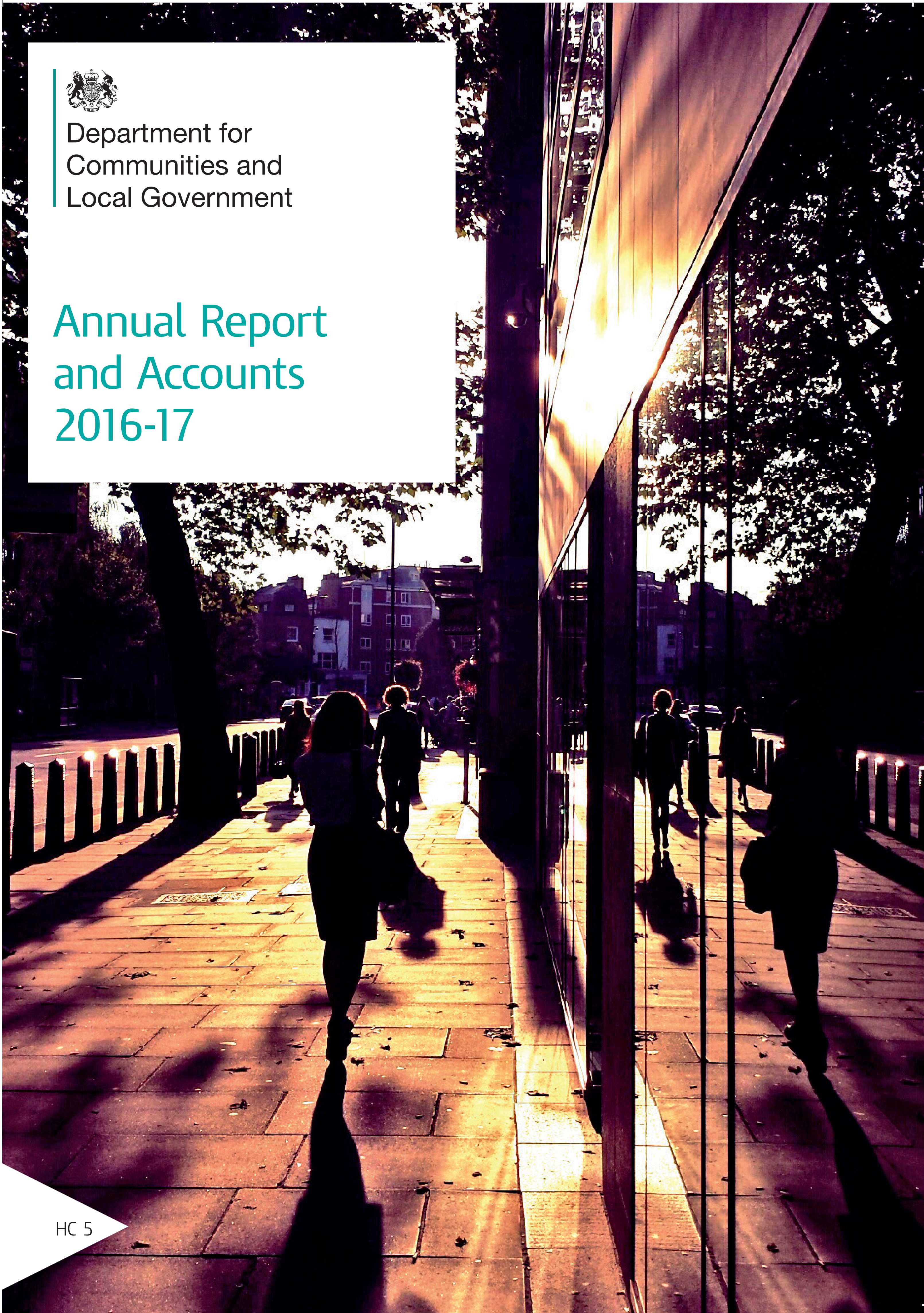
Department for
Communities and
Local Government

Annual Report and Accounts 2016-17



HC 5

Department for Communities and Local Government

Annual Report and Accounts 2016-17

(For the year ended 31 March 2017)

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Ordered by the House of Commons to be printed 29 June 2017

HC 5

This is part of a series of departmental publications which, along with the Main Estimates 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the government's outturn for 2016-17 and planned expenditure for 2017-18.

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Foreword from the Secretary of State

Since I joined DCLG last July it has been an exciting and exceptionally busy time, as the department has worked hard to support the Government's plan for a stronger, fairer, more outward-looking nation. I'm proud of all that has been achieved and I was delighted to be reappointed as Secretary of State following the General Election.

In December, we supported the publication of Dame Louise Casey's review into opportunity and integration. We will not shy away from the challenges we face. Dame Louise's report is a crucial step in making the country stronger and bringing communities together. Work on this important agenda will continue to be a priority, to ensure we can build a modern, united, Global Britain.

In February, we published our Housing White Paper, Fixing Our Broken Housing Market. For decades the pace of house building has been too slow, and the White Paper outlines radical, long-lasting reform to get more homes built now and for years to come.

We are also proud to have supported Bob Blackman in the passage of the Homelessness Reduction Act. Local authorities now have duty to help people at risk of homelessness, and to take steps to relieve homelessness. We are committed to doing all we can to help those who lose their homes, and provide them with the support they need to get their lives on track. We are therefore determined to work with local authorities to make a success of this landmark reform.

Through devolution, we have been putting control back in the hands of local people and helping to grow local and regional economies. This year we have worked to establish directly elected Mayors with greater powers and budgets, with six new Mayors elected in May 2017.

The year ahead will be another busy one for DCLG. We'll be putting the measures in our Housing White Paper into action, piloting a new approach to tackling homelessness, and setting out a new strategy to make our society and our communities more integrated. All of this will take place in the shadow of the Grenfell Tower tragedy. In the weeks and months to come the department will continue to do all we can to support everyone affected by this terrible tragedy, to make sure everyone living in similar buildings are safe, and to do everything we can to ensure that such a disaster never happens again.

2017/18 won't be an easy year for the department. But I'm confident that we can rise to the challenge.

Rt Hon Sajid Javid MP
Secretary of State for Communities and Local Government

Foreword from the Permanent Secretary

The Department has worked to deliver Minister's aims and objectives and this report sets out the clear progress we have made. We have reacted quickly and professionally to the changes to Government that followed the EU referendum, and we are now working to meet the objectives of the Government elected in June.

Working closely with our Board, we have strengthened our ways of working by refreshing departmental risk management and assurance, reviewing our programme level governance and continuing to bring data into the heart of departmental decision making.

We have also supported our people and ensured continuous improvement in our ways of working. We have continued to increase our efficiency and have made substantial progress in realising the savings we need to make in this Spending Review period.

We launched our People Plan in September 2016, outlining how we will ensure DCLG has skilled, committed, diverse and high-performing people, supported by effective leaders. We have underpinned the plan with a new 'core curriculum' training offer for all staff and new measures to improve diversity and inclusion. The 2016 People Survey showed the progress we are making, with staff engagement rising to 59% - the highest it has ever been.

Since the end of the reporting year, the tragic fire at Grenfell Tower on 14 June has led to significant new work and new challenges for the department.

This report demonstrates strong progress towards our objective of being a smarter, stronger and more streamlined department, providing the basis for our future work.

Melanie Dawes CB
Permanent Secretary
Department for Communities and Local Government

Lead Non-Executive Director's Report

In October 2016 Andy Street, the Department's Lead Non-Executive Director, stood down from this role to pursue his candidacy for the West Midlands mayoralty. This was a really significant loss as Andy is a hugely experienced business leader that in only a short time had made a real impact in the Department. I was confirmed as acting Lead Non-Executive Director in November 2016.

Board meetings and sub-committees

In June 2016 an almost entirely new ministerial team was appointed following the EU referendum, and in October a new Non-Executive Director joined the Department. These changes have inevitably resulted in a lack of continuity at Board level, but at the first Board meeting following his appointment the Secretary of State set out his plans for the Board clearly. The Board now has as its primary focus the oversight of delivery performance; it now also has a closer linkage with the Non-Ministerial Board (previously the Interim Board) which has delivered sharpened accountability. In total the Board has met four times this year, and three since the new ministerial team was appointed; the Non-Ministerial Board met four times this year.

The Audit and Risk Assurance Committee met five times this year, and has continued to grow in its effectiveness to provide robust challenge and support to the Finance Director and Permanent Secretary (as Accounting Officer). The Nominations and Governance Committee did not meet this year, and has now been dissolved. This is because governance of senior appointments and risk (its two main areas of responsibility) are in practice delivered elsewhere (by the Senior Pay and Talent Committee and Audit and Risk Assurance Committee respectively). Continuing with the Nominations and Governance Committee would not have been an effective use of the precious time of senior officials' and Non-Executive Directors'. The Senior Pay and Talent Committee is an alternative formulation of the Executive Team. It is attended by all members of the Executive Team and a Non-Executive Director who provides external challenge.

Wider involvement of Non-Executive Directors

As well as providing advice, support and challenge to the Department's formal governance, the Non-Executive Directors have also used their experience and expertise to contribute to a number of specific policy projects. These have included a Business Rates Review, running Property Markets Insights sessions and leading a review of Local Enterprise Partnerships. These projects have allowed the Non-Executives to enhance links with the wider Department and have added significant value to the Department's work.

Board Effectiveness Evaluation

Due to the change in Board membership during 2016 this year's evaluation was light-touch, although made a number of recommendations that I hope will improve the operation of the Board and quality of its discussions. The recommendations included improved line of sight between the Audit and Risk Assurance Committee and the Board, continued use of presentations and engaging and accessible ways of presenting data, and an expanded remit for the Non-Ministerial Board.

Nick Markham
Acting Lead Non-Executive Director

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About DCLG

The Department for Communities and Local Government (DCLG) is responsible for Government policy relating to housing, planning and building, local growth, integration and community cohesion. Its job is to create great places to live and work, and to give more power to local people to shape what happens in their area.

The Department has four Strategic Objectives:

- Fixing the broken housing market
- Growing our local economies
- Building more integrated communities
- Supporting more effective public services

The Department's Single Departmental Plan for 2016-17 was published online, with our priorities, the key objectives underpinning them and the metrics by which they are measured.[1]

This Annual Report is made up of the Performance Report, the Accountability Report and Financial Statements. These, respectively, set out: the progress we have made in 2016-17 to deliver our Strategic Objectives, how the Department is structured and the key risks and challenges it faces going forward, and the detailed financial accounts.

During 2016-17 the Departmental Group consisted of the core Department, one Executive Agency and ten other arm's length bodies (ALBs). The Accountability Report on page 27 provides an introduction to Ministers' areas of responsibility, the Department's Non-Executive Directors and the Executive Team.

1 https://www.gov.uk/government/publications/dclg-single-departmental-plan-2015-to-2020/single-departmental-plan-2015-to-2020

Performance Summary

Delivering Our Objectives

Fixing our broken housing market

189,650
new homes across England in 2015-16 (net)

11%
more than in 2014-15

50,362
people helped into affordable home ownership in 2015-16

Housing and Planning Act – May 2016
Housing White Paper – February 2017

£7bn funding announced for housing and infrastructure*

Growing our local economies

Northern Powerhouse and **Midlands Engine** strategies launched in November 2016 and March 2017

6
Mayoral elections in Devolution areas

£3bn
paid in **Local Growth Deals** across England in 2016-17

* £3bn Homebuilding Fund, £2.3bn Housing Infrastructure Fund, £1.7bn Accelerated Construction Programme

Supporting more effective public services

206,921

families currently engaged with the **Troubled Families Programme** (at end of March 2017)

4 year settlement for local councils accepted by

of local authorities

£2bn

announced to fund **Adult Social Care Grant** at Budget 2017

Building more integrated communities

92

designs submitted for the **National Holocaust Memorial and Learning Centre**

Independent Review of **Integration** published

5,454

Syrian refugees resettled (October 2015 to December 2016)

Our People

Developing skilled, talented, committed, diverse and high performing people, supported by effective leaders

Our objective is to firmly establish DCLG as a great place to work as we believe this will contribute to our overall success. The progress we are making in this regard is clearly demonstrated through our People Survey results. Overall engagement has risen six points in the last two years and now stands at 59%. We are in the top quartile across government in six of the nine engagement themes.

We recognise the need to sustain this improvement and to continue to attract, develop and retain high performing people. We have therefore developed a comprehensive business driven People Plan, taking account of the challenging environment in which we operate, which is based around five key pillars. We have set out below the measures we have taken and the progress we have made to date:

The right people for the right roles at the right time	We introduced a new Flexible Resourcing model to help our people take up new or changing roles on a regular basis. We recruited 35 new apprentices in 2016-17 and created a new secondment hub aimed at bringing in new skills from other sectors.
Core Curriculum and Professional Development	224 Core Curriculum events were delivered in 2016-17, focusing on developing personal effectiveness, specialist skills and understanding the work and business of the Department.
Always aspiring to be better	We introduced a new expectation that all staff should have regular career development conversations. In consultation with staff, we developed a new approach to Performance Management for roll out in 2017-18. Several of our teams have won external awards in 2016-17.
Inclusion and wellbeing	We continue to prioritise inclusion and diversity. We introduced Fair Treatment Ambassadors, signed up to the Disability Confident Scheme and applied for the Stonewall Workplace Equality index for the first time. We are proud of the programme we have developed to raise awareness and understanding of mental health issues.
Making the most of what DCLG offers	We held our Departmental People Awards in December 2016 and we are one of the first Departments to extend our talent management process to junior management grades. We delegated budgets for recognising exceptional performance to Directors. A new HR system is in development to provide enhanced management information.

Our Ways of Working

Maximising our resources and delivering efficiencies whilst making real improvements to the way we work

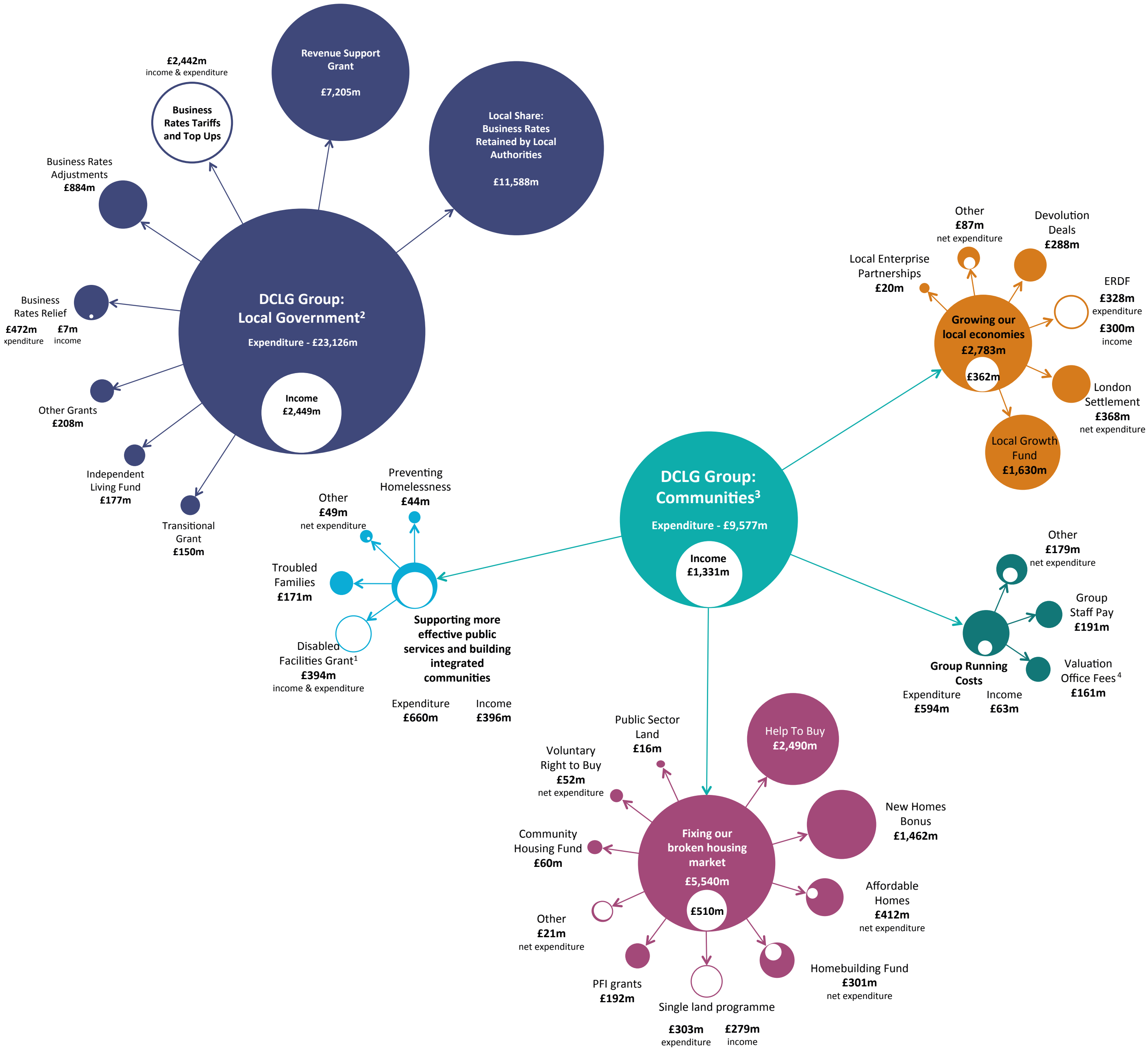
We are reducing our administration budget whilst becoming more effective in the ways we work. We are on course to deliver our core Departmental savings for the Parliament and our arms length bodies have already achieved a large proportion of their savings. For the rest of the Parliament we will deliver the rest of our savings through greater use of shared corporate services, increasing income from fees by 15%, a further reduction in our Departmental footprint, more effective use of IT and digital enablers and continuous improvement of our policy making and project management capabilities. We have made progress in the following areas:

Sharing corporate services	We are now sharing internal audit, legal and estates services with other government departments and sharing transactional processing and IT services with other bodies in the DCLG group.
Increasing income/fees	We are introducing fees for social housing regulation and for planning applications for nationally significant infrastructure projects.
Developing digital enablers	We significantly improved remote working for all staff and implemented improved integrated HR and Finance resource planning tools.
Better project management	We established a new Departmental Implementation Unit which has helped develop delivery plans for our priority programmes. We also established Portfolio boards to look at risks and opportunities across work areas.
Great policy making	We launched a Great Policy Making campaign – a programme of interventions to move us from good to great in our core support to ministers.
Strong governance, assurance and risk management framework	We overhauled the Departmental strategic risk register and delegated pay budgets to Directors to support better business planning.
Reducing our footprint	We are preparing to release a floor of our London office and continue to work with the Government Property Unit on how our non London footprint can fit with government's wider Hub strategy across England.

Our Expenditure and Financial Position

Group Expenditure 2016-17

The diagram below represents the 2016-17 Departmental Group budget[2] of £28,923m net expenditure, split between expenditure on local government funding and on communities. Local government funding is provided to local authorities and can be spent on any service. The Department administers this funding on behalf of central government.
The communities budget is used to fund the Department's programmes and, in the diagram, has been split by Departmental priorities and running costs.

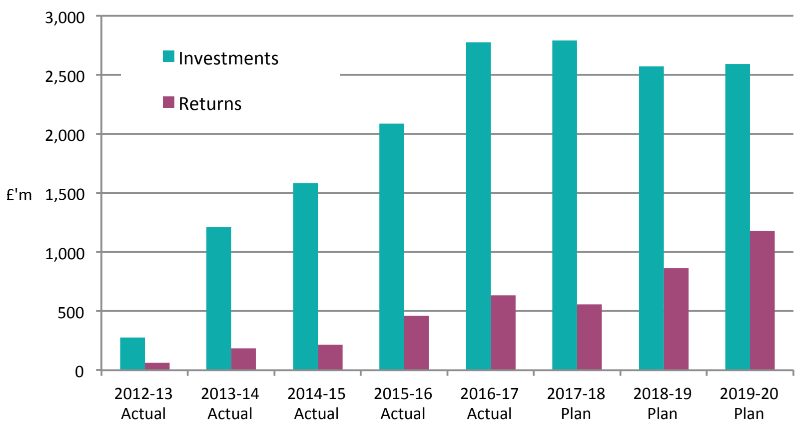


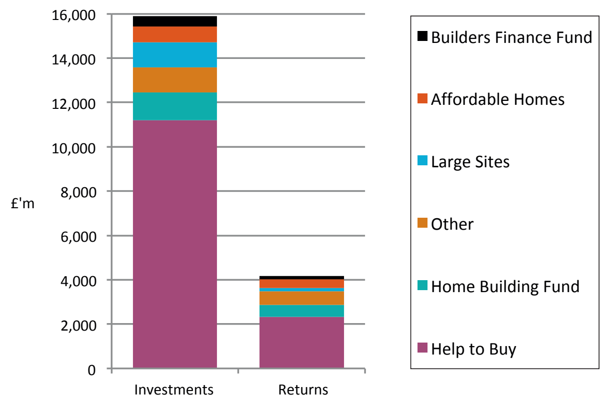
Notes: 1 Fully funded by the Department of Health.
2 This bubble represents a budget called Local Government DEL and the portion of the Department's AME budget related to local government funding.
3 This bubble represents a budget called Communities DEL and the remaining portion of the Department's AME budget related to communities.
4 These are the Department's contribution to the costs of the Valuation Office. The Department has no responsibilty for the Valuation Office Agency.

Group Loans, Investments and Returns

In working to achieve its objectives, the Department has increasingly made loans and investments that generate returns instead of giving grants. The charts below shows the Department's past and planned[3] outlay on loans and investments, and the returns that will be generated from them between 2012-13 and 2019-20.[4]

DCLG Group loans and investments and related returns 2012-13 to 2019-20 by year and cumulatively



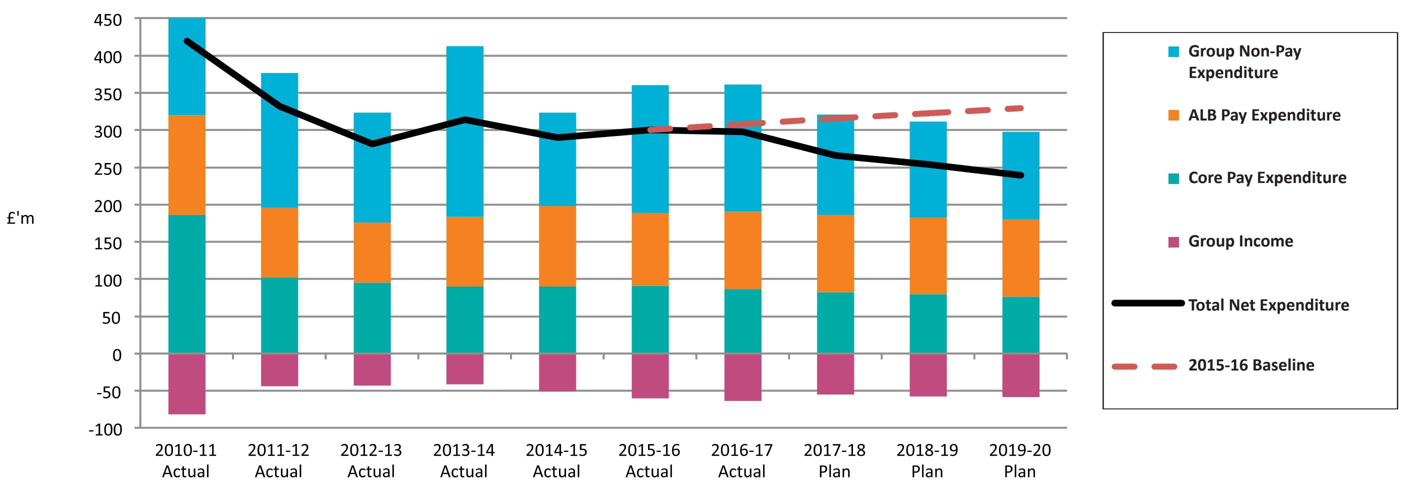


Group Administration Expenditure

The chart below[3] shows the net cost of running the Departmental Group is on a decreasing trajectory as the Department seeks and makes efficiency savings. Administration costs[5] include the cost of paying staff and non-pay expenditure such as office and IT costs. Between 2010 and 2015, the Department accepted the largest budget cuts of any department, and decreased budgeted administration expenditure by 40% in real terms.

At the 2015 Spending Review the Department committed to making a further 30% real terms savings on administration budgets, continuing to go further than any other Whitehall department. The red dashed line illustrates our 2015-16 expenditure adjusted for inflation up to 2019-20 - this is the baseline from which the 30% real terms saving are made.

DCLG Group Administration Expenditure 2010-11 to 2019-20

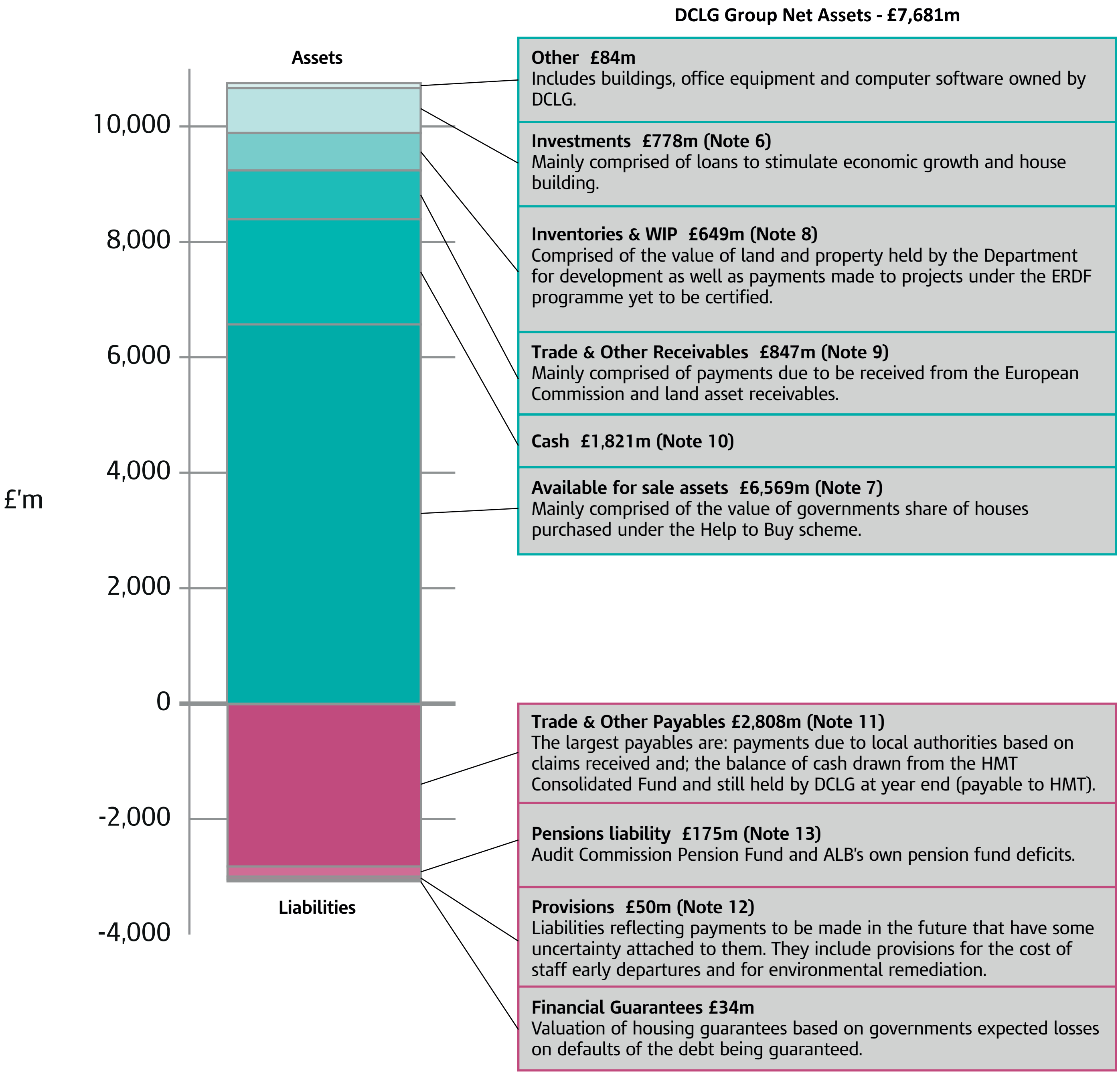


3 Planned figures from 2016-17 to 2019-20 are based on budgets (Supplementary Estimates 2016-17 and Main Estimates 2017-18).
4 Returns include Help to Buy receipts generated when the Department receives back it's 'equity share' in homes. These receipts are passed to HM Treasury's consolidated fund and are outside of Departmental budgets.
5 One-off non-pay costs have been removed from the figures as follows: 2013-14: £30m payment to reduce a deficit on an ALB pension, £27m moving costs, 2014-15: £18m investment property upwards revaluation. Financial transaction income classified as administration has been removed from the figures as follows: 2013-14: £8m, 2014-15: £20m, 2015-16: £25m, 2016-17: £29m, 2017-18: £38m, 2018-19: £89m, 2019-20: £111m.

Group Financial Position

The Department's Statement of Financial Position as at 31 March 2017 shows the size of our asset base which is predominantly made up of the Department's investment in the Help to Buy scheme. The relevant Notes to the Financial Statements have been referenced in the diagram where further information can be found.

DCLG Group Assets & Liabilities as at 31 March 2017



Performance Analysis

Performance Reporting

The Department has four Strategic Objectives:

- **Fixing our broken housing market** (page 13)
- **Growing our local economies** (page 16)
- **Building integrated communities** (page 18)
- **Supporting more effective public services** (page 19)

All our objectives are inextricably linked: thriving communities depend on effective housing markets, strong local economies, high quality local public services and resilient and professional local government. By delivering all of these objectives, DCLG will help the UK be a stronger, fairer country as we prepare to exit the European Union.

Fixing Our Broken Housing Market

The Government is committed to creating a more efficient housing market, whose outcomes more closely match the needs and aspirations of all households. House building is now at the highest for the decade,[6] and in 2015-16 net additions to housing stock grew to 189,650, also the highest since 2007-08. Further, with support from the Government, more people are getting onto the property ladder and are buying their first home than at any time since 2007.

The Housing and Planning Act received Royal Assent in May 2016, as did the Neighbourhood Planning Act in April 2017, providing the legislation for a number of improvements to the housing market. But there is still more to be done. In February 2017 the Department published the White Paper, *Fixing our Broken Housing Market*. It set out the Government's long term strategy to build the homes the country needs.

The White Paper sets out a strategy to: **build the right homes in the right places**; oversee a **housing and planning system that works for everyone**; and **provide help to people now**.

Building the right homes in the right places

To build the homes the country needs, the Department is helping to make sure that local areas have planned enough new builds to meet the needs of their growing population. The Government is also working to release enough land in the right places, and giving local communities control over where development goes and what it looks like. In 2016-17:

- The Department consulted on a package of **planning policy reform** as part of the Housing White Paper, and consultation closed on 2 May.

6 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/615736/House_Building_Release_March_Qtr_2017.pdf

- Reforms to speed up and simplify the **neighbourhood planning** process came into force in October 2016. More than 2,000 groups have started the process since 2012 and over 300 successful neighbourhood planning referendums have been held so far.
- Subsequent engagement has increased the number of local authorities with an adopted Local Plan to 75%, up from 70% at the beginning of the year and 18% in 2010.
- The Department published the **Estate Regeneration National Strategy** and launched the £172 million **Estate Regeneration fund** in December 2016, made up of £140 million recoverable loans and £32 million in grants. In March 2017, 91 successful bids were announced, starting the delivery of thousands of new homes and improvements to the housing stock.
- The **Affordable Housing Guarantee Scheme** helped to deliver more affordable housing by making debt cheaper for affordable housing providers. Between April 2016 and March 2017 the Department guaranteed £901.7 million of debt to support the delivery of 9,897 homes. This increases the total debt guaranteed and drawn under the scheme to £2.3 billion, supporting the delivery of 31,937 homes.
- The **Private Rented Sector Housing Guarantee Scheme** helped to deliver more housing by enabling purpose-built privately rented housing to access the debt capital markets. Between April 2016 and March 2017 the Department issued the first guarantees under this scheme, guaranteeing £214.4 million of debt to support the delivery of 925 homes. Total approvals at the end of March 2017 amounted to over £658 million, supporting the delivery of 4,721 homes. The Department's consultation on promoting **Build to Rent** closed on 1 May 2017.
- £2.3 billion was allocated in the Autumn Statement 2016 for the **Housing Infrastructure Fund**, which will unlock up to 100,000 homes. In addition, the Department has announced its support for 14 new locally-led **garden villages** and four more locally-led **garden towns**. Added to the garden towns and cities already in programme, these projects have the capacity to deliver up to 200,000 new homes, including 15,000 at Ebbsfleet Garden City. The Department is providing hands-on assistance, cross-government brokerage and capacity funding to ensure these high-quality new communities are delivered at pace. In February 2017 the Annual Report for the **Public Land for Housing Programme** was published, announcing that by September 2016 the programme had identified land with housing capacity for 90% of the programme ambition.[7]

Support for 14 new garden villages and 4 new garden towns.

Overseeing a Housing and Planning System that Works for Everyone

The Department is making changes to improve the housing and planning system for smaller developers by using the opportunities provided by public sector land disposal and making the planning system work more quickly, including opening up land ownership data and improving the rental system for tenants. In 2016-17:

- The **Accelerated Construction Programme** was announced in October 2016, and £1.7 billion was committed in the 2016 Autumn Statement to deliver up to 15,000 housing starts through commercial arrangements with private sector partners, making better use of public land and sharing risk and reward to deliver homes at up to double the pace of traditional builders. The £3 billion **Home Building Fund** was also launched by the Department in October 2016, since then over 95% of applications have come from SMEs and the first deals have been signed. The Department **expanded custom build** through legislation underlining the Right to Build, which came into effect in October 2016. Over 18,000 people have signed up to register.
- Since **Royal Assent of the Housing and Planning Act**, the Department has consulted on banning order offences for rogue landlords and agents and on extending mandatory licensing for Houses in Multiple Occupation and published a review of Client Money Protection for letting agents in March 2017. Further, at the 2016 Autumn Statement the Government announced a ban on letting agent fees paid by tenants and the Department published a consultation on how this will be implemented in April 2017. The White Paper also set out the intention to consult on measures to tackle unfair and unreasonable abuses of leasehold.

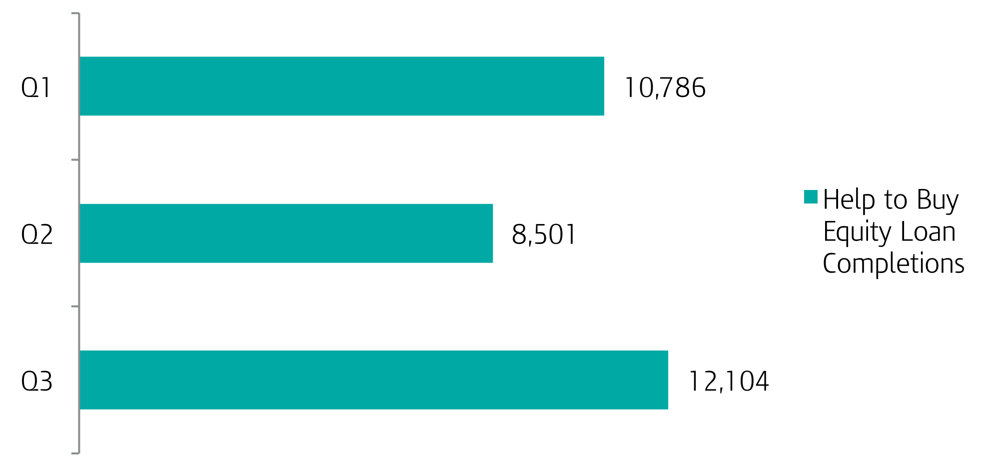
7 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/592919/170124_PSL_Annual_Report_FINAL_for_publication.pdf

Helping People now

The Department is working to improve housing supply, but these changes will inevitably take time to have an effect. Therefore the Department is taking steps to help people now, by supporting people to buy or rent, working to prevent homelessness, improving options for older people and seeking to protect the most vulnerable. In 2016-17:

- Over 31,000 homes were bought under the **Help to Buy: Equity Loan** scheme between April and December 2016. The scheme has achieved sales of over 112,000 new-build homes between April 2013 and December 2016, with 81% of sales to first-time buyers. **London Help to Buy** was launched in February 2016. The scheme has achieved sales of over 2,300 new-build homes between February 2016 and December 2016. Of these, 1,279 were first-time buyers using the maximum 40% equity loan.[8] In addition, since **Help to Buy: ISAs** were launched 650,000 accounts have been opened.

Help to Buy Equity Loan Completions 2016-17 (Q1-3)[9]



- The **Right to Buy** scheme, between April 2016 and December 2016, helped over 9,500 households to buy their home, bringing total sales since reinvigoration in April 2012 to more than 66,000. 10,644 homes have been started or acquired using Right to Buy receipts since April 2012. A small scale voluntary Right to Buy pilot was launched in January 2016 with 5 housing associations, leading to over 300 sales as of March 2017.

- The delivery of Starter Homes, as legally defined in the Housing and Planning Act, progressed with the announcement in January 2017 of 30 Starter Home Land Fund Partnerships created between HCA and LAs who will work to deliver affordable homes to own, including starter homes, in these areas. Following the commitment in the Housing White Paper to ensure first time buyers have a range of affordable homes available to them, the Department will now promote Starter Homes as part of a wider package of affordable homes. In April 2016, the Department published the prospectus for the **Shared Ownership and Affordable Homes 2016-21 programme** to deliver affordable homes outside London. Successful bids were announced in January 2017 and almost £1.3 billion was allocated to deliver approximately 46,500 homes by 2021. Since 2010 the Affordable Homes Programmes have delivered over 313,000 affordable homes in England, including 225,000 affordable homes for rent.[10] At the Autumn Statement 2016 the Government invested an additional £1.4 billion, increasing the overall budget to £7.1 billion to deliver 225,000 affordable housing starts by March 2021. The expanded programme is now more flexible and allows providers the agility to respond to local needs and markets. The Department agreed a settlement with the Mayor of London who was able to launch his **Homes for Londoners: Affordable Homes Programme** 2016-21 in November 2016.

- The Department launched the £50 million **Homelessness Prevention Programme** in October 2016. This is made up of £20 million to establish Homelessness Prevention Trailblazer areas, £20 million for Rough Sleeping projects and £10 million for Social Impact Bond funding to help the most entrenched rough sleepers, and is funding

8 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604273/HTB_EL_and_HTB_NewBuy_statistical_release.pdf
9 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604273/HTB_EL_and_HTB_NewBuy_statistical_release.pdf
10 https://www.gov.uk/government/publications/affordable-homes-programme-2016-to-2021-successful-bidders

84 projects across England. At Budget 2016, the Government committed an additional £100 million to help those leaving hostels and refuges by providing 2,000 places of low-cost move on accommodation for vulnerable people to enable independent living. From April this year, local authorities have been given funding and flexibility to manage homelessness more effectively; the **DCLG Flexible Homelessness Support Grant** worth £402 million over the first two years will replace DWP's Temporary Accommodation Management Fee. The Department also supported **Bob Blackman's Homelessness Reduction Bill**, which will reform England's homelessness legislation and improve homelessness service provision across the country. The Bill secured Royal Assent in April 2017.

Growing Our Local Economies

The Government is committed to enabling communities to strengthen local economies across the whole country, by bringing together local leadership, investment and innovation to build an economy that benefits everyone. The Department is working to achieve this by: strengthening local institutions to drive growth and productivity; helping areas to create local economic strategies based on evidence; and supporting investment in local jobs and growth.

Strengthening local institutions to help them drive growth and productivity

The Department established six directly elected Mayors with devolved powers and budgets; and began the Fair Funding review. In 2016-17:

- In May 2017, **Mayoral Elections** were held in Liverpool City Region, Tees Valley, Cambridgeshire and Peterborough, Greater Manchester, West of England, and the West Midlands. The Department launched a national marketing campaign to raise awareness of the Mayoral Elections, and published Plain English Guides explaining accountability for each devolved fund or power at the end of March 2017. Between April 2016 and March 2017 a total of £182 million of additional funding was paid to the six areas which progressed to election, in order to enhance both the powers of Mayors and their accountability to local people.
- The Department began a **Fair Funding Review** in collaboration with local government to update the main funding formula for local authorities. A call for evidence was published in July 2016.

Helping areas to create local economic strategies

As well as delivering existing devolution deals for six city region mayors and discussing possible devolution deals in other cities in England, the Department has worked with all local enterprise partnerships (LEPs) on local growth. In addition, the Department has developed the Northern Powerhouse as a vehicle for collaboration between businesses, investors and the public sector; setting out and delivering an ambitious strategy for the Midlands Engine to boost the region's productivity; and brokering strong relationships between Government, local business, investors and local public sectors partners to boost local growth and productivity. In 2016-17:

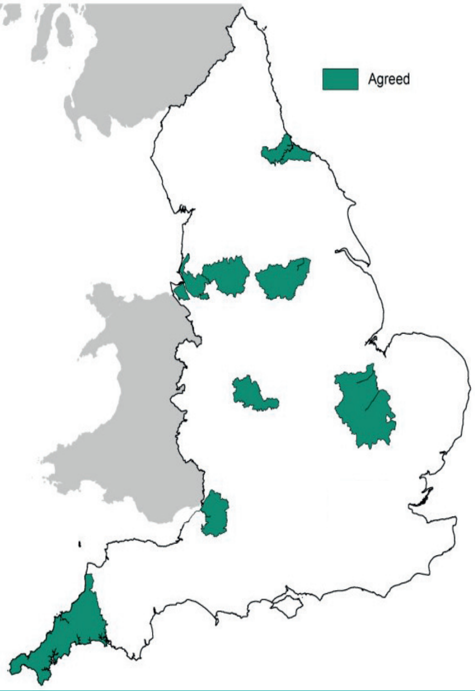
- The Government worked with 8 **Devolution Deal Areas** (six areas where mayoral elections were held, plus Cornwall who will not have a mayor and Sheffield, whose mayoral election is planned for 2018) to implement their deals and has supported areas through the legislative process (see map overleaf).
- At the Autumn Statement 2016, the Chancellor launched the **Northern Powerhouse Strategy**. In January 2017, the Government announced a further £556 million investment into the Northern Powerhouse for projects to boost local growth across the North, which will be led by the Department. Further, in February 2017, the Department began a formal period of engagement to run alongside the Industrial Strategy Consultation, which ended in April 2017. The Chancellor reaffirmed the Government's commitment to the Midlands Engine and launched the **Midlands Engine Strategy** in March 2017. The Department has marketed the strengths of the Midlands globally, leading four Midlands

In January 2017, the Government announced a further £556 million investment into the Northern Powerhouse for projects to boost local growth across the North.

trade missions, including a Secretary of State-led mission to North America and the first ever Midlands mission to China which secured over £1 million worth of business.

- Between April 2016 and March 2017, the Department created 12 new **Enterprise Zones**, and is working with local areas to implement a further 12 new and two extended zones by April 2017. This will bring the total number of Enterprise Zones to 48.

Devolution Deals agreed up to May 2017



Produced by the Implementation Unit, DCLG
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2017 Ordnance Survey 100024657
Data Sources: OS Boundary-Line

Investing in creating local jobs and growth

The Department continues to deliver the **European Regional Development Fund** (ERDF) and the Local Growth Fund to boost productivity and rebalance growth, in order to improve local economic productivity and strengthen local infrastructure and skills. During 2016-17:

£1.2 billion was paid out to LEPs for delivery of existing Growth Deal projects, and a further round of Growth Deals, worth £1.8 billion, was announced.

- In the twelve months since the first ERDF 2014-20 programme contracts were signed the Department had agreed funding for projects totalling £1,105 million and 39% of the funds allocated to England. This includes Grant Funding Agreements worth £337 million for four financial instruments - the Northern Powerhouse Investment Fund; the Midlands Engine Investment Fund; the North East Investment Fund; and the Greater Manchester Urban Development Fund. These will enable investments worth over £932 million to commence in 2017. The financial instruments will provide access to finance funding through loan and equity investments, support research and development, including energy efficient commercial buildings for Small and Medium sized Enterprises.

- The Government allocated and announced a further round of **Growth Deals** worth £1.8 billion and a further £1.2 billion was paid out to LEPs for the delivery of their existing Growth Deal Projects. The Department also delivered three rounds of funding under the **Coastal Communities Fund** worth £13.3 million between April 2016 and March 2017. Since it began in 2012, the Fund has invested over £92 million in 98 coastal projects across England. The Chancellor extended the Fund to 2020-21 at Spring Budget 2015, and made at least £90 million available UK-wide. Successful projects under Round 4 of the Fund were announced in April 2017.[11] In January 2017, 28 new **Coastal**

11 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/605815/List_of_CCF_Round_4_Grant_Awards.pdf

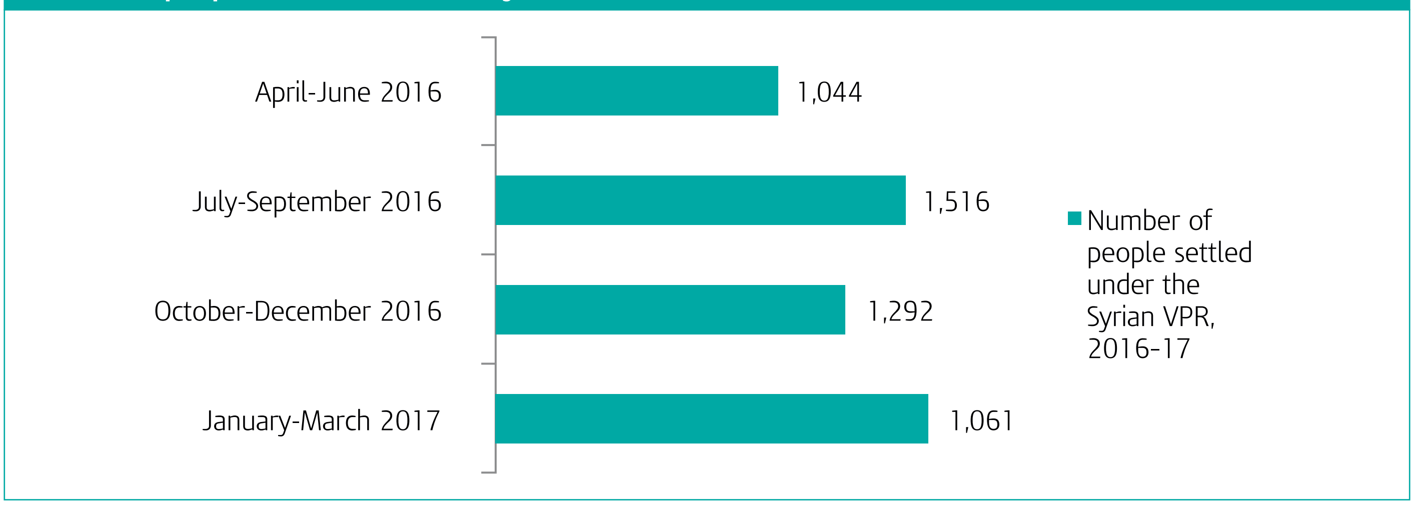
Community Teams were announced, bringing the total to 146. In 2016-17 Coastal Community Teams became eligible to apply to the Coastal Communities Fund for support.

Building Integrated Communities

The Department is taking action to create a fair society, where everyone can prosper, through improvements in community cohesion and integration. The Department has undertaken a review of integration and has been working with faith and community leaders to identify the causes of a lack of integration; is working with the Home Office to support local authorities experiencing a high volume of immigration; and creating a Holocaust Memorial Foundation, to ensure we never forget what can happen if we allow prejudice to divide our communities. In 2016-17:

- The Department supported Dame Louise Casey to publish an **independent review** of how to boost opportunity and integration in isolated and deprived communities.
- By September 2016 the experiences of 112 British Holocaust survivors and Bergen-Belsen liberators were recorded. A special edition of BBC's Antiques Roadshow was broadcast in January 2017 to coincide with Holocaust Memorial Day, attracting 6 million viewers. The Department launched an international competition to seek designs for the new **National Holocaust Memorial and Learning Centre**. 92 designs were submitted and ten were shortlisted and have been exhibited at Westminster Hall and across the UK.
- The **community based sponsorship scheme for resettled refugees** was launched in July 2016, enabling individuals, charities, faith groups, churches and businesses to support refugees directly. A 'Help Refugees in the UK' webpage was launched to make it easier for members of the public to support refugees in the UK and to allow local authorities to focus support on the goods and services that refugees need.
- 7,055 **Syrian refugees have been resettled** across 235 different local authorities between the start of October 2015 and the end of March 2017. The Government has worked with local authorities and secured pledges of 20,000 places for Syrian refugees. In September 2016 the Government announced a new £10 million funding package for English language tuition for those resettled under the programme.

Number of people settled under the Syrian Vulnerable Person Resettlement scheme, 2016-17[12]



- The Department is working to provide £100 million over the next four years through the **Controlling Migration Fund**, a joint Fund with the Home Office, aimed at tackling the impacts of recent migration on local communities in England. The Department also supported the response to resettlement of asylum seeking children, providing £2.2 million to local authorities through the Controlling Migration Fund in recognition of the increased rate of resettlement in 2016 and the need to build capacity locally.

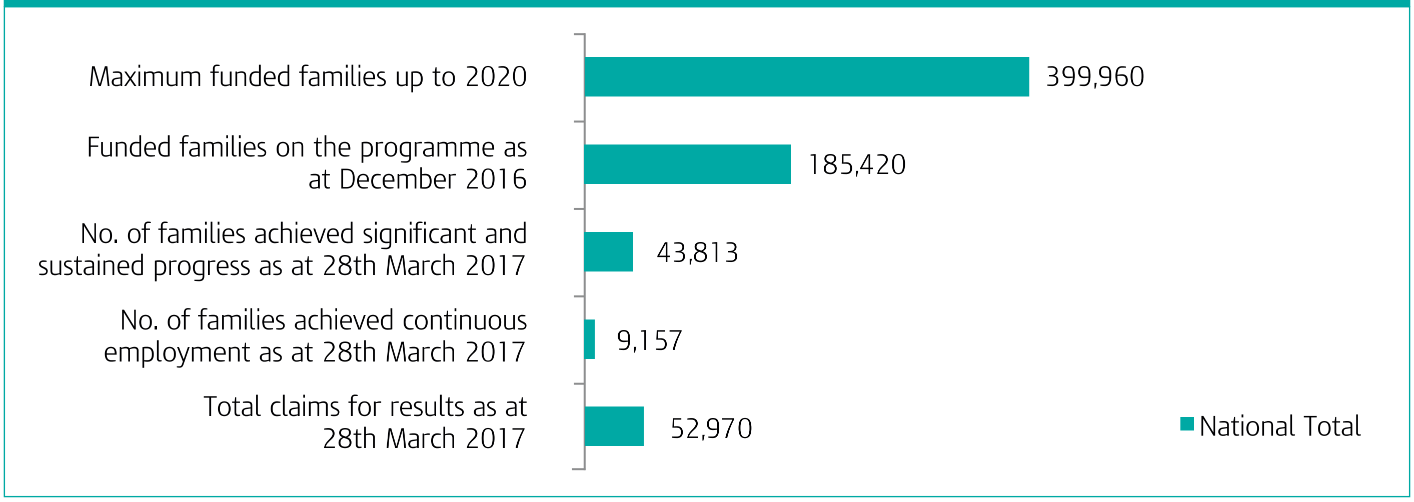
12 Home Office Immigration Statistics, 25 May 2017.

Supporting More Effective Public Services

The Department is working with local authorities to help them operate more sustainably, so they continue to deliver and improve the services that are valued by the public. The Department is taking steps to achieve this by supporting local authorities to move onto sustainable operating models and transform local services. In 2016-17:

- The **Troubled Families Programme** engaged 206,921 families as of 31 March 2017. This year 52,970 families achieved sustained and significant progress against their problems or continuous employment. In November 2016, the Troubled Families Team launched a new **'Early Help Service Transformation Maturity Model**', providing practical guidance to help local authorities and their partners to embed high-quality, effective and sustainable early intervention practices and support for complex families. The Department published the first Troubled Families Programme Annual Report in early April 2017 and announced plans for the next phase of the Programme to encourage a greater emphasis on tackling worklessness, building strong parental relationships, driving more joined up working across services, and delivering savings for the taxpayer in the long term.[13]

Troubled Families Programme 2015-2020: Families on theprogramme and making progress[14]



- The Department has given councils greater flexibility in how they use the **Adult Social Care Precept** to manage social care pressures in their local area, as announced in the Autumn Statement 2016. This will enable councils to raise £200 million in additional funding for adult social care in 2017-18 and over £400 million in 2018-19, whilst still ensuring council tax in 2019-20 will be lower in real terms than it was in 2010. The Government announced an additional £240 million to fund adult social care through the **Adult Social Care Support Grant**, and at the Budget 2017 the Government announced an additional £2 billion over the next three years for **adult social care**.
- Between April 2015 and March 2016, 90% of areas agreed that the **Better Care Fund** had a positive impact on the integration of health and social care and had improved joint working. Further, the Better Care Fund was found to have enabled improvement in reablement and residential admissions in 2015-16.
- The Department secured a **4 year settlement for local councils**, of £44.5 billion in 2015-16 and £44.7 billion in 2019-20. Under this settlement offer, councils in England will receive more than £200 billion for local services over the lifetime of this Parliament. Over 97% of local authorities have accepted the offer and are using its certainty to develop long term efficiency plans.

At the Budget 2017, the Government announced an additional £2 billion for adult social care.

13 https://www.gov.uk/government/publications/national-evaluation-of-the-troubled-families-programme-2015-to-2020
14 https://www.gov.uk/government/publications/national-evaluation-of-the-troubled-families-programme-2015-to-2020

- The Department introduced fundamental reforms to the business rate appeals process, designed to reduce the number of speculative appeals and provide speedier resolution and reduce uncertainty for businesses. The reforms took effect from 1 April 2017.
- The Department has worked closely with the Treasury and the Valuation Office Agency to complete a fiscally neutral revaluation of all rateable businesses in England. A £3.6 billion transitional relief scheme was put in place to cushion the impact of increased rateable values. Following the Spring 2017 Budget, an additional £435 million relief will be provided to small businesses and pubs.
- Final proposals for pooling local government pension scheme investments in eight asset pools received consent to proceed by the end of January. Two pools are already operational (Local Pensions Partnership and London). The reform will reduce investment management costs and improve capacity and capability. Net savings are currently estimated by the pools at £1-2 billion by 2033 or at least £200 million per year.

Sustainability Report

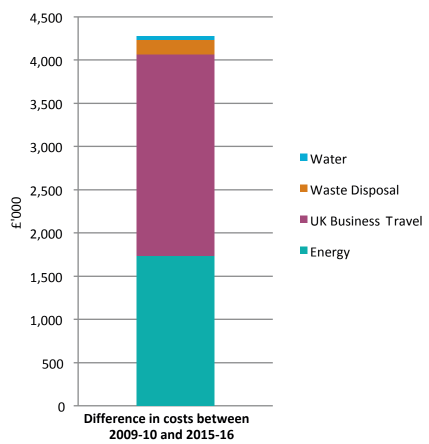
Sustainability is about applying economic, social and environmental thinking to an issue and paying particular attention to the long-term consequences. It can be thought of as a long-term, integrated approach to achieving quality of life improvements while respecting the need to live within environmental limits.

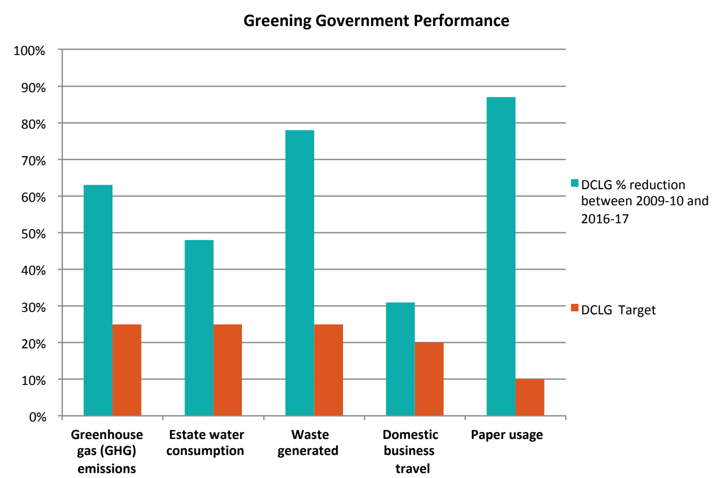
We subscribe to a number of targets including the mandatory Greening Government Commitments (GGC)[15] for reducing energy, water, paper and other resource use, reducing travel and managing waste.

During 2016-17, the Department focused on targets which were proving more difficult to meet such as reducing waste to landfill and increasing recycling. The Department has worked closely with its Facilities Management provider to identify poorly performing sites and improve efficiency.

The Department agreed new Greening Government Commitments for 2016 to 2020. The data below shows our present position for the financial year ending 2016-17 against a 2009-10 baseline, unless otherwise stated. The Department reports on all its executive agencies and arms length bodies. Non-financial information will include the Queen Elizabeth II Conference Centre.

Greening Government Savings





The Department has achieved a £4.3 million savings from improved sustainability performance since 2009-10, of which £1.7 million is from its energy expenditure due to investment in energy efficiency projects and estate rationalisation.

Greenhouse Gas Emissions

The Department has continued to reduce its total in-scope gross greenhouse gas emissions[16] throughout 2016-17, achieving a total reduction of 63% since the 2009-10 baseline year.

15 http://sd.defra.gov.uk/gov/green-government/commitments
16 Greenhouse gas conversion factors used in this report can be found here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf

The Department is voluntarily reporting on its international business travel to provide greater transparency. The number of domestic flights has reduced by 31% for 2016-17 against 2009-10, and can be attributed to a clear authorisation process being in place across Departmental ALBs and Executive Agencies for domestic flight travel. Continued focus on achieving value for money in all aspects of business delivery has positively impacted on reducing emissions from all business travel.

Greenhouse Gas Emissions[17]			**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Non-Financial Indicators (tonnes CO_2e)	Total Gross Scope 1 (Direct) GHG emissions		2,033	1,921	1,386	1,628	1,538
	Total Gross Scope 2 (Energy indirect) emissions		8,494	6,849	7,186	5,835	5,296
	Total Gross Scope 3 (Official business travel) emissions		3,031	2,130	2,234	1,647	1,743
	Total Emissions – Scope 1, 2 & 3		**13,558**	**10,900**	**10,806**	**9,110**	**8,577**
Related Energy Consumption (MWh)	Electricity: Non-Renewable		3,459	1,091	822	0	0
	Electricity: Renewable		14,556	14,284	13,718	12,624	12,854
	Gas		10,977	10,438	7,494	7,105	6,755
	Total Energy Consumption		**28,992**	**25,813**	**22,034**	**19,729**	**19,609**
Financial Indicators (£'000)	Expenditure on Energy		1,716	2,019	1,603	1,238	1,210
	CRC Licence Expenditure		85	98	179[18]	197	78
	Expenditure on accredited offsets (e.g. Government Carbon Offsetting Fund)		1	1	0[19]	0	0
	Expenditure on official business travel		2,687	3,880	4,192	2,712	3,829
	Expenditure on domestic air travel		23	65	35	21	31
International Business Travel			**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Non-Financial Indicators (Tonnes CO_2e)	Flights		9	35	26	51	24
	Rail		31	1	1	1	1
	Total		**40**	**36**	**27**	**52**	**25**
Waste			**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Non-Financial Indicators (tonnes CO_2e)	**Total waste**		**1,269**	**681**	**728**	**732**	**470**
	Hazardous waste		2	2	1	3	0
	Non-hazardous waste	Landfill	194	117	145	145	46
		Reused/Recycled	972	492	434	500	293
	Incinerated/energy from waste		101	70	148	84	131
	Reams of Paper Procured		28,854	30,966	26,052	14,745	11,586
Financial Indicators (£'000)	**Total disposal cost**		**105**	**108**	**111**	**75**	**86**
	Non-hazardous waste	Landfill	nk	nk	nk	nk	nk
		Reused/Recycled	nk	nk	nk	nk	nk
	Paper Procured		97	85	75	47	14
Water Consumption			**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Non-Financial Indicators (m^3)	Water Consumption	Office Estate	39,602	33,227	41,687	19,143	31,592
		Whole Estate	62,168	49,521	71,340	47,990	51,318
Financial Indicators (£'000)	Water Supply & Sewage Costs		76	109	106	82	78

17 In line with DEFRA guidance, the Department's greenhouse gas emissions data is not weather corrected.
18 The increase in expenditure relates to the Homes and Communities Agency participating in the Department's CRC return.
19 The Department will be offsetting emissions from ministerial and official business travel undertaken in 2015-16 during the 2016-17 financial year.

Waste Management

Waste has been reduced by 78% since 2009-10. 10% of total waste is currently sent to landfill but the Department is aiming to reduce this to less than 10% of its total waste figure by 2020. 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.

Water Consumption

Since 2009-10, the Department has reduced water use by 48%. 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.

Other Sustainability Commitments

The Department is committed to procuring sustainably and reports against a number of transparency commitments as part of the Greening Government Commitments framework:

Other Sustainability Commitments	
Sustainable Procurement	The Crown Commercial Service (CCS) provides a managed service procurement function to the Department. Any new procurement staff are provided with training on sustainable procurement. Extensive sustainability clauses are embedded within the Department's facilities management and ICT contracts. New contracts require that suppliers meet the Government Buying Standards.
SMEs	For 2016-17, the Department's total expenditure with Small Medium Enterprise organisations was 22% against our aspirational target of 33%. The figure includes both direct and indirect spend (i.e. spend with subcontracted third parties).
Climate Change Adaption	Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding. Climate resilient designs are incorporated in retrofit projects and new builds. In addition robust business continuity plans are in place to manage occurrences of extreme weather events.
Biodiversity & Natural Environment	Our Ecology and Biodiversity manager is working closely with our FM provider to conduct site surveys and identify opportunities for enhancing biodiversity on our estate.
Procurement of Food & Catering	All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in-season produce and purchased locally where feasible to do so to reduce food miles and to assist in supporting our local suppliers. The Government Buying Standard for Food and Defra's Balanced Scorecard are requirements in DCLG's Future Facilities Management contract specification.
Sustainable Construction	Where minor refurbishment work has been carried out, complete Site Waste Management Plans are produced to detail all waste removed and recycled.

Sustainable Development, Climate Change Adaption and Rural Proofing in the policy work of the Department

Sustainable Development

Sustainable development is integral to policy work in the department, notably in planning policy and economic growth activities. In The Housing White Paper: Fixing our broken housing market, we are consulting on changes to the National Planning Policy Framework to set out more clearly the Government's view of what sustainable development means for the planning system.

Rural proofing

DCLG supports policy makers to consider the relevant policy tests that need to be considered (e.g. Public Sector Equality Duty, Environmental Impact Assessment and Rural Proofing) through internal guidance, training events and communications to raise awareness. The Rural Proofing impact assessment is an important element of that suite of checks. Consideration of rural proofing is reflected across the policy spectrum.

In 2016, DCLG published jointly with Department for Environment, Food and Rural Affairs (DEFRA) a Call for Evidence for the Rural Planning Review, which sought evidence on how the planning system is operating in rural areas and invited ideas about how the planning system could be improved to support sustainable rural life and businesses. In responding to the review and addressing key messages that emerged, DCLG has set out a further set of consultation questions as part of the Housing White Paper: Fixing our broken housing market.

DCLG worked closely with DEFRA to develop proposals which will benefit rural communities in the White Paper. This provides further support to the delivery of rural homes for rural workers, and further support for farming efficiency and productivity. It describes a number of proposed changes to national planning policy to support thriving villages. The department has, and will continue to, engage widely with the housing association sector, including representatives from a wide range of rural interest groups.

We also launched our £60 million Community Housing Fund to support communities in taking the lead in building their own homes in many rural areas and we will support small and medium-sized builders who are well suited to developing on small sites.

We will promote the updated Rural Proofing guidance (published April 2017) across the department as part of the wider Great Policy Making campaign which includes communication activities, training courses and sharing good practice and lessons learned.

Climate Change Adaptation

In exercising its responsibilities for planning, building regulations and resilience, the Department continues to have regard to the national Climate Change Risk Assessment (CCRA). DCLG contributed to the UK CCRA Evidence Report produced by the Climate Change Committee and subsequently, the Government's Climate Change Risk Assessment published in January 2017.

The department is preparing for the next National Adaptation Programme (helping to make the UK more resilient to the effects of climate change) due in 2018. DCLG regularly participates in the Local Adaptation Advisory Panel (LAAP), for which Defra provides the secretariat. This forum provides government with a perspective of how local authorities and their partners are adapting to climate change issues.

The Department continues to ensure that policies with long term implications are robust in the face of changing weather, extreme events and sea-level rise from climate change. For example in March 2017, we commissioned research into overheating in new homes.

In 2016, DCLG, working with the DEFRA and the Environment Agency commenced a review of planning legislation, government planning policy and local planning policies concerning sustainable drainage in relation to the development of land in England, which will fulfil the commitment in the Housing and Planning Act 2016. This review will make a constructive contribution to the work of the Adaptation Sub-Committee of the Committee on Climate Change and inform their 2017 progress update on the National Adaptation Plan.

Other Required Reporting

The Department is required to report against various other topics in its Annual Report and Accounts as per the requirements set out in PES (2016) 12:

A report covering progress against the business impact target (BIT), a deregulation target, for 2016 to 2017 was published by the Department for Business Energy and Industrial Strategy on 24 April 2017: https://www.gov.uk/government/publications/business-impact-target-bit-annual-report-2016-to-2017

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. The table at Annex A sets out the financial assistance provided by the Secretary of State under this power for the year 2016-17, totalling £17.907 million (2015-16: £29.632 million).

One case against the Department was accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2016 to 31 March 2017. DCLG has taken on board the comments made by the Ombudsman and changes have been made to internal processes as a result.

In 2016-17 the Department processed 13,655 pieces of treat official correspondence from members of the public. Of these, 74% of letters requiring a response were replied to within our target of fifteen working days.

Melanie Dawes CB **23 June 2017**
Accounting Officer
Department for Communities and Local Government

Accountability Report

Introduction

The accountability report is included to meet key accountability requirements to Parliament. It is structured as follows:

Corporate Governance Report

Explains the composition and organisation of the Department's governance structures.

The Directors' Report – page 28
Details the members of the ministerial, non-executive and executive team who form the Departmental Board.

Statement of Accounting Officer's Responsibilities – page 31
Explains the responsibilities of the Permanent Secretary as the Department's Accounting Officer.

Governance Statement – page 32
The Accounting Officer's statement and conclusions on the system of controls and governance framework in place at the Department, and strategic risks the Department is managing.

Remuneration & Staff Report

Provides detail on remuneration and staff that Parliament and other users see as key to accountability.

Remuneration Report – page 45
Details the remuneration and pension interests of the Department's board members.

Staff Report – page 52
Details the cost and composition of the Department's workforce and describes how the Department is supporting the development and diversity of its people.

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Statement of Parliamentary Supply – page 64
Reports the financial years expenditure based on HMT budgeting principles set against the Department's budget (estimate) as approved by Parliament.

Other Parliamentary Accountability Disclosures – page 71
Reports information as required by 'Managing Public Money' on regularity of expenditure and remote contingent liabilities and by 'PES 2016 (12)' on historic and future planned Departmental expenditure based on HMT budgeting principles.

Certificate and Report of the Comptroller & Auditor General – page 80
Reports the conclusion of the Comptroller & Auditor Generals audit of the financial statements and other information as marked in the accountability report 'subject to audit'.

Corporate Governance Report

The Directors' Report

Our Departmental Board

During 2016-17 the Department consisted of the core Department, one Executive Agency and ten other arms length bodies (ALBs). Note 21 of the Accounts provide a full list of public bodies sponsored by the Department and identifies those that are consolidated into the accounts of the departmental Group ('the Group').

The Departmental Board, comprising of Ministers, Non-Executive Directors and the Executive Team, met four times in the year. Each member's attendance at Departmental Board meetings is noted below. The Board's role is to advise on and supervise five key areas: strategic clarity; commercial sense; talented people; results focus; and management information. The Department also has a Non-Ministerial Board which met four times in 2016-17. The Non-Ministerial Board is chaired by the 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.

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

Information on significant interests held by board members which may conflict with their management responsibilities can be found in Note 19 Related Party Transactions in the accounts.

Our Ministers as at 31 March 2017

The Rt Hon Sajid Javid MP
Secretary of State for Communities and Local Government and chair of the Departmental board

From 14 July 2016

Attended 3 of 3 board meetings

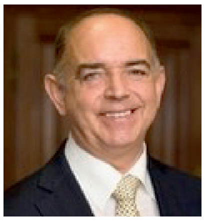
Marcus Jones MP
Parliamentary Under Secretary of State, Minister for Local Government

Attended 3 of 4 board meetings

Gavin Barwell MP
Minister of State for Housing and Planning

From 15 July 2016

Attended 2 of 3 board meetings



Lord Bourne of Aberystwyth
Parliamentary Under Secretary of State (Lords)

From 16 July 2016

Did not attend any board meetings

Andrew Percy MP
Parliamentary Under Secretary of State, Minister for Northern Powerhouse

From 16 July 2016

Did not attend any board meetings

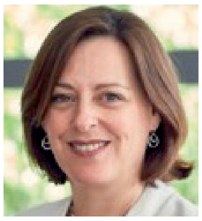
Our Non-Executive Directors

Nick Markham
Acting Lead Non-Executive Director
Attended 4 of 4 board meetings

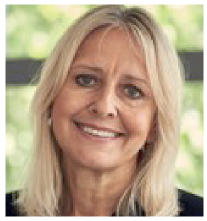
Grenville Turner
Non-Executive Director
Attended 3 of 4 board meetings

Mary Ney
Non-Executive Director
From 11 October 2016
Attended 3 of 3 board meetings

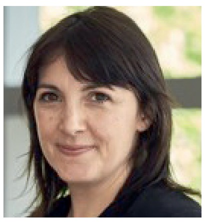
Our Executive Directors



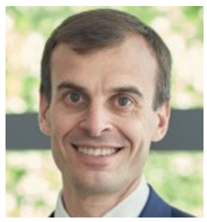
Melanie Dawes CB
Permanent Secretary
Attended 4 of 4 board meetings



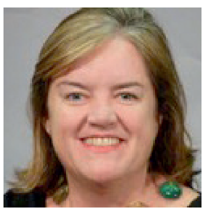
Jo Farrar
Director General, Local Government and Public Services
From 1 September 2016
Attended 3 of 3 board meetings



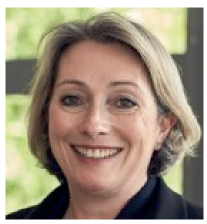
Helen MacNamara
Director General, Housing and Planning
From 1 September 2016
Attended 3 of 3 board meetings



Simon Ridley
Director General, Decentralisation and Local Growth
Attended 3 of 4 board meetings



Louise Casey CB
Independent Review of Integration
Did not attend any board meetings



Jacinda Humphry
Finance Director
Attended 3 of 4 board meetings

Christine Hewitt
Director, People, Capability and Change
Attended 4 of 4 board meetings

Stephen Meek
Director, Strategy, Communications and Private Office Group
Attended 2 of 4 board meetings

Other Ministers who served in the Department until July 2016 were:

- The Rt Hon Greg Clark MP - Secretary of State
- Brandon Lewis MP - Minister of State for Housing and Planning
- James Wharton MP - Parliamentary Under Secretary of State, Minister for Local Growth and the Northern Powerhouse
- Mark Francois MP - Minister of State for Communities and Resilience
- Baroness Williams of Trafford - Parliamentary Under Secretary of State

Other non-executive directors who served in the Department during 2016-17 were:

- Andy Street - Lead non-executive director (until 4 October 2016)

Other executive directors who served in the Department during 2016-17 were:

- Peter Schofield - Director General, Housing and Planning (until 17 July 2016)
- Helen Edwards - Director General, Local Government and Public Services (until 31 August 2016)

Auditors

The core, agency, arm's length bodies 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 MHA MacIntyre Hudson). Further details are given in the accounts of the bodies concerned.

The total cost of the audit across the departmental Group is £785,000 of which £369,000 is a cash charge and £416,000 is a notional charge (2015-16: £354,000 cash costs and £441,000 notional charge totalling £795,000).

The audit fee for the core Department is £295,000 (2015-16: £320,000), broken down as £290,000 for the Departmental audit, and £5,000 for the cost of consolidation work. This includes £15,000 for the Departmental audit on Whole of Government Accounts.

In addition, the Department meets the costs of the Business Rates-related accounts. The fees are all notional charges and included in the Group Accounts. The fees on these audits are as follows:

- Main Rating Account: £38,000 (2015-16: £38,000)
- Levy Account: £7,000 (2015-16: £7,000)
- Trust Statement: £19,000 (2015-16: £19,000)

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

Personal Data Related Incidents

The Department, its Agency and ALBs 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.

Two personal data incidents were reported to the Information Commissioners' Office (ICO) during the period 1 April 2016 to 31 March 2017. In both cases, the ICO determined that no action was required of us. In the first case, material relating to a single individual was left on a train. The material was later retrieved. In the second incident, staff home addresses and dates of birth were passed to a private company who were providing a discount scheme for all staff. The information was promptly withdrawn, and additional refresher training was provided to the relevant staff.

Statement of Accounting Officer's Responsibilities

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 arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2016 number 1243 (together known as the 'departmental Group', consisting of the Department and bodies listed in Note 21 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.

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.

On 1 March 2015, HM Treasury appointed Melanie Dawes, the Permanent Head of the Department, as Accounting Officer of the Department for Communities and Local Government.

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.

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.

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

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

Introduction

2016-17 has been a year of significant change for the Department: a new Prime Minister, a new Secretary of State, changes to the executive team and the continuation of our change agenda within the Department. These factors have all provided opportunities to refresh how we maintain appropriate governance and manage risk within the Department.

This Governance Statement sets out:

- the governance framework of the Department and how the Department's Board and its supporting governance structures operate, including how I gain assurance over the Department's system of internal control, the operation of our arm's length bodies and accountability systems for local government;
- our approach to managing risk, and a summary of the strategic risks faced by the Department and how these are being addressed;
- an account of how the Board complies with the Corporate Governance Code; and
- how I assessed how effectively governance and assurance arrangements had operated during the year.

This Statement covers the whole Group, reflecting the governance arrangements of our Agency and arms' length bodies. Each of these organisations publishes their own Governance Statement as part of their Annual Reports and Accounts. Rather than duplicate information this Statement seeks to explain group-wide and core Department governance arrangements and any issues that are significant to the Group as a whole.

The statement concludes with my assessment, as Accounting Officer, of the effectiveness of our governance arrangements.

The governance framework

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the delivery of the Department's policies, aims and objectives, whilst safeguarding public funds and departmental assets. The governance framework for the Department has been designed to maintain the existing internal control environment whilst developing internal controls as appropriate as the Department's risk profile evolves. The structures are shown below in the diagram.

Departmental governance framework

Clear terms of reference for each committee maintain clarity and accountability. The Departmental Board and Non-Ministerial Board each meet four times a year, and the Audit and Risk Assurance Committee meets five times a year. The Executive Team meets every week.

Attendance records for the Departmental Board meetings are provided in the Directors' Report, page 28.

Accountability

Alongside the Board structures set out below, 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.

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.

Ministers are also subject to the Ministerial Code which provides assurance as to their propriety of their conduct. Upon appointment, Ministers' attention is drawn to the requirements of the Ministerial Code. As Permanent Secretary, I am responsible for advising Ministers on compliance with the Code.

During 2016-17, no Ministerial directions (when a Minister continues with a course of action despite the advice of the Accounting Officer) were made.

In accordance with Managing Public Money, this Statement is required to summarise how the Department achieves local accountability for the grants it distributes. In previous years the Department published two accountability system statements: the accountability system statement for local government first published in 2012 and the accountability system statement for the Local Growth Fund first published in 2013. I have updated both these system statements, and from this year onwards I am incorporating them into the new Accounting Officer System Statement (see page 37) which sets out how the Department achieves accountability through all its relationships and delivery partners. See www.gov.uk for my Accounting Officer System Statement.

The next two sections set out the scope of my accountability in relation to ensuring the proper use of public money at a local government level and how I discharge my accountabilities to ensure the regularity, propriety and value for money of these resources through the local accountability system.

Local Government accountability

As the Department's Accounting Officer, I am responsible for the core local government accountability framework for local authorities and for ensuring that it is working and contains the right checks and balances.

I receive assurance advice twice a year that takes account of the available evidence to ascertain whether the core accountability system for local authorities has remained robust. This evidence includes published information and consultancy reports on local audit and accounts, governance, and fraud, which speaks to regularity, propriety and achieving value for money locally.

The latest assurance advice for the period June to December 2016 concluded that overall, the local government accountability system operated effectively and remained robust. There is therefore no immediate need for any changes to the accountability system. The advice recommends that as Accounting Officer, I keep under close review a number of areas to ensure the system continues to remain robust going forward. In particular:

- the local authorities we have assessed to be of most immediate concern showing the strongest indicators of financial risk (including the potential for a council to issue a section 114 notice) and service delivery risk, and the support being provided to them;
- the spending pressures on local authorities, particularly in relation to adult social care, and children's services;
- keeping abreast of the continued progress and risks on the Department's ongoing interventions in Tower Hamlets, Rotherham and Birmingham; and
- the clarity of accountability following establishment of directly-elected Combined Authority Mayors in Cambridge and Peterborough, Greater Manchester, Liverpool City Region, Tees Valley, the West Midlands and the West of England from May 2017, including through Plain English Guides to deals.

In addition to the core accountability system, other departments which oversee services run by local government publish statements that explain any other grants made to local authorities, and relevant legislation and regulation in relation to those services, including the Department for Education, Department of Health and Department for Transport.

Local Growth Fund accountability

I am the accounting officer for the award of the Local Growth Fund to Local Enterprise Partnerships (LEPs), through Growth Deals. I am accountable to Parliament for those elements of the Fund which are awarded to LEPs from DCLG's Departmental Expenditure Limit (DEL). I am also responsible for the Growth Deals delivery system within which LEPs invest the Local Growth Fund.

Building on the accountability system for local government, the Local Growth Fund assurance system is based on:

- The national LEP assurance framework which sets out standards around transparency, accountability and value for money which LEPs must comply with in composing their own local assurance frameworks;
- Regular reporting against agreed output metrics;
- An evaluation framework;
- Annual performance conversations with each LEP.

Together these elements establish a mechanism for ensuring that funds are spent locally with regularity, propriety and value for money. They also provide me with oversight of what is being delivered. Those elements of the Fund which remain on other Departments' Departmental Expenditure Limits (DEL) are subject to their own funding and oversight mechanisms (the Department for Transport and the Department for Business, Energy and Industrial Strategy).

The Department also provides funding via the "Single Pot" to mayoral combined authorities which have been set up as part of devolution agreements. The Single Pot represents different lines of funding from both the Department for Communities and Local Government and the Department for Transport. Assurances over the use of funding provided through the Single Pot are obtained via the accountability systems for both local authorities and the Local Growth Fund, and the Department for Transport accountability system.[20]

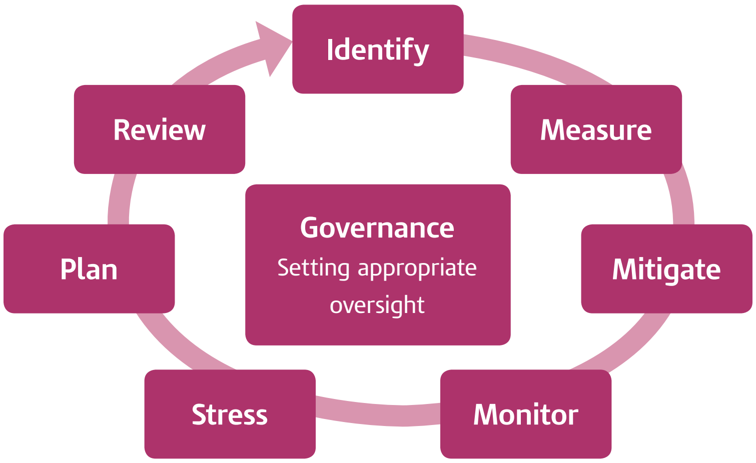
Financial and Credit Risk

The Department operates a number of programmes that are underpinned by the use of financial instruments such as loans, equity investments and financial guarantees. This exposes the Department to significant financial and credit risk. The portfolio is immature and concentrated in a single sector that is susceptible to economic shocks. The investments are typically outside the appetite of other market investors and lenders. There is limited experience of how a market downturn would impact upon the portfolio, as well as a lack of historical data on arrears and defaults.

To assess and manage these financial risks, the Department has an established Financial Risk Management Team that is responsible for implementing and continually refining the Department's risk management framework (see overleaf). The framework details procedures for identifying, mitigating and monitoring the Department's exposures and includes a risk appetite statement, which sets out the headline risk policies and limits to manage the level of risk being taken on by the Department.

20 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475107/dft-accounting-officer-system-statement_2015.pdf

Our approach to managing financial and credit risk in our portfolio



In 2016-17 the Department continued to develop and embed capability for managing financial risk. We have developed a set of control documents to specify the minimum controls and requirements for our delivery partners and devolved authorities managing transactions under our Accounting Officer's responsibilities. This will promote consistent practice and provide greater assurance to the Accounting Officer that appropriate operating procedures are in place. The risk team has supported colleagues in developing new financial transaction programmes, as well as regularly reviewing the risk profile on existing financial transaction programmes.

The Department and the Homes and Communities Agency (HCA) - our primary delivery partner for financial transactions - has also built operational and resource capacity over the last year. The Department has appointed a permanent Chief Risk Officer, who sits within the HCA with accountability to the department's Permanent Secretary as Accounting Officer as well as the Accounting Officer of the HCA. This is effective from April 2017 and will bring greater efficiency and transparency. The HCA has now made permanent appointments to key positions, including the Chief Investment Officer, Senior Manager of Distressed Investments, and a Head of Financial Crime who acts as HCA's Money Laundering and Reporting Officer.

The Department has established a Financial Risk Management Framework in response to the increased level of financial and credit risk. However, there remains a residual risk of impairment to the Department's financial assets that cannot be mitigated. An annual stress testing exercise has been in place since 2015 to help the Department to measure and manage this risk, following Bank of England cyclical stress test scenarios. This exercise tested the impact on the financial instrument portfolio of a number of severe but plausible economic scenarios. The outcomes of the testing will be used in future policy development and our contingency planning and to agree steps that could be taken to manage the Department's exposures in times of stress.

Arm's length bodies

The Department had one Executive Agency and ten other arm's length bodies, as at 31 March 2017. A complete list of the Department's arm's length bodies is provided in Note 21 of the accounts.

Each arm's 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 the Accounting Officers of PINS and the HCA to help ensure that they are operating within both their delegations and framework documents.

The Department continues to integrate its arm's length bodies into the Departmental governance framework to maintain a consistent approach to delivering its objectives across the departmental Group. This has been achieved through the following methods:

- The Finance Directors for HCA and the Planning Inspectorate attend the Department Finance Sub-Committee.

- The Chair of the HCA Audit and Risk Committee (ARAC) is an independent member of the Department ARAC.
- A meeting of ARAC Chairs in which concerns affecting the departmental Group are raised and discussed.
- A forum for arm's length bodies' Accounting Officers to discuss common issues and strategic priorities with the Department.
- Attendance at arm's length bodies' ARACs by a representative of the Department's arm's length body sponsorship team on a risk based approach.
- Regular meetings between the Department and arm's length bodies' Accounting Officers to ensure they are operating within their delegations and framework agreements.

These closer working relationships have contributed to successfully integrating arm's length bodies into a coherent and consistent departmental approach to financial planning, risk management and decision making.

Risks and mitigations are reviewed regularly by the arm's length body team, to ensure that arm's length bodies are delivering their objectives in line with departmental expectations and are operating within their budget allocations. In the event that an arm's length body is unable to manage its financial or operational performance effectively, appropriate actions are taken by the Department to resolve the issue.

My Accounting Officer System Statement

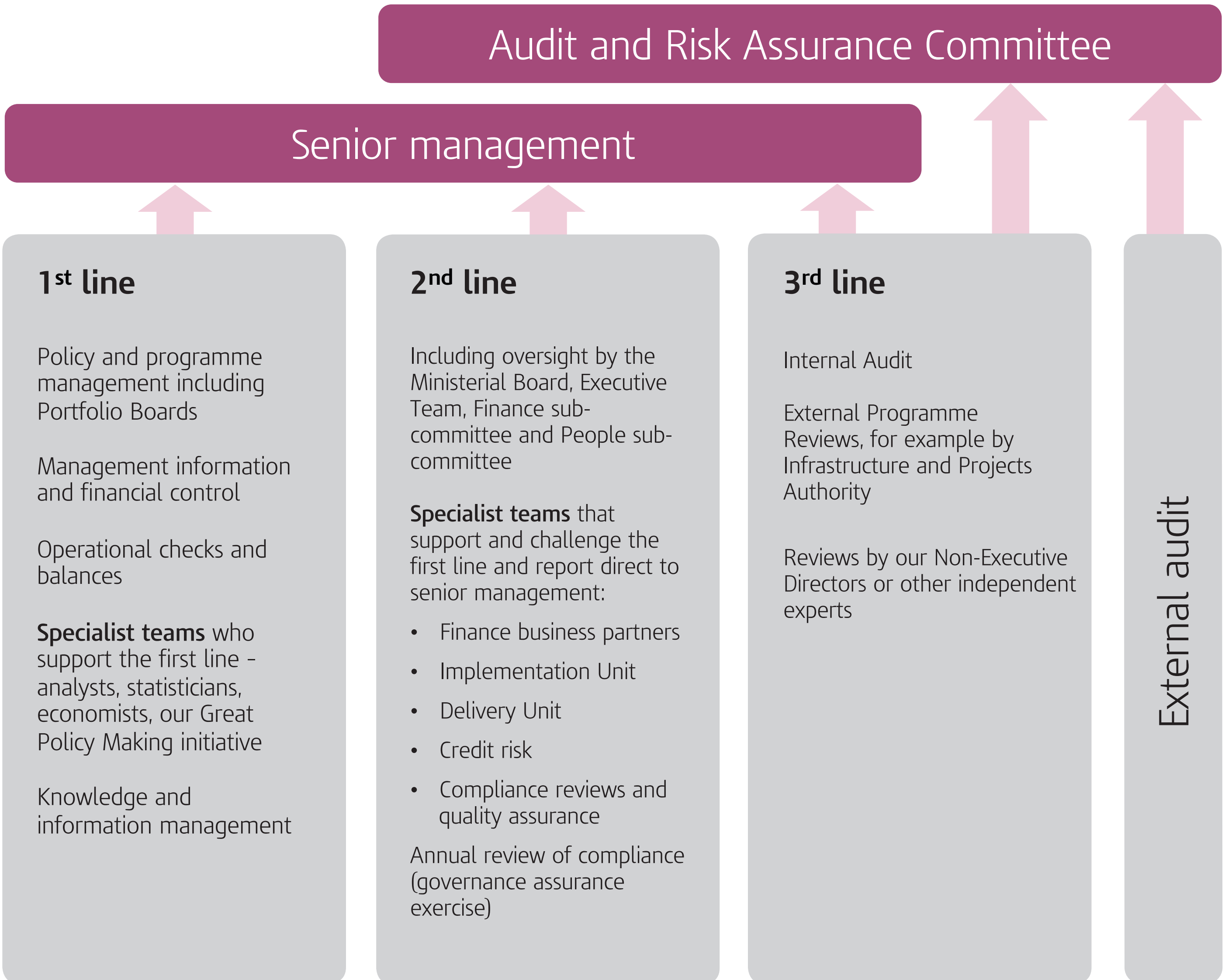
This year, for the first time, I will publish an Accounting Officer System Statement, which will be available on www.gov.uk. This statement explains how I discharge my responsibilities as Accounting Officer for the Department for Communities and Local Government. Producing a statement that covers the whole of an Accounting Officer's responsibilities is a new requirement.

The system statement will set out the accountability relationships that are in place now and for the future. It therefore complements this Governance Statement, which is retrospective covering systems in place during the last financial year.

I had previously published two system statements that covered the accountability arrangements for funds spent through the local government system and for local growth funding. I have now incorporated both these statements within the new Accounting Officer System Statement.

Approach to risk management

The Executive Team oversees our response to the strategic challenges faced by the Department as a whole. A summary of these strategic risks follows on pages 39 to 41. The Executive Team owns the strategic risks and nominates a responsible officer for each one. In addition, individual operational or programme risks may be escalated from directors to the Executive Team. Our approach is supported by an assurance framework which underpins the monitoring and management of risk, shown below using the three lines of defence model.



Specific risks are managed during the day to day delivery of the Department's policies and programmes. Programme boards are in place for each of the Department's major policies, in which programme delivery and cross-cutting risks are managed. We established portfolio boards for each departmental policy group during the year which bring together risks from across the portfolio. Where necessary, risks are escalated from the programme and portfolio boards to the Executive Team and considered alongside our strategic risks (the corporate risk register). This year, we put in place a specialist project and programme management team within Finance to support and embed good project and programme management in the Department.

In November the Department refreshed the list of strategic risk areas that were monitored by the Executive Team. This included the addition of how we manage the risks and opportunities associated with the UK leaving the EU. The Executive Team assesses our risk appetite for our strategic risks during deep dives throughout the year. Our risk appetite varies depending on the situation and type of risk. When risks are not aligned to the desired appetite for a particular risk area, the approach is re-examined to determine whether to reassess the level of risk or review the Department's appetite.

Our strategic risks

A summary of the strategic risks faced by the Department is outlined below.

Capability

- **Departmental capability:** we need the right capabilities to deliver Governments' priorities
- **Culture and behaviours:** how we deliver the Department's vision to become smarter, stronger and more streamlined
- **External stakeholders:** We need to maintain and develop strong relationships with a range of external stakeholders
- **Change to policy and in the economy:** how we anticipate and respond quickly and effectively

System Oversight

- **Legal risks:** managing the Department's portfolio of litigation, including the risk of fines from the European Commission for ERDF funds
- **Housing credit portfolio:** managing the Department's portfolio of financial instruments (total lending of £7.3bn and £2.5bn of guarantees issued to housebuilders) in a single sector that is new for government
- **Local authority system sustainability:** identifying and managing risks to the local government system and to individual councils
- **Corporate oversight, including of arm's length bodies:** getting the right balance between autonomy and control on an increasingly challenging portfolio of programmes

Brexit

- **Exiting the European Union:** ensuring that we seize opportunities and mitigate risk from exiting the EU

Departmental capability

We want to attract, retain and develop high-performing people to ensure we have the right capability to deliver government's priorities. The foundation for achieving this is a comprehensive People Plan which we launched in the summer of 2016. This plan has five pillars (see our People Report on page 52) that include a series of initiatives and measures to improve and develop our capability. Central to this is developing a Core Curriculum which delivers learning, including professional and specialist skills, relevant to our roles and business. We also developed a Performance Management system which will promote and support improvement and high performance, and introduced a flexible resourcing model which over time will help improve the adaptability and resilience of our workforce. We made use of carefully assessed voluntary exits to release individuals without the right skills for the future. We also developed a comprehensive health and wellbeing offer and implemented a wide range of initiatives to support greater diversity and inclusion.

Our Strategic Risks (continued)

Culture, behaviour and efficiency

Our vision is to be smarter, stronger and more stream-lined. We have prioritised our resources through business planning and our Single Departmental Plan, enabling the Department to deliver our stretching efficiency targets whilst ensuing we are still able to meet our business needs. This year we focussed on building excellence through our Great Policy Making campaign. We have developed a specialist project and programme management team in order to improve how we plan, manage and deliver our work across the Department and are seeking to establish a business culture based on the principles of continuous improvement and LEAN. A review of our ICT systems and the Place Project will focus on efficiency of our technology and estate. We invested in helping our staff manage change by having regular conversations with senior leaders. We continue to explore and progress the development of shared back office functions with our arms length bodies.

External Stakeholders

The Department has a wide range of external stakeholders to influence and ensure our policies are implemented. The Executive Team engages regularly with external stakeholders through visits, roundtables and a summer reception. The Department maintains a Ministerial Support Unit and External Communications team to ensure stakeholders are engaged with the right issues, in the right places. This ensures are policies are delivered effectively, for example ensuring people are aware of policies through media coverage.

Changes to policy or in the economy

The Department needs to anticipate and respond quickly to changes in the policy and economic environment caused by external factors. We are building resilience to respond quickly enough when changes are anticipated or have happened. Officials actively work with Ministers to quickly identify changes ensuring an agile approach to policy prioritisation. We have made the best use of information available to identify new agendas through the use of technology for analysis and horizon scanning. We respond quickly by using our flexible resourcing model that matches people to demand. The Great Policy Making Campaign helped us make better use of evidence and lessons learnt.

Legal risks

Legal risks are managed by designing legally robust policies, taking legally sound decisions and, where appropriate, changing the law in the right way to deliver policy. The legal Director works closely with senior management to ensure that they are aligned with key policy goals and agendas. Designing policy to reduce the risk of successful legal challenge enables the delivery of Ministerial priorities to schedule and avoids audit risk, reputational damage and loss of resource away from the delivery priorities. The Department applies knowledge from previous experience and cases. A Legislation Board is an established part of the Department's planning cycle and meets regularly to prioritise and manage primary and secondary legislation programme.

Housing credit portfolio

The Department oversees a portfolio of financial instruments (including loans, guarantees and Help to Buy) much of which is outside the appetite of other market investors/lenders. Total lending is around £7.3 billion[21], and we have issued £2.5 billion of guarantees to housebuilders. The portfolio is concentrated in a single sector and is therefore susceptible to economic shocks. To manage this, we have a Financial Risk Framework and Financial Risk Appetite Statement which give the methodology for managing credit risk exposure and outline the credit risk thresholds that apply to the portfolio. Programmes, such as Help to Buy, are subject to a Financial Risk Assessments twice a year to review risks and stress tests to anticipate and inform how the portfolio responds to changes in macro indicators. The Department has monitoring and oversight arrangements in place with its delivery partners such as the Homes and Communities Agency and the Greater London Authority.

21 Total lending includes our available for sale financial assets (£6.6 billion) and loans to the private and public sector (£0.1 billion and £0.6 billion).

Local authority system sustainability

Local authorities are under a statutory obligation to set a balanced budget. Our Accounting Officer has accountability for the local authority system, and monitors the financial and operational performance of the sector. The section above (local government accountability, page 34) explains how we assess the sustainability of the local authority system. The Department maintains and develops a systematic process for assessing the risk of significant service or financial challenges. We work with the local authority representative bodies, NAO, CIPFA and other government departments. This provides opportunity to quality assure the methodology which underpins our tools for assessing the financial sustainability and understanding potential indicators of stress in the local authority sector. We continue to encourage councils to take up opportunities to transform, be included in devolution deals and create local growth.

Corporate oversight, including of arm's length bodies

The Department's control and assurance framework needs to strike a balance between delegation and autonomy and the need for controls that provide sufficient assurance. We have an increasingly complex and challenging portfolio of programmes to deliver with our arm's length bodies. The Department regularly reviews the internal control framework to ensure it is appropriate. We actively engage with internal audit, planning the annual cycle and demonstrating improvement in light of recommendations. A risk-based approach to sponsorship of arm's length bodies focuses resource on those areas posing the greatest challenge.

Exiting the European Union

We need to ensure that the department seizes opportunities and mitigates risk to future policy development from exiting the European Union. The Department is developing preferred and contingency policy positions for the UK's negotiation strategy and domestic responses. This includes evaluating interdependency between our preferred positions and the legislative and policy positions of other government departments. We will use a flexible workforce to meet changing demands in the context of inevitable uncertainty and manage delivery in the context of other capacity pressures.

Our corporate governance

Departments are expected to apply the principles of the Corporate Governance Code unless good governance can be achieved by other means. Departments are also required to identify and explain any areas where they have departed from the Code.

To ensure compliance with the code, we have put in place arrangements to handle conflicts of interest of Board Members, and use this Governance Statement to explain how conflicts (and potential conflicts) of interest have been 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 Board Secretary.

Board Performance and Reporting

The Departmental Board is chaired by the Secretary of State and oversees the delivery performance of the Department. This is enabled by a comprehensive quarterly data pack supplied by the Department's Implementation Unit, whose aim is to provide advice, challenge and assurance on delivery performance. Accountability around delivery performance has been sharpened at Board level through a new reporting cycle to the Departmental Board and Non-Ministerial Board. As required by the Code of Practice on Corporate Governance a Board Effectiveness Evaluation was carried out this year. Due to the extent of change in Board membership and focus the evaluation was light-touch, although it did include external challenge from the Department for Culture, Media and Sport's Lead Non-Executive. The evaluation made a number of recommendations, including on the format of information presented to the Board and remit of the Non-Ministerial Board. These will be implemented in 2017-18.

The Departmental Board is supported by the Audit and Risk Assurance Committee, and is chaired by the Lead Non-Executive. This Committee is responsible for providing assurance to the Board and Accounting Officer in the areas of financial management and propriety and risk. The Nominations and Governance Committee has now been dissolved to provide a more streamlined approach to governance in the areas of senior leadership, pay and succession planning. These areas are covered by the Senior Talent and Pay Committee.

The Executive Team is the most senior official-level committee of the Department. This year the Team agreed a refreshed statement of its role to enable it to fulfil its strategic leadership role as effectively as possible. The Team has put in place improved data on both delivery and corporate performance, including a new scorecard to enable a more strategic approach to managing performance in the Department. Risk is managed via frequent strategic risk reviews; further assurance on the Department's approach to risk management is provided by the Audit and Risk Assurance Committee. The Executive Team is supported by the People and Finance Sub-Committees. Once a month the Executive Team expands to include Directors, to ensure the widest possible representation is brought to key leadership issues.

Fraud and error

The Department has recently reviewed the fraud-related material held on the Intranet to ensure different work strands, such as Cyber Crime, are brought together as part of a single departmental counter fraud strategic framework. This includes a revised Fraud Response Plan, refreshed online material and an up to date Whistleblowing Policy, endorsed by the Finance Subcommittee.

The Department is further developing its Counter Fraud Strategy, in line with the Government Counter Fraud Framework and Standards and is working closely with experts in the Government Internal Audit Agency to ensure the output visibly captures and communicates the 'end to end' process. We are implementing a continuous cycle of counter fraud activities, driven by a clear Counter Fraud Policy which informs the Department's tolerance and commitment to fraud prevention and deterrence, detection, investigation and redress.

In addition, both tactical and strategic departmental challenges will be considered as part of a regular Fraud Risk Assessment.

The Strategy is being developed and when completed will be supported by a delivery plan which defines how strategic implementation will be monitored; the key metrics used to measure success; and how the Strategy will be communicated. We will be sharing this with Cabinet Office as part of the overall cross-governmental counter fraud programme.

Whistleblowing

The Department continues to ensure its whistleblowing policy and procedures are effective and support staff to report wrongdoings in the workplace across the departmental Group. The Department and our arms' length bodies have implemented the whistleblowing policy designed by the Civil Service Employee Policy.

The departmental whistleblowing champion is Christine Hewitt, a member of the Executive Team. She regularly raises awareness of the whistleblowing procedures, the importance of reporting wrongdoings and the support available after a concern has been raised. The Department has nominated officers who are available to support people with whistleblowing queries. Officers are accessible on a dedicated telephone helpline.

Whistleblowing is discussed by the Audit and Risk Assurance Committee. The Department reports on the effectiveness of whistleblowing policy and procedures along with quantitative data to the Cabinet Office twice a year.

Civil Service Employee Policy recently launched a whistleblowing health check for departments to assess their culture and whether employees feel confident to speak up. We are reviewing this health check with the nominated officers and the champion.

Information Security

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.

The Department has successfully implemented a public cloud applications hosting solution and as part of our IT strategy we have implemented four new business applications and migrated two legacy systems to this more flexible, responsive and value for money solution.

During the year two personal data incidents were reported to the Information Commissioner's Office. In each case it was determined that no further action was required. Further information on these incidents is provided on page 30.

External scrutiny

The Department was the subject of five National Audit Office reports during 2016-17, and the Accounting Officer and members of her leadership team attended six hearings of the Committee of Public Accounts to give evidence on value for money. Our response to each area of the committee's interest is summarised below. For more detail please see the websites of the Committee for Public Accounts and the National Audit Office (the NAO).

Our response to recommendations from the committee and the NAO has further strengthened the assurance we can provide over value for money in the Department:

- The Committee held a second progress review hearing on our Public Land for Housing programme (following the initial review in Summer 2015 and a first follow up in January 2016). The hearing focused on the second programme which started in 2015/16. The National Audit Office had reported that the Department had made progress in setting up its new programme. But, so far only land with capacity for an estimated 8,580 homes has been disposed of, and the Department didn't yet have the data to show how many houses had been built on land released by the public sector. In response to the Committee's recommendations, we have published a programme handbook and an Annual Report for the programme, appointed a Programme Director and invited the Infrastructure and Projects Authority to review the programme. We also appointed Ordnance Survey to collect robust data and information on the number of homes started and completed on each site released by central government under both the old and current programmes. This data will be published annually.

- The Committee considered local government sustainability. This year, the session was based on an NAO report that focussed on local authorities' capital funding position. The Committee was concerned about local authorities' capacity to manage capital budgets and investments alongside uncertainty about longer-term budgets. In response to the Committee's recommendations, the Department is working closely with the sector to design a comprehensive update to the prudential framework - the professional code of practice that supports local authorities in taking capital investment decisions - and is helping develop commercial skills in the sector through its work with the Local Government Association. This will drive local authorities to be more transparent in the way that they assess value for money when taking borrowing and investment decisions.

- The Committee took evidence about our evaluation of the first Troubled Families programme. The Committee questioned whether publication of the evaluation had been held back, and why the evaluation of the programme did not find consistent evidence of impact. We have already addressed the majority of recommendations the Committee made, including fulfilling our commitment to report annually to Parliament on progress; better designed data collection, evaluation and reporting systems; and by reviewing the payment by results mechanism. We are collecting data through the National Impact Study, and by December 2017 will have results from tracking ongoing support to families.

- The Committee's work on devolution over the past year has helped to inform the Department's activity around transparency and accountability in devolution and local growth policy. We published accessible guides to devolved powers and funding in devolution deals. Following recommendations from the committee and the NAO specifically about Local Enterprise Partnerships (LEPs) we strengthened our governance requirements. We published a strengthened

National LEP Assurance Framework and all LEP Accountable Body Section 151 Officers wrote to us within three months confirming they met the revised requirements. We verified compliance through spot checks and completed a review into LEP governance and transparency, led by the DCLG Non-Executive Director, Mary Ney.

The NAO published two further NAO reports about the Department in 2016-17, on housing, and integration in health and social care. The Committee published its reports in April 2017 and we will publish our response later in 2017-18.

Internal Audit opinion

One of the key sources of independent assurance within the Department comes from the activities of the Internal Audit function provide by the Government Internal Audit Agency (GIAA). The internal audit programme is closely linked to the key risks of the Department, its Executive Agency and other ALBs. Arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. The internal audit service complies with the Public Sector Internal Audit Standards.

In the opinion of DCLG's Group Chief Internal Auditor, the governance, risk management and control arrangements throughout the year have provided a "**Moderate assurance**" rating, defined as "some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control." We highlighted that improvements in IT governance are required to support effective departmental oversight over IT spend.

Governance assurance exercise

In order to gain assurances over the internal control environment, the Department undertakes an annual governance assurance exercise at the end of each financial year.

This year the governance assurance exercise was structured around our departmental Groups - Housing and Planning, Local Government and Public Services, Decentralisation and Growth and Corporate Services. The process involves Directors presenting a concise return setting out how they have complied with Departmental governance and internal controls, and summarising achievements and challenges faced during the year. The returns are scrutinised by an independent panel of experts in a series of panels, attended by the DG and all Directors from each Group.

The panels were held over March and April and were chaired by the department's Non-Executive Directors, attended by an independent member of the Audit and Risk Assurance Committee, Internal Audit and observed by the National Audit Office. The panels focused on financial control, change management, risk management and delivery of priority areas.

The panel was satisfied that the Department had demonstrated appropriate governance and assurance across its business and that risk management had been effective during the year. They were further assured that the Department had suitable plans in place to continue to manage the business and address the strategic risk areas that were identified by the Department as part of the challenge process. These included Local Authority sustainability, Departmental capacity and capability, how we work with our arm's length bodies and the risks and opportunities of leaving the EU.

My conclusion

I have reviewed the evidence provided by the governance assurance exercise, the Internal Audit opinion, and NAO and PAC reports, and am satisfied that the Department has maintained a sound system of internal control during this reporting period.

Though the Department has undergone significant change during this period, the governance framework and control environment has been fully operational throughout the reporting period and up to the date on which the consolidated Annual Report and Accounts were approved. Existing assurance and risk management processes have been adapted and refreshed to reflect the challenges faced by the Department which has enabled it to continue to deliver a range of innovative policies and programmes which are at the forefront of the Government's agenda.

Remuneration and Staff Report

Remuneration Report

The remuneration report provides detail on the remuneration and pension interests of the Department's board members. The Remuneration Report refers to the core Department only. Similar Remuneration Reports are available in the Annual Reports and Accounts of the individual ALBs.

Civil service contracts

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.

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 Policy

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

Remuneration (including salary) and pension entitlements (subject to audit)

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 who have been in post at some point in the current or prior year.

Single total figure of remuneration (subject to audit)

Ministers	Salary £		Full year Equivalent £		Benefits in kind £ (to nearest £100)		Pension benefits[1] £ (to nearest £1,000)		Total £ (to nearest £1,000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
The Rt Hon Sajid Javid MP Appointed 14 July 2016	48,270	–	67,505	–	–	–	13,000	–	61,000	–
Gavin Barwell MP Appointed 15 July 2016	22,397	–	31,680	–	–	–	6,000	–	28,000	–
Andrew Percy MP Appointed 16 July 2016	15,699	–	22,375	–	–	–	4,000	–	20,000	–
Marcus Jones MP	22,375	19,849	–	22,375	–	–	6,000	5,000	28,000	25,000
Lord Bourne of Aberystwyth Appointed 16 July 2016	74,570[2]	–	105,076[2]	–	–	–	11,000	–	86,000	–
The Rt Hon Greg Clark MP Left 13 July 2016	19,235	59,884	67,505	67,505	–	–	5,000	25,000	24,000	85,000
Mark Francois MP Left 14 July 2016	9,112	28,103	31,680	31,680	–	–	3,000	15,000	12,000	43,000
Brandon Lewis MP Left 14 July 2016	9,112	31,680	31,680	–	–	–	2,000	12,000	11,000	44,000
James Wharton MP Left 15 July 2016	6,496	19,849	22,375	22,375	–	–	1,000	5,000	7,000	25,000
Baroness Williams of Trafford Left 15 July 2016	30,506[2]	93,213[2]	105,076[2]	105,076[2]	–	–	11,000	20,000	42,000	113,000
The Rt Hon Eric Pickles MP Left 11 May 2015	–	7,622	–	67,505	–	–	–	3,000	–	11,000
Kris Hopkins MP Left 11 May 2015	–	2,526	–	22,375	–	–	–	1,000	–	4,000
Stephen Williams MP Left 8 May 2015	–	2,346	–	22,375	–	–	–	1,000	–	3,000
Lord Ahmad of Wimbledon Appointed 15 July 2014 Left 13 May 2015	–	8,182[2]	–	72,470[2]	–	–	–	2,000	–	10,000
Penny Mordaunt MP Appointed 15 July 2014 Left 11 May 2015	–	2,526	–	22,375	–	–	–	1,000	–	4,000

(1) The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
(2) Figure quoted includes House of Lords Allowance.

Richard Harrington was joint minister to Department for Communities and Local Government, Home Office and Department for International Development between September 2015 and July 2016. He was on Home Office payroll and therefore is not included in this table.

Single total figure of remuneration (subject to audit)

Officials	Salary £'000		Full year Equivalent £'000		Bonus Payments £'000		Benefits in kind £ (to nearest £100)		Pension benefits[1] £ (to nearest £1,000)		Total £'000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Melanie Dawes Permanent Secretary	160-164	160-164	–	–	15-19	–	–	–	60,000	188,000	235 - 240	345-350
Helen MacNamara Director General Appointed 1 September 2016	75-79	–	130-134	–	–	–	–	–	90,000	–	165-170	–
Jo Farrar Director General Appointed 1 September 2016	80-84	–	140-144	–	–	–	–	–	32,000	–	115 -120	–
Louise Casey Director General	140-144	135-139	–	–	–	–	–	–	90,000	89,000	230 - 235	225-230
Simon Ridley Director General Appointed 21 September 2015	125-129	65-69	130-134	115-119	10-14	–	–	–	105,000	32,000	240 - 245	95-100
Stephen Meek Director Appointed 9 November 2015	115-119	45-49	–	110-114	–	–	–	–	37,000	15,000[3]	150 -155	60-65[3]
Jacinda Humphry Director	100-104	100-104	–	–	–	10-14	–	–	39,000	46,000	140 -145	160-165
Christine Hewitt Director Appointed 12 October 2015	85-89	40-44	–	85-89	10-14	–	–	–	66,000	23,000[3]	160 -165	60-65
Peter Schofield Director General Left 17 July 2016	40-44	135-139	135-139	–	15-19	15-19	–	–	19,000	67,000	75 - 80	215-220
Helen Edwards Director General Left 31 August 2016	35-39[2]	165-169	165-169	–	–	–	–	–	–	54,000	35-39	215-220
Andrew Campbell Acting Director General Left 31 July 2015	–	35-39	–	105-109	–	–	–	–	–	12,000	–	45-50
David Hill Director Left 28 October 2015	–	50-54	–	85-89	–	10-14	–	–	–	27,000	–	90-95
Dawn Brodrick Director Left 28 September 2015	–	45-49	–	100-104	–	10-14	–	–	–	21,000	–	80-85

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

(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) Helen Edwards worked reduced hours from 1 April 2016. She chose not to be covered by the Civil Service pension arrangements during the reporting year.
(3) A retrospective update to pension data was carried out by the pension provider, resulting in a change to the closing balance at 31/03/16.

The Non-Executive Directors (NEDs) did not receive a salary in their capacity as Board Members and details of fees paid to them during 2015-16 are shown below (subject to audit):

Non-Executive Directors	Fees (£) 2016-17	2015-16
Nick Markham (Acting Lead)[1]	17,500	15,000
Grenville Turner	15,000	15,000
Mary Ney[2] Appointed 11 October 2016	6,875	–
Andy Street[3] (Lead) Left 4 October 2016	–	–
Stephen Hay Left 31 July 2015	–	3,333[4]
Sara Weller (Lead) Left 31 December 2015	–	15,000[5]

(1) Figure includes 1 April to 30 September 2016 at full year entitlement of £15,000; from 1 October 2016, entitlement increased to £20,000 when Nick Markham became the acting lead non-executive.
(2) Figure quoted is for the period 11 October 2016-31 March 2017. The full year fee entitlement is £15,000.
(3) Andy Street was appointed in January 2016. However, he did not claim any fees.
(4) Stephen Hay left at end of his contract on 31 July 2015. The figure quoted is for the period 1 April to 31 July 2015. The full year fee entitlement is £10,000.
(5) Figure quoted is for the period 1 April to 31 December 2015 The full year fee entitlement is £20,000.

Salary

'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.

This report is based on accrued 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 (£74,692 from 1 April 2016, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally.

However, the arrangement for Ministers in the House of Lords is different in that 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 Bourne and Baroness Williams as well as any allowances to which they were entitled, is paid by the Department and is, therefore, shown in full, in the figures within the Ministers' remuneration table above.

Benefits in Kind

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. No officials received benefits in kind in 2015-16 and 2016-17.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to the financial year that they are paid to the individual. The bonuses reported in 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.

Pay Multiples (subject to audit)

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

The banded remuneration of the highest paid director in the Department, the Department's Permanent Secretary, in the financial year 2016-17 was £175k - £179k (2015-16 highest paid director: £165k - £169k). This was 4.6 times

(2015-16: 4.2 times) the median remuneration of the workforce, which was £38,638 (2015-16: £38,529). In 2016-17, nil (2015-16, nil) employees received remuneration in excess of the highest-paid director.

Remuneration ranged from £20k - £24k to £175k - £179k (2015-16: £20k - £24k to £165k - £169k). 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.

The median salary for 2016-17 has increased by £109 compared to the 2015-16 median salary.

Compensation for loss of office

One minister left under severance terms on 14th July 2016 as a result of a Cabinet reshuffle. They received a compensation payment of £5k - £10k.

Ministerial Pension benefits (subject to audit)

The table below shows the pension benefits accrued by ministers who have served as board members of the Department during the 2016-17 reporting year:

	Accrued pension at age 65 as at 31/03/17 £'000	Real increase in pension at age 65 £'000	CETV at 31/03/17 £'000	CETV at 31/03/16 £'000	Real increase in CETV £'000
The Rt Hon Sajid Javid MP	5-10	0-2.5	67	55	5
Gavin Barwell MP	0-5	0-2.5	19	14	2
Andrew Percy MP	0-5	0-2.5	3	1	1
Marcus Jones MP	0-5	0-2.5	7	3	1
Lord Bourne of Aberystwyth	0-5	0-2.5	68	52	10
The Rt Hon Greg Clark MP	5-10	0-2.5	80	75	2
Mark Francois MP	0-5	0-2.5	62	60	1
Brandon Lewis MP	0-5	0-2.5	31	28	1
James Wharton MP	0-5	0-2.5	3	3	–
Baroness Williams of Trafford	0-5	0-2.5	43	35	5

Richard Harrington was appointed 14 September 2015 as joint minister to Department for Communities and Local Government, Home Office and Department for International Development. He was on Home Office payroll and therefore is not included in this table. He left this role on 16 July 2016.

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at: http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

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). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV)

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

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.

Officials' pension benefits (subject to audit)

The table below shows the pension benefits accrued by officials who have served as board members of the Department during the 2016-17 reporting year:

Officials	Accrued pension at pension age as at 31/03/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/17	CETV at 31/03/16	Real increase in CETV £000's
	£'000	£'000	£'000	£'000	£'000
Melanie Dawes	50 - 55 plus lump sum of 140 -145	2.5 - 5 plus lump sum of Nil	969	895	28
Helen MacNamara	20 - 25 plus lump sum of 50 - 55	2.5 - 5 plus lump sum of 7.5 - 10	287	226	48
Jo Farrar	0 - 5 plus lump sum of Nil	0 - 2.5 plus lump sum of Nil	23	–	17
Louise Casey	40 - 45 plus lump sum of 115 - 120	5 - 7.5 plus lump sum of 2.5 - 5	809	704	57
Simon Ridley	30 - 35 plus lump sum of 80 - 85	5 - 7.5 plus lump sum of 5 - 7.5	457	383	51
Stephen Meek	35 - 40 plus lump sum of 100 -105	0 - 2.5 plus lump sum of Nil	697	650[1]	15
Jacinda Humphry	30 - 35 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of Nil	563	520	18
Christine Hewitt	30 - 35 plus lump sum of 85 -90	2.5 - 5 plus lump sum of 7.5 - 10	619	534[1]	58
Peter Schofield	40 - 45 plus lump sum of 120 -125	0 - 2.5 plus lump sum of 0 - 2.5	724	692	9

[1] A retrospective update to pension data was carried out by the pension provider, resulting in a change to the closing balance at 31 March 2016.

Pension benefits for officials are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced - the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha - as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining 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).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha - as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

The Cash Equivalent Transfer Value

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.

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

Real increase in the value of the CETV

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.

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Staff Report

Our People[22]

Our goal is to have skilled, talented, committed, diverse and high-performing people, supported by effective leaders, working in ways which are streamlined, stronger and smarter. In this way we will be best placed to deliver our key priorities and contribute to our overall success.

We launched our two year People Plan in July 2016 to help us achieve this goal. The high standards we are seeking to develop reflect the challenging and unpredictable environment in which the Department is operating, underlined by the unique circumstances of the UK's exit from the EU.

In 2016-17 the positive impact of our People Plan was demonstrated by a further improvement in our people survey results:

- Our engagement index score increased by two percentage points to 59%, a 19% increase since 2011; the Department is now at the Civil Service median.
- The Department is now above the Civil Service median in all nine key themes and a high performer in six of these.
- We are the top performing Whitehall department for the 'My Manager' theme.
- We achieved improved results across a range of key areas, specifically in 'Leadership and Change', 'My Work', Organisational Objectives and Purpose' and 'Inclusion and Fair Treatment'.

Following our 2016 People Survey results our objective is to firmly establish DCLG as a great place to work. We are in particular focusing on developing our leadership, building pride in the Department's diverse work portfolio and its impact, managing change better and improving inclusion.

We communicate our change and development programme through quarterly 'Achieving Our Vision' conversations with staff. We also hold regular regional staff conference calls led by the Permanent Secretary, which are augmented by a senior visits programme to each office. We have refreshed our corporate induction guidance and our internal staff events marketing, which are now promoted through a new user-friendly and accessible intranet facility which further improves our internal communication with colleagues.

We also engage regularly with our external stakeholders and customers, an example of which is a senior leaders event in December 2016 with external stakeholders from local government, which focused on how our policies 'land' in place.

Our People Plan is based around five key pillars. We have set out below the measures we have taken and the progress we have made in 2016-17 on each one:

The right people for the right roles at the right time

- We have introduced a new flexible resourcing model. This is an important cultural change which will result in more of our people taking up a new or changing role on a regular and planned basis and will allow us to better anticipate and respond effectively to evolving or new priorities.
- We have refreshed and strengthened our senior management cadre through twelve Senior Civil Service appointments, comprising three Director Generals, three Directors and six Deputy Directors, from a range of backgrounds.
- We have delegated pay budgets to Directors which has led to more informed and proactive workforce management including on recruitment and in relation to grade, skills and performance mixes.

22 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.

- We have balanced the need to offer career development opportunities to our existing talent whilst also ensuring we bring in new people with different skills and experiences - over a third of all non-senior roles are currently filled by existing staff with the remaining two thirds filled by external appointments.
- We have also introduced a 'Secondment Hub' to further facilitate the exchange of knowledge and skills with the wider public and private sectors. Since October 2016 we have arranged 16 secondments with external bodies, a **50% increase since last year**.
- We have developed our offer on Early Careers and Apprenticeships offer to ensure a sustainable pipeline of diverse talent from within the ranks of our administrative and junior management grades. **We started 35 apprentices in 2016-17**, and will increase our intake to 40 in 2017-18.
- We have delivered a carefully managed voluntary exit (VE) scheme based on future skills match and personal circumstances, which will see 68 people leave the Department between May and June 2017. This builds on the 2015 VE scheme which saw over 200 people depart DCLG. This will assist us in achieving the correct skills mix whilst living within our reducing administration expenditure settlement.

Core Curriculum

- We have delivered a varied programme of learning and development through our new Core Curriculum focused on three key areas; personal effectiveness, professional and specialist development and finally learning directly relevant to the business and priorities of the department.
- We have delivered over 220 events for over 3000 delegates, including resilience training for our entire senior cadre, with approximately a quarter of events taking place in the regions.
- We have organised and delivered a series of events in separate dedicated learning months in the key areas of commercial, project management and analytical skills with a similar set of events planned for Digital learning.
- 86% of delegates would recommend their learning experience to others, whilst our people survey score on learning and development is 6% points above the high performing Departments.
- We have revised our evaluation of our learning offer to provide accurate and timely MI and assess progress and impact against a quarterly dashboard.

Always aspiring to be better

- We have developed, in consultation with staff, a new approach to Performance Management which will focus on developing individuals, supporting improvement and driving high performance. This new approach will be rolled out in 2017-18 and will be monitored closely to assess its impact and value. Enhanced training will be provided to all managers.
- All of our managers have received tailored career conversation and development training. This training is part of a wider programme to improve line manager capability.
- We have introduced the expectation that all staff should have regular career development conversations. Whilst this new approach is at a relatively eary stage, the majority of staff are reporting that these conversations have commenced, with initial feedback that they are viewed as constructive and valuable.

Inclusion and well being

- We have taken a number of steps to improve how we perform in respect of Diversity and Inclusion. This is an issue which remains a priority for the Department and where we recognise that sustained and on going effort will be required. We are encouraged that ACAS has commented very positively on the indicators against which we will measure progress. We are currently refreshing our diversity plan and aim to publish this in summer 2017.

- We have a very diverse workforce and our staff diversity declaration rates are among the top five departments across the Civil Service.
- Female and BAME colleagues are well represented in our talent pipeline to SCS. We are proud of our senior female representation and are proactively working to increase our senior BAME cadre, and to also develop our senior colleagues with a disability through central schemes such as Accelerate. The success rate for individuals from protected groups applying to the central Future Leaders Scheme has increased by 50% compared to last year.
- We have signed up to the Disability Confident Scheme, Level 2, to maximise opportunities of employing and supporting disabled people.
- We also entered the Stonewall Index to have a baseline and to help us benchmark current and future progress in supporting our LGBTI community and to build DCLG's brand as a welcoming employer.
- We have introduced a Diversity Panel, to help ensure our people are assessed and developed in a fair, consistent and transparent manner. The initial indications are that the panel will have a important role to play in helping to develop a more inclusive and diverse culture.
- We have invested in and trained 22 existing staff to act as Fair Treatment Ambassadors to support and advise on bullying and harassment issues. These individuals are supported by enhanced and refreshed guidance. Although our People Survey scores in this area are in line with other departments we see this issue as a priority and are determined to see reporting incidences reduced.
- We have continued to focus on the equality basics e.g. delivering Unconscious Bias training to all staff and working hard to identify, agree and deliver reasonable adjustments.
- We are proud of a programme we have developed to promote understanding and support for colleagues who have or may experience mental health problems.

Making the most of what DCLG has to offer

- We have strengthened senior ownership of our talent agenda through the introduction of a Senior Talent and Pay Committee - we are one of the first Departments to have extended our talent assessment programme to our Senior and Higher Executive Officers and are now developing our talent support offer for these grades.
- We have increased and delegated to our Directors our exceptional performance bonus scheme to facilitate more timely and locally informed recognition of our high performers. We held our first People Awards in December 2016.
- We have launched a staff discount scheme, facilitated digital access to our payslips and are upgrading our HR management information systems to improve reliability, management information and user experience. Our HR Service Centre continues to give excellent service and receives consistent and widespread praise.

Celebrating Success

In 2016 DCLG held its annual **People Awards**. Over 150 nominations were received across five categories. The winners were:

Inspirational Leadership - **Emily Mayhew** - establishing a networking group for new entrants to the Civil Service.

Our Vision: Stronger - **The Syrian Resettlement Programme Team** - DCLG/DflD/HO - this programme has transformed the way resettlement is undertaken in the UK.

Our Vision: Streamlined - **The Local Government Finance Payments Team** - for professionally and efficiently managing £28bn of local government payments and receipts.

Our Vision: Smarter - **Angela Humphries** - tackled an issue on recovering Regional Growth Fund grants. As a result, the department can better forecast recoveries to Treasury and record receipts.

Diversity and Inclusion - **Nick Searle** - Chair of the LGBT network, who led on DCLG's first application for the Stonewall equality index and has re-energised the network.

Some of DCLG teams were also recognised with external awards:

The **Right to Buy 2016 marketing campaign** won the Customer Acquisition and Data-Driven Business categories in this year's Data Storytelling awards. The Data Storytelling awards celebrate the strategies, people and brands that are setting the standard in data. The judges commented that the campaign was "a brave execution of a challenging brief with great results" and "…the use of data was superior." The same campaign also won Silver at the Direct Marketing Association Awards.

The **Homelessness Team** won The Chris Martin Policy Award at the Civil Service Awards 2016.The win was for the team's innovative use of social finance in 2016 to solve complex homelessness problems, working with the GLA and Cabinet Office.

The **Financial Reporting and Accounting Team** won Finance Team of the Year at the Government Finance Awards 2016. Working as a collaborative, flexible and professional team, they have transformed the DCLG annual accounts process and delivered a product that has won praise from the National Audit Office.

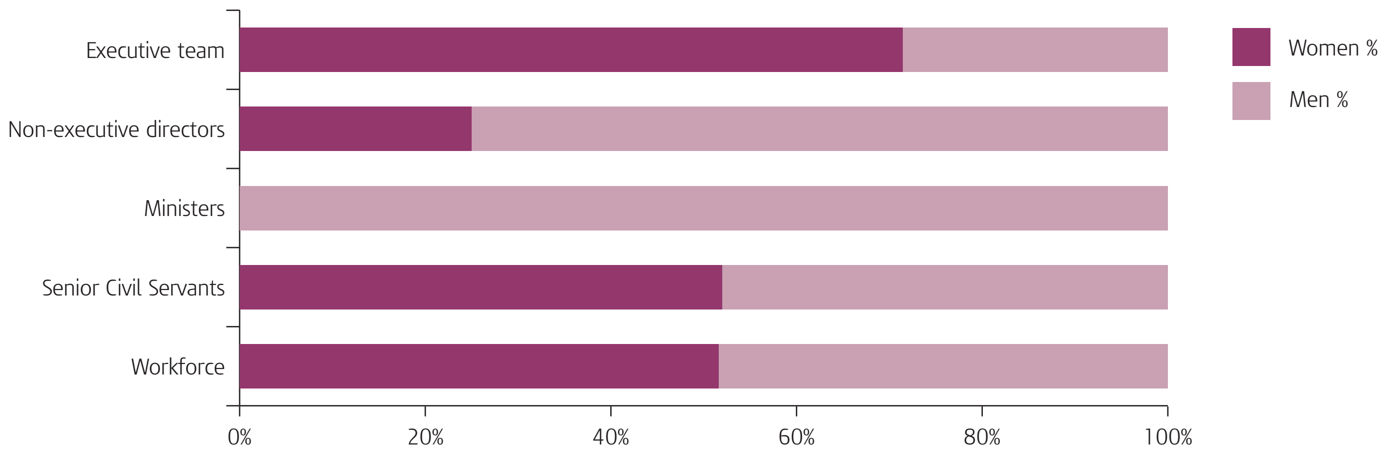
In addition, **Lise-Anne Boissiere** was highly commended in the February 2017 Brilliant Civil Service Effective Leadership Awards for her work on the Housing White Paper and colleagues working on the **Syrian Refugee Resettlement Programme** were shortlisted for The Collaboration Award in the 2016 Civil Service Awards which recognises excellence in co-operative and joint working.

Staff Data

Gender Diversity

The Department's gender diversity statistics are shown in the graph below.

Staff Diversity by Gender - Core Department as at 31 March 2017



Health and Safety and Attendance Management

The Department's safety performance has remained strong during 2016-17. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2016-17 (none in 2015-16). The Reportable Accident Rate was calculated as 0 per 100,000 employees. A total of three accidents were reported by employees in 2016-17, against 10 in 2015-2016.

The Department's sickness absence has improved in 2016.

Average Working Days Lost

	Jan-Dec 2016 (AWDL)(1)	Jan-Dec 2015 (AWDL)(1)
Civil Service	7.1	7.4
Core Department	6.2	6.5
PINS	8.0	7.5

(1) AWDL: Average working days lost.

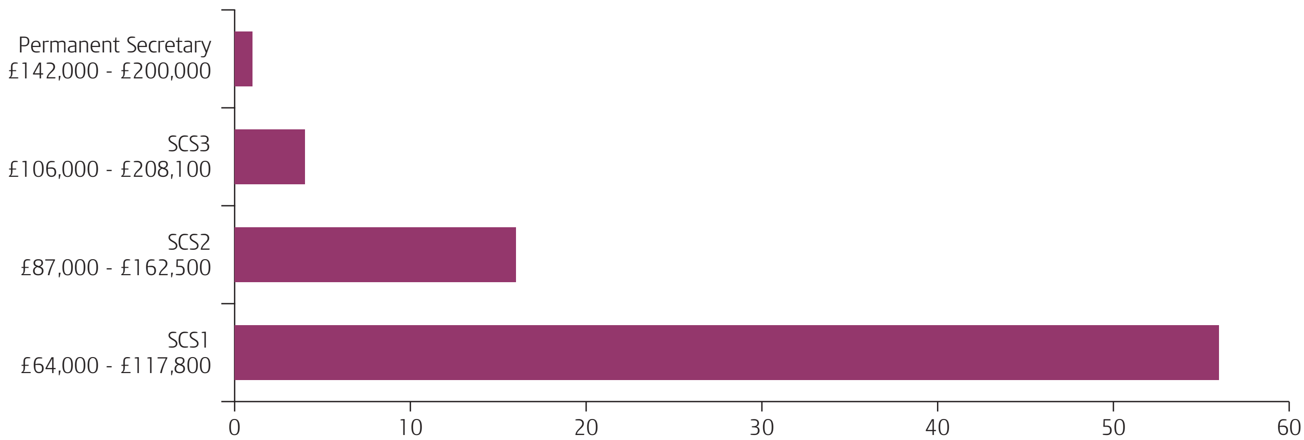
Staff with no sickness absence

	Jan-Dec 2016	Jan-Dec 2015
Core Department	62%	58%
PINS	47%	46%

Senior Civil Service salaries and staffing

At 31 March 2017 there were 77 Senior Civil Service staff, including the Permanent Secretary, on the core Department's payroll.

SCS Headcount by pay band as at 31 March 2017



Staff numbers and related costs (subject to audit)

Staff costs[23]

£'000

					2016-17	2015-16 *restated*
	Permanently Employed Staff	Others	Ministers	Special Advisers	Total	Total
Wages and Salaries	139,731	5,667	261	166	145,825	157,896
Social Security Costs	15,702	5	31	20	15,758	13,677
Pension Costs	33,392	10	–	37	33,439	36,713
Total Costs	**188,825**	**5,682**	**292**	**223**	**195,022**	**208,286**
Less Recoveries in respect of outward secondments	(2,167)	–	–	–	(2,167)	(1,018)
Total Net Costs	**186,658**	**5,682**	**292**	**223**	**192,855**	**207,268**
Of which:						
Core Department	81,307	2,339	292	223	84,161	93,651
Agency	32,960	535	–	–	33,495	35,193
Designated Bodies	74,558	2,808	–	–	77,366	79,442

Average number of full-time equivalent persons employed[24]

					2016-17	2015-16 *restated*
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	1,291	201	5	3	1,500	1,639
Agency	616	14	–	–	630	679
Designated Bodies	1,105	76	–	–	1,181	1,246
Total	3,012	291	5	3	3,311	3,564

The Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are 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 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2016-17, employers' contributions of £18,208,054 (2015-16: £19,983,651) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 2016-17, employers' contributions of £156,423 (2015-16: 145,731) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, for 2016-17, employer contributions of £0 (2015-16: £0), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the accounting date were £7,235 (2015-16: £7,558). Contributions prepaid at that date were nil.

One member of staff (2015-16: one) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £21,409 (2015-16: £4,785).

23 Special Advisers wages and salaries include compensation in lieu of notice and untaken holiday pay paid to them on their resignation preceding the general election.
24 The average number of special advisors employed in the year was three due to maternity leave cover.

Reporting of civil service and other compensation schemes – exit packages (subject to audit)

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.

			2016-17	2015-16			2016-17	2015-16
	Core Department and Agency				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	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	–	2	2	6	–	8	8	10
£10,000 - £25,000	–	15	15	55	–	24	24	69
£25,000 - £50,000	–	16	16	72	–	43	43	98
£50,000 - £100,000	–	23	23	113	–	81	81	140
£100,000 - £150,000	–	–	–	–	–	–	–	5
£150,000 - £200,000	–	–	–	–	–	–	–	–
£200,001 onwards	–	–	–	–	–	–	–	–
Total number of exit packages	**–**	**56**	**56**	**246**	**–**	**156**	**156**	**322**
			£'000	£'000			£'000	£'000
Total cost	**–**	**2,643**	**2,643**	**11,984**	**–**	**8,646**	**8,646**	**15,805**

Expenditure on Consultancy and Temporary Staff

	2016-17	2015-16	2014-15
	£000	£000	£000
Cost of Contingent Labour			
DCLG	1,236	2,858	4,290
Executive Agency(1)	2,251	2,796	1,349
ALBs(2)	2,502	3,463	2,330
Total	5,989	9,117	7,969
Cost of Consultancy			
DCLG	140	511	929
Executive Agency	–	–	–
ALBs(2)	16	24	59
Total	156	535	988
Overall Total	**6,145**	**9,652**	**8,957**

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.

Figures include VAT when appropriate and irrecoverable.

(1) Since November 2014, PINS have included FTE and 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.

Reporting the tax arrangements of public sector appointees

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 senior off-payroll engagements.

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.

Off-payroll engagements as of 31 March 2017, 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 2017	**10**	**64**[1]	**30**
of which have existed for:			
less than one year at time of reporting	4	0	15
between one and two years at time of reporting	0	1	7
between two and three years at time of reporting	5	1	2
between three and four years at time of reporting	1	4	2
four years or more at time of reporting	0	58	4

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.

(1) PINS off-payroll engagements are for Non-Salaried Inspectors (NSI's). The NSI's are registered with PINS for work but contracted on a case-by-case basis with each contract lasting on average 12 days. Improved workforce planning will reduce the use of NSIs in the future, although PINS will always need to draw on this flexible resource for certain cyclical and/or specialist casework issues.

New off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, 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 2016 and 31 March 2017	**24**	**0**	**14**
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	24	0	14
No. for whom assurance has been requested	24	0	14
Of which:			
No. for whom assurance has been received	17	0	14
No. for whom assurance has not been received	7[1]	0	0
No. that have been terminated as a result of assurance not being received	0	0	0

(1) There were seven individuals employed by DCLG whose contracts naturally ended in the year but failed to provide assurance on request. DCLG have passed their details to HMRC.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0	0	2[1]
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.	14	9	62

(1) Ebbsfleet Development Corporation had an interim CEO who was off-payroll for less then six months. This was due to the urgency of the requirement given the need to secure the necessary skills and expertise for this high-profile and challenging role at very short notice. The Department has subsequently transferred the individual to payroll and required tax assurances have been received.

Due to the unplanned exit of the VTS Finance Director, an interim already employed as Financial Controller filled the role of Finance Director at the Valuation Tribunal Service between 12 December 2016 to 28 February 2017. The off-payroll arrangement was ended when the person became the permanent Finance Director on 1 March 2017.

Parliamentary Accountability and Audit Report

Introduction

The Budgeting System

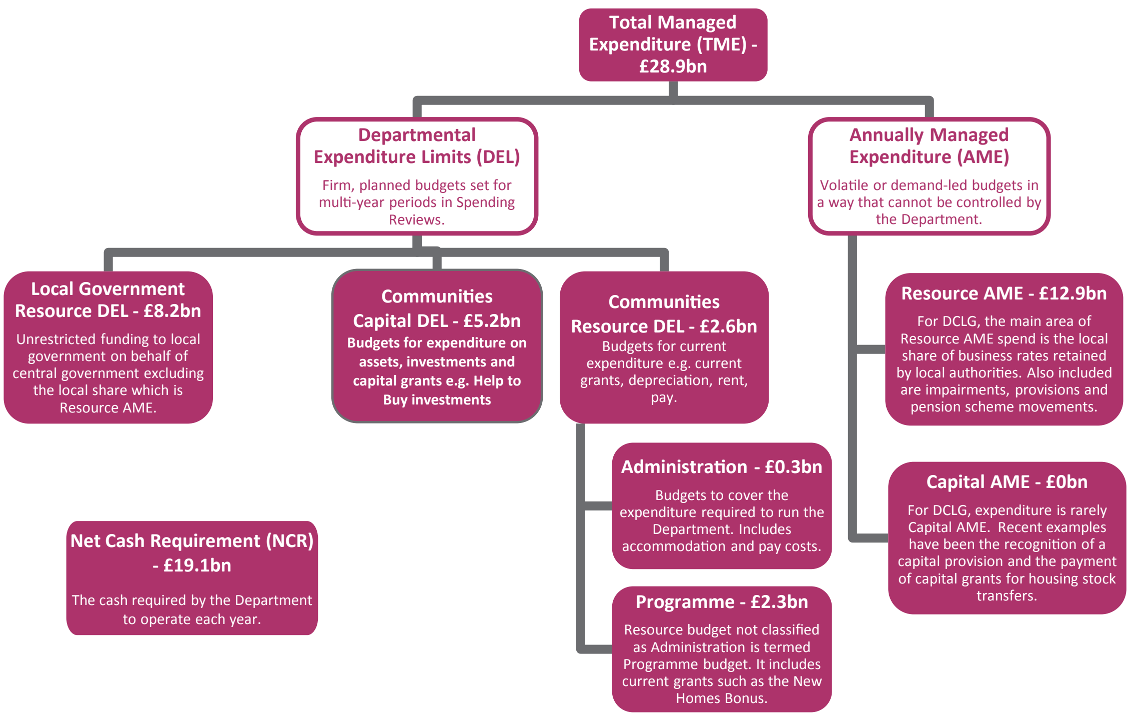
The Department's budgets follow the international standards of the European System of Accounts (ESA). This allows HM Treasury to produce compliant National Accounts capable of international comparison. This is a different basis to that used to produce the Department's Financial Statements which apply international financial reporting standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

Budgets are set out in Supply Estimates which are the means by which the government seeks authority from Parliament for its planned or budgeting spending each year.

We report our spend against budget in the Statement of Parliamentary Supply (SOPS), page 64. These tables show how much we have spent compared to our 2016-17[25] budget.

Interpretation of the Budget and Outturn

The diagram below shows the Department's control totals which are the budget totals that we must not breach. DCLG has a more complex budget than most departments. We have two Resource DEL control totals, one for the funding we provide to local government on behalf of central government and one for the Department's own spending. We also have a significant Capital DEL control total which covers expenditure on capital grants, investments and loans. A breach of any of these control totals would be a serious issue resulting in an audit qualification of the Department's accounts. The diagram below shows our 2016-17 budget control totals.

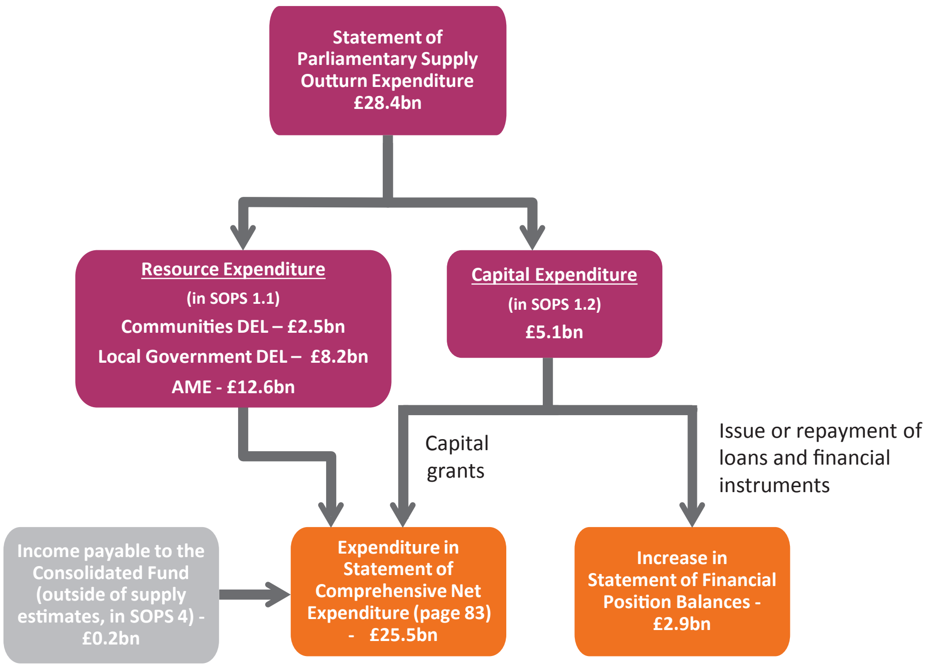


25 Supplementary Estimates 2016-17

SOPS 1.1 and SOPS 1.2 report expenditure against each DEL or AME budgetary control limit, split by specific area of Departmental expenditure, for example Housing and Planning or Troubled Families. SOPS 1.1 reports resource expenditure and SOPS 1.2 reports capital expenditure. The Department refreshed the naming of the areas of expenditure, otherwise called estimate rows, this year.

The Core Tables on page 72 present expenditure at the same level of detail and on the same basis as SOPS 1.1 and SOPS 1.2 over an eight year period.

The Department's spending is shown in two presentations in the Annual Report - in the Statement of Parliamentary Supply (SOPS) and in the Financial Statements. The diagram below shows how total spending from one presentation relates to the other. SOPS 2 also provides a more detailed reconciliation between Resource Expenditure in SOPS 1.1 and Net operating Expenditure in the Statement of Comprehensive Net Expenditure in the Financial Statements.



SOPS 1.1, SOPS 1.2 and the Core Tables split the Departmental Group's expenditure by estimate row. The table overleaf shows the main streams of expenditure contained within each estimate row.

Costs classified as administration expenditure by HM Treasury are all incurred within Communities Resource DEL. The Administration expenditure Core Table therefore provides a subset of figures from the Departmental Resource Spending Core Table and the Administration Costs table in the SOPS provides a subset of figures from SOPS and SOPS 1.1.

Estimate Row	Main Expenditure Streams
Communities DEL Estimate Rows	
A: Local Government and Public Services	• London Settlement to 2017-18 • Valuation Office Fees to 2016-17
B: Housing and Planning	• Disabled Facilities Grant to 2017-18 • New Homes Bonus • PFI Housing Grants • Temporary Accommodation Management from 2017-18 • Preventing Homelessness to 2019-20 • Accelerated Construction and Housing Infrastructure Fund from 2017-18 • Expenditure of the Planning Inspectorate - most of which is classified as Administration expenditure
C: Decentralisation and Local Growth	• Devolution Deals from 2013-14 onwards • Local Growth Fund from 2015-16 onwards • Regional Growth Fund from 2012-13 to 2015-16
D: Troubled Families	• Troubled Families Programme
E: Research, Data and Trading Funds	• Research and Development expenditure • Exchange rate losses • European Regional Development Fund related write-offs
F: DCLG Staff, Building and Infrastructure Costs	The majority is classified as administration expenditure: • Staff Pay • Estates costs e.g. rent, rates, utilities
G: Local Government and Public Services (ALB) (Net)	• Expenditure of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE) - all of which is classified as Administration expenditure
H: Housing and Planning (ALB)(Net)	• Affordable Homes Programme • Help to Buy from 2014-15 onwards • Homebuilding Fund in 2016-17 and 2017-18 • Financial transaction income received by the Homes and Communities Agency (HCA) • Administration expenditure by the HCA on staff and estates • Expenditure by the Leasehold Advisory Service (LAS) and The Housing Ombudsman (THO) - most of which is classified as Administration expenditure • Expenditure by the Ebbsfleet Development Corporation - both Administration and Programme expenditure
Local Government DEL Estimate Rows	
I: Revenue Support Grant	• Revenue support grant - unrestricted central government funding provided to local government
J: Other Grants and Payments	• Independent Living Fund from 2015-16 • Business rates and council tax reliefs and support from 2013-14 • Additional Better Care Fund grant from 2017-18 • Adult Social Care support grant from 2017-18 • Transitional grant from 2016-17
K: Business Rates Retention	• Safety net payments to local authorities whose income from business rates is below a baseline level
AME Estimate Rows	
L: Housing and Planning; and	• Impairments of non-current and financial assets
Q: Housing and Planning (ALB)	• Issue of Affordable Housing and Private Rented Sector Guarantees from 2014-15
M: Research, Data and Trading Funds	• Unrealised exchange rate losses
N: DCLG Staff, Building and Infrastructure Costs	• Expenditure by the core Department on creation and release/utilisation of provisions
O: Non-Domestic Rates Outturn Adjustment	• Expenditure on year end adjustments required to the AME business rates retention expenditure
P: Local Government and Public Services (ALB)(Net)	• Expenditure on pensions by the VTS and the CLAE
R: Business Rates Retention	• The share of business rates collected by and retained by local authorities from 2013-14 onwards

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Statement of Parliamentary Supply (subject to audit)

For the year ended 31 March 2017

Summary of Resource and Capital Outturn 2016-17

£'000

		2016-17							2015-16 *restated*
		Estimate			Outturn			Outturn compared with Estimate:	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	saving/ (excess)	Net Total
Spending in Departmental Expenditure Limit (DEL) – DCLG Communities									
Resource	SoPS1.1	2,641,823	–	**2,641,823**	2,488,457	–	**2,488,457**	153,366	2,175,292
Capital	SoPS1.2	5,185,413	–	**5,185,413**	5,113,921	–	**5,113,921**	71,492	3,849,330
Spending in DEL – DCLG Local Government									
Resource	SoPS1.1	8,231,095	–	**8,231,095**	8,229,106	–	**8,229,106**	1,989	10,757,715
Capital	SoPS1.2	–	–	**–**	–	–	**–**	–	–
Spending in Annually Managed Expenditure (AME)									
Resource	SoPS1.1	12,864,592	–	**12,864,592**	12,566,876	–	**12,566,876**	297,716	12,218,774
Capital	SoPS1.2	–	–	**–**	–	–	**–**	–	207,035
Total Resource	SoPS1.1	23,737,510	–	**23,737,510**	23,284,439	–	**23,284,439**	453,071	25,151,781
Total Capital	SoPS1.2	5,185,413	–	**5,185,413**	5,113,921	–	**5,113,921**	71,492	4,056,365
Total		28,922,923	–	**28,922,923**	28,398,360	–	**28,398,360**	524,563	29,208,146

Net Cash Requirement 2016-17

£'000

		2016-17			2015-16
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	SoPS3	**19,052,817**	**16,801,337**	2,251,480	18,811,911

Administration Costs 2016-17

£'000

		2016-17			2015-16 *restated*
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
Administration Costs		**305,907**	**242,409**	63,498	276,740

Notes to the Statement of Parliamentary Supply

SoPS 1.1 Analysis of Net Resource Outturn by Section

£'000

	2016-17										2015-16 *restated*
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Outturn	Net total compared to Outturn, adjusted for virements	Total
Spending in Resource Departmental Expenditure Limit (RDEL) - DCLG Communities											
Voted expenditure											
A Local Government and Public Services	–	–	–	208,119	(948)	207,171	207,171	196,323	(10,848)	–	399,405
B Housing and Planning	48,805	(10,565)	38,240	1,791,449	(7,317)	1,784,132	1,822,372	1,861,534	39,162	27,887	1,472,648
C Decentralisation and Local Growth	–	–	–	218,364	(81,539)	136,825	136,825	147,584	10,759	10,759	68,896
D Troubled Families	–	–	–	170,807	–	170,807	170,807	170,380	(427)	–	72,335
E Research, Data and Trading Funds	–	–	–	23,579	(9,592)	13,987	13,987	36,306	22,319	22,319	(5,530)
F DCLG Staff, Building and Infrastructure Costs	179,957	(46,541)	133,416	3,039	(1,045)	1,994	135,410	195,812	60,402	60,402	160,488
G Local Government and Public Services (ALB) (Net)	17,177	–	17,177	–	–	–	17,177	17,708	531	531	19,716
H Housing and Planning (ALB) (Net)	53,576	–	53,576	(68,868)	–	(68,868)	(15,292)	16,176	31,468	31,468	(12,308)
Decentralisation and Local Growth (ALB) (Net)	–	–	–	–	–	–	–	–	–	–	–
Total Voted	**299,515**	**(57,106)**	**242,409**	**2,346,489**	**(100,441)**	**2,246,048**	**2,488,457**	**2,641,823**	**153,366**	**153,366**	**2,175,650**
Non Voted Expenditure											
Housing and Planning	–	–	–	–	–	–	–	–	–	–	(358)
Total Non Voted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**(358)**
Total spending in RDEL – DCLG Communities	**299,515**	**(57,106)**	**242,409**	**2,346,489**	**(100,441)**	**2,246,048**	**2,488,457**	**2,641,823**	**153,366**	**153,366**	**2,175,292**

Note to SOPS 1.1: Expenditure and income on estimate rows labelled (ALB)(net) are presented net in the Gross column per HM Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

£'000

	2016-17										2015-16
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Outturn	Net total compared to Outturn, adjusted for virements	Total
Spending in Resource DEL - DCLG Local Government											
Voted expenditure											
I Revenue Support Grant	–	–	–	7,205,326	–	7,205,326	7,205,326	7,205,350	24	24	9,532,754
J Other Grants and Payments	–	–	–	998,629	–	998,629	998,629	1,000,556	1,927	1,927	1,223,544
K Business Rates Retention	–	–	–	25,151	–	25,151	25,151	25,189	38	38	1,417
Total spending in RDEL – DCLG Local Government	**–**	**–**	**–**	**8,229,106**	**–**	**8,229,106**	**8,229,106**	**8,231,095**	**1,989**	**1,989**	**10,757,715**
Total RDEL spend	**299,515**	**(57,106)**	**242,409**	**10,575,595**	**(100,441)**	**10,475,154**	**10,717,563**	**10,872,918**	**155,355**	**155,355**	**12,933,007**

£'000

		2016-17										2015-16 *restated*
		Outturn						Estimate				Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Outturn	Net total compared to Outturn, adjusted for virements	Total
Spending in Resource Annually Managed Expenditure (RAME)												
Voted expenditure												
	Local Government and Public Services	–	–	–	5,511	–	5,511	5,511	–	(5,511)	–	(103)
L	Housing and Planning	–	–	–	68,930	(539)	68,391	68,391	720	(67,671)	–	4,454
M	Research, Data and Trading Funds	–	–	–	1,625	–	1,625	1,625	8,100	6,475	964	6,424
N	DCLG Staff, building and infrastructure costs	–	–	–	(3,854)	–	(3,854)	(3,854)	(3,096)	758	758	2,961
O	Non-Domestic Rates Outturn Adjustment	–	–	–	656	–	656	656	50,000	49,344	30,760	–
P	Local Government and Public Services (ALB)	–	–	–	2,428	–	2,428	2,428	2,654	226	226	408
Q	Housing and Planning(ALB) (Net)	–	–	–	77,519	–	77,519	77,519	410,198	332,679	265,008	34,238
R	Business Rates Retention	–	–	–	14,854,656	(2,442,056)	12,412,600	12,412,600	12,396,016	(16,584)	–	12,163,110
	Decentralisation and Local Growth	–	–	–	2,000	–	2,000	2,000	–	(2,000)	–	7,282
Total spending in RAME		**–**	**–**	**–**	**15,009,471**	**(2,442,595)**	**12,566,876**	**12,566,876**	**12,864,592**	**297,716**	**297,716**	**12,218,774**
Total RDEL and RAME spend		**299,515**	**(57,106)**	**242,409**	**25,585,066**	**(2,543,036)**	**23,042,030**	**23,284,439**	**23,737,510**	**453,071**	**453,071**	**25,151,781**

Note to SOPS 1.1: Expenditure and income on estimate rows labelled (ALB)(net) are presented net in the Gross column per HM Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

SoPS 1.2 Analysis of Net Capital Outturn by Section

£'000

	2016-17						2015-16 *restated*
	Outturn			Estimates			Outturn
	Gross	Income	Net	Net Total	Net Total compared to Outturn	Net total compared to Outturn, adjusted for virements	Net
Spending in Capital Departmental Expenditure Limit (CDEL) – DCLG Communities							
Voted expenditure							
A Local Government and Public Services	460,240	(35,728)	424,512	367,516	(56,996)	–	830,843
B Housing and Planning	532,475	(476,979)	55,496	130,060	74,564	17,568	(7,937)
C Decentralisation and Local Growth	1,992,464	(235,652)	1,756,812	1,778,791	21,979	7,161	1,328,023
D Troubled Families	827	–	827	620	(207)	–	–
E Research, Data and Trading Funds	22,698	(1,510)	21,188	6,370	(14,818)	–	–
F DCLG Staff, building and infrastructure costs	6,060	(1,408)	4,652	6,826	2,174	1,967	(16,977)
G Local Government and Public Services (ALB)(Net)	202	–	202	811	609	609	163
H Housing and Planning (ALB)(Net)	2,850,232	–	2,850,232	2,894,419	44,187	44,187	1,715,215
Total spending in CDEL – DCLG Communities	**5,865,198**	**(751,277)**	**5,113,921**	**5,185,413**	**71,492**	**71,492**	**3,849,330**
Spending in Capital Annually Managed Expenditure (CAME)							
Voted expenditure							
L Housing and Planning	–	–	–	–	–	–	207,035
Total spending in CAME	**–**	**–**	**–**	**–**	**–**	**–**	**207,035**
Total CDEL and CAME	**5,865,198**	**(751,277)**	**5,113,921**	**5,185,413**	**71,492**	**71,492**	**4,056,365**

Note to SOPS 1.2: Expenditure and income on estimate rows labelled (ALB)(net) are presented net in the Gross column per HM Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

SoPS 2 Reconciliation of Net Resource Outturn to Net Operating Expenditure

£'000

		Notes	2016-17	2015-16 *restated*
Total Resource Outturn in Statement of Parliamentary Supply:		SoPS1.1	23,284,439	25,151,781
Add:	Capital Grants		2,540,764	2,442,065
	Capital budget adjustments		(59,817)	(33,832)
	Absorption and Asset Transfers	4,5	24,973	153,619
Less:	Income payable to the Consolidated Fund	SoPS4.1	(188,751)	(173,580)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**25,601,608**	**27,540,053**

SoPS 3. Reconciliation of Net Resource and Capital Outturn to Net Cash Requirement

£'000

	Note	Estimate	Outturn	2016-17 Net total outturn compared with Estimate: saving/(excess)
Resource Outturn	SoPS1.1	23,737,510	23,284,439	453,071
Capital Outturn	SoPS1.2	5,185,413	5,113,921	71,492
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation and amortisation	4	(16,101)	(5,377)	(10,724)
New provisions and adjustments to previous provisions	12	(2,369)	(898)	(1,471)
Other non-cash items	4,5	(11,596,625)	(11,388,734)	207,891
Adjustments for NDPBs:				
Remove voted resource and capital		(3,341,966)	(2,932,266)	(409,700)
Add cash grant-in-aid		2,578,504	2,566,387	12,117
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories	8	–	(233,472)	233,472
Increase/(decrease) in receivables		328,000	8,937	319,063
(Increase)/decrease in payables		2,175,706	394,006	1,781,700
Use of provisions and payment of pensions	12,13	4,745	5,539	(794)
Other Adjustments		–	(11,145)	11,145
Net cash requirement		**19,052,817**	**16,801,337**	**2,251,480**

SoPS 4. Income payable to the Consolidated Fund

4.1 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

		Outturn 2016-17		Outturn 2015-16	
	Notes	Income	*Receipts*	Income	*Receipts*
Income outside the ambit of the Estimate (1)	5	188,751	*188,751*	173,580	*173,580*
Other amounts collectable on behalf of the Consolidated Fund (2)		294,060	*294,060*	0	*0*
Excess cash surrenderable to the Consolidated Fund		2	*2*	13	*13*
Total amount payable to the Consolidated Fund		**482,813**	***482,813***	**173,593**	***173,593***

The figures above, in the main, comprise of:

- Note (1): Monies received from local authorities for excess receipts generated from the disposal of housing assets (i.e. assets held under part 2 of the Housing Act 1985 accounted for in local authorities Housing Revenue Accounts).
- Note (2): Receipts in relation to the Help to Buy scheme as those home owners who are part of the scheme sell their homes.

4.2 Consolidated Fund Income

Consolidated Fund income shown in SoPS Note 4.1 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.

Parliamentary Accountability Disclosures

Financial Overview

Significant variances against Estimate

At the start of each year we estimate our costs for each budget type and we monitor these throughout the year. The size of our budget, along with economic, environmental and social changes means there will inevitably be some variance from our Estimates. The Statement of Parliamentary Supply on page 64 shows our 2016-17 outturn figures against Estimates.

Where the comparison of outturn against Estimate has shown an overspend or an underspend of more than £2 million and 10% this is explained below:

Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
Resource Spending in Departmental Expenditure Limit (RDEL) – DCLG Communities				
Research, Data and Trading Funds	14	36	61%	A budget set aside for ERDF write-offs was not fully utilised. We also held a budget for realised exchange rate losses for the ERDF programme: we pay projects in sterling but receive the funding in euros from the EU. This year there were favourable exchange rate movements and so the budget was not utilised.
DCLG Staff, Building and Infrastructure Costs	135	196	31%	The Department didn't use a one off contingency budget or a budget for restructuring.
Housing and Planning (ALB)(Net)	(15)	16	>100%	HCA impairs land affected by the policy decision to allocate land for starter homes. Due to restrictions on the types of homes that can be built on land reserved for starter homes, the HCA's starter home land has a lower value than it would than if it were designated for general market housing. The variance is therefore caused by less land than expected being allocated for starter homes in the year and hence lower than expected impairment on land owned by the HCA.
Resource Spending in Annually Managed Expenditure (RAME)				
Local Government and Public Services	6	0	>100%	The variance is caused by movements on the Audit Commission Pension liability that had not been budgeted for.
Housing and Planning	68	1	>100%	The overspend is the result off one off impairments of Departmental non-current and financial assets, as well as an increase in the value of financial guarantee liabilities. Impairments are budgeted for on the Housing and Planning (ALB) row below.
Research, Data and Trading Funds	2	8	80%	Favourable movements in the euro/sterling exchange rate meant we did not incur the level of unrealised exchange rate loss on the ERDF programme that we had budgeted for in 2016-17.
Non-Domestic Rates Outturn Adjustment	1	50	99%	Budget was set aside for unexpected impairments on housing market related assets owned by the HCA and impairments on DCLG's assets. Only a small amount was required this year.
Housing and Planning(ALB) (Net)	78	410	81%	Budget was set aside for unexpected impairments on housing market related assets owned by the HCA, but only a small amount was required.
Capital Spending in Departmental Expenditure Limit (CDEL) – DCLG Communities				
Local Government and Public Services	425	368	-15%	There was an impairment of an available for sale asset owned by the Department that wasn't budgeted for. In addition, there was grant expenditure recorded on this estimate row which had been budgeted for on the row below.
Housing and Planning	55	130	57%	This variance is caused by three factors: higher than expected income on one for one replacement of Right to Buy properties; the capital budget for starter homes was not used due to a delay in the roll out; and grant expenditure on preventing homelessness budgeted on this row was actually incurred against the Local Government and Public Services estimate row (above) as part of the London Settlement.
Research, Data and Trading Funds	21	6	>100%	The variance is caused by grant expenditure that wasn't originally budgeted for.

Core Tables[26] – Departmental Expenditure Outturn and Plans

The tables on the following pages show the Department's expenditure outturn for 2016-17 and the four prior years, along with the planned expenditure for the next three years as required by 'PES 2016 (12)' . The outturn and planned expenditure is recorded on the same basis as the Statements of Parliamentary Supply. Please see the Introduction to this section, on page 61 for detail on the expenditure streams which feed the rows in the tables below.

The Spending Review in Autumn 2015 set the overall Departmental budget up to 2019-20 for Resource and to 2020-21 for Capital expenditure:

- more than £20 billion of gross capital investment to support housing and local growth;
- a doubling of the housing budget from 2018-19 to enable the Department to continue to deliver on housing growth;
- further spending on targeted initiatives that tackle homelessness and support the victims of domestic violence;
- a reduction in the Department's administration budget excluding depreciation of £74 million between 2015-16 and 2019-20.

The Autumn Statement 2016[27] settlement for the Department for Communities and Local Government (DCLG) secured more than £5 billion of gross capital investment for the newly announced National Productivity and Investment Fund (NPIF) with the aim of supporting affordable housing growth. The Department will continue to support communities, investing over £600m for the Homeless Household Support Grant.

				£'m
NPIF Programmes	2017-18	2018-19	2019-20	2020-21
Accelerated Construction	240	535	560	320
Affordable Housing	455	440	362	125
Housing Infrastructure Fund	50	250	800	1,200

26 The values within all the Core Tables for the years 2012/13 to 2015-16 have been adjusted to strip out outturn figures for any functions that have been transferred in or out of the Department as part of Machinery of Government changes that have occurred since. The most significant change has been the transfer of the Fire Policy function which transferred to the Home Office on 1st April 2016.

27 https://www.gov.uk/government/publications/autumn-statement-2016-documents

Departmental Resource Spending

	2012-13	2013-14	2014-15	2015-16 *Restated*	2016-17	2017-18	2018-19	2019-20
	outturn	outturn	outturn	outturn	outturn	plan	plan	plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in DEL – DCLG Communities								
Voted expenditure								
Of which:								
A: Local Government and Public Services	347,416	428,320	304,821	399,405	207,171	76,980	57,079	58,823
B: Housing and Planning	599,458	908,299	1,194,642	1,472,648	1,822,372	2,000,626	1,586,542	1,485,590
C: Decentralisation and Local Growth	60,599	178,039	188,246	68,896	136,825	218,095	170,100	171,150
D: Troubled Families	116,924	140,969	127,854	72,335	170,807	239,000	180,000	180,000
E: Research, Data and Trading Funds	32,799	13,058	30,208	(5,530)	13,987	36,927	28,544	18,275
F: DCLG Staff, Building and Infrastructure Costs	165,873	205,027	141,185	160,488	135,410	172,831	215,659	224,233
Departmental Unallocated Provision						10,792	78,562	56,166
G: Local Government and Public Services (ALB) (net)		20,108	24,541	19,716	17,177	17,862	14,877	14,657
H: Housing and Planning (ALB)(net)	69,807	90,975	31,640	(12,308)	(15,292)	137,224	101,634	(30,764)
Decentralisation and Local Growth (ALB) (net)	172							
Total Voted	**1,393,048**	**1,984,795**	**2,043,137**	**2,175,650**	**2,488,472**	**2,910,337**	**2,432,997**	**2,178,130**
Non voted expenditure								
Housing and Planning			188	(358)				
Total Non Voted			188	(358)				
Total Spending in DEL – DCLG Communities	**1,393,048**	**1,984,795**	**2,043,325**	**2,175,292**	**2,488,457**	**2,910,337**	**2,432,997**	**2,178,130**
Spending in DEL – DCLG Local Govt								
Voted expenditure								
Of which:								
I: Revenue Support Grant	(124,058)	15,200,902	12,700,735	9,532,754	7,205,326	3,820,502	2,663,383	2,173,023
J: Other grants and payments	118,516	983,295	865,300	1,223,544	998,629	2,882,631	2,740,932	3,137,040
M: Business Rate Retention		297,224	90,790	1,417	25,151	25,000	50,000	50,000
Local Government (ALB)(net)	20,353							
Non-Domestic Rates Payments	23,119,000							
London Governance	55,279							
Audit Commission and Disbanding	22							
Total Spending in DEL – DCLG Local Govt	**23,189,112**	**16,481,421**	**13,656,825**	**10,757,715**	**8,229,106**	**6,728,133**	**5,454,315**	**5,360,063**
Total Resource DEL	**24,582,160**	**18,466,216**	**15,700,150**	**12,933,007**	**10,717,563**	**9,638,470**	**7,887,312**	**7,538,193**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure								
Of which:								
Local Government and Public Services				(103)	5,511			
L: Housing and Planning	(12,538)	7,741	(1,770)	4,454	68,391	764	161	161
M: Research, Data and Trading Funds	(1,621)	15,273	(22,078)	6,424	1,625	8,100	8,100	8,100
N: DCLG Staff, Building and Infrastructure Costs	9,226	(18,247)	(2,176)	2,961	(3,854)	(2,284)	(703)	(1,162)
O: Non-Domestic Rates Outturn Adjustment	138,433	261,736			656	300,000		
P: Local Government and Public Services (ALB)(Net)		719	(4,760)	408	2,428	2,307	2,151	2,185
Q: Housing and Planning (ALB)(Net)	14,213	(53,692)	78,232	34,238	77,519	532,939	643,591	711,193
R: Business Rate Retention		10,861,568	11,661,903	12,163,110	12,412,600	14,738,288	13,000,000	13,422,000
Decentralisation and Local Growth				7,282	2,000			
Decentralisation and Local Growth (ALB)(Net)	476							
Local Government (ALB)(Net)	5,652							
Total Resource AME	**153,841**	**11,075,098**	**11,709,351**	**12,218,774**	**12,566,876**	**15,580,114**	**13,653,300**	**14,142,477**
Spending in Non-Budget Expenditure Limits								
Voted expenditure								
Prior Period Adjustment			(47,704)					
Total Resource	**24,736,001**	**29,541,314**	**27,361,797**	**25,151,781**	**23,284,439**	**25,218,584**	**21,540,612**	**21,680,670**

Departmental Capital Spending

	2012-13 outturn £'000	2013-14 outturn £'000	2014-15 outturn £'000	2015-16 *Restated* outturn £'000	2016-17 outturn £'000	2017-18 plan £'000	2018-19 plan £'000	2019-20 plan £'000
Spending in DEL – DCLG Communities								
Voted expenditure								
Of which:								
A: Local Government and Public Services	876,806	854,600	922,801	830,843	424,512	372,300	63,119	70,094
B: Housing and Planning	225,599	223,600	190,338	(7,937)	55,496	890,976	1,421,500	1,704,500
C: Decentralisation and Local Growth	138,297	554,753	894,567	1,328,023	1,756,812	1,423,540	1,026,046	690,700
D: Troubled Families					827			
E: Research, Data and Trading Funds	6,562	5,225	5,493		21,188	5,970	5,970	5,805
F: DCLG Staff, Building and Infrastructure Costs	1,590	2,025	2,870	(16,977)	4,652	13,198	10,665	2,365
G: Local Government and Public Services (ALB)(Net)		232	169	163	202	550	150	150
H: Housing and Planning (ALB)(Net)	1,152,701	2,088,754	2,316,235	1,715,215	2,850,232	3,788,429	4,204,274	3,667,687
I: Decentralisation and Local Growth (ALB)(Net)	(13)							
Departmental Unallocated Provision						17,380	(147,999)	(125,939)
Total Spending in DEL – DCLG Communities	**2,401,542**	**3,729,189**	**4,332,473**	**3,849,330**	**5,113,921**	**6,512,343**	**6,583,725**	**6,015,362**
Spending in DEL – DCLG Local Govt								
Voted expenditure								
Of which:								
J: Other grants and payments	(36)							
Local Government (ALB)(Net)	1,257							
Total Spending in DEL – DCLG Local Govt	**1,221**							
Total Capital DEL	**2,402,763**	**3,729,189**	**4,332,473**	**3,849,330**	**5,113,921**	**6,512,343**	**6,583,725**	**6,015,362**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure								
Of which:								
L: Housing and Planning	33,368		120,882	207,035				
Q: Housing and Planning (ALB) (Net)	(29,090)							
Decentralisation and Local Growth (ALB) (Net)	(211)							
Local Government (ALB) (Net)	(4,070)							
Total Spending in AME	**(3)**		**120,882**	**207,035**				
Total Capital	**2,402,760**	**3,729,189**	**4,453,355**	**4,056,365**	**5,113,921**	**6,512,343**	**6,583,725**	**6,015,362**

This table reports the portion of expenditure presented in the Departmental Resource Spending table that is classified as administration[28] i.e. expenditure on the running of the Department and its arms length bodies:

Administration budgets (included in Departmental Resource Spending table)

	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 *Restated* Outturn £'000	2016-17 Outturn £'000	2017-18 Plan £'000	2018-19 Plan £'000	2019-20 Plan £'000
Voted Expenditure								
B: Housing and Planning	35,761	37,431	32,195	41,715	38,240	36,046	34,217	34,534
I: Decentralisation and Local Growth (ALB)(Net)	172							
F: DCLG Staff, Building and Infrastructure Costs	164,113	204,409	139,538	158,430	133,416	170,331	213,159	221,733
G: Local Government and Public Services (ALB)(Net)		20,108	24,541	19,716	17,177	17,862	14,877	14,657
H: Housing and Planning (ALB)(Net)	80,957	101,078	55,907	57,237	53,576	41,924	(8,514)	(31,866)
Non Voted Expenditure								
Housing and Planning - Contingency Fund Advance			188	(358)				
Total Administration expenditure	**281,003**	**363,026**	**252,369**	**276,740**	**242,409**	**266,163**	**253,739**	**239,058**

28 The Department's total administration budget declines over the next three years. Plans on estimate row F contain a technical adjustment. The Homes and Communities Agency collects financial transaction income (classified as administration budget by HM Treasury guidance) which is shown on estimate row H. The Department can use the income to offset expenditure on capitalised interest and fees on current housing projects. This expenditure is usually classified as capital expenditure. For budgeting purposes, the technical adjustment moves this capital expenditure to administration on estimate row F to exactly net off the income budgeted for on row H.

Interpreting the Core Tables

The rows called Departmental Unallocated Provision represent small unallocated budgets in both Resource DEL and Capital DEL which exist to help fund programmes in the future should the need arise.

The rows labelled (ALB) (Net) represent expenditure incurred by the Department's arms length bodies.

Below, we have provided detail to help explain significant movements on the estimate row lines shown in the core tables above.

The Administration expenditure table provides a subset of figures from the Departmental Resource Spending table and, as such, detail on administration costs are provided within the first section below about the Resource DEL - Communities budget. In addition, the declining trend in administration expenditure is illustrated by the graph found on page 11.

Resource DEL - Communities

- A: Local Government and Public Services - From 2017-18, Valuation Office Fees (£161m in 2016-17) will be paid from HMRC's budget rather than the Department's.
- B: Housing and Planning - Planned expenditure peaks in 2017-18 due to the Temporary Management Accommodation Fee (£196m) and the Right to Buy Pilot (£155m) funding announced at Autumn Statement 2016.
- C: Decentralisation and Local Growth - Expenditure is budgeted to increase in 2017-18 as a result of increased devolution deal expenditure.
- D: Troubled Families - The budget includes £59 million in 2017-18 transferred from the budget for 2016-17.
- E: Research Data and Trading Funds - The row includes a larger budget in 2017-18 due to potential write offs and exchange rate losses that may be incurred on the European Regional Development Fund (ERDF) programme as the 2007-13 programme closes.
- F: DCLG Staff, Building and Infrastructure - The underlying downwards trend in our future resource administration spend is masked by a technical adjustment we make to future year's budgets on this row. The adjustment adds into the budget amounts to exactly counter the effect of expected income, shown on Row H, from financial transactions that HM Treasury classify as 'administration' (totalling £38 million in 2017-18, £89 million in 2018-19 and £112 million in 2019-20). We do this to ensure that staying within our administration budgets is not reliant on that expected income.

The table below shows the values on Row F excluding the technical adjustment.

£'000

Resource Spending on Row F	2017-18	2018-19	2019-20
F: DCLG Staff, Building and Infrastructure Costs	134,461	126,859	112,733
of which is Administration expenditure	131,961	124,359	110,233

- G: Local Government and Public Services (ALB) (net) - The row records all expenditure, except expenditure on pensions and on non-current assets, of two arms length bodies: the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE).
- H: Housing and Planning (ALB) (net) - Planned expenditure declines over the next three years. This is because income from some investments, classified as administration by HM Treasury, are expected to increase over the period (see note F above). In addition, there is a peak in expenditure in 2017-18 and 2018-19 when land is allocated for starter homes, causing a reduction in its value.

Resource DEL – Local Government

The Local Government Resource DEL figures have not yet been adjusted to represent any effect on the Department's budgets of the possible move to greater local authority retention of business rates.

- Non-Domestic Rates Payments - This row represents the unrestricted funding provided to local authorities in 2012-13. Since 2013-14, local authorities retain 50% of the business rates they collect (see estimate row R), forming a large portion of support provided by central government. The remainder of local authority funding provided by central government is made through Revenue Support Grant on estimate row I and through various business rates related payments and reliefs included in estimate rows J and M.
- I: Revenue Support Grant - Revenue support grant funding provided to local authorities will decrease as local authorities benefit from increased receipts from other sources: council tax receipts (not part of the Department's financial statements) and business rates collected and retained by local authorities (see row R). The Department publishes an annual summary of the total expected revenue available for local government - the 2017-18 publication can be found here: https://www.gov.uk/government/publications/core-spending-power-final-local-government-finance-settlement-2017-to-2018
- J: Other Grants and Payments - From 2017-18, the local authority funding on estimate row J is increased by new budgets for the Better Care Fund and Adult Social Care grants announced at Budget 2017.
- K: Business Rates Retention - In 2013-14 and 2014-15, there were some transitional relief payments made to local authorities recorded on this row. The expenditure from 2015-16 and the planned expenditure to 2019-20 relate to safety net payments to local authorities which represent amounts payable to local authorities whose income from business rates is below a baseline level.

Resource AME

- L: Housing and Planning - A one-off impairment and an increase in the value of the Department's guarantee liabilities caused a significant peak in expenditure on this row in 2016-17.
- M: The Research, Data and Trading Funds - The row provides budget for unrealised losses on foreign exchange movements that may occur as a result of the Department's work as the Managing Authority of the ERDF programme.
- N: DCLG Staff, Building and Infrastructure - The row provides budget for the creation and release of the core Department's provisions.
- O: Non-Domestic Rates Outturn Adjustment - The row contains a £300m budget for 2017-18 which has been set aside for outturn adjustments against prior year business rates expenditure following receipt of the audited 2016-17 NNDR3 forms in 2017-18. This budget is set on an annual basis and hence why there are no budgets later than 2017–18.
- P: Local Government and Public Services (ALB) (net) - The row records the pension costs of the VTS and the CLAE.
- Q: Housing and Planning (ALB) (net) - The Department has set aside increasing budgets for AME to cover potential impairments or devaluations in the Group's portfolio of financial assets, primarily the Homes and Communities Agency's interest in Help to Buy properties. The amount used each year has been much lower than budgeted.
- R: Business Rates Retention - The figures represent the 50% share of business rates local authorities have been retaining since 2013-14. Prior to 2013-14, all business rates collected by local authorities were paid to the Department. The amounts are recorded as notional expenditure of the Department and the amount projected to be collected and retained by local authorities is £14.7 billion in 2017-18. The 2017-18 budget increases due to the effect of pilots of 100% business rates retention. The 2018-19 and 2019-20 budgets do not currently reflect that effect and hence are lower.

Capital DEL – Communities

- A: Local Government and Public Services - Loans and grants to the Greater London Authority as part of the London Settlement have not currently been budgeted for post 2017-18 and this explains the reduction of planned expenditure from 2018-19.
- B: Housing and Planning - Planned expenditure is on an increasing trajectory from 2017-18 as a result of planned capital expenditure under the new National Productivity Infrastructure Fund as described above.
- C: Decentralisation and Local Growth - The budget on reduces over the remainder of Parliament due to a reduction in Local Growth Fund budget which will see an upturn again in 2020-21.
- D: Troubled Families - The row records expenditure on research and developments which was newly classified as capital expenditure by HM Treasury from 2016-17.
- E: Research, Data and Trading Funds - The row records capital expenditure on research and development. The peak in 2016-17 represents grant expenditure that wasn't originally budgeted for on this row.
- F: DCLG Staff, Building and Infrastructure - The row records the core Department's expenditure on the purchase of non-current assets.
- G: Local Government and Public Services (ALB)(net) - The row records capital expenditure on the purchase non-current assets by two arms length bodies: the VTS and the CLAE.
- H: Housing and Planning (ALB)(net) - Expenditure on the Help to Buy programme remains a significant proportion of the budget. The figures include a significant increase in expenditure on both the Affordable Homes programme from 2017-18, and on the Home Building Fund in 2016-17 and 2017-18.

Regularity of Expenditure (subject to audit)

Losses, special payments and gifts

Managing Public Money and the FReM (both available on www.gov.uk) require the Department to produce a statement showing losses and special payments by value and by type. Where cases individually exceed £300,000, details of those cases must be disclosed.

	2016-17				2015-16			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	27	6	122	11	5	1	37	2
Claims abandoned	46	11,334	196	11,456	55	20,347	162	22,970
Fruitless payments	10	36	10	36	2	-	2	-

	2016-17				2015-16			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	120	1,957	120	1,957	106	3,462	107	3,663

Included in the 2016-17 figures above are eight individual losses or special payments of over £300,000 detailed below. There were also a further 21 ERDF write-offs each individually below the £300k threshold and totalling £2.4m.

Cases over £300k	£'000
Five ERDF payment recovery write offs each greater than £300k (claims abandoned)	6,643
Write off of a loan (claims abandoned)	2,000
Personal injury claim - mesothelioma (special payment)	370
Personal injury claim - mesothelioma (special payment)	313

Gifts, as defined by Managing Public Money, must also be disclosed and detailed where the value is greater than £300,000. Neither the Department, nor its arms length bodies made any reportable gifts in 2016-17 (2015-16: nil).

Fees and Charges (subject to audit)

The following information provides an analysis of the services for which a fee is charged.

£'000

Objectives	2016-17 Full Cost	2016-17 Income	2016-17 Surplus/ (Deficit)	2015-16 Full Cost	2015-16 Income	2015-16 Surplus/ (Deficit)
PINS: Local development frameworks, compulsory purchase orders, major specialist and national infrastructure	(12,309)	7,267	(5,042)	(16,029)	9,114	(6,915)
THO - Membership of Housing Ombudsman scheme	(5,237)	4,567	(670)	(4,818)	4,689	(129)
Total	**(17,546)**	**11,834**	**(5,712)**	**(20,847)**	**13,803**	**(7,044)**

Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes (subject to audit)

Quantifiable:

The Department has entered into quantifiable contingent liabilities by offering guarantees.

- The Department has provided a Guarantee scheme for the affordable housing sector, guaranteeing debt of no more than £3.5 billion. At the accounting date, the Department has approved borrowing of circa £3 billion of which £2.3 billion has been drawn down and is covered by the guarantee scheme. The guarantees entered into at the accounting date have been valued in accordance with IAS39 and have been recognised as a financial guarantee in the Statement of Financial Position with a value of £19 million.
- The Department has provided a Guarantee scheme for the private rented sector, guaranteeing debt of no more than £3.5 billion. At the accounting date, the Department has approved borrowing of circa £0.8 billion of which £0.2 billion has been drawn down and is covered by the guarantee scheme. The guarantees entered into at the accounting date have been valued in accordance with IAS39 and have been recognised as a financial guarantee in the Statement of Financial Position with a value of £15 million.

The Department has not entered into any quantifiable contingent liabilities by offering 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.

- The Department provides a guarantee 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 of London is now charging the Community Infrastructure Levy (CIL) across London in order to raise £300m between 2012-13 and 2018-19 for the Abbeywood Spur of Crossrail. There are two agreements in place (one between HMT and DCLG (2007) and one between DfT and TfL (2008) that set out the circumstances in which the Government / DCLG could be asked to make up any CIL funding shortfall). The DCLG agreement does not place us under any contractual liability, but it does set out two tightly defined circumstances in which we could be asked to make up any shortfall in CIL receipts only. DCLG will not accept any liability if TfL fail to raise the £300m for reasons related to anything other than legislation or policy around the Mayoral CIL.
- The Department has given an indemnity to the Official Receiver for the former Sahaviriya Steel Industries UK (SSI) Steel works site in Redcar, unlimited in value, to protect him against liabilities incurred in connection with activities undertaken by consultants carrying out site assessments activity on the site he had responsibility for keeping safe. An indemnity was also given to the South Tees Site Company (STSC) for the period when it held responsibility for keeping the site safe to cover all liabilities suffered or incurred as a result of the site assessment activity.

Melanie Dawes CB 23 June 2017

Accounting Officer
Department for Communities and Local Government

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 2017 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 2016. 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report that is described in those reports and disclosures 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 Departmental Expenditure Limits (Resource and Capital), the Local Government Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and the 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 2017 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 2017 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 parts of the Remuneration Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 28 June 2017

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Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

All activities are continuing

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

£'000

		2016-17		2015-16 *restated*	
	Note	Core Department and Agency	Departmental Group	Core Department and Agency	Departmental Group
Staff Costs	3	117,656	195,022	128,844	208,286
Operating Expenditure	4	28,540,787	29,144,937	30,809,890	31,212,815
Operating Income	5	(3,446,665)	(3,738,351)	(3,661,434)	(3,881,048)
Grant-in-aid to ALBs		2,566,387	-	1,848,034	-
Net Operating Expenditure for the year ended 31 March		**27,778,165**	**25,601,608**	**29,125,334**	**27,540,053**
Total Expenditure		31,224,830	29,339,959	32,786,768	31,421,101
Total Income		(3,446,665)	(3,738,351)	(3,661,434)	(3,881,048)
Net Operating Expenditure for the year ended 31 March		**27,778,165**	**25,601,608**	**29,125,334**	**27,540,053**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					
Net (Gain)/Loss on:					
Pension Schemes	13	25,842	43,762	(33,208)	(46,903)
Revaluation of property, plant and equipment		-	-	-	2
Income tax on items in other comprehensive expenditure		-	8,873	-	31,985
Disposal of available for sale assets recognised in net expenditure		-	68,012	-	38,665
Items that may be reclassified to net operating expenditure:					
Net (Gain)/Loss on:		-	-	-	-
Fair value gain on available for sale assets	7	-	(148,199)	-	(224,381)
Total comprehensive expenditure for the year ended 31 March		**27,804,007**	**25,574,056**	**29,092,126**	**27,339,421**

The Notes on pages 89 to 109 form part of these accounts

Consolidated Statement of Financial Position

as at 31 March 2017

This statement presents the financial position of the departmental Group. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

£'000

		31 March 2017		31 March 2016 *restated*		1 April 2015 *restated*
	Note	Core Department and Agency	Departmental Group	Core Department and Agency	Departmental Group	Departmental Group
Non-current assets						
Property, plant and equipment		23,421	27,404	44,677	48,728	69,756
Intangible assets		6,424	10,478	4,799	7,677	8,218
Investments	6	118,738	778,007	57,492	572,769	553,837
Available for sale financial assets	7	151,558	6,569,490	187,747	4,627,758	2,818,150
Investment properties		46,336	46,336	50,540	50,540	49,242
Trade and other receivables	9	20,330	171,605	17,537	170,799	151,857
Total non-current assets		**366,807**	**7,603,320**	**362,792**	**5,478,271**	**3,651,060**
Current assets						
Assets classified as held for sale		-	-	1,794	1,794	1,794
Inventories	8	57,932	648,531	291,404	836,317	601,706
Trade and other receivables	9	335,265	675,130	329,193	562,073	556,940
Cash and cash equivalents	10	1,628,766	1,820,893	391,989	534,702	690,430
Total current assets		**2,021,963**	**3,144,554**	**1,014,380**	**1,934,886**	**1,850,870**
Total Assets		**2,388,770**	**10,747,874**	**1,377,172**	**7,413,157**	**5,501,930**
Current liabilities						
Trade and other payables	11	2,277,206	2,546,645	1,267,392	1,473,994	1,740,699
Provisions	12	4,631	22,295	5,983	26,824	24,647
Total current liabilities		**2,281,837**	**2,568,940**	**1,273,375**	**1,500,818**	**1,765,346**
Non-current assets plus/less net current assets/liabilities		**106,933**	**8,178,934**	**103,797**	**5,912,339**	**3,736,584**
Non-current liabilities						
Trade and other payables	11	246,697	261,037	399,578	401,851	292,226
Provisions	12	13,654	27,361	16,937	29,654	37,354
Pensions	13	161,866	175,317	130,514	123,466	4,821
Financial guarantees		34,404	34,404	9,778	9,778	3,983
Total Non-current liabilities		**456,621**	**498,119**	**556,807**	**564,749**	**338,384**
Assets less liabilities		**(349,688)**	**7,680,815**	**(453,010)**	**5,347,590**	**3,398,200**
Taxpayers' equity						
General fund		(200,007)	7,848,071	(345,350)	5,452,300	3,389,570
Revaluation reserve		367	307	16,546	16,537	16,615
Pension reserve		(150,048)	(167,563)	(124,206)	(121,247)	(7,985)
Total taxpayers' equity		**(349,688)**	**7,680,815**	**(453,010)**	**5,347,590**	**3,398,200**

Melanie Dawes CB **23 June 2017**
Accounting Officer
Department for Communities and Local Government

The Notes on pages 89 to 109 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

The Statement of Cash Flows shows the changes in cash and cash equivalents of the departmental Group during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the group. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the departments' future public service delivery.

£'000

		2016-17		2015-16 *restated*	
	Note	Core Department and Agency	Departmental Group	Core Department and Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(27,778,165)	(25,601,608)	(29,125,334)	(27,540,053)
Adjusted for:					
Finance costs	4,5	23,896	(18,878)	11,833	(17,696)
(Profit)/loss on disposal of non-current assets	4,5	(3,787)	(68,232)	7,760	(30,602)
Depreciation and amortisation	4	5,377	8,267	7,050	9,801
Revaluation of non-current assets passing through the SoCNE	4	5,823	5,823	(1,298)	(1,298)
Impairment of non-current assets	4	53,272	103,930	(3,797)	32,870
Increase/decrease in inventories	8	233,472	226,826	(204,520)	(230,816)
Other non cash transaction	4,5	16,646	16,547	(205,320)	(204,351)
(Increase)/decrease in trade and other receivables		(8,937)	(36,780)	(70,134)	(67,477)
Increase/(decrease) in trade and other payables		(394,006)	(319,102)	126,019	(85,356)
Movement in provisions	4	898	8,138	865	13,699
Utilisation of provision		(5,533)	(14,960)	(6,552)	(19,325)
Pension fund adjustments		(6)	2,921	(7)	1,899
Local share (local authorities)	4	11,588,387	11,588,387	11,372,020	11,372,020
Adjustments for Corporation Tax		-	(8,873)	-	(31,985)
Adjustments for net operating (gains)/losses - absorption transfers	4,5	-	24,973	157,414	153,619
Other adjustments - operating activities				(721,981)	(721,981)
Net Cash outflow from operating activities		**(16,262,663)**	**(14,082,621)**	**(18,655,982)**	**(17,367,032)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(3,718)	(4,091)	(4,376)	(5,020)
Purchase of intangible assets		(2,527)	(5,997)	(1,039)	(2,666)
Financial assets issued		(152,825)	(2,870,225)	(60,000)	(1,928,462)
Proceeds from disposal of property, plant and equipment		-	-	-	2
Proceeds on disposal of financial assets		12,760	399,752	3,495	236,958
Proceeds from disposal of FSC assets (Held for Sale)		1,532	1,532	-	-
Repayment of financial assets	6	88,139	265,359	75,157	300,962
Interest received	5	1,739	28,193	2,780	27,828
Other adjustments - investing activities		(105)	(105)	57	57
Net Cash inflow/(outflow) from investing activities		**(55,005)**	**(2,185,582)**	**16,074**	**(1,370,341)**

£'000

	Note	2016-17 Core Department and Agency	2016-17 Departmental Group	2015-16 *restated* Core Department and Agency	2015-16 *restated* Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		17,991,702	17,991,702	18,749,806	18,749,806
Advances from the contingencies fund		-	-	299,633	299,633
Repayments of advances from the contingencies fund		-	-	(299,991)	(299,991)
Capital element of payments in respect of finance leases		(3,042)	(3,042)	(2,923)	(2,923)
Interest paid	4	(5,992)	(6,043)	(7,495)	(7,495)
Foreign exchange movements	4,5	8,176	8,176	12,183	12,183
Net Cash inflow/(outflow) from financing activities		**17,990,844**	**17,990,793**	**18,751,213**	**18,751,213**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**1,673,176**	**1,722,590**	**111,305**	**13,840**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(7)	(7)	(9)	(9)
Payments due to the Consolidated Fund		(436,394)	(436,394)	(169,572)	(169,572)
Other balances surrenderable to the Consolidated Fund	SoPS4.1	2	2	13	13
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**1,236,777**	**1,286,191**	**(58,263)**	**(155,728)**
Cash and cash equivalents at the beginning of the period	10	**391,989**	**534,702**	**450,252**	**690,430**
Cash and cash equivalents at the end of the period	10	**1,628,766**	**1,820,893**	**391,989**	**534,702**

The Notes on pages 89 to 109 form part of these accounts.

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Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the departmental Group, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2015		**3,259,197**	**16,615**	**(7,882)**	**3,267,930**
Machinery of Government Change restatement		130,373	-	(103)	130,270
Restated balance at 1 April 2015		**3,389,570**	**16,615**	**(7,985)**	**3,398,200**
Comprehensive Net Expenditure	SOCNE	(27,386,322)	(2)	46,903	(27,339,421)
Non cash charges - auditor's remuneration	4	441	-	-	441
Local share (recognition through reserves)	4	11,372,020	-	-	11,372,020
Other adjustments to reserves		(721,981)	-	-	(721,981)
Transfers between reserves		160,241	(76)	(160,165)	-
Total recognised income and expenses for 2015-16		**(16,575,601)**	**(78)**	**(113,262)**	**(16,688,941)**
Net Parlimentary Funding		18,811,911	-	-	18,811,911
CFERs payable to the Consolidated Fund	SoPS4.1	(173,580)	-	-	(173,580)
Transfers between reserves		-	-	-	-
Sub Total		**18,638,331**	**-**	**-**	**18,638,331**
Balance at 31 March 2016		**5,452,300**	**16,537**	**(121,247)**	**5,347,590**
Changes in Accounting policy		-	-	-	-
Restated balance at 1 April 2016		**5,452,300**	**16,537**	**(121,247)**	**5,347,590**
Comprehensive Net Expenditure	SOCNE	(25,530,294)	-	(43,762)	(25,574,056)
Non cash charges - auditor's remuneration	4	416	-	-	416
Local share (recognition through reserves)	4	11,588,387	-	-	11,588,387
Other adjustments to reserves		-	-	(48)	(48)
Transfers between reserves		18,736	(16,230)	(2,506)	-
Total recognised income and expenses for 2016-17		**(13,922,755)**	**(16,230)**	**(46,316)**	**(13,985,301)**
Net Parliamentary Funding		16,801,337	-	-	16,801,337
CFERs payable to the consolidated fund	SoPS4.1	(482,811)	-	-	(482,811)
Sub Total		**16,318,526**	**-**	**-**	**16,318,526**
Balance at 31 March 2017		**7,848,071**	**307**	**(167,563)**	**7,680,815**

The Notes on pages 89 to 109 form part of these accounts.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the core department and its executive agency, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2015		**(796,690)**	**16,622**	**103**	**(779,965)**
Machinery of Government Change restatement		130,373	-	(103)	130,270
Restated balance at 1 April 2015		**(666,317)**	**16,622**	**-**	**(649,695)**
Comprehensive Net Expenditure	SOCNE	(29,125,334)	-	33,208	(29,092,126)
Non cash charges - auditor's remuneration		441	-	-	441
Local share (recognition through reserves)	4	11,372,020	-	-	11,372,020
Other adjustments to reserves		(721,981)	-	-	(721,981)
Transfers between reserves		157,490	(76)	(157,414)	-
Total recognised income and expenses for 2015-16		**(18,317,364)**	**(76)**	**(124,206)**	**(18,441,646)**
Net Parlimentary Funding		18,811,911	-	-	18,811,911
CFERs payable to the Consolidated Fund	SoPS4.1	(173,580)	-	-	(173,580)
Transfer of assets and liabilities		-	-	-	-
Sub Total		**18,638,331**	**-**	**-**	**18,638,331**
Balance at 31 March 2016		**(345,350)**	**16,546**	**(124,206)**	**(453,010)**
Changes in Accounting policy		-	-	-	-
Restated balance at 1 April 2016		**(345,350)**	**16,546**	**(124,206)**	**(453,010)**
Comprehensive Net Expenditure	SOCNE	(27,778,165)	-	(25,842)	(27,804,007)
Non cash charges - auditor's remuneration		416	-	-	416
Local share (recognition through reserves)	4	11,588,387	-	-	11,588,387
Other adjustments to reserves		-	-	-	-
Transfers between reserves		16,179	(16,179)	-	-
Total recognised income and expenses for 2016-17		**(16,173,183)**	**(16,179)**	**(25,842)**	**(16,215,204)**
Net Parliamentary Funding		16,801,337	-	-	16,801,337
CFERs payable to the consolidated fund	SoPS4.1	(482,811)	-	-	(482,811)
Transfers between reserves		-	-	-	-
Sub Total		**16,318,526**	**-**	**-**	**16,318,526**
Balance at 31 March 2017		**(200,007)**	**367**	**(150,048)**	**(349,688)**

The Notes on pages 89 to 109 form part of these accounts.

Notes to the Departmental Accounts

Note 1. 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 2016-17 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 departmental Group for the purpose of giving a true and fair view has been selected.

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 and it's results, along with those of the Department's Executive Agency (PINS), are presented in columns labelled 'Core Department & Agency'. 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 21.

3. 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:

- IFRS 9 Financial Instruments - effective from 2018-19. The new standard simplifies the classification and measurement of financial assets as well as addressing how impairments should be calculated and reported. The standard is expected to result in the Department's available for sale assets continuing to be accounted for at fair value, but with changes in fair value being recognised in net expenditure. This would result in the elimination of the fair value reserve (included within the general fund balance) and increased volatility in net expenditure. The IFRS 9 impairment model is expected to bring forward the recognition of losses on financial assets that are subject to the new impairment model. The application of IFRS 9 in the public sector context has yet to be confirmed by the FReM.
- IFRS 16 Leases - effective from 2019-20. The standard largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The most significant effect of the new requirements will therefore be an increase in lease assets and liabilities on the statement of financial position. IFRS 16 has yet to be endorsed by the EU and its application in the public sector context has yet to be confirmed by the FReM.
- IFRS 15 Revenue from Contracts with Customers - effective from 2018-19. Its application in the public sector context has yet to be interpreted by the FReM. However, the new standard is unlikely to have a material impact on the Department.

4. Inventories

The Homes and Communities Agency's (HCA) property/development assets, consisting of land and buildings, are valued in accordance with IAS2. 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.

Claims for payment to 2007-13 and 2014-20 European Regional Development Fund (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. Further details about the ERDF balances included in these accounts can be found in Annex B.

5. Financial Assets

The Department's financial assets are classified as either available for sale assets or loans and receivables, in line with IAS 39. See Note 14 for more information.

6. Principal Civil Service Pension Scheme

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 PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and not recognised in these accounts.

For details of other pension schemes the Department holds, please see Note 13. Employees of arms length bodies (ALBs) are generally members of funded defined benefit schemes. More details of individual schemes are available in the annual accounts of the bodies concerned.

7. 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.

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.

Note 2. Operating costs by operating segment

The Department's operating costs are analysed into four operating segments. Activities in respect of Finance and Corporate Services, Strategy, Communications & Private Office are not reported as a segment as these are all administrative functions. They do not meet the specified criteria of a reportable segment in line with IFRS 8 because they do not directly impact on performance. The costs have not been apportioned to the operating segments below as operating decision makers do not receive such information.

Net programme expenditure against the four operating segments is shown in the following table. Programme expenditure on 'Research, Data and Trading Funds' and 'DCLG staff, buildings and infrastructure' (Estimate Rows E and F in the Estimate) and Administration expenditure is not allocated to segments and these form the reconciling items in Note 2.1.

£'000

						2016-17					2015-16 *restated*
	Note	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total
Gross Expenditure	SoPS1.1	23,687,891	171,634	2,887,462	2,210,828	28,957,815	26,855,596	142,335	2,249,256	1,790,036	31,037,223
Income	SoPS1.1	(2,443,004)	-	(618,752)	(317,191)	(3,378,947)	(2,752,324)	(70,000)	(407,150)	(339,617)	(3,569,091)
Net Expenditure		**21,244,887**	**171,634**	**2,268,710**	**1,893,637**	**25,578,868**	**24,103,272**	**72,335**	**1,842,106**	**1,450,419**	**27,468,132**

The Department does not consider that assets and liabilities can be meaningfully allocated to segments and 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 CSoCNE

The table below shows the small difference between expenditure analysed in Note 2 and total expenditure in our Consolidated Statement of Comprehensive Net Expenditure.

£'000

	Note	2016-17 Total	2015-16 *restated* Total
Total net expenditure reported for operating segments	2	**25,578,868**	**27,468,132**
Reconciling items:			
Income		(359,404)	(311,957)
Expenditure		354,592	183,246
Prior period adjustment			
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**25,574,056**	**27,339,421**

Note 3. Staff Costs

£'000

		2016-17		2015-16 *restated*	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		117,656	195,022	128,844	208,286

The Staff Report, page 52, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

					£'000
			2016-17		2015-16 *restated*
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-Cash Items					
Non Operating Expenditure - Audit Commission Absorption Transfers		-	-	157,414	157,414
Capital Grant in Kind Expense - Asset Transfers		-	64,013	-	-
Depreciation		4,554	5,328	5,699	6,622
Amortisation		823	2,939	1,351	3,179
Impairment of assets		53,272	154,059	(3,797)	52,466
Revaluation of Assets		5,823	5,823	(1,298)	(1,298)
Loss on Disposal of Assets		103	103	7,770	7,775
Write Offs		-	-	1,241	1,241
ERDF Write Off and Disallowances		3,485	3,485	(11,132)	(11,132)
ERDF Exchange Rate Losses (Unrealised)		1,625	1,625	10,274	10,274
Auditors Remuneration		416	416	441	441
Movement in Provisions	12	898	8,138	865	13,699
Provision for Bad and Doubtful Debts		12,745	12,646	3,379	4,348
Net Interest on Pension Scheme Liabilities	13	4,452	3,925	5,289	5,200
Admin Charge on Pension Assets		1,064	1,195	939	1,035
Share of Loss of Joint Ventures and Associates	6	-	-	-	(396)
Notional Costs		115	115	120	120
Local share (local authorities)		11,588,387	11,588,387	11,372,020	11,372,020
Other Non Cash Costs		21,453	21,453	10,589	10,589
Total Non Cash Items		**11,699,215**	**11,873,650**	**11,561,164**	**11,633,597**
Cash Items					
Rentals Under Operating Leases		409	1,406	522	1,597
Accommodation Including Rentals Under Operating Leases		41,473	50,400	38,054	47,777
Research and Development		7,194	7,194	9,556	9,556
Legal and Professional Services		185,964	203,140	178,248	189,981
Consultancy		585	895	1,971	2,526
Marketing and Communications		7,663	7,888	6,137	6,354
Training & Development		1,760	2,472	2,162	2,802
Auditor's Remuneration		52	517	52	488
IT Expenditure		20,795	25,022	18,044	22,530
Travel and Subsistence		3,478	5,972	3,437	6,010
Early Retirement and Voluntary Exit Costs		5,073	5,073	14,770	14,770
ERDF Financial Corrections		-	-	4,278	4,278
ERDF Exchange Rate Losses (Realised)		-	-	-	-
Interest Payable		5,992	6,043	7,495	7,495
Taxation		4,076	(3,400)	5,047	(25,236)
ERDF Grants		302,775	302,775	296,369	296,369
Revenue Support Grant and PFI Grant		7,424,375	7,424,375	9,744,243	9,744,243
Business Rates Retention (top ups)		2,453,096	2,453,096	2,565,783	2,565,783
Other Capital Grants to Local Authorities		2,595,243	2,675,070	2,597,581	2,642,627
Other Current Grants to Local Authorities		3,687,768	3,708,391	3,570,990	3,576,684
Other Grants		68,695	356,815	167,866	430,692
Other Cash Costs		25,106	38,143	16,121	31,892
Total Cash Items		**16,841,572**	**17,271,287**	**19,248,726**	**19,579,218**
Total		**28,540,787**	**29,144,937**	**30,809,890**	**31,212,815**

The external auditors total group fees (notional and cash) for all statutory audit work were £785k. Of the £517k cash charge for Auditor's remuneration, £369k relates to external audit fees and the remaining £148k relates to other assurance work not performed by external audit.

Note 5. Operating Income

£'000

	Notes	2016-17 Core Department & Agency	2016-17 Departmental Group	2015-16 *restated* Core Department & Agency	2015-16 *restated* Departmental Group
Non Cash Items					
Capital Grant in Kind Income - Asset Transfers		-	39,040	-	3,795
Gain on sale of Non Current Assets/Assets Held for Sale		3,890	168,508	10	114,442
Increase in Fair Value - Financial Assets		236	6,156	7,790	11,882
Decrease in Fair Value - Financial liabilities		539	539	-	-
ERDF Exchange Rate Gains (unrealised)		-	-	-	-
Notional Income		115	115	120	120
Expected Return on Pension Scheme Assets	13	-	-	-	-
Share of Profit of Joint Ventures and Associates	6	-	10,055	-	-
Recognition of available for sale asset	7			199,249	199,249
Total Non Cash Items		**4,780**	**224,413**	**207,169**	**329,488**
Cash Items					
CFER Income		188,751	188,751	173,580	173,580
Grant Income		435,891	449,282	356,787	396,726
ERDF Grant Income		313,756	320,144	307,297	312,876
Business Rates Retention (tariff)		2,442,056	2,442,056	2,554,834	2,554,834
Goods and Services		14,100	14,635	8,581	8,963
Accommodation		24,908	32,577	24,244	33,543
Fees		7,494	12,703	9,418	14,156
ERDF Exchange Rate Gains (realised)		8,176	8,176	12,183	12,183
Interest and Dividends		1,739	28,193	2,780	27,828
ERDF Match Income		16	16	1,247	1,247
Miscellaneous		4,998	17,405	3,314	15,624
Total Cash Items		**3,441,885**	**3,513,938**	**3,454,265**	**3,551,560**
Total		**3,446,665**	**3,738,351**	**3,661,434**	**3,881,048**

Note 6. Investments

Shares & Equity investments relate to investments in joint ventures and are accounted for in accordance with IAS 28 via the Equity method. Public Dividend Capital relates to the financing of the QEII conference centre. The remaining investments in the table are financial assets under IAS 39, categorised as Loans and Receivables.

The private sector loan additions in 2016-17 relate to loans made under the Homebuilding Fund and Build to Rent programmes.

£'000

	Shares & Equity Investments	Investment Funds	Private Sector Loans	Public Sector Loans	Public Dividend Capital	Total Investments & Loans
Opening balance at 1 April 2015	**18,809**	**8,380**	**504,872**	**20,955**	**821**	**553,837**
Additions	3,323	-	198,414	75,263	-	277,000
Write down/Impairments	-	2,948	(6,477)	-	-	(3,529)
Dividends	-	-	-	-	-	-
Repayments	-	-	(266,218)	(34,744)	-	(300,962)
Revaluation	-	-	7,559	-	-	7,559
Disposal	(10,000)	-	-	-	-	(10,000)
Profit/(loss) on JV or Associate	396	-	-	-	-	396
Transfer to receivables < 1year	-	-	47,131	1,337	-	48,468
Balance at 31 March 2016	**12,528**	**11,328**	**485,281**	**62,811**	**821**	**572,769**
Additions	905	-	381,067	155,531	-	537,503
Write down/Impairments	-	(1,440)	(2,062)	-	-	(3,502)
Dividends	-	-	-	-	-	-
Repayments	-	-	(165,119)	(100,240)	-	(265,359)
Profit/(loss) on JV or Associate	10,055	-	-	-	-	10,055
Reclassification	(2,323)	-	-	-	-	(2,323)
Transfer to receivables < 1year	-	-	(71,136)	-	-	(71,136)
Balance at 31 March 2017	**21,165**	**9,888**	**628,031**	**118,102**	**821**	**778,007**
Of which:						
Core Department	5,000	9,888	-	103,029	821	118,738
Agencies	-	-	-	-	-	-
Designated bodies	16,165	-	628,031	15,073	-	659,269

Note 7. Available for sale financial assets

Available for sale financial assets are, in the main, made up of assets of the Homes and Communities Agency which represents their interests in housing developments and Help to Buy properties.

£'000

	2016-17		2015-16	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	**187,747**	**4,627,758**	**–**	**2,818,150**
Additions	-	2,332,722	199,249	1,850,711
Write offs	(31,436)	(82,187)	-	(30,221)
Disposals	(4,753)	(459,325)	(11,502)	(235,263)
Revaluations	-	148,199	-	224,381
Transfers	-	2,323	-	-
At 31 March	**151,558**	**6,569,490**	**187,747**	**4,627,758**

Note 8. Inventories

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

£'000

	2016-17		2015-16	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April	**–**	**544,913**	**–**	**514,822**
Additions	-	214,342	-	132,130
Disposals	-	(118,527)	-	(82,443)
Impairments	-	(50,129)	-	(19,596)
Closing balance Land and buildings as at 31 March	**–**	**590,599**	**–**	**544,913**
ERDF Work in Progress				
Opening balance as at 1 April	291,404	291,404	86,884	86,884
Payments to Projects	75,266	75,266	470,222	470,222
Disposals	(308,738)	(308,738)	(265,702)	(265,702)
Closing balance ERDF as at 31 March	**57,932**	**57,932**	**291,404**	**291,404**
Total inventory closing balance as at 31 March	**57,932**	**648,531**	**291,404**	**836,317**

Note 9. Trade and other receivables

£'000

	2016-17		2015-16 *restated*		2014-15 *restated*
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Departmental Group
Amount falling due within one year:					
Trade receivables	845	88,231	2,660	64,664	56,779
Deposits and advances	-	40	-	60	61
VAT receivables	1,662	1,720	2,267	2,519	10,112
Other receivables	26,698	54,946	101,215	131,119	72,142
ERDF accrued income	256,738	256,738	189,727	189,727	212,254
Prepayments and accrued income	49,322	83,645	33,324	55,310	38,450
Current asset investments	-	189,810	-	118,674	167,142
Sub Total	**335,265**	**675,130**	**329,193**	**562,073**	**556,940**
Amounts falling due after more that one year:					
Trade receivables	-	133,506	-	135,273	114,556
Other receivables	19,364	37,133	12,046	30,035	25,173
ERDF Advances	-	-	4,287	4,287	10,489
Prepayments and accrued income	966	966	1,204	1,204	1,639
Sub Total	**20,330**	**171,605**	**17,537**	**170,799**	**151,857**
Total	**355,595**	**846,735**	**346,730**	**732,872**	**708,797**

Note 10. Cash and cash equivalents

£'000

	2016-17		2015-16	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	391,989	534,702	450,252	690,430
Net change in cash and cash equivalent balances	1,236,777	1,286,191	(58,263)	(155,728)
Cash Balance at 31 March	**1,628,766**	**1,820,893**	**391,989**	**534,702**
The following balances at 31 March were held at:				
Other bank and cash	-	-	-	2,300
Commercial banks and cash in hand	-	44,389	-	36,463
Government Banking Service	1,628,766	1,776,504	199,342	303,292
Government Banking Service (ERDF)	-	-	192,647	192,647
Balance at 31 March	**1,628,766**	**1,820,893**	**391,989**	**534,702**

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Note 11. Trade and other payables

£'000

	2016-17		2015-16 *restated*		1 April 2015 *restated*
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Departmental Group
Amounts falling due within one year:					
Taxation and Social Security	2,421	9,613	1,839	3,437	4,233
Trade payables	555	226,212	2,105	170,418	268,097
Other payables	13,496	29,704	39,513	44,670	29,461
Advances from Contingency Fund	-	-	-	-	358
Accruals	430,135	442,282	613,107	623,199	638,782
Finance lease	8,977	8,977	9,134	9,134	3,050
Deferred income	938	9,173	998	22,440	19,987
ERDF Deferred income	191,918	191,918	208,707	208,707	326,649
Amounts owed to Joint Ventures and Associates					
Amount issued from the Consolidated Fund for supply but not spent	1,540,985	1,540,985	350,620	350,620	412,725
Consolidated fund extra receipts to be paid to the Consolidated Fund					
-received	87,781	87,781	41,369	41,369	37,357
-receivable	-	-	-	-	-
Sub Total	**2,277,206**	**2,546,645**	**1,267,392**	**1,473,994**	**1,740,699**
Amounts falling due after more that one year:					
Finance lease	93,742	93,742	96,765	96,765	105,899
ERDF Deposits held	148,785	148,785	297,860	297,860	170,552
Other payables	-	11,985	-	2,273	-
Deferred income	4,170	6,525	4,953	4,953	15,775
Sub Total	**246,697**	**261,037**	**399,578**	**401,851**	**292,226**
Total	**2,523,903**	**2,807,682**	**1,666,970**	**1,875,845**	**2,032,925**

The 'Amount issued from the Consolidated Fund for supply but not spent' represents the balance of the cash held in the Department's bank account at year end that will be available for use on voted activities next year when it becomes 'Deemed Supply'.

Note 12. Provisions for liabilities and charges

£'000

	2016-17		2015-16 *restated*	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Open balance at 1 April	22,920	56,478	28,504	62,001
Increase	2,846	9,826	3,561	17,090
Utilisation	(5,533)	(14,960)	(6,552)	(19,325)
Reversal	(1,948)	(2,676)	(2,012)	(2,389)
Unwinding of discount	-	988	(684)	(1,002)
Absorption transfers - Audit Commission	-	-	103	103
Balance at 31 March	**18,285**	**49,656**	**22,920**	**56,478**
Of which:				
Current liabilities	4,631	22,295	5,983	26,824
Non-current liabilities	13,654	27,361	16,937	29,654
Balance at 31 March	**18,285**	**49,656**	**22,920**	**56,478**

(i) Early departure provisions

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.

(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.

Analysis of expected timing of discounted cashflows by type

£'000

	Early Retirement	Other *restated*	Total
Not later than one year	2,761	24,063	26,824
Later than one year and not later than five years	4,062	17,410	21,472
Later than five years	-	8,182	8,182
Balance at 31 March 2016	**6,823**	**49,655**	**56,478**
Not later than one year	1,769	20,526	22,295
Later than one year and not later than five years	2,004	22,919	24,923
Later than five years	-	2,438	2,438
Balance at 31 March 2017	**3,773**	**45,883**	**49,656**

Note 13. Pensions

The Core Department is responsible for the Audit Commission Pension Scheme, a funded scheme. The liabilities of this scheme are represented below in the Core Department & Agencies column. The staff of arms length bodies are members of a number of different pension schemes; full details are available in the accounts of the bodies concerned. The assets and liabilities for these schemes are included in the departmental Group column below.

£'000

	2016-17		2015-16 *restated*	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	1,043,378	1,809,975	87	799,574
Current service cost	-	13,084	-	15,135
Interest charges	35,038	62,502	36,449	62,613
Admin Charge on Pension Liabilities	-	(95)	-	-
Contribution by members	-	4,247	-	5,376
Remeasurement of (gains)/losses on liability	221,452	397,231	(68,980)	(128,858)
Past service cost/(gains)	-	1,185	-	1,005
Losses/(gains) on curtailment	-	(39)	-	-
Transfers	-	195	-	(444)
Absorption transfers - Audit Commission Pension Scheme	-	-	1,100,231	1,100,231
Benefits paid				
Funded benefits paid	(25,723)	(48,639)	(24,402)	(43,985)
Unfunded benefits paid	(6)	(170)	(7)	(672)
Closing defined benefit obligation	**1,274,139**	**2,239,476**	**1,043,378**	**1,809,975**
Reconciliation of fair value of employer asset				
Opening balance	(912,864)	(1,686,509)	-	(794,753)
Interest income on scheme asset	(30,586)	(58,577)	(31,160)	(57,413)
Admin Charge on Pension Assets	1,064	1,212	939	970
Contributions by members	-	(4,247)	-	(5,376)
Contributions by employer	-	(12,064)	-	(14,017)
Remeasurement of (gains)/losses on asset	(195,610)	(353,469)	35,772	81,955
Absorption transfers - Audit Commission Pension Scheme				
(Losses)/gains on curtailment	-	1,051	-	513
Absorption transfers - Audit Commission Pension Scheme	-	-	(942,817)	(942,815)
Assets distributed on settlement	25,723	48,444	24,402	44,427
Closing fair value of employer asset	**(1,112,273)**	**(2,064,159)**	**(912,864)**	**(1,686,509)**
Closing Net Pension Liability	**161,866**	**175,317**	**130,514**	**123,466**
of which:				
Funded	161,792	169,771	130,434	113,402
Unfunded	74	5,546	80	10,064

Audit Commission Pension Scheme (ACPS)

The ACPS is a defined benefit scheme. The scheme is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. The provision of a Crown Guarantee takes the pension scheme out of certain regulatory provisions that would otherwise apply.

The valuation of the scheme liabilities as at 31 March 2017 was completed by the Department's independent actuaries using the projected unit method.

Financial overview of the ACPS

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past employees. The Scheme's assets have been invested as follows:

£bn

Fair Value of Scheme Assets	2016-17	2015-16
Diversified Growth Funds	0.8	0.7
Liability Driven Investment	0.3	0.2
Cash	-	-
Total	**1.1**	**0.9**

Overall, the Scheme's assets have increased in value over the year to 31 March 2017. The Scheme invests in a Liability Driven Investment portfolio to mitigate the risks relating to interest rate and inflation rate changes. The net pension liability for the ACPS increased from £130.4 million to £161.8 million over the year. This is mainly due to the reduction in the discount rate used to value the liabilities, and an increase in inflation expectations. This has, however, been partially offset by a change in the Scheme's mortality assumption, and better than expected returns on the Scheme's assets.

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations for the five years to 2017 are shown in the table below.

	2017	2016	2015	2014	2013
Principal assumptions	% pa	% pa	%pa	% pa	% pa
Rate of inflation	3.30	3.05	3.20	3.50	3.55
Rate of salary increase	n/a	n/a	n/a	1.00[2]	3.55[1]
Discount rate for liabilities	2.70	3.40	3.35	4.40	4.50
Rate of increase of pensions in payment	3.30	3.05	3.20	3.50	3.55
Rate of increase of deferred pensions	3.30	3.05	3.20	3.50	3.55

[1] The salary escalation had an age-related promotional salary scale in addition, and reflects the pay freeze until 1 April 2013.
[2] Until 31 March 2015, nil thereafter.

The assumed life expectations on retirement at age 60 were: for males retiring today, 28 years, for females retiring today, 29 years and for males and females retiring in 20 years, 31 years.

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The following table shows the impact of a change in each of the principal assumptions used to value the scheme's liabilities.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.5%	Increase by 12%
Rate of inflation	Increase by 0.5%	Increase by 11%
Rate of mortality	Mortality table rated down by one year	Increase by 3%

Note 14. Financial instruments

The Department oversees a portfolio of financial instruments (including loans, guarantees and Help to Buy available for sale financial assets) valued at around £8.8 billion, much of which is outside the appetite of other market investors/lenders. The portfolio is continuing to increase in size and is concentrated in a single sector which means it is susceptible to economic shocks.

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.

Currency risk

The Department has risks arising from foreign exchange only in relation to the European Regional Growth Fund programme. Further details about the ERDF balances included in these accounts can be found in Annex B. The following table shows the balances held by the Department as at 31 March 2017 that are subject to exchange rate risk. (Exchange rate at 31 March 2017 £1 = €1.1694[28])

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2017	**256,738**	**300,229**
Total assets at 31 March 2016	189,727	239,361
Total liabilities at 31 March 2017	**(154,502)**	**(180,675)**
Total liabilities at 31 March 2016	(303,318)	(382,665)

The liabilities balance represents upfront payments from the EU for the 2014-20 ERDF Programme.

The accrued income balance represents 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 at the time the expenditure was incurred using the 'Europa' 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 and vice versa. This reduces but does not eliminate the risks.

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.

28 Source: Bank of England spot rate: http://www.bankofengland.co.uk/boeapps/iadb/Rates.asp?

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 2017	Euro Rate at 31 Mar 2017	Impact of rate change to			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	256,738	1.1694	£43m gain	£16m gain	£26m loss	£42m loss
Liabilities	(154,502)	1.1694	£26m loss	£10m loss	£15m gain	£25m gain
Net gain/loss			£17m gain	£6m gain	£11m loss	£17m loss

Market risk

The Department and the Homes & Communities Agency (HCA) have completed a risk assessment for all live financial instruments exposed to market risk. Performance and changes in risk profile are monitored on a regular basis.

The HCA's results and equity are dependent upon the prevailing conditions of the UK economy, especially UK house prices, which significantly affect the valuation of the Agency's financial and non-financial assets.

The HCA is also exposed to significant 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 reflected in net expenditure for the period when an impairment is reported, or otherwise as changes in equity.

The Agency 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:

Variable	Change	Impact on HCA reserves
UK House prices	+/- 10%	+£618m / -£994m
Development returns	+/- 10%	+£28.6m / -£28.6m

The non linear downside risk relating to house prices reflects the impact of the mortgage provider's first charge, which disproportionately increases the estimated level of impairments when house prices reduce. The HCA Annual Report and Accounts 2016-17 provides further detail on how HCA manages both market risk and credit risk.

The Department has provided Affordable Housing guarantees to strongly rated (low risk) Private Registered Providers to facilitate access to borrowing at competitive interest rates. This borrowing is then used by the borrowers to build affordable housing. The Department has also provided Private Rented Sector guarantees to private rented sector operators and Private Registered Providers to incentivise institutional investment in the supply of new, purpose built and professionally managed private rented sector homes. Guaranteed debt is available once units are completed and generate a stable income.

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 borrower's ability to repay the 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.

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Credit Risk

As at 31 March 2017, the Department had approved circa £3 billion worth of debt finance to be raised by Affordable Housing Finance plc on behalf of Private Registered Providers. Of the circa £3 billion, £2.34 billion has been drawn down and is covered by Affordable Housing financial guarantees issued by the Department. The accounting valuation for the guarantee as at 31 March 2017, excluding estimated losses for previous years, is £19 million. This valuation takes account of the liquidity reserve, comprising one year's worth of interest held in account to cover a shortfall in income and protect bond coupon payments in the event of default.

A probability-weighted expected loss model is used as the basis of the accounting valuation of the guarantee. Sensitivity analysis was conducted by changing the key assumptions in the model, the Probability of Default (PD) based on the creditworthiness of borrowers and the size of any Loss Given Default (LGD).The result, taking account of the liquidity reserve, is a valuation range from £3 million (5% LGD, Low PD) to £150 million (25% LGD, High PD).

As at 31 March 2017, the Department is also providing Private Rented Sector financial guarantees over £0.2 billion of debt finance raised by PRS Finance plc to finance long term loans to private sector operators and Private Registered Providers. The valuation of the liability arising as a result is £15 million.

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 their Annual Report and Accounts.

The nature of the credit risk arising from the HCA's most significant financial assets is summarised below:

- 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 33% of development loans (2015-16: 42%). Loans to a single private sector developer account for 13% of infrastructure loans (2015-16: 21%). 48% of other loans relate to a major public utility company (2015-16: 45%). The remainder of the loan portfolio is dispersed amongst private sector developers and local authorities.
- Receivables arise largely from disposals of development assets, generally to major developers and housebuilders in the private sector. These receivables are always secured by the Agency'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.
- The Agency's cash is generally held with the Government Banking Service, except where commercial reasons necessitate otherwise, for example when cash is held by solicitors around completion of property sales or purchases.

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 2017 was £90.3m (2015-16: £107.5m), and the five largest counterparties accounted for 4.5% of the total balance (2015-16: 7.0%).

Interest rate risk

The departmental group, especially HCA, is exposed to interest rate risk on its financial assets classified as loans and receivables, where these pay interest at a variable rate. For the majority of the Group's loan portfolio, the variable element is the Reference Rate set by the EC (0.78% as at 31 March 2017). Consequently, the downside risk to the Group is limited to changes in this rate.

Fair values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2016 and 31 March 2017. The table shows how fair value of the Department's financial assets and liabilities has been estimated. For a reconciliation of the movements in the value of Level 2 and 3 fair value financial instruments and detail on the sensitivities of the fair values, see the HCA annual report and accounts.

Financial Instrument	Basis of fair value estimation
Current payables and receivables (Note 11 and Note 9) and Public Dividend Capital (Note 6)	Nominal value
Non-current payables and receivables (Note 11 and Note 9)	Discounted cost (where materially different from nominal value)
Affordable Housing financial guarantees liabilities	Probability weighted expected losses
Investments in the Coalfields Enterprise Fund and the Coalfields Growth Fund (Note 6)	Fund manager revaluation
Available for sale financial assets relating to housing units (Note 7)	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 (UK HPI) 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, also at a regional level. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 13.
Available for sale financial assets relating to equity investments in private sector developments and infrastructure projects (Note 7)	The fair values of available for sale financial assets relating to equity investments in development and infrastructure projects are calculated using cashflow 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 13.
Available for sale financial assets relating to managed funds (Note 7)	The fair value of managed funds are equal to the net assets of those funds at the reporting date, and are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Other Financial Instruments	Discounted future cash flows using discount rates set by HM Treasury, or the rate intrinsic to the financial instrument if higher.
Private Rented Sector financial guarantees liabilities	For initial recognition, fair value is based on the fee charged for the guarantee.

Note 15. Commitments under 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:	2016-17 Core Department & Agency	2016-17 Departmental Group	2015-16 Core Department & Agency	2015-16 Departmental Group
Buildings:				
Payment due within 1 year	26,694	29,988	27,016	32,495
Payment due after 1 year but not more than 5 years	96,283	102,670	103,840	119,654
Payment due thereafter	180,310	180,437	167,977	184,601
Total value of obligations	**303,287**	**313,095**	**298,833**	**336,750**
Other:				
Payment due within 1 year	-	511	3	844
Payment due after 1 year but not more than 5 years	-	482	-	610
Payment due thereafter	-	-	-	-
Total value of obligations	**–**	**993**	**3**	**1,454**

£'000

Receipts under operating sub-leases comprise:	2016-17 Core Department & Agency	2016-17 Departmental Group	2015-16 *restated* Core Department & Agency	2015-16 *restated* Departmental Group
Buildings:				
Receipts due within 1 year	18,974	23,741	21,995	24,757
Receipts due after 1 year but not more than 5 years	58,389	68,845	76,996	82,404
Receipts due thereafter	18,413	32,169	33,721	48,649
Total value of receivables	**95,776**	**124,755**	**132,712**	**155,810**

Note: 2015-16 figures have been restated as a result of an adjustment in a component body that was material to it.

Note 16. Other Commitments

The Department has provided the following loan facilities as at 31 March 2017:

- an interest free loan facility to the Greater London Authority which can be drawn for the purposes of funding qualifying investments in the London Housing Bank up to 31 March 2018. There were £179m of undrawn funds as at 31 March 2017.
- a loan facility to the Greater London Authority which can be drawn for the purposes of funding qualifying investments in the Housing Zones programme. A total of £200m is available in tranches through to 31 March 2020. £41m has been drawn as at 31 March 2017.
- a loan facility to Manchester City Council which can be drawn for the purposes of funding qualifying investments in the Housing Investment Fund. A total of £300m is available in tranches through to 31 March 2019. £41m has been drawn as at 31 March 2017.

The HCA has made financial commitments for loans and equity investments which had become unconditional at the reporting date, but which had yet to be drawn down by that date. The value of these commitments was £1,149m at 31 March 2017 (2015-16: £873m).

In addition to the above, the HCA has given outline approval to investments under the Help to Buy scheme which, while still conditional, are likely to result in the drawdown of investments in the coming year. The value of these outstanding approvals at 31 March 2017 was £1,385m (2015-16: £890m).

Note 17. 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

		2016-17	2015-16
a	The Department has 240 cases managed by the Government Legal Department (GLD)	155	384
b	Claim for repair or repurchase of defective RTB homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
c	Potential liabilities to the EC arising from current European legislation	Unquantifiable	Unquantifiable
d	Potential losses arising from inability to recover ineligible expenditure arising as a result of the closure of ERDF 2007-2013 programme.	Unquantifiable	Unquantifiable
e	Commitment to fund potential shortfalls of land sale receipts of a Housing Association	Up to 4,000	Up to 4,000
f	Potential liability - details withheld for commercial reasons	Up to 492	Up to 492
g	Potential dilapidation payments	750	750
h	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
i	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
j	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	179	407
k	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.	196	6

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Note 18. Contingent assets disclosed under IAS 37

		£'000	
		2016-17	2015-16
a	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 19. Related party transactions

The Department is the parent of a number of sponsored bodies listed in Note 21. These bodies are regarded as related parties with which the department has had various material transactions during the year. In addition, the Department has made a number of material transactions with other government departments, central government bodies and local government organisations.

Non-Executive and 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.

Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

Peter Schofield was a member of the management board for Local Partnerships LLP (HM Treasury representative) until June 2016. 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. This is an unpaid position. The Department paid a total of £137,730 to Local Partnerships LLP during 2016-17 for project delivery and agency staff (£77,540 relating to financial year 2016-17 and £60,190 relating to 2015-16).

The post holder of Chief Risk Officer during 2016-17 was on secondment to the Department from Barclays. Barclays is one of the lenders in the 'Help to Buy' Scheme.

Mary Ney is one of the Commissioners at Rotherham Metropolitan Borough Council, tasked with improving the council's performance and helping rebuild trust of the local residents. During 2016-17, DCLG paid various grants to Rotherham MBC as part of normal business, the most significant of which was Revenue Support Grant.

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.

Note 20. Events after the reporting period

The Department's financial statements are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

Following the tragic fire at Grenfell Tower in London on 14 June 2017, the Government has confirmed that emergency funding is available in response. The total financial cost of this and other potential legal implications is as yet uncertain.

Note 21. Entities within the Departmental Boundary

All bodies apart from the Queen Elizabeth II Conference Centre and the Architects Registration Board are consolidated into the Departmental accounts.

Executive Agencies		
Planning Inspectorate		
Advisory Bodies		
Building Regulations Advisory Committee		
Tribunals		
Valuation Tribunal for England		
Executive Non Departmental Public Bodies (NDPBs)		
Homes and Communities Agency	The Leasehold Advisory Service	Ebbsfleet Development Corporation
The Housing Ombudsman	Valuation Tribunal Service	
Other Bodies Not Classed as NDPBs		
Commission for Local Administration in England		
Trading Funds		
Queen Elizabeth II Conference Centre		
Public Corporations		
Architects Registration Board		

Note 22. Machinery of Government Change

Following the announcement on 5 January 2016 that ministerial responsibility for fire and rescue policy would transfer with immediate effect to the Minister for Policing, Fire, Criminal Justice and Victims, a Machinery of Government (MoG) change was effected on 1 April 2016 to transfer the fire and rescue policy function of the Department to the Home Office. MoG transfers within central government are accounted for in the year of transfer via merger accounting as set out by the FReM. As a result, in these accounts the prior year movements and balances have been restated as if the function had always been provided by the Home Office. Below is a summary of the impact on the comparative figures.

	£'000
Statement of Comprehensive Net Expenditure	Impact on 2015-16
Staff costs	(1,847)
Operating Expenditure	(702,604)
Operating Income	28,242
Total	**(676,209)**

	£'000	£'000
Statement of Financial Position	Impact on 2015-16	Impact on 2014-15
Property, plant and equipment	(7,242)	(7,735)
Intangible assets	(770)	(935)
Trade and other receivables	(53,323)	(51,268)
Trade and other payables	126,507	94,663
Provisions	17,861	94,000
Pension liability	1,293	1,546
Total assets less liabilities	**84,326**	**130,271**
General Fund	84,601	130,374
Pension Reserve	(275)	(103)
Total	**84,326**	**130,271**

	£'000
Statement of Parliamentary Supply	Impact on 2015-16
Resource DEL:	
Admin	(2,022)
Programme	(94,152)
Resource AME	(427,641)
Total Resource	**(523,815)**
Capital DEL	(61,411)
Capital AME	(90,969)
Total Capital	**(152,380)**

Business Rates Retention And Non-Domestic Rates Trust Statement

Foreword

Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to HM Treasury's Consolidated Fund where the entity undertaking the collection acts as agent rather than principal. Trust Statements are required to be prepared under section 2(3) of the Exchequer and Audit Departments Act 1921.

The Department acts as an agent responsible for collecting Business Rate income under the Business Rate Retention system from local authorities, central list businesses and the Ministry of Defence.

The Business Rates Retention and Non-Domestic Rates 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.

Scope

The Department operates the system of Business Rates Retention which came into force on 1 April 2013 and replaced the previous collection and redistribution National Non-Domestic Rating system. Under the retention system, local authorities retain 50% of the rates collectable as 'local share'. Central List and Visiting Forces income is accounted for alongside Business Rates Retention but these National Non Domestic Rates otherwise operate in the same way as before the introduction of Business Rate Retention.

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

Auditors

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 page 113. The auditor's notional fee of £19,000 (2015-16: £19,000) for this is included in the Department's Group Accounts. There were no fees in respect of non-audit work.

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.

On 1 March 2015, HM Treasury appointed Melanie Dawes, the Permanent Head of the Department, as 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.

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

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement in respect of the Trust Statement

The Department's Governance Statement, covering both the Group Accounts and the Trust Statement, starts on page 31.

Melanie Dawes CB
Accounting Officer
Department for Communities and Local Government

23 June 2017

The Certificate and Report of the Comptroller and Auditor General to the House of Commons - Trust Statement

I certify that I have audited the financial statements of the Business Rates Retention and Non-Domestic Rates Trust Statement for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Business Rates Retention and Non-Domestic Rates Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Communities and Local Government; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword to the Business Rates Retention and Non-Domestic Rates Trust Statement and the Annual Report of the Department for Communities and Local Government Resource Account 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 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 Communities and Local Government on behalf of the Consolidated Fund and of the net revenue for the year ending 31 March 2017;
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

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Opinion on other matters

In my opinion:

- the information given in the Foreword to the Business Rates Retention and Non-Domestic Rates Trust Statement and the Performance and Accountability Reports in the Department for Communities and Local Government Resource Account 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 of the Department for Communities and Local Government Resource Account 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 **28 June 2017**
Comptroller and Auditor General

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

Statement of Revenue, Other Income and Expenditure

For the period ended 31 March 2017

£'000

	Note	2016-17	2015-16
Income			
Licence Fees and Taxes			
National Non Domestic Rates		1,377,868	1,323,102
Business Rates Retention		23,853,749	23,499,468
Local Share			
Deduction of Local Share		(11,588,387)	(11,372,020)
Total Revenue after deduction of Local share	3	13,643,230	13,450,550
Net Revenue for the Consolidated Fund Account		**13,643,230**	**13,450,550**

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

The notes at pages 117 to 118 form part of this Statement.

Statement of Financial Position

as at 31 March 2017

£'000

	Note	2016-17	2015-16
Current Assets			
Accrued Revenue Receivable		140,213	68,563
Cash and Cash Equivalents	CfS, 4	88	-
Total Current assets		**140,301**	**68,563**
Current Liabilities			
Accrued Revenue Payable		88	10,562
Total Current Liabilities		**88**	**10,562**
Total assets less current liabilities		**140,213**	**58,001**
Represented by:			
Balance on Consolidated Fund Account	2	**140,213**	**58,001**

Melanie Dawes CB
Accounting Officer
Department for Communities and Local Government

23 June 2017

The notes at pages 117 to 118 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2017

£'000

	Note	2016-17	2015-16
Cash flows from operating activities		13,561,106	13,425,605
Cash paid to the Consolidated Fund		(13,561,018)	(13,444,634)
Increase/(decrease) in cash in this period		**88**	**(19,029)**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	13,643,230	13,450,550
(Increase)/Decrease in receivables		(71,650)	(16,478)
Increase/(Decrease) in payables		(10,474)	(8,467)
Net Cash Flow from Operating Activities		**13,561,106**	**13,425,605**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		88	(19,029)
Net funds at 1 April		-	19,029
Net Funds as 31 March		**88**	**-**

The notes at pages 117 to 118 form part of this Statement.

Notes to the Trust Statement

Trust Statement Note 1 Statement of Accounting Policies

Basis of accounting

The Trust Statement is prepared in accordance with:

- the Accounts Direction issued by HM Treasury on 9 February 2015 under section 7(2) of the Government Resources and Accounts Act 2000
- the 2016-17 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.

The Trust Statement has been prepared on an accruals basis and in accordance with the historical cost convention.

This Trust Statement reports the income collectable under the Business Rates Retention system as also reported in the Main Non-Domestic Rating Account and the Levy Account.

Revenue recognition

Revenue is collected from local authorities, central list companies and the Ministry of Defence.

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 the economic benefits will flow to the Exchequer.

Local authority 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.

Local share

Under Business Rates Retention, local authorities retain a percentage, currently 50%, of the Business Rates collectable as their local share. 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 expense to calculate the amount due to the Consolidated Fund.

The cost of collection borne by local authorities included within the Local Share is £84 million (£84 million in 2015-16).

Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	2016-17	2015-16
Balance on Consolidated Fund Account as at 1 April	58,001	52,085
Net Revenue of the Consolidated Fund	13,643,230	13,450,550
Less amount paid to the Consolidated Fund	(13,561,018)	(13,444,634)
Balance on Consolidated Fund Account as at 31 March	**140,213**	**58,001**

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

		£'000
Revenue	2016-17	2015-16
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,377,868	1,323,102
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	12,265,362	12,127,448
Balance on Consolidated Fund Account as at 31 March	**13,643,230**	**13,450,550**

Trust Statement Note 4 Cash at Bank

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

Trust Statement Note 5 Events after the reporting period

The Department's financial statements which includes this Trust Statement are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the balance sheet date and this date.

Accounts Direction Given by HM Treasury

This direction applies to the Department for Communities and Local Government for the reporting of the 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: Section 70 Grant Payments to Charities

Institution	Payments £'000	Purpose
Anne Frank Trust UK Integration and Extremism - Tolerance	84	To use Anne Frank's life and diary to empower young people with the knowledge, skills and confidence to challenge all forms of prejudice and discrimination.
Apasenth Community-Based English Language Programme	485	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Big Ideas Community Interest Company Remembering together 'Unremembered' 'Last Post'	40	To commemorate the sacrifice of the men of the various Labours Corps in the First World War and to commemorate the 100th anniversary of the Paschaendale.
B'Nai Brith Hillel Foundation Expanding Bridges not boycotts	31	To promote responsible dialogue on university and college campuses regarding the Israeli-Palestinian conflict.
Board of Deputies of British Jews Yom HaShoah	20	Contribution to Yom HaShoah, the Jewish Communal Holocaust Commemoration and Remembrance event.
Centre for Ageing Better Trustee Ltd What Works Centre for Ageing Better	200	Funding to support the building of the Centre for Ageing Better's capabilities.
Commonwealth and War Graves Commission (CWGC) Living Memory	50	To remember the sacrifice of the men and women from the United Kingdom and across the former British Empire during the First World War.
Faith Matters Integration and Extremism - Tolerance	504	To encourage people to report instances of anti-Muslim hatred and carry out community engagement to educate people about anti-Muslim hatred.
Faiths Forum for London 70 Years On	5	To build community cohesion by commemorating the 70th Anniversary of Indian partition.
Fayre Share Foundation Strengthening Faith Institutions	275	To strengthen and support places of worship of all faiths in order to improve governance, increase their capacity to engage with women and young people, challenge intolerance and develop resilience to extremism.
Glen Art Nicholas Winterton Memorial Service	14	To the Memorial Service of Sir Nicholas Winton, who organised the Kindertransport which saved hundreds of Jewish children from the Holocaust.
Good Things Foundation Community-Based English Language Programme	600	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Groundwork UK Community Economic Development	150	An initiative designed for local community groups and organisations in England who want to take a lead in shaping their economies for the benefit of local communities.
Groundwork UK Community Rights Programme	3,996	The Community Rights are a set of powers that give you a greater say over how your community develops. They can help you to save local shops, pubs, libraries, parks and football grounds. Drawdown of funding by grant administrator to disburse to recipients of support under the neighbourhood planning and community right to build support programme.
Groundwork UK Neighbourhood Planning	2,800	Drawdown of funding by grant administrator to disburse to recipients of support under the neighbourhood planning and community right to build support programme.
Holocaust Memorial Day Trust Integration and Extremism - Tolerance	980	Holocaust Memorial Day Trust delivers Holocaust Memorial Day on behalf of Government and supports local Holocaust Memorial Day activities.
Institute for Government Local join-up of public services	50	To improve joining-up of public services at a local level, and improve sharing and adaptation of effective models.

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Institution	Payments £'000	Purpose
Institute for Jewish Policy Research Understanding of antisemitism in the UK	38	To gather information about British attitudes towards Jews and also towards Muslims, as well as less detailed information about attitudes towards other minorities.
Institute of Education University College London Centre for Holocaust Education Beacon School Programme	150	To ensure that students and teachers have knowledge and understanding of the Holocaust. The programme uses the Holocaust to teach students about issues of racism, antisemitism, and political extremism in the contemporary world. The programme also encourages critical reflection and debate on individual and collective agency and civic responsibility.
Inter Faith Network for the United Kingdom Inter Faith Network for the United Kingdom 2016-17	305	To promote understanding and cooperation between organisations and people of different faiths across the country.
Irish Traveller Movement #Operation Report Hate - The Traveller Movement	15	Encouraging the Gypsy, Roma and Traveller communities to report hate crime and support the work to educate the Gypsy, Roma and Traveller communities about homophobia and misogyny within the community.
Jewish Care The Holocaust Survivors' Centre/Jewish Care	1	To record Holocaust survivor testimonies from the Charedi (Orthodox Jewish Community) Community.
Joseph Interfaith Foundation Introduction to the Social Culture of Britain	7	To support young refugees to integrate better into British society.
LifeLine Community Projects Community-Based English Language Programme	321	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Maccabi GB Maccabi GB Streetwise	35	Educate young people on the dangers of anti-Muslim hatred and antisemitism.
Mitzvah Day UK Supporting Sadaqa Day through Mitzvah Day	10	To create links and build relationships between different faiths that will lead to more cohesive, stronger local communities through social action.
National Association of Local Councils Data Transparency Parishes	1,637	To assist smaller authorities affected by the new transparency regulation burdens by providing them with the equipment and skills required to meet the requirement of these regulations.
National Holocaust Centre The Journey	246	The Journey is an engaging, interactive exhibition tailored for primary school children. The young visitors to the exhibition learn about the impact of Nazi propaganda, anti-Jewish measures, and antisemitism. It also gives young children an insight into where hatred of difference can lead.
One Voice Europe Solution not Sides Education Programme	50	To ensure that young people are more aware of the nuances behind the conflict in Israel and Palestine and will help build understanding between communities.
Operation Black Vote Operation Black Vote Parliamentary Shadowing Schemes	36	To encourage, inform and inspire a generation to become leaders and bring minority communities into the centre of local and national democratic and civic institutions.
Power to Change Bright Ideas Programme	847	The Bright Ideas Fund aims to support around 80 community businesses to progress from ideas to market readiness. DCLG's payments are more than matched by Power to Change over the two-year life-time of the project.
Pub is the Hub Community Rights	50	To support the Community Services Fund.
Renaisi Neighbourhood Planning in deprived communities	12	Building capacity in six chosen local community organisations in deprived communities to raise awareness and advocate Neighbourhood Planning, supporting communities to take up the opportunity.
Reserve Forces and Cadets Association for Greater London Soldier's Tale	42	To educate via social media communities about what the war meant to one soldier and his family throughout the centenary.

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Institution	Payments £'000	Purpose
Services for Education Limited Lest we Forget' Mass Children's Choir Concert	16	To commemorate the end of the First World War with a concert of mass children choirs in Birmingham.
Show Racism the Red Card Show Hate Crime the Red Card	15	To organise and deliver high-profile hate crime awareness and education events in partnership with football clubs.
Smaller Authorities' Audit Smaller Authority Audit Appointments Ltd (Sector Led Body)	320	To establish a not for profit, private limited company to act as a sector led body for smaller authorities plus exempted authorities to procure audit services in line with legal requirements.
St Philips Centre Tough options	8	To provide methods for communities to understand the conflict in Israel and Palestine and to re-engage young people in civic society.
Stop Hate UK Challenging Online Hate	10	To address online hate by engaging in activity aimed at challenging and reporting hate crime/ hate speech online, as well as supporting and signposting targeted individuals.
The Church Urban Fund Creating the Common Good Fund	250	To address intolerance, hatred and xenophobia and to bring people together across barriers of ethnicity and faith through locally based social action.
The Church Urban Fund Near Neighbours Phase 3	1,710	To bring people together in communities that are religiously and ethnically diverse, so that they can get to know each other better, build relationships of trust and collaborate together on initiatives that improve the local community they live in.
The Linking Network Schools Linking	135	To develop and facilitate effective links between schools of different demographic backgrounds, creating sustained social mixing and supporting them to develop a positive, cohesive ethos.
The Sophie Lancaster Foundation Sophie	15	To educate young people around the issue of alternative cultures and hate crime.
Timebank Community-Based English Language Programme	405	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Tinder Foundation Community-Based English Language Programme	500	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
UK Toremet From the Depths	38	To document the unmarked mass killing sites of Jewish Poles and others in Poland during the Holocaust.
Ummah Help Remember Srebrenica	400	To commemorate what happened in the town of Srebrenica during the Yugoslavian civil war whilst raising awareness aimed at countering discrimination and building stronger community relations here in the UK.
Total	**17,907**	

Annex B: Further Financial Information

European Regional Development Fund

The information in the following paragraphs gives additional information about entries included in the financial statements and notes regarding the European Regional Development Fund (ERDF).

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 (the organisation responsible for the efficient management and implementation of the programme) for the 2000-2006, 2007-2013 and 2014-2020 Programmes.

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.

ERDF income is recognised once the relevant claim has been certified by the Department's ERDF Certifying Authority team. Payments to projects that were made by the Department have been treated as current asset inventories on the Statement of Financial Position (31 Mar 17: £58 million, 31 Mar 16: £291 million,) and only transferred to expenditure on certification. In the event that the payments failed certification the amounts are reclaimed from projects.

All programmes have an associated intervention rate. This is the percentage of project expenditure which can be funded by the ERDF. Projects can be offered an ERDF grant at differing intervention rates but claims made to the EC are based on the programme level intervention rate. Differences therefore arise between the amounts claimed from the EC and that paid out to projects. The differences between these amounts are posted to the Statement of Financial Position either as current asset inventories (31 Mar 17: £0, 31 Mar 16: £0) or as deferred income within current payables (31 Mar 17: £186 million, 31 Mar 16: £203 million).

European Regional Development Fund 2007-13 programme

The Department is responsible for managing the ERDF 2007-13 programme as designated Managing Authority. In London, the ERDF continued to be delivered by an intermediary body, the GLA.

The 2007-2013 Programme closed on 31 December 2015. The Department submitted formal closure documents for all ten programmes, as required by ERDF regulations, to the EC by 31 March 2017. We expect the Commission to notify admissibility and provide initial comments by 31 August 2017.

At the start of the programme 7.5% of the value of the programme was paid by the EC to the Department as an advance payment. This payment was to provide working capital and any interest gained on the cash balances could be used as match funding within the programme and where not so utilised, returned to the EC. The Department retained the advances together with unutilised interest in a specific interest paying bank account (31 Mar 17 £0, 31 Mar 16: £193 million set up for the purpose. This latter amount has been treated as deferred income until used (31 Mar 17: £6 million, 31 Mar 16: £5 million). In 2016-17, the Department utilised the advance funding for eight out of ten programmes. Two programmes have some unused advance which is expected to be returned to the EC. 5% of each programme value is held on retention by the EC and will be returned to the Department, if eligible, as part of the final closure settlement.

During the course of the year, the Audit Authority (designated body that audits the ERDF programmes) tested the validity of 131 claims, equating to €272 million out of total declared expenditure of €1,839 million. Testing of the audit sample revealed instances of ineligible expenditure on a number of ERDF projects. However the Audit Authority calculated the total projected error rate for the EC's 2015-16 accounting period as being 0.847%, which is far below the 2% materiality threshold and a significant improvement on the previous year.

The Department has ensured that the residual (cumulative) error rate in the programme remains below 2% by closure. The Audit Authority issued a Final Control Report (FCR) at programme closure. The report covers an assessment of the whole of the 2007-13 programming period, including the functioning of management and control systems, and steps taken by the Managing and Certifying Authorities to close ERDF programmes. The AA calculated the Residual Risk Rate (RRR) as 0.919%, applicable to all ten operational programmes; this is below the 2% materiality threshold set by the Commission. The AA also gave an unqualified opinion on all ten Programmes.

European Regional Development Fund 2014-2020

The Department agreed the 2014-20 ERDF Programme in 2015-16 and the first projects are now being funded. Like the 2007-13 programme, the Department has been provided with an advance which is held as a payable until utilised (31 Mar 17: £146 million). In the 2014-20 Programme, there is an advance for the whole programme plus annual advances for use on an annual basis.

In October 2016, HM Treasury confirmed that the government will guarantee EU funding for structural and investment fund projects signed before the UK's departure from the EU, even when these projects continue after we have left the EU[29]. The England ERDF 2014-20 programme falls under this guarantee.

Funding for projects will be honoured by the government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

In accordance with the HM Treasury guarantee, DCLG takes responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. Otherwise DCLG is taking a "business as usual" approach to ERDF until the point at which the UK leaves the EU. Planning is in hand to ensure a smooth exit from ERDF and transition to successor arrangements.

29 https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects

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