencing Centre is classified as a non- office site which is included in the Department's total water consumption but sits outside the office benchmark figures.

1.5 The Department is voluntarily reporting on its international business travel to provide greater transparency and to support the requirement to offset emissions from ministerial and official air travel.

1.6 The Department's sustainability priorities, set out in the 2012-15 Business Plan, outline how it will redistribute power and funding from government to local people by transforming public services and ensuring communities are equipped to sustainably grow and prosper. To the Department sustainable growth means ensuring economic, environmental and social progress for this and future generations. The Department will contribute to this by committing to:

- Assess and manage environmental social and economic impacts and opportunities in policy development and decision making;
- Implement the Department's 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 per cent of contracts should be awarded to small/medium sized enterprises; and
- Deliver a weekly waste collection support scheme.

1.7 As part of the UK National Adaptation Programme setting out how the country will plan for resilience against Climate Change, the Department has committed to updating Planning Practice Guidance to ensure that the planning system assists in delivering sustainable new development and infrastructure that minimises vulnerability and provides resilience against climate change impacts. The Department also committed to undertaking a review of the Building Regulations framework and local housing standards to ensure that any construction of new buildings or renovation of existing buildings evolves in response to emerging risks and issues and meets standards for health, safety, welfare, convenience and sustainability.

1.8 The housing standards review was completed in March 2015; outcomes have been announced to highlight changes to planning, a written ministerial statement, planning guidance, legislative changes and new building regulations.

1.9 Key changes from the housing standards review include:

- A solar photovoltaic strategy to allow for a 20-fold increase in the amount of solar panels that can go onto the roofs of non-domestic buildings such as warehouses and offices helping to achieve energy goals;
- A commitment to implement the zero carbon homes standard in 2016; in addition to future strengthening of on-site energy performance requirements, the Infrastructure Act 2015 has been introduced to enable off-site carbon abatement measures to contribute to achieving the zero carbon standard.

Sustainability Operations Strategy

1.10 The Department's overarching sustainable operations strategy is to reduce the total size of its estate in line with the Cabinet Office National Property Controls[7], thereby reducing overall utilities consumption and travel, and focusing on operating its remaining buildings even more efficiently. Between July and September 2014, the Department relocated its London headquarters from Eland House to shared premises with the Home Office in 2 Marsham Street. The phased move initially increased waste arising and utilities consumption but will improve performance in the medium and long term.

1.11 In working towards exceeding all of the Greening Government Commitments, during 2014-15 the Department has focused on areas which were proving more difficult to meet such as the office water benchmarks and harder to influence areas such as domestic air travel. Where increases were reported, targeted communications and awareness campaigns were undertaken to inform staff of alternatives to flying such as video-conferencing and tele-conferencing for meetings, or alternative travel modes where feasible to reduce environmental impacts.

1.12 The Department monitors all aspects of departmental business and is keen to ensure it is environmentally responsible in all areas of its supply chain and its wider sphere of influence. As part of the Department's wider strategy and in addition to the Greening Government Commitments, it also reports on responsible timber procurement, Closed Loop recycling[8], carbon offsetting, the Carbon Reduction Commitment Energy Efficiency Scheme, sustainable food procurement including Fair Trade, and ICT re-use

[7] The National Property Controls (NPCs) require that (unless retention is operationally essential) departments will not acquire additional office accommodation; will exercise office lease break clauses at the earliest possible opportunity; and will surrender or otherwise dispose of office leases at expiry.

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

and disposal. Specific mandatory requirements are embedded into framework contracts to help support sound governance in this respect.

1.13 The Department has also issued guidance on embedding sustainability at individual building level within Building User Guides and within facilities management processes and procedures.

Targets and summary of 2014-15 performance

1.14 The Department has exceeded all the Greening Government Commitments targets, demonstrating considerable reductions against greenhouse gas emissions, waste and water as well as reducing associated financial costs. The overall performance is set out in the tables below. The Department continues to strive towards further improving its performance and achieve even greater efficiencies during 2015-16.

1.15 Sustainable operations delivery plans and targets are fully aligned to the Greening Government Commitment targets, and where quantified targets are not specified the Department has defined this through aspirational targets, including total estate water reduction and recycling rate targets. Table 1a details this information.

1.16 The Department not only focuses on the Greening Government Commitment targets but also wider and longer term targets such as the Energy Efficiency Directive articles 5 & 6 2020 targets, Kyoto Protocol Agreement and the Climate Change Act. Equally, the Department's forward strategies, and sustainability audits and surveys consider both long and short term opportunities.

1.17 In order to monitor performance throughout the reporting period, the Department undertakes performance improvement and measurement checks across each of its sites at regular intervals. A Building Assurance Framework document, statutory compliance checks and key performance indicators assessments are made to ensure that the data reported is accurate and that correct processes are adhered to on a site by site basis.

Table 1a: Non-financial 2014-15 performance against key Greening Government Commitment targets, measured against 2009-10 baseline

	Reduce GHG (scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%
Performance (2014-15 measured against 2009-10)	-54%	-28%	-65%
Pan-Government performance Pan-government performance (2013-14 measured against 2009-10)*	-20%	-9%	-22%

* Pan-Government 2014-15 performance not available at time of publishing

1.18 The Department has made considerable financial savings following reductions in energy, water, UK business travel and waste disposal, the largest single saving from reducing business travel, and amounting to almost £2m. This is set out in Table 1b.

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

Table 1b: Direct financial benefits of Department for Communities and Local Government Greening Government programme

	Energy	UK Business Travel	Waste Disposal	Water Use	Total £'000
2014-15 costs vs 2009-10	(1,341)	(1,968)	(141)	(32)	(3,482)

Greenhouse gas emissions

1.20 Targets for greenhouse gas emission reductions:

- Reduce greenhouse gas emissions by 25 per cent by 2015 from a 2009-10 baseline from the whole estate and business-related transport; and
- Reduce domestic business travel flights by 20 per cent by 2015 from a 2009-10 baseline.

1.21 The Department has continued to reduce its total in-scope gross greenhouse gas emissions throughout 2014-15, achieving a total reduction of 54 per cent since the 2009-10 baseline year. The Department was also successful in meeting the previous administration’s Sustainable Operations on the Government Estate targets.

1.22 The Department has continued to reduce its energy bill and since 2009-10 has achieved savings of c.£1.34m; this has largely been achieved through low and no cost energy efficiency measures and estate rationalisation. The Department’s greenhouse gas emissions increased marginally in 2014 due to simultaneously occupying space in both Eland House and 2 Marsham Street during its London HQ relocation. However, following the move, significant efficiencies are expected since the Department now occupies less office space.

1.23 In line with DEFRA guidance, the Department’s greenhouse gas emissions data is not weather corrected.

Table 2: Greenhouse gas emissions summary

Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
							CO_2e
Non-Financial Indicators (tonnes CO_2e)	Total Gross Emissions for Scope 1	3,650	3,012	1,949	2,033	1,921	1,386
	Total Gross Emissions for Scope 2	13,928	13,111	10,270	8,494	6,849	7,186
	Total Gross emissions attributable to Scope 3	5,904	3,869	2,688	3,031	2,130	2,234
	Total emissions Scope 1, 2 & 3	23,482	19,992	14,907	13,558	10,900	10,806
	Number of domestic air travel flights	542	617	198	289	275	427
							MWh
Related Energy Consumption (MWh)	Electricity: Non-Renewable	25,943	22,691	18,637	3,459	1,091	822
	Electricity: Renewable	1,695	2,525	1,031	14,556	14,284	13,718
	Gas	20,901	16,261	10,521	10,977	10,438	7,494
							£'000
Financial Indicators (£'000)	Expenditure on Energy	2,944	2,344	1,963	1,716	2,019	1,603
	CRC Licence Expenditure (2010 onwards)	N/A	N/A	1	85	98	179**
	Expenditure on accredited offsets (e.g. Government Carbon Offsetting Fund).	1	1	1	1	1	0*
	Total expenditure on official business travel	6,160	4,431	3,085	2,687	3,880	4,192
	Expenditure on domestic air travel	270	97	22	23	65	35

*The Department will be offsetting emissions from ministerial and official business travel undertaken in 2014-15 during the current financial year.

**The increase in expenditure relates to the HCA participating in the Department's CRC return.

Estate emissions

1.24 The most significant aspects of the Department's building-related emissions are from electricity use and fuel consumption by gas boilers; reduction plans have consequently focused on these areas.

1.25 The core Department's electricity is purchased via the CCS energy framework from renewable sources, and is therefore Climate Change Levy exempt.

1.26 Despite the Department successfully exceeding the greenhouse gas emissions target, it is committed to continual improvement. Delivery plans are regularly reviewed to identify further opportunities for cost-effective reductions. This helps ensure that the Department's own operational emissions remain on track for meeting the targets set out in the Climate Change Act.

1.27 The Department continues to participate in the Carbon Reduction Commitment Energy Efficiency Scheme to assist in improving energy efficiency measures and cut emissions across the UK.

Domestic business travel

1.28 The Department is committed to reducing the amount of business travel undertaken and has focused efforts on encouraging staff to, where possible, use information communication technology (ICT) for meetings as an alternative to travel to help achieve financial, environmental and time efficiencies for both staff and the Department. When travel is necessary staff are encouraged to choose the most sustainable mode of transport available. This has helped achieve a 67 per cent reduction in domestic travel related emissions since 2009-10, and helped realise significant financial savings.

Table 3: Domestic business travel

Domestic Travel Mode		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
							CO_2e
Non Financial Indicators (Tonnes CO_2e)	Car	3,908	3,149	2,172	1,970	1,161	1,085
	Rail	843	679	447	356	351	477
	Taxi	18	15	28	7	7	8
	Other (bus, tube, tram)	1	1	17	4	2	2
	Domestic Flights	32	26	25	24	22	33
	Total	4,802	3,870	2,689	2,361	1,544	1,605

1.29 The number of domestic flights has reduced by 21 per cent for 2014-15 against 2009-10; and can be attributed to a clear authorisation process being in place across departmental NDPBs and Executive Agencies for domestic flight travel.

1.30 Tighter spending controls have also influenced general travel activity: continued focus on achieving value for money in all aspects of business delivery has positively impacted this area.

1.31 It is recognised that business needs frequently demand travelling, including by plane. For all unavoidable departmental air and rail travel (including international travel), the associated emissions are offset via the Government Carbon Offsetting Facility.

International business travel

1.32 The Department first published its greenhouse gas emissions data from international business travel as part of its transparency commitment and continues to do so. The significant reduction in international travel since 2013-14 is primarily due to the closure of the Audit Commission, and smarter ways of working.

Table 4: International business travel

International Business Travel		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
							CO_2e
Non Financial Indicators (Tonnes CO_2e)	Flights	47	14	6	9	35	26
	Rail	283	206	99	31	1	1
	Total	330	220	105	40	37	27

Waste management

1.33 Targets for waste management:

- reduce the amount of waste generated by 25 per cent from a 2009-10 baseline by 2015;
- cut paper use by 10 per cent in 2011-12;
- implement a closed loop recycled paper service;
- ensure that redundant ICT equipment is reused (within government, the public sector or wider society) or recycled responsibly; and
- Recycle 85 per cent of waste by 2015 (Department for Communities and Local Government's aspirational target)

1.34 In terms of an overarching waste management strategy, the Department follows the waste hierarchy by focusing on reducing the generation of waste in the first place before considering how to reuse or recycle its waste. By adopting this approach, waste has been reduced by 65 per cent since 2009-10. As part of this, the Department adheres to a policy of redeploying unwanted or redundant ICT equipment wherever possible to avoid disposal, and encourages reuse of equipment. Where redeployment is not possible, equipment is recycled.

1.35 The Department has set itself a target to achieve an internal recycling rate of 85 per cent, and is currently achieving a 60 per cent recycling rate including reused, recycled and composted materials.

1.36 The Department works closely with its facilities management provider to actively manage all aspects of the Department's office waste including provision of recycling facilities, data analysis and improving staff awareness.

1.37 Paper procurement has reduced by 70 per cent compared with 2009-10, largely due to spend controls and better print facilities (including 'print on collection' settings).

1.38 As part of the Department's relocation from Eland House to 2 Marsham Street, a surplus of office furniture was created due to space consolidation. Over 12 tonnes furniture was redeployed to other government departments saving the taxpayer over £1m, and avoiding furniture being sent to landfill. The relocation, and associated office 'clear-out', also accounts for the overall increase in waste during 2014-15 compared with the previous year.

Table 5: Waste disposal summary

Waste			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
								Tonnes
Non-Financial Indicators (tonnes)	Total waste [Minimum Requirement]		2,103	2,631	1,414	1,268	681	728
	Hazardous waste	Total	1	2	3	2	2	1
	Non-hazardous waste	Landfill	351	350	220	194	117	145
		Reused/Recycled	1,606	1,972	1,075	905	423	368
		Composted/ Bio-digestion	109	116	77	60	44	41
	Total ICT waste	Reused	0	0	0	2		10
		Recycled	1	1	24	5	25	15
	Report if possible	Incinerated/ energy from waste	189	359	154	101	70	148
	Paper Procured	Total Reams	87,486	52,925	40,188	28,854	30,966	26,052
							£'000	£'000
Financial Indicators (£'000)	Total disposal cost [Minimum Requirement]		252	239	231	105	108	111
	Non-hazardous waste - Total disposal cost	Landfill	7	7	10	nk	nk	nk
		Reused / Recycled	168	319	187	nk	nk	nk[3]
		Composted	1	1	1	nk	nk	nk
	Paper Procured	Total Spend	202	174	136	97	85	75

The Department's facilities management provider is currently unable to disaggregate waste management costs from an overall service charge from its own waste sub-contractor.

Finite resource consumption – water

1.39 Water efficiency targets include a departmental target to reduce total consumption by 25 per cent by 2015 from a 2009-10 baseline, in addition to reporting on office water use against the following Greening Government benchmarks:

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

Table 6: Water Consumption Summary

Consumption - Water			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
								m^3
Non-Financial Indicators (m^3)	Water Consumption	Office Estate	62,710	56,840	46,383	39,602	33,227	41,687
		Office Estate per FTE	8	7	7	5	5	6
		Whole Estate	99,358	75,919	71,568	62,168	49,521	71,340
								£'000
Financial Indicators (£'000)	Water Supply & Sewage Costs		122	100	97	76	109	106

Table 7: Percentage of offices meeting water efficiency benchmarks

	Performance	
	2009-10	2014-15
Best practice (less than or equal to $4m^3$ water per FTE per annum)	13.6%	23.1%
Good practice ($4m^3$ to $6m^3$ water per FTE per annum)	13.6%	30.7%
Poor practice (greater or equal to $6m^3$ water per FTE per annum)	72.7%	46.2%

1.40 The majority of water use across the Department occurs from building services processes (heating, ventilation, air conditioning systems) and from washroom facilities, restaurants and tea points.

1.41 Since 2009-10, the Department has reduced its estate-wide water use by 28 per cent, and by 34 per cent from its office estate; this equates to a consumption figure of 5.8m3 per FTE per annum.

1.42 Offices falling within good and best practice benchmarks continue to improve with good practice increasing to 30.7 per cent compared to 13.6 per cent in 2009-10, and best practice performance for 2014-15 is now at 23.1 per cent compared to 13.6 per cent in 2009-10.

1.43 Water reductions have been achieved through leak reduction and repair work, refining operational processes from plant and equipment such as cooling systems, fitting more efficient devices such as tap aerators, and encouraging more sustainable water use with particular attention paid to ensuring facilities and cleaning staff are appropriately trained and informed about the need to minimise water use.

1.44 Since moving to 2 Marsham Street performance has declined slightly; causes and solutions are currently being reviewed to address this.

1.45 The Department is keen to further increase the number of its own office buildings falling within good and best practice benchmarks, and recognises further work is required to achieve this; a programme of comprehensive site audits is planned to identify additional options.

Sustainable procurement

1.46 Extensive sustainability clauses are embedded within the Department's facilities management and ICT contracts to ensure that the services and goods are aligned to sustainability criteria. New contracts require that suppliers meet the Government Buying Standards.

1.47 The CCS provides a managed service procurement function to the Department. Any new procurement staff joining are provided with suitable training and have sustainable procurement objectives written into their personal development plans where required to assist in understanding the Department's commitment to sustainable operations and procurement.

1.48 To assist with procurement processes a series of templates are in place covering the whole life process, drafting notes and prompts to remind buyers to incorporate sustainability requirements at all stages. Key stage documents with core emphasis include the business case, procurement strategy, and specification and evaluation stages.

1.49 The Department uses the SID4Gov tool to report on its supply chain impacts. The tool allows the Department to engage with suppliers, identify hot spots and potential risk areas in its supply chain and put processes in place to begin to address them. The tool supports the ongoing work the Department has undertaken with key suppliers to improve and publish data on its supply chain impacts – setting detailed baselines for reducing these impacts.

1.50 The Department continues to exceed the 25 per cent aspirational target to procure goods and services from Small and Medium Enterprises. For 2014-15, the final total that the Department spent with Small Medium Enterprise organisations amounts to 26.8 per cent. The figure includes both direct and indirect spend (i.e. spend with subcontracted third parties).

1.51 At operational procurement level the CCS procurement team supporting the Department has no interface with local authorities; therefore we have no direct ability to influence how local authorities carry out procurement and adopt sustainability into their service and goods purchasing.

Transparency commitments

1.52 The Department reports against a number of transparency commitments as part of the Greening Government Commitments framework. Progress is summarised in Table 8.

Table 8 Transparency commitments

Transparency Commitment	Action Taken
Climate Change Adaptation: steps taken to adapt the estate to a changing climate	Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding.
	Sustainable operations policies include considering Climate Change Adaptation in decision making – reviewed in response to Greening Government Commitments.
	Robust business continuity plans in place to manage occurrences of extreme weather events.
	Climate resilient designs are incorporated in retrofit projects and new builds: rain water harvesting, green roof, heat recovery heating and ventilation systems.
	Carbon Offsetting is undertaken to help mitigate emissions from business travel.
	Support has been pledged and provided in relation to a range of environmental campaigns, such as Earth Hour.
	Contributions are made to the cross-government National Adaption Plan published every five years (last published in July 2013). The plan sets out how the risks of future extreme weather events will be managed in relation to communities, built environment, businesses and local government.
Biodiversity and Natural Environment: including action taken to promote, conserve and enhance biodiversity, including use of Biodiversity Action Plans or equivalent and the management of Sites of Special Scientific Interest	Sustainability toolkits are used to record information related to project work and to assess the sustainable impacts of such work. The toolkits form a fundamental part of any project start up and closure.
	The Department for Communities and Local Government operates within a closed loop recycling system, reducing associated energy and water consumption, carbon emissions, and the requirement to use virgin paper products.
	All furniture available from the closure of Eland House has been redeployed rather than sent to landfill, thus avoiding production and purchase of new furniture by others.
Procurement of food and catering services: including action taken within the context of overarching priorities of value for money and streamlining procurement, to encourage the procurement of food that meets British or equivalent production standards where this does not lead to an overall increase in costs; and to reduce the environmental impacts of food and catering services and support a healthy balanced diet	All food supplied is produced to UK or equivalent standards.
	All dairy products are Farm Assured and from UK sources.
	All shell eggs are Lion Branded and are sourced from enriched conventional cages as a minimum.
	British Farm Assured Red Tractor Accredited fresh meat and poultry. The Red Tractor range includes 39 individual fresh meat and poultry products and covers food safety, animal welfare, environmental protection, food origin, traceability and is an independent scheme.
	Menus are designed to reflect in-season produce and purchased locally where feasible to do so.
	All fish is Marine Stewardship Council eco-labelled.
	Over 50% of tea and coffee is either Rainforest Alliance or Fairtrade sourced or part of an ethical trade initiative. Coffee supplied by Department for Communities and Local Government contractors is UTZ certified.
	Produce is locally sourced where possible to reduce food miles and to assist in supporting our local suppliers
	Food standards are maintained through Service Level Agreements and Key Performance Indicators.
Sustainable Construction: including the management of construction waste to best practice standards, the application of BRE's Environmental Assessment Methodology	The department has a project sustainability toolkit which is applied to all projects to ensure sustainability is integrated from the start. The toolkit ensures any new build or major refurbishment valued over £500,000 meets BREEAM ratings of 'excellent' for new builds and 'very good' for major refurbishments.
	Where minor refurbishment work has been carried out complete Site Waste Management Plans are produced to detail all waste removed and recycled.
People: including for example, reporting on social and environmental assessment of office re-locations, and action taken to promote staff wellbeing	The department encourages all staff to complete an annual staff survey to gauge an understanding of staff wellbeing and morale. The survey results are internally published and senior management use the information to implement changes where it is highlighted improvements could be made.
	A Department for Communities and Local Government Health and Wellbeing Network is in place for the department.
	Sustainability Impact Assessments are undertaken to establish the benefits of major office relocations.

Governance and data validation

1.53 The Department undertakes a stringent monitoring regime in relation to Greening Government Commitments performance management. Monthly data reports are produced which feed in to quarterly dashboards. The dashboards are a mechanism for highlighting achievements, reporting on overall progress, identifying risks and outlining proposed mitigation measures.

1.54 To ensure the data submitted and used in reporting both internally and externally is both accurate and consistent, an internal governance and assurance process requires thorough checks and validation audits of all data and reports are undertaken. This is supplemented by periodic audits conducted by the Government Internal Audit Agency.

1.55 In addition to the internal governance process, external audits are also undertaken to assure processes and systems, including methodologies for recording, analysing and verifying data, as well as the calculations for quarterly Greening Government Commitments returns. These external validation audits are carried out on Defra's behalf by Carbon Smart, who has praised the Department's good practice in data management.

1.56 The vast majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter reading data with manual meter reads. Where complete data sets have not been available, (for example through lack of detail, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data set

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