Ministry of Housing,
Communities &
Local Government

Annual Report and Accounts 2020-21

(For the year ended 31 March 2021)

HC 392

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Local Government

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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 21 July 2021

This is part of a series of Departmental publications which, along with the Main Estimates 2020-21 and the document Public Expenditure: Statistical Analyses 2020, present the government's outturn for 2020-21 and planned expenditure for 2021-22.

This publication is available at www.gov.uk/official-documents

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London, SW1P 4DF
Telephone 030 3444 0000

ISBN: 978-1-5286-2681-1
CCS0121901340 07/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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Foreword from the Secretary of State

Out of the darkness of COVID-19 over the past year, a brighter future is emerging – thanks, in no small part, to the hard work and dedication of communities across our United Kingdom.

From our work to protect the vulnerable, support businesses and help keep essential public services going, it has been an exceptional effort spanning central and local government, the voluntary and charitable sectors.

Nowhere is this more apparent than through our work to protect rough sleepers from the virus and help them into accommodation. By working closely with local authorities and their partners we have seen a 37% decrease in those sleeping rough since last year, protecting thousands of lives and marking a total 43% fall since the Prime Minister took office. This work has not stopped and we are now building on this positive legacy with a renewed purpose and plan to ensure no one has to sleep rough.

Our shielding programme too – one of the biggest endeavours of its kind since the Second World War – helped deliver 4.7 million supplies of food and medicine to the clinically vulnerable.

And now the Community Champions network is helping power our highly successful vaccination rollout in every part of the country.

From the outset, we knew that councils were on the frontline of our response to the pandemic. In recognition of this, we provided them with over £4.6 billion of un-ringfenced COVID-19 funding for use where it was most needed.

But even as we were doing our utmost to support local communities, we were preparing to build back better and reinvigorate our mission to level up opportunity and prosperity across the United Kingdom.

To that end, I made it a priority to ensure that the housing industry, the engine of our economy, was one of the first sectors to re-open safely to help us deliver the homes we need, continue vital work to remove unsafe cladding from high-rise buildings, sustain the millions of jobs supported by the sector and create more in readiness for the recovery.

But we need to do more to increase supply, improve affordability and unlock opportunity for more people to own their home if we are to truly level up. Taken together with our reformed model of Shared Ownership and Help to Buy scheme – the government's new 95% mortgage guarantee scheme, First Homes, and £12 billion investment in affordable housing will offer the most comprehensive package of support to help people onto the housing ladder of any government in modern times.

Our levelling up agenda is also driving investment to places that have seen too little of it in recent decades and renewing pride and optimism through, for example, our new £4.8 billion Levelling Up Fund, £150 million Community Ownership Fund, and eight new freeports – reflecting a new UK-wide focus for the department.

In all, we are unleashing the potential of all nations and regions of our United Kingdom, with MHCLG leading the way on efforts to relocate thousands of Civil Service roles outside London and the South East and into the devolved nations. I look forward to seeing our new headquarters in Wolverhampton up and running and tapping into the abundance of talent that exists beyond Whitehall.

And we are breathing new life into our high streets via our £830 million Future High Streets Fund and helping them adapt to changing times through greater flexibility in our planning system that mean for example, a shop is able to become a cafe, a gym or a children's nursery without the need for a planning application. To go further, we will also see new homes created this way. All of this will help ensure our high streets aren't blighted by boarded up shops but have popular mixtures of homes, shops, restaurants, cafes, leisure and more.

This is part of our wider set of crucial planning easements to make sure everyone can enjoy the Great British Summer – including fast-track pavement licences to make al fresco dining easier, enabling communities to hold popular outdoor events such as markets, and allowing pubs to set up marquees in their gardens for the whole of the summer – all without planning permission.

So, collectively, we are on the cusp of an exciting, once in a generation opportunity to tackle the long-standing issues that have held us back and dramatically improve the lives of millions. The Queen's Speech set out our ambitious and comprehensive plan to do just that through the most significant reform of leasehold, property rights, building safety, renters' rights and planning in a generation.

This is what it means to level up and unite our country. To build back better, fairer and safer. With the support of the public, this is what we will deliver.

The Rt Hon Robert Jenrick MP
Secretary of State for Ministry of Housing, Communities and Local Government

Foreword from the Permanent Secretary

2020-21 was a significant year for this department. We played a critical role at the national and local level in the country's response to the COVID-19 pandemic, and made major strides in delivering on the government's commitments to the public.

Our work to support communities through the COVID-19 pandemic over the past year has formed an essential part of the national response. We provided £9 billion in additional funding for local government to ensure the ongoing delivery of vital public services and we were instrumental in securing emergency PPE for distribution through Local Resilience Forums, which by September totalled 200 million items for frontline services. Through our shielding programme we were able to protect and support our most vulnerable throughout the pandemic, delivering 4.7 million food boxes by August.

We have also progressed ambitious reforms on housing, planning and building safety – including publishing our draft Building Safety Bill and the Planning for the Future White Paper. The government announced a new mortgage scheme which gives people the opportunity to secure a mortgage with a deposit of 5% for properties up to £600,000. This is giving first-time buyers the opportunity to get on the housing ladder. We also secured £7.1 billion of initial funding for the National

Home Building Fund, which will deliver over 860,000 homes.

On top of this we have had a significant impact at local level by driving growth in places, ensuring local government can access powers and funding to support communities and level up through our UK-wide Levelling Up, Community Renewal and Community Ownership Funds. We have also announced eight new Freeports in England and committed £1.3 billion to help to strengthen our communities through the Towns Deal.

In parallel, we are making strides to deliver our historically ambitious plans for Beyond Whitehall by establishing a new second headquarters in Wolverhampton as well as a departmental hub at the Northern Economic Campus in Darlington. By putting local voices at the heart of our policy development and delivery, we will support our communities more effectively, become more connected to the people and places we serve, and expand career opportunities within government for those outside of London.

I am particularly proud that throughout last year, we remained a great and inclusive place to work, and one of the Civil Service’s top performers. In the 2020 People Survey, our staff engagement score increased to 67%, our highest-ever score in the 12-year history of the survey, all whilst adapting and pivoting to significant demands. I am incredibly grateful to all our people for their efforts, rising to professional and personal challenges throughout the year.

Whilst COVID-19 of course remains with us, we will build on what we’ve learnt in this extraordinary period to drive our agenda forward – supporting communities and local economies as we build back better.

Jeremy Pocklington CB
Permanent Secretary
Ministry of Housing, Communities and Local Government

Lead Non-Executive Director's Report

MHCLG has been at the forefront of the national and local response to COVID-19, working with local government, Local Resilience Forums (LRFs), business leaders and the housing sector. Despite this, I am proud of the important policies and programmes which the department has delivered this year; with rough sleeping falling for the third year in a row; outlining landmark reforms to social housing; and a significant new package to remediate unsafe cladding.

Through all this, the non-executive directors have continued to bring their commercial, financial, private and public sector expertise in support of ministers and the department's senior leadership. Continuity of the non-executive team has been particularly valuable given the continually evolving external context.

Board meetings and sub-committees

The Ministerial Board held formal meetings three times during the reporting year. It helped to shape the department's priorities; pinpointing the key responsibilities facing the department, both over the challenging winter period and looking ahead to the long-term objectives. As well as discussing resource allocation for the Spending Review, we also examined the department's plans for moving roles beyond Whitehall, and the important levelling-up agenda.

The Non-Ministerial Board met twice, in addition to frequent ad-hoc meetings between non-executives and members of the Executive Team. It contributed challenge and support to the development of the department's Outcome Delivery Plan. The non-executives meet each month with the department's Chief Financial Officer to scrutinise performance against delivery objectives. We also meet annually as a panel with the senior officials for the review of governance and control across the departmental group including Arms' Length Bodies.

The Audit and Risk Assurance Committee met six times during 2020-21, receiving papers on the internal and external audit programmes; the department's strategic risks including building safety, the impact of the pandemic and reviewing the Annual Report and Accounts.

Involvement of Non-Executive Directors

The non-executive directors have made an important contribution this year to both the governance of the department and in providing advice to individual programmes.

Dame Mary Ney led on a shared learning exercise to examine lessons learned in Leicestershire during the COVID-19 pandemic and attended as a member of the Building Safety Portfolio Board. Pam Chesters continues to Chair the Audit and Risk Assurance Committee and attended as a member of the Planning Reform Programme Board. I acted as the commercial lead in the delivery of the Rough Sleeping Accommodation

Programme and participated in the advisory panel for the newly recruited Homes England chair. In addition I sat on the interview and shortlisting panels for the recruitment of a new Director General, for the new chair of Homes England, and for additional non-Executives to the department.

The non-executives have also provided support and challenge to the department's COVID-19 response work. Each non-Executive was assigned their own workstream and provided support and challenge to the Directors-General.

Michael Jary
Lead Non-Executive Director

1. Performance Summary

Overview

The Annual Report is made up of the Performance Report, the Accountability Report and the Financial Statements which together set out the progress we have made in 2020-21 to deliver our strategic priorities, how we have used the resources voted to us by Parliament and our detailed financial accounts.

This section provides a summary of our purpose, how we have performed against the department's defined strategic priorities and our key risks. It also highlights any impact on the delivery of these priorities as a result of the department's response to the COVID-19 pandemic and preparatory arrangements during the UK's transition period following the exit from the EU.

Our role and purpose

The Ministry of Housing, Communities and Local Government (MHCLG) aims to help create great places to live and work right across the country and to support communities to come together and thrive.

We strive to ensure people throughout the country have access to affordable and high-quality housing, boost opportunities for jobs and growth in all parts of the country, build strong communities and support effective local government.

How we are organised

The Secretary of State heads the department’s ministerial team, who are accountable to Parliament. They are supported by the Permanent Secretary who has executive responsibility for the department and for safeguarding public funds as the Principal Accounting Officer. Our non-executive directors provide an important external perspective to the department but do not have decision-making or spending powers. For further details of our structure please go to the Governance Statement on page 93, which sets out the department’s structures in more detail.

Our 2020-21 strategic priorities

Our strategic priorities

The department had seven strategic priorities which set the context for our delivery in 2020-21

1. Getting more people on the housing ladder and building safer, greener, more beautiful homes

We are delivering a wide-ranging programme of activity to create, fund and drive a market which will deliver 300,000 homes a year sustainably by the mid-2020s.

2. Supporting communities to respond, recover and emerge from COVID-19 stronger

We are protecting the most clinically vulnerable in our society, shielding them from the impact of the COVID-19 pandemic, and also ensuring our local partners have the resources needed to respond to local emergencies.

3. Ensuring local government has access to the powers and funding to support communities and level up

We are progressing reforms to the local government finance system, ensuring that public services are stronger, and the allocation of funding is fairer. Giving local authorities more control over the money they raise and supporting the delivery of local services in the most sustainable and efficient way.

4. Driving growth in places

We are integrating communities by levelling up the regions and building the vision for stronger communities. By investing in our local communities we are reviving high streets and boosting local economies.

5. Bringing about the biggest change in building safety for a generation

We are responding to the Grenfell Tower tragedy, including ensuring those directly affected have the support they need, now and in the years to come; and that high-rise residential buildings are safe and feel safe.

6. Ending rough sleeping

We are taking steps to help people now to find the right home. This includes helping the most vulnerable people in our society through preventing homelessness and rough sleeping; and improving people's access to, and experience of, the housing market.

7. Supporting Corporate Activities

We will continue to be open, inclusive and collaborative; ensuring that we provide our people with the right training to empower them, enabled by efficient processes and systems.

Our Highlights for 2020-21

Getting more people on to the ladder and building safer, greener, more beautiful homes

- Published Planning for the Future White Paper outlining reforms to make the planning system simpler, more certain and more digital, and using community engagement to inform location and design decisions.
- Secured £7.1 billion of initial funding for the National Home Building Fund at the 2020 Spending Review to deliver 860,000 homes over the lifetime of the projects funded.
- Announced a new mortgage guarantee scheme at Spring Budget, to enable homebuyers to secure a mortgage for a property up to £600,000 in value with a 5% deposit.

Supporting communities to respond, recover and emerge from COVID-19

- Stood up local authority-led shielding and support services for the Clinically Extremely Vulnerable during national lockdown and tiering restrictions, supporting a total of 3.7 million vulnerable people, and delivered a total 4.7 million food boxes up to August 2020.

- Provided local authorities with a £30m ringfenced grant for COVID-19 compliance and enforcement activity in November 2020 for use in 2020-21. Enabling the employment of COVID-19 marshals in local communities.
- Awarded £7.6 million to 38 Local Resilience Forums to support EU transition and COVID-19 response

Ensuring local government has access to the powers and funding to support communities and level up

- We provided local government with the resources to respond to the pandemic, including £9 billion of additional funding in 2020-21. This comprised of funding for expenditure pressures but also innovative sales, fees, charges, and local tax income compensation schemes.
- Established the Community Champions scheme providing £23.75 million to tackle the disproportionate impact of COVID-19 on groups such as the elderly, disabled and ethnic minority groups, to boost vaccine

take up, counter misinformation and share learning with other areas and communities.

- Continued the **Troubled Families** Programme and funded 439,956 since inception up to January 2021. 401,719 families have achieved successful outcomes, and 369,337 have made significant and sustained improvements over this period.

Driving Growth in Places

- Committed over £1.3 billion of the £3.6 billion Towns Deal Fund including accelerated funding received by towns last year. 53 of the 101 towns have been made offers of deals, and the remaining are being assessed.
- Announced locations of 8 Freeports in England to be national hubs for international trade, innovation, and commerce, spreading opportunity across the country.
- Launched three new UK-wide investment programmes:
    - The UK Community Renewal Fund, £220 million to help local areas prepare for the introduction of the UK Shared Prosperity Fund.

- The Levelling Up Fund, £4.8 billion to drive regeneration in places facing challenges, and areas that have received less government investment in recent years.
- The Community Ownership Fund, a £150 million fund to support the protection of at-risk local assets by bringing them into community ownership.

Bringing about the biggest change in building safety for a generation

- Published the draft Building Safety Bill in July 2020, a landmark Bill bringing the biggest changes to building safety in almost 40 years to make residents safer in their homes.
- Announced a further £3.5 billion to fully fund the removal of unsafe cladding for leaseholders in all residential buildings 18 metres and over in England; and a finance scheme to provide reassurance for leaseholders in buildings between 11 and 18 metres, so they never pay more than £50 a month for unsafe cladding removal.
- Published the government's response to the Future Homes Standard (FHS) consultation in January 2021. From 2025, the FHS will ensure that new homes

produce at least 75% lower CO_2 emissions compared to those built to current standards representing a considerable improvement in energy efficiency standards for new homes.

End Rough Sleeping

- Protected rough sleepers from the COVID-19 pandemic by accelerating delivery of the £381 million Rough Sleeping Programme announced at Budget 2020 and extending it to £433 million to bring forward 6000 new move-on homes. By January 2021, we had supported over 37,000 people into emergency or longer-term accommodation.
- Committed £263 million to local authorities to support people who are homeless or at risk of losing their homes. This funding allowed local authorities to employ specialists to provide practical advice to vulnerable people to help ensure they are meeting their rent payments, as well as helping them to find long-term stable accommodation.

Supporting Corporate Activities

- MHCLG's staff engagement score was its highest ever score and was higher than the Civil Service benchmark.
- Responded in an agile way to COVID-19 and EU Transition, redeploying over 600 people into new roles and bringing in specific skills from across government and external to government.
- Supported the government's Beyond Whitehall and levelling up agenda by moving over 120 roles outside of London, announcing the establishment of a second HQ in Wolverhampton and our intention to be part of the new Northern Economic Hub in Darlington, alongside the Treasury and other government departments.

2. Performance Analysis

Overview

This section sets out the department's performance against the seven strategic priorities which anchored its delivery for 2020-21. The impact of the COVID-19 pandemic and EU transition on delivery activity and outcome is also specified where applicable.

Delivering in a COVID-19 environment

The last year has been a significant period for the department, local government and people and communities across the country. MHCLG has played a critical role in the government's response to the COVID-19 pandemic. Taking unprecedented steps to protect thousands of rough sleepers, in supporting shielding the most vulnerable in society, improving vaccine uptake amongst disproportionately impacted groups, and introducing emergency support for people, places and businesses. Alongside COVID-19 response, we have also made significant progress in delivering the government's agenda. We are modernising the planning system, making the largest ever investment in affordable housing and pressing ahead with our mission to deliver the homes the country needs; seeing the highest level of house building for over 30 years. We are delivering multi-billion pound investment to level-up the United Kingdom.

Local government has been at the heart of the government's response, playing a crucial role on the front line, whilst keeping priority services running. MHCLG has supported local government to respond to concurrent pressures including COVID-19 testing, vaccination programmes, compliance and enforcement activity and transition pressures. We provided local authorities with £4.6 billion in un-ringfenced emergency COVID-19 funding, distributed according to a brand new COVID-19 Relative Needs Formula. The COVID-19 Relative Needs Formula applies an expenditure-based regression approach, to allocate funding for upper and lower tier services across local authorities, weighting a per-capita measure of need by local deprivation (IMD Average Score – Indices of Deprivation 2019). An Area Cost Adjustment was also applied for the cost differences between local authorities in delivering services. This in turn enabled local government to provide support where it was most needed and helped ensure there were no financial failures in the local government sector during the course of the pandemic. We have also provided support for unexpected losses in council income from sales, fees and charges as well as local taxes.

The government's priority is now focussed on helping the country recover and rebuild from the pandemic and MHCLG sits at the heart of this agenda. There is a significant amount of work that we need to progress, specifically in understanding how different places and economies have been affected in different ways, to support our levelling-up agenda.

The department's specific COVID-19 responses are included alongside other achievements shown under each strategic priority within this section. However you can find COVID-19 related expenditure for 2020-21 and 2019-20 broken down by strategic priority in Annex E.

1. Getting more people on to the housing ladder and building safer, greener, more beautiful homes

The last year has presented an unprecedented challenge for the sector. We worked closely with Homes England, our delivery arm, and a range of partners to support the housing market to reopen and remain open, and to enable the continued safe delivery of new homes. An additional 243,770 homes were built in the last year: up 1% on the previous year and the highest figure in 30 years.

Additionally, we have supported citizens with their housing needs and increased homeownership via the Help to Buy scheme; brought forward legislation to protect renters from possession proceedings; published a white paper setting out ambitious reforms to the Social Housing sector; and supported up to 43,000 domestic abuse victims to access safe accommodation.

Looking ahead, the 2020 Spending Review set out an ambitious plan for housing and place making over the long term, backed by a near £20 billion investment in delivering new homes and communities. Supported by our comprehensive reforms to the planning system, as set out in the Planning for Future White Paper, this will enable us to build towards our ambition to sustainably deliver 300,000 good quality new homes each year. We also expect that new homes will meet more demanding government standards to reduce carbon emissions, move to low-carbon sources of heat and ensure our homes are fit for the future.

What we achieved in 2020-21

Housing Supply and Homeownership

- Introduced a **range of measures to restart the housing market in response to COVID-19** and continued support for the sector over the year. Enabled flexible construction site working hours, extended certain planning permissions that would otherwise have lapsed, worked with industry to produce a Charter for Safe Working Practice and updated Site Operating Procedures published by the Construction Leadership Council.

- Secured £7.1 billion of initial funding for the **National Home Building Fund** at the 2020 Spending Review to deliver 860,000 homes over the lifetime of the projects funded.

- Supported borrowers through the **Home Building (Short-Term) Fund** which had an initial **allocation of £2.5bn**. The Fund is targeted at small and medium-sized housebuilders, modern methods of construction and other innovative forms of housing delivery. To date, a total of £1.87bn has been contracted or approved of which 94% has been to small and medium-sized housebuilders.

- Allocated the **£400 million Brownfield Fund** to 7 mayoral combined authorities, helping to transform blighted brownfield sites and **unlock 26,000 high quality homes** in our towns and cities.
- Announced **£2.2 billion of loan finance** to support housebuilders across the country. This includes delivering **Help to Build** for custom and self-builders, funding for **SMEs** and modern methods of construction, and funding for infrastructure.
- Published our response to the **First Homes consultation**, which will enable local first-time buyers to get onto the property ladder by reducing both deposit and mortgage requirements.
- HMT announced a **new mortgage guarantee scheme** at Spring Budget, to enable **homebuyers** to secure a mortgage for a property up to £600,000 in value with a 5% deposit.
- Helped support more than 39,000 households purchase a new build home between April – December 2020 via the **Help to Buy Equity Loan scheme**. Meaning over 313,000 households have purchased a new-build home since its launch in spring 2013.

Planning

- Published **Planning for the Future White Paper** in August 2020 outlining reforms to make the planning system simpler, more certain and more digital in its operation, while making effective use of community engagement to inform decisions about the location and design of future development. The consultation attracted **more than 40,000 responses**.
- Introduced **new Use Classes Order**, creating a new class E for commercial premises, and new permitted development rights for both building upwards, demolishing and rebuilding as residential.

Figure 1	
Our performance: Net additional dwellings per annum Annual housing supply in England amounted to 243,770 net additional dwellings in 2019- 20, up 1 % on 2018-19. This resulted from 220,600 new build homes, 26,930 gains from change of use between non-domestic and residential, 4,340 from conversions between houses and flats and 930 other gains (caravans, house boats etc.), offset by 9,020 demolitions.	
Year	**Net additional dwellings**
2019-20	243,770
2018-19	241,880
2017-18	222,280
2016-17	217,350
2015-16	189,650

Source: Housing Supply: Net Additional Dwellings; release schedule: annually in November

Figure 2	
Our performance: Gross supply of affordable housing completions. There were 58,759 affordable homes delivered in England in 2019-20, an increase of 3% compared to 2018-19. Since 2013-14, affordable rent has become the most common tenure type for affordable homes delivery. In 2019-20, there were 28,209 new affordable rent homes, representing 48% of all new affordable homes.	
Year	**Gross supply of affordable housing completions**
2019-20	58,759
2018-19	57,175
2017-18	47,069
2016-17	42,195
2015-16	32,614

Source: Affordable housing supply data; release schedule: annually in November/December

Social Housing

- Enabled over 1,800 housing association tenants to become homeowners via the **Midlands pilot of the Voluntary Right to Buy scheme**. The pilot evaluation was published in February 2021, and the findings are being used to help inform future policy.
- Published the **Charter for Social Housing Residents** (the Social Housing White Paper) in November 2020. The White Paper measures will rebalance the relationship between landlord and tenant and create a proactive consumer regulation regime.

- Published new **statutory guidance** for local authorities to improve access to social housing for members of the **Armed Forces community**.

Accommodation Support

- Launched a **£10 million Emergency Support Fund** in response to **COVID-19** which supported over 160 frontline charities, providing over 1,900 bed spaces to domestic abuse victims during the pandemic.
- Introduced a new legal duty within the **Domestic Abuse Bill**, currently going through parliament, for local authorities to provide support for victims of domestic abuse and their children within safe accommodation.
- Allocated **£16.6 million funding** to 75 local authority led **safe accommodation projects** in 2020-21, helping up to 43,000 victims.
- Disbursed £573 million to local authorities in England for the **Disabled Facilities Grant (DFG)** to help them deliver over 50,000 home adaptations. The grant is funded by the Department of Health and Social Care through the Better Care Fund.

Supported Housing

- Published the **National Statement of Expectations (NSE),** setting out best practice in planning and delivering high quality supported housing that represents good value for money, and bringing together recommended accommodation standards for the first time.

- Announced **£3.1 million of funding for five local authorities**, to pilot enforcement interventions that will drive up standards in accommodation and support and empower local authorities to better understand local need and supply and strategically plan to meet future demand.

Leasehold

- Responded to the **Law Commission Report** on leasehold enfranchisement and announced policy to give millions of leaseholders the **right to extend their lease** by a maximum term of 990 years at zero ground rent, saving leaseholders thousands of pounds. Also announced **protection for the elderly** by reducing ground rents to zero for all new retirement properties as part of the biggest reforms to English property law for 40 years.

Renters Support during the COVID-19 Pandemic

- Extended the notice social and private landlords must give tenants before starting formal possession proceedings to three months in all cases between 26 March and 28 August 2020; and then six months in most circumstances from March to 31 May 2021, with comprehensive guidance for tenants, landlords and local authorities.

2. Supporting communities to respond, recover and emerge from COVID-19 stronger

Throughout 2020-21, supporting the national and local response to COVID-19 has been a key priority for the department, and we made significant progress in a number of areas, despite the challenging environment in which we were operating.

We succeeded in establishing the Shielding programme, providing support services for the most vulnerable in our society. We supported local partners through Local Resilience Forums and local government, ensuring they have the resources they need to respond locally. We stood up dedicated structures to respond to a specific set of concurrent risks including a winter peak on COVID-19, the end of the EU Transition period and normal winter emergencies, such as flooding.

As the concurrent risks around EU transition, COVID-19 and other emergencies have reduced, Winter and Shielding structures are being wound down and response activity is being absorbed across the department. Our Resilience and Emergencies Division (RED) will continue to monitor risks and advise on appropriate formal emergency responses if the need arises.

What we achieved in 2020-21

Shielding

Stood up local authority led support services for the Clinically Extremely Vulnerable (CEV) during national lockdown and tiering restrictions, supporting a total of 3.7 million vulnerable people. This included the delivery of a total 4.7 million food boxes between 27th March 2020 and 1st August 2020.

Resilience and Emergencies Division (RED)

- Sustained a **dedicated COVID-19 Operations Centre** to coordinate liaison between central and local government on the pandemic and concurrent emergencies, providing effective support for each **Local Resilience Forum (LRF)** through an exceptionally challenging period for local resilience.
- Provided local authorities with a **£30 million ringfenced grant for COVID-19 compliance and enforcement activity** in November 2020 for use in 2020-21, enabling the employment of COVID-19 marshals in local communities.
- Coordinated an expert panel of resilience professionals to provide reassurance on **Local Resilience Forums (LRF)** preparedness for winter 2020-21, for the end of the EU exit transition period, COVID-19 pandemic, winter weather and other known risks, and to support the building of capability. The panel report was delivered in December 2020 providing **strong assurance of LRF preparedness**.
- Committed **£7.5 million** to the **recovery of floods**, including £3.4 million for **Community Recovery Grants** to 44 local authorities.

- Awarded **£7.6 million** to 38 Local Resilience Forums to support **EU transition** and **COVID-19 response**.
- Strengthened and increased local authority engagement to ensure stakeholders are briefed on the latest developments from across government and to collect real-time intelligence to inform the Centre. Involving regional and national Ministerial webinars, working with the Regional 9 Chief Executive Group and establishing issue specific stakeholder groups e.g. Shielding, Vaccines.

Personal Protective Equipment (PPE)

- Emergency PPE deliveries to Local Resilience Forums (LRFs) via MHCLG were carried out until 11 September. By then, over **200 million** items of PPE were delivered to LRFs for distribution to support frontline services.

3. Ensuring local government has access to the powers and funding to support communities and level up

Over the past year, in order to promote the sustainability of local government finances, we have offered additional focused support for authorities to deal with the income and expenditure pressures of COVID-19, whilst delivering essential services and government's priorities. We have also used the Spending Review and settlement to make further funding available. Subject to local decisions, Core Spending Power in England could rise from £49 billion in 2020-21 to up to £51.3 billion in 2021-2022, a 4.6% increase in cash terms. This recognises the resources local authorities need to meet their pressures and maintain current service levels.

We have prioritised supporting the cross-government COVID-19 response with significant achievements in supporting the roll out of community testing and vaccination programmes and ensuring local government have the powers they need to respond locally.

We committed over £12 billion of additional funding for local authorities' response to COVID-19: £9 billion in emergency COVID-19 support directly to local authorities for 2020-21, and over £3 billion for 2021-22. In addition to funding for expenditure pressures, the department is also supporting local authorities with unexpected losses in self-generated income and local tax and provided exceptional financial support for a small number of local authorities where needed. This funding has addressed the expenditure and income pressures, and indeed the public health challenges, facing local authorities and their communities.

We continued to progress work on areas which were indirectly affected by COVID-19, for example the Troubled Families programme helped families particularly affected by the pandemic, and we maintained oversight of the system to ensure delivery of public services could continue. In addition, progress has been made on longer term priorities such as devolution of powers to specific areas, supporting resilience and managing risk for local authorities. This includes responding to the recommendations of the independent Redmond Review into local authority financial reporting and external audit and developing our approach to sector support.

We developed proposals for a Community Ownership Fund, which was announced at Budget 2021 as part of the government's levelling up agenda. This will allow communities to protect assets at risk of being lost and to run them as community businesses to benefit local people.

What we achieved in 2020-21

Funding for Local Government

- Provided local government with the resources to respond to the pandemic, including £9 billion of additional funding in 2020-21 including; £4.6 billion in un-ringfenced grant, over £4 billion of other grant funding and support for lost sales, fees and charges income.
- Established a new monitoring regime to understand the impacts of COVID-19 on local authority capacity and capability. This data informed our approach to the Spending Review, local government finance settlement, COVID-19 support packages and exceptional financial support schemes.
- Secured an increased **Local Government Finance Settlement** for 2021-22, which will see Core

Spending Power in England rise by up to 4.6% in real cash terms, from £49.0 billion in 2020-21 to up to £51.3 billion in 2021-22. As a result, local authorities now have the certainty they need to plan for the year ahead and to continue to provide high-quality front-line services.

Figure 3

Our Performance: Final Local Government Finance Settlement 2021-22

4.6%

Cash increase in Core Spending Power in England secured through the 2021-22 Local Government Finance Settlement.

Source: Local Government Finance Settlement: England, 2021 to 2022

- At the 2020 Spending Review announced that local authorities will receive **over £3 billion of additional support for COVID-19** in 2021-22, this consists of £1.55 billion of new grant funding to meet additional service pressures, £670 million of new grant funding to enable them to continue reducing council tax bills for those least able to pay, and an estimated £800 million to **compensate local authorities** for 75% per cent of irrecoverable loss of council tax and business rates revenues this year. Local authorities will also receive support to offset lower income from sales, fees and charges.
- **Supported local authorities** with unmanageable financial pressures by providing capitalisation directions for eight councils for 2020-21; including

an additional grant to one local authority. Agreed support in principle for nine local authorities, subject to external assurance reviews.

Ensuring Local Government has Tools and Powers in place

- Legislated to give the **Sheffield City Region** Mayor **devolved powers** and budgets; and to devolve powers and budgets to West Yorkshire, establishing a new Mayor to be first elected in May 2021, who will also take on the Police and Crime Commissioner role.
- Worked with **Northamptonshire local authority** to support smooth implementation of restructuring and establishment of the Children's Trust. The intervention by MHCLG into Northamptonshire local authorities were completed in March 2021 with the creation of two new unitary authorities.
- Invited local authorities in Cumbria, North Yorkshire and Somerset to submit proposals for unitarisation resulting in 8 proposals; consultation started in February 2021.
- Continued to support **improvement work** in the sector through support to the Local Government Association. Additionally, worked with local authorities who suffered cyber-attacks, and secured **£16 million** in the 2020 Spending Review to **support modernisation of local authorities**' cyber security systems.

- **Published** the government's initial **response to the Redmond Review** report on local authority financial reporting and external audit; implementing priority recommendations with the aim of supporting immediate audit market stability, such as extending the audit publication deadlines, consulting on adding flexibility in the current fee setting process and on the allocation of £15 million to support affected local public bodies to meet the anticipated rise in audit fees in 2021-22.
- **Implemented** measures to support **improvement in local government governance**. Published lessons learnt from statutory and non-statutory interventions and part funded The Centre for Governance and Scrutiny and the **Localis Governance Risk and Resilience Framework and Toolkit**. Carried out non-statutory rapid reviews in two local authorities and established improvement and assurance boards. Instigated a statutory Best Value Inspection of Liverpool City local authority, which reported in March 2021.

Supporting Local Government Work for Communities and Levelling Up

- Provided **£5.1 million** to the **English for Speakers of Other Language (ESOL) for Integration Fund** supporting 30 local authorities with English language sessions for isolated residents with little or no English. **Repurposed programmes with external partners to**

adapt to COVID-19 circumstances pivoting delivery to provide remote and online learning, and providing learning around Health and Wellbeing, public health guidance, promotion of vaccination take up, registering with healthcare providers and increased signposting to local support services.

- Rolled out the Community Testing and Vaccination programme and supported local government in its role in achieving COVID-19 vaccination milestones.
- Established the **Community Champions scheme** providing **£23.8 million** to tackle the disproportionate impact of the COVID-19 pandemic on certain groups, including the elderly, disabled and those from ethnic minority groups. Funding was allocated to 60 councils, voluntary organisations and other key partners across England to deliver work to support those most at risk from COVID-19, including boosting vaccine take up, countering misinformation and sharing learning with other areas and communities.
- Postponed elections and polls due from May 2020 to May 2021 to enable local authorities to respond to the COVID-19 pandemic. Continued to support local authorities in preparing for and running the May 2021 elections.
- Produced **COVID-19 related guidance and regulations for places of worship** under national restrictions. Cross-government work resulted in places of worship remaining open during the second

lockdown and provision of advice for religious festival celebrations.

- Launched the 2021 **Windrush Day Grant Scheme** inviting bids to share £500,000 to support projects that celebrate, educate and foster pride in the Windrush Generation and their contributions to society.
- Continued the **Troubled Families** Programme and funded 439,956 families up to January 2021. Since the programme's inception in 2015 up until January 2021, 401,719 families have achieved successful outcomes, of those 369,337 have made significant and sustained improvements with the problems that led to them joining the programme. The November 2020 spending review saw a further £165 million committed, extending the programme to 2021-22.
- Announced £46 million for the **Changing Futures** Programme with the aim to improve outcomes for adults experiencing multiple disadvantages.

Figure 4

Our Performance: Troubled Families Programme

Families engaged in the Troubled Families Programme

439,956

Families that have achieved significant and sustained progress against the problems that were identified when they entered the Troubled Families Programme

369,337

between 2015 and January 2021

Source: Annual report of the Troubled Families Programme 2020 -2021

Specific Challenges

- We are continuing to work with a small number of local authorities that face particular challenges. Improvement and Assurance arrangements are in place for the London Borough of Croydon and Nottingham City Council following non-statutory reviews of those councils. The Secretary of State has proposed an intervention package for Liverpool City Council following the Best Value Inspection Report that was published on 24 March 2021.
- In order to understand the additional pressures, we established a monthly local authority COVID-19 financial monitoring data collection process. This involved extensive engagement with local authorities and allows us to understand the financial impact and the ability to react quickly to an evolving situation, as well as establish sound communication channels across the sector.
- In 2018-19 over 200 local public bodies failed to publish their closed accounts on time, which led to the commissioning of the Redmond review into local authority financial reporting and external audit, which reported on 8 September 2020. Government responded on 17 December and provided a further update on 19 May 2021. Since then, and despite extending the audit publication deadline in April

2020 to 30 November for 2019-20, delays continue. Implementation of the Redmond recommendations are continuing, with an initial focus on measures to support the robustness of the local audit regime and reduce the number of future delayed audits. We continue to work closely with stakeholders, including local bodies and audit firms, to refine our proposals for implementing commitments around system leadership and other commitments made in response to the Redmond Review, ahead of publishing a public consultation on the proposals in advance of summer recess.

- In 2018-19 over 200 local public bodies failed to publish their closed accounts on time, which led to the commissioning of the Redmond review into local authority financial reporting and external audit, which reported on 8 September 2020. Government responded on 17 December and committed to provide a further update in Spring 2021. Since then, and despite extending the audit publication deadline in April 2020 to 30 November for 2019-20, delays continue. Implementation of the Redmond recommendations are continuing, with an initial focus on measures to support the robustness of the local audit regime and reduce the number of future delayed audits.
- The latest monitoring forms estimate COVID-19 expenditure pressures of £7.3 billion and income losses of £5.6 billion for the local government sector in

2020-21. Further details on the department's response through the Spending Review, local government finance settlement, COVID-19 support packages and exceptional financial support schemes are outlined in the performance analysis above. In addition to this support, to aid the stability of local government finances, in Spring 2020 ministers agreed to postpone reforms to the local government finance system; the department is now working with ministers and HMT on the best approach to these.

4. Driving growth in places

Over the last year, we have invested in places and local communities right across the country: regenerating our town centres and high streets, supporting individuals into employment, improving local transport links and investing in local culture – while also giving communities a strong voice to take over cherished local assets.

Spring Budget was a pivotal moment: confirming the biggest changes to the way we support local economic growth in a decade, and launching over £4.97 billion in investment across three new UK wide funds, the £4.8 billion Levelling Up Fund, the £220 million UK Community Renewal Fund and the £150 million Community Ownership Fund.

The Levelling Up Fund will focus on capital investment in local infrastructure, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets. The Community Renewal

Fund will support local areas to prepare for the launch of the UK Shared Prosperity Fund from 2022 with a focus on skills, local business, and supporting people into employment. At Budget the Chancellor also announced the eight successful Freeport locations.

We have also empowered people and places through further devolution, building on the successful devolution of powers to city region mayors and others, so that every part of the country has the power to shape its own destiny. The North Wales Full Deal was signed on 17 December and the Mid-Wales Heads of Terms Deal announcement happened on 22 December.

Finally, we have helped build community resilience to respond to, and recover from, emergencies such as COVID-19.

What we achieved in 2020-21

Supporting Local Economies and High Streets

- Facilitated the **safe and successful reopening of our local economies** following COVID-19 restrictions with **£50 million** of funding allocated to the **Reopening High Streets Safely Fund (RHSSF).**

- Supported the **hospitality industry** to **recover from COVID-19** restrictions by extending a series of measures to businesses. Including **simplifying and reducing the costs** of the licensing process for **outdoor seating** and stalls; **relaxing planning rules** to allow pubs and restaurants to operate as takeaways; and freedoms to allow **outdoor markets**, marquees, pop-up car-boot sales or summer fairs without the need for a planning application.

- Provided Future High Streets funding of £830 million for 72 high streets across England. At Budget announced 45 Town Deals across England benefitting from over £1 billion to support long-term economic and social regeneration including immediate recovery from the impacts of COVID-19.
- **Completed** the competitive selection process for **Freeports**, and at budget the Chancellor announced the eight Freeports from **eight regions of England** through to the next stage of Freeports designation.
- Launched a consultation on reforms to the **Right to Contest**, with the intention of making it easier for the public and communities to transform their local area through a new Right to Regenerate.

Pan-Regional Strategies

- The **Midlands Engine Business Council** met for the first time in February 2021. bringing together top business leaders from the region, co-chaired by Ministry of Housing, Communities and Local Government Secretary of State Robert Jenrick and Midlands Engine Chairman Sir John Peace.

Local Growth Funding

- Announced £900 million **Getting Building Fund** investment to support shovel ready infrastructure projects across England.
- Committed over £1.3 billion of the £3.6 billion **Towns Deal Fund** including accelerated funding received by towns last year. 53 of the 101 towns have been made offers of deals, and the remaining are being assessed and will be announced in due course.
- Published at Budget the prospectus on the **Levelling Up Fund and UK Community Renewal Fund**, setting out how places across the whole of the UK can bid for £4.8 billion and £220 million respectively, to support levelling up and economic recovery.

Oxford-Cambridge Arc

- Launched a long-term **Spatial Framework for the Arc**, in order to plan for sustainable growth across the area, and published a policy paper setting out the intended approach. Also announced intent to establish a Growth Body to give a clear economic leadership voice to the Arc.

Infrastructure and Land Programmes

- Funded 131 infrastructure projects to unlock housing across all areas of England through the **Housing Infrastructure Fund (HIF).**

- Provided a further £30 million to the **Land Release Fund** and **One Public Estate**, unlocking surplus land for housing and support for local economies to bounce back from the pandemic

- The **local authority Accelerated Construction** (LAAC) programme provided **£66 million** of grant funding across 44 schemes, outside London, during 2020-21. Within London, LAAC is considered fully committed as at the end of March 2021, having achieved 1,078 starts, with a total of 2,127 starts forecast by the Greater London Authority (GLA) by March 2023.

- The **Land Assembly Fund** has established a pipeline of sites with capacity for over 20,000 home starts between 2021-22 and 2025-26 across approximately 40 sites.

Brownfield Fund

- Allocated £400 million **Brownfield Funding** to 7 mayoral combined authorities (West Midlands, Greater Manchester, West Yorkshire, Liverpool City Region, Sheffield City Region, North of Tyne and Tees Valley). This will help to transform blighted brownfield sites and unlock 26,000 high quality homes in our towns and cities, supporting devolution and levelling up.

5. Bringing about the biggest change in building safety for a generation

Following the tragic fire at Grenfell Tower and building on the recommendations of Dame Judith Hackitt's independent report, MHCLG is taking forward the government's commitment to bringing about the biggest change in building safety for a generation, so that all residents of high-rise residential buildings are safe and feel safe in their homes.

The Building Safety Bill was published in draft form in July 2020 for pre-legislative scrutiny and the MHCLG Select Committee published its report on 24 November 2020. The Bill, which is set to be introduced in Parliament in 2021-22 will establish the new Building Safety Regulator and building safety regime, as well as a Construction Products Regulator which will be set up in the Office for Product Safety and Standards.

Meanwhile, work has continued on the delivery of £1.6 billion of grant funding for the remediation of unsafe ACM and non-ACM cladding on high-rise buildings. Remediation had been started or completed on 87% of private sector buildings with ACM cladding by end of March 2021. In February 2021, the Secretary of State announced a further £3.5 billion of grant funding to support this work, accompanied by a generous loan scheme for removal of unsafe cladding from medium-rise buildings of 11-18m, under which no leaseholder will pay more than £50 per calendar month.

A levy under the new building safety regime, and a tax on developers set to raise £2 billion over 10 years have also been announced, alongside further interventions to support leaseholders. These include support for professional indemnity insurance for those assessing buildings with unsafe cladding, £700,000 towards training to increase the supply of assessors, provided by the Royal Institution of Chartered Surveyors, and establishment of a £30 million grant scheme to replace costly 'waking watch' interim measures with fire alarms.

We continued to keep the Grenfell Tower site safe and secure until a decision is made about its future. This includes ensuring regular checks and maintenance to ensure the ongoing structural integrity of the Tower. Essential maintenance activities and inspection have continued throughout the COVID-19 pandemic and the next phase of safety works have commenced. A contract to carry out the safety works and day to day maintenance at the site, was awarded in May 2021 and they will begin work on site in July 2021.

MHCLG recognises the importance of cleaner and greener buildings in meeting the government's net zero targets, and the minimum energy efficiency standards we set for buildings must put us on the right track. The 2025 Future Homes Standard and Future Buildings Standard, which both include 2021 interim uplifts, represent considerable improvement in energy efficiency standards for new homes and will produce highly efficient non-domestic buildings.

What we achieved in 2020-21

Grenfell Tower and Inquiry

- The **Grenfell Tower Memorial Commission** have continued to meet virtually during the pandemic and are running an 'Ideas gathering phase' to generate ideas from the community for a fitting memorial.
- Continued to report quarterly on government's progress against the recommendations from the government response to Phase One of the **Grenfell Tower Inquiry**, which was published in January 2020; while the Phase 2 of the Inquiry progresses its work.
- Continued to engage with bereaved family members, survivors, local residents and the North Kensington community, on decisions and activity relating to the Tower and the future memorial.

Building Safety Reform

- Published the draft **Building Safety Bill** in July 2020, a landmark Bill bringing the biggest changes to building safety in almost 40 years to make residents safer in their homes.
- Announced the **National Regulator for Construction Products**, to be established in the Office for Product Safety and Standards; will ensure that in future all homes are built from safe materials; and will have the power to remove any product from the market that presents a significant safety risk and prosecute companies who flout the rules on product safety.

- **Appointed** Peter Baker as the first **Chief Inspector of Buildings** to lead the shadow Building Safety Regulator within the Health and Safety Executive. The future Building Safety Regulator, to be established through the Building Safety Bill, will implement the new, **more stringent regime** for higher-risk buildings, promote the competence of all professionals working on buildings, and oversee the **safety and performance** of all buildings.

Remediation Delivery

- Provided advice to site managers and building owners during the COVID-19 pandemic and agreed a pledge with local leaders and main metropolitan areas to enable restarting of paused building safety work to remediate unsafe ACM cladding.

- Made progress in the remediation of dangerous Aluminium Composite Material (ACM) cladding with 188 (87%) of private sector high-rise residential buildings with unsafe ACM having either completed or started remediation by the end of March 2021. 136 buildings (63%) had their ACM cladding removed by the end of March 2021. Of these, 84 buildings had completed remediation, 52 had ACM cladding removed and 52 buildings had started remediation. The remaining 28 (13%) private sector residential buildings that were yet to start remediation either had remediation plans in place or had reported an intent to remediate and were developing plans.

- Launched the £1 billion **Building Safety Fund** in May 2020 for non-ACM remediation, received 2,820 registrations from buildings in the private sector, and approved £319.2 million of funding for works to both private and social sector buildings by the end of March 2021. With an additional £3.5 billion for the remediation of unsafe non-ACM cladding announced in February 2021.
- Opened the £30 million **Waking Watch Relief Fund (WWRF)** providing funding to install alarm systems to protect leaseholders from the high costs of Waking Watch, where a building is waiting to undergo remediation. The fund builds on recently updated guidance from the **National Fire Chief's Council (NFCC),** which made clear that whilst waking watch (when established in accordance with NFCC guidance) is an acceptable risk mitigation strategy, alarms are preferable on grounds of both safety and cost efficiency.

Leaseholders and Future Funding

- **Announced** a further **£3.5 billion** to fully fund the removal of **unsafe cladding** for leaseholders in all residential buildings 18 metres and over in England; a generous finance scheme to provide reassurance for leaseholders in buildings between 11 and 18 metres, so they never pay more than £50 a month for unsafe cladding removal; a developer levy and a new tax on the largest property developers.

Net Zero & Climate Change

- Published the government's response to the **Future Homes Standard (FHS)** consultation in January 2021. From 2025, the FHS will ensure that new homes produce at least 75% lower CO2 emissions compared to those built to current standards representing a considerable improvement in energy efficiency standards for new homes. These will be future-proofed homes with low carbon heating and high levels of energy efficiency. No further energy efficiency retrofit work will be necessary to enable them to become zero-carbon as the electricity grid continues to decarbonise.
- Launched the **Future Buildings Standard (FBS)** also in January 2021, which forms the second stage of our two-part consultation on proposed changes to Part L and Part F of the Building regulations. It builds on the FHS by setting out energy and ventilation standards for new non-domestic buildings, existing homes and existing non-domestic buildings, and includes proposals to mitigate against overheating in residential buildings. It also sets out proposals for a FBS which provides a pathway to highly efficient non-domestic buildings which are zero carbon ready, better for the environment and fit for the future.
- Jointly published with BEIS, the Energy Performance Certificates (EPC) Action Plan in September 2020. The Action Plan aims to reduce carbon emissions

by fostering an EPC system that produces accurate, reliable and trusted EPCs ultimately encouraging consumers to invest in making buildings more energy efficient.

- Launched a new Energy Performance of Buildings Register in September 2020 designed to provide building energy performance information in an easy and accessible way. With the aim to encourage carbon savings through a better understanding of the way that buildings use energy and how improvements can be made.
- Continued regular publication of open data from the Energy Performance of Buildings Register to support research and drive innovation in energy saving approaches for the building stock in England and Wales.

Specific Challenges

- There is an ongoing challenge of ensuring the community remains engaged as the government and others secure Grenfell Tower and make decisions about the future.
- Alongside grant funding announced to meet the costs of remediating the highest risks of unsafe cladding, and introduction of a developer tax and levy to ensure the Industry which created these problems plays its part, we recognise that historic remediation costs

and the impact these have on leaseholders and the mortgage market will remain a challenging landscape.

6. Ending Rough Sleeping

The government has an ambition to end rough sleeping within this Parliament. During the year, we took huge steps towards achieving this ambition, working with local authorities and their partners to keep rough sleepers safe during the pandemic and to support them to rebuild their lives.

The Annual Rough Sleeping Snapshot for 2020 shows that we have made real progress, with a 37% fall from 2019 in the number of people rough sleeping on a single night, to 2,688. This success was replicated in London, with a 37% fall in rough sleeping – the largest since the time series began in 2010.

Figure 5

Our performance: Rough sleeping count for England

The total number of people counted or estimated to be sleeping rough on a single night was 2,688. This was down by 1,578 people or 37% from the 2019 total of 4,266. This is a single night snapshot and is taken annually in England using street counts, evidence-based estimates, and estimates informed by spotlight street counts.

Year	Number of rough sleepers	% change from previous year
2020	2,688	-37
2019	4,266	-9
2018	4,677	-2
2017	4,751	15
2016	4,134	–

Source: Rough Sleeping Statistics, Autumn 2020, England release schedule: annually in February

What we achieved in 2020-21

Rough Sleeping Accommodation Programme

- **Protected rough sleepers** from the COVID-19 pandemic by accelerating delivery of the **£381 million Rough Sleeping Accommodation Programme** announced at Budget 2020. By mid-April 2020, **90%** of people sleeping rough or in shelters at that time had been **offered accommodation**.
- Extended the **Rough Sleeping Accommodation Programme** to a total of **£433 million** to bring forward **6,000 new move-on homes**. Supporting many of the thousands of rough sleepers housed in emergency accommodation to move on to more sustainable, long-term housing by the end of this Parliament. By January 2021, we had supported over 37,000 people in total, with 11,000 in emergency accommodation and over 26,000 moved on into longer-term accommodation.
- Established the **COVID-19 Rough Sleeping Taskforce** under the leadership of Dame Louise Casey to spearhead the government's support for rough sleepers supported during the pandemic.
- Continued to respond as the pandemic evolved. In November 2020, when national restrictions came into force, introduced the **Protect programme** which made up **to £15 million** available for **targeted support** to local authorities with the highest numbers of rough sleepers. In January 2021, in light of the new

variant driving increasing infection rates, provided an **additional £10 million** through the **Protect Plus** programme and asked local authorities in England to redouble their efforts to accommodate all those currently sleeping rough and ensure they are swiftly registered with a GP so they can be protected from the virus and contacted to **receive vaccinations**.

- Allocated **£150 million** of this in October 2020 for 3,300 homes, working with **Homes England** and the **Greater London Authority** to deliver these.
- Made available an additional £105 million through **Our Next Steps Accommodation programme** to support rough sleepers into tenancies of their own, including through help with deposits for accommodation, and securing thousands of alternative rooms already available and ready for use, such as student accommodation.
- Partnered with local authorities across the country to make sure that rough sleepers, supported through **Everyone In,** moved into long-term and safe accommodation. Ensuring as few people as possible returned to life on the streets.

Rough Sleeping Initiative

- £112 million allocated last year to local authorities to deliver the third year of our flagship **Rough Sleeping Initiative (RSI)** has been used to fund up to 6,000 bed spaces and 2,500 support staff across the country.

This has helped vulnerable rough sleepers get the support they need to rebuild their lives. It could mean a roof over their head, access to specialist health services, or advice on how to secure a home in the long term.

Preventing Homelessness

- **Committed £263 million** to local authorities to support people who are **homeless or at risk of losing their homes.** This funding allowed local authorities to employ specialists to provide practical advice to vulnerable people to help ensure they are meeting their rent payments, as well as helping them to find long-term stable accommodation.
- In September 2020, the number of households with children in temporary accommodation decreased 4.7% from September 2019 to 59,360. It was at its lowest level since 2016.

Substance Misuse Fund

- **Awarded £23 million to 43 local areas** across England to provide substance misuse support to people who are currently rough sleeping or are in emergency accommodation to help them recover from drug and alcohol abuse.

7. Supporting corporate activities

Supporting corporate activities is one of MHCLG's core priorities. We strive to ensure we have skilled, diverse and high-performing people, who are proud to work for

MHCLG and are supported and trusted by empowering and inclusive leaders.

Despite the challenging start to the 2020-21 planning year, our staff have continued to demonstrate great resilience and have responded to priorities positively throughout this period. This is evidenced by our staff engagement scores in the 2020 People Survey, which increased by 2 percentage to 67%, our highest score in the 12-year history of the survey.

This increase was in the context of three organisational design changes to respond to COVID-19 and EU Transition work. This resulted in the redeployment of over 600 people into new roles and bringing in people with specific skills and experiences from across government and external to government, requiring the department to be agile in how it deployed its resources.

The 2020 government survey of corporate functions showed that MHCLG achieved the highest scores across government for Digital, HR and Commercial. Furthermore, it was the highest scoring department when assessing how well the functions work together, achieving a significant increase in the year to 74%, demonstrating how people have responded and collaborated over the year.

The full Staff Report can be found on page 157 of the Accountability Report which provides more detail on diversity and inclusion, wellbeing and staff data. Much of the corporate centre’s delivery is also captured across the strategic priorities' key achievements, however specific end to end achievements by the corporate centre are highlighted below:

- As stated above, the **People Survey Employee Engagement Index**, which measures how people feel about working at MHCLG, stands at **67%**. This is higher than the Civil Service benchmark and is **MHCLG's highest-ever score** in the 12-year history of the People Survey.
- Within the survey, our score for **'leadership and managing change'** has also **increased to 64%.** This is 6 percent higher than the Civil Service Benchmark.
- We successfully moved to having over **95% of the department working from home** by the end of March when the first national lockdown was announced, and this has been sustained throughout the year. The department's **technology and collaboration platforms** continue to successfully support remote working. New approaches to meetings, staff engagement and wellbeing continue to be pioneered online.
- Undertook work to ensure that **MHCLG's offices were safe and COVID-secure** for those who needed to work from the office for essential work, or health and wellbeing reasons. By November 2020 this had been implemented through active consultation with the Trade Unions, which **enabled 85% of colleagues to access offices**. This includes the use of a desk

booking system so that access to the offices can be tracked in the interest of staff safety and ensures strict capacity limits are maintained.

- Responded to **COVID-19 workforce projects** using agile methods, generating fast decisions aligning people with priorities. Including, the creation of Shielding and Death Management teams and expanding existing teams to support Local Government Financing. This was enabled by **improved end-to-end resourcing systems to bring people in more quickly into the department.**
- Supported the government's **Beyond Whitehall** and **Levelling Up agenda** by moving over **120 roles outside of London**, announcing the establishment of a second Headquarters in Wolverhampton and MHCLG's **intention** to be part of the **new Northern Economic Hub** in Darlington, alongside the Treasury and other government departments.
- Reviewed the role of **apprenticeships** to enable increased achievement of MHCLG's departmental **apprenticeship target** and **Beyond Whitehall ambitions**. As part of work to develop a new departmental capability strategy, a shared capability vision was outlined including the behaviours required to embed a learning culture, plans for building critical capabilities and the success factors for measuring impact on overall performance.

EU Exit Transition

The EU Exit Transition planning and work with local authorities has meant that despite the concurrency of risks from winter weather and continuing COVID-19 pressures, the transition date of 1 January passed smoothly. In November, the department provided £10 million in funding to bolster the capacity of local authorities most likely to be affected during the transition period, in addition to more than £78.5 million provided to local authorities prior to leaving the EU in January 2020.

Across the country, local authorities worked hard to prepare for EU transition alongside the exceptional challenges of the pandemic, working to support the delivery of the new trading arrangements, support local businesses and to continue delivery of vital local services. We recognised the concurrency of risks from EU transition, winter, COVID-19 and exit from lockdown, and continue to engage with local authorities to assess and monitor the impact of a range of pressures on their ability to support and manage transition. The border flow issue in Kent in late 2020 highlighted the vulnerability of border and export heavy local areas and the importance of careful planning which worked effectively to resolve issues. Further transition milestones during 2021 and 2022 will require regulatory services resourcing and progress on infrastructure. MHCLG will continue to assess the preparedness of local authorities for these upcoming milestones.

In addition to the direct provision of transition funding, the department continues to work with other government departments and local areas on any remaining transition funding concerns and on additional new controls.

We are developing a strategy to support skills and productivity in the house-building sector, including managing specific post-transition issues. The Skilled Worker route is open to all nationals who wish to come to the UK for the purpose of working in a skilled job they have been offered. There is a cross-government programme to address the construction skills challenge, including the Construction Skills Fund and the new Construction T Levels, which launched in September 2020.

The UK-EU Trade Cooperation Agreement maintains zero tariffs and zero quotas on trade in goods between the UK and EU. We have secured 100% tariff liberalisation, so there will be no tariffs on trade in UK and EU construction goods and materials. It provides for streamlined customs arrangements, including recognising our respective trusted trader schemes, to support the smooth flow of goods at the border and reduces administrative costs for traders.

We made changes to the eligibility regulation on the Allocation of Housing and Homelessness in England. In August 2020, we amended the eligibility regulations to enable family members of a person of Northern Ireland to be eligible for an allocation of social housing or for housing assistance on broadly the same terms as the family members of an Irish/EEA citizen who was residing in the UK before 31 December 2020.

We also amended the eligibility regulations to ensure that EEA citizens and their family members who were lawfully residing in the UK, or working but not residing in the UK (known as ‘frontier workers’), before 31 December 2020 will continue to be eligible to access social housing and homelessness assistance as they did before the end of the Transition Period.

We published a revised Allocation of Accommodation Statutory Guidance (31 December 2020) and hosted four webinars attended by over 400 local authority officials to explain the changes.

There are concerns in some parts of the construction sector about long-term shortages of skilled labour post Brexit. There has been no dramatic drop in labour supply since 31st December, but we will continue to monitor the situation.

An outline of EU Exit related expenditure for 2020-21 and 2019-20, broken down by strategic priority is available in Annex E.

Challenges facing the department

The COVID-19 pandemic brought significant challenges for the UK, which the department will need to continue to respond to, not least as part of the government’s plan for growth. Within this section, some principle risks are highlighted, including mitigations against them, however more detail of the department principal risks are found under the risk section found on Page 116.

Our analysis shows that housing completions have rebounded from lockdown levels in early 2020, and housebuilders continue to report strong sales numbers. Despite this, there does remain the risk that this is a temporary lift supported by the Stamp Duty holiday, which the Chancellor has now extended until the end of June 2021.

In order to successfully achieve our long-term supply ambition of delivering 300,000 homes a year, net additions to housing stock will need to continue to grow at pace, supported by a significant programme of government investment and reforms. The department looks to achieve this through the £7.1 billion National Home Building Fund announced at the Spending Review 2020; increasing housing supply and unlocking land for homes through investing in the provision of infrastructure; protecting the market against the impacts of the pandemic and diversifying the housebuilding industry, including backing smaller builders and supporting innovative methods of construction. This is alongside our £12bn investment in Affordable Housing; and reforming the planning system to deliver high-quality, sustainable homes, whilst continuing to protect our green spaces.

The impacts on local government of COVID-19, EU exit and wider reforms led by other government departments are still being worked through. The department has adopted a forward-looking pro-active approach to cross-government and local authority planning in order to scope and deconflict critical deliverables and ensure sufficient resources. Good progress has been made in influencing other government departments to consider the implications for local government in their planning. Examples from the COVID-19 response include MHCLG playing a key role collaborating with departments across Whitehall and with Local Resilience Forums (LRFs) and councils to support and distribute the emergency delivery of PPE; and to facilitate national-local engagement on the rollout of the vaccine programme by providing a forum to clarify roles, to ensure a regular flow of information, data and intelligence, and to escalate and resolve local, regional and national operational challenges. MHCLG also facilitated regional briefing sessions with colleagues across government on tiering to ensure local leaders had an opportunity to contribute their views ahead of tiering decisions being made. The department maintains its awareness of local situations through regular engagement with the sector. There is emphasis on anticipation as well as response, enabling the interests of local government and communities to be embedded in future policy development across Whitehall.

The department has a role in ensuring cyber-attacks, including in English local authorities, are effectively managed. Based on the recent pattern of cyber-attacks targeting public sector organisations, there remains a risk that local authorities will continue to be targeted. Last year, the department responded to two separate attacks. In addition, there is a pressing need to develop robust preventative policy in this space. The department is developing a Cyber Health Framework for local authorities and working with the National Cyber Security Centre (NCSC) to help boost the sector's overall cyber resilience. The framework provides for the first time a shared baseline of standards against which councils can measure their cyber health.

As the government eases lockdown restrictions, the department will face the same challenges as others in establishing a new normal way of working. Much work is underway to determine how to make hybrid working a success. The departmental estates strategy will also continue to be enacted with the opening of a second headquarters in Wolverhampton in the summer and the department joining HMT and others in establishing a presence in Darlington. This represents an exciting development in the Beyond Whitehall programme and the Levelling Up agenda more widely, albeit that it will create some short-term challenges in establishing a robust market from which to recruit policy roles.

The department is facing an increasingly complex delivery space with focus on measurable delivery following the defining of MHCLG's Outcome Delivery Plan. This heightened focus on delivery raises the challenge to ensure that there is a healthy balance of policy expertise with delivery expertise and capacity.

Current examples of this include the Building Safety Programme where a need for an insurance solution requires skills and expertise that are outside the department and any of its Arm's Length Bodies; also the need to set up loan provision and servicing, which require immediate financial structuring and pricing expertise as well as long term administration in servicing originated loans, for at least 50 years as proposed.

In addition, with the increased focus on the Levelling Up agenda, and the department being at the forefront of delivering funds such as Towns Fund, Levelling Up Fund and UKSPF, ensuring that the department has the right capabilities and capacity to deliver on these funds at pace is a main challenge into the coming year.

Our Expenditure and Financial Position

Group Budget 2020-21

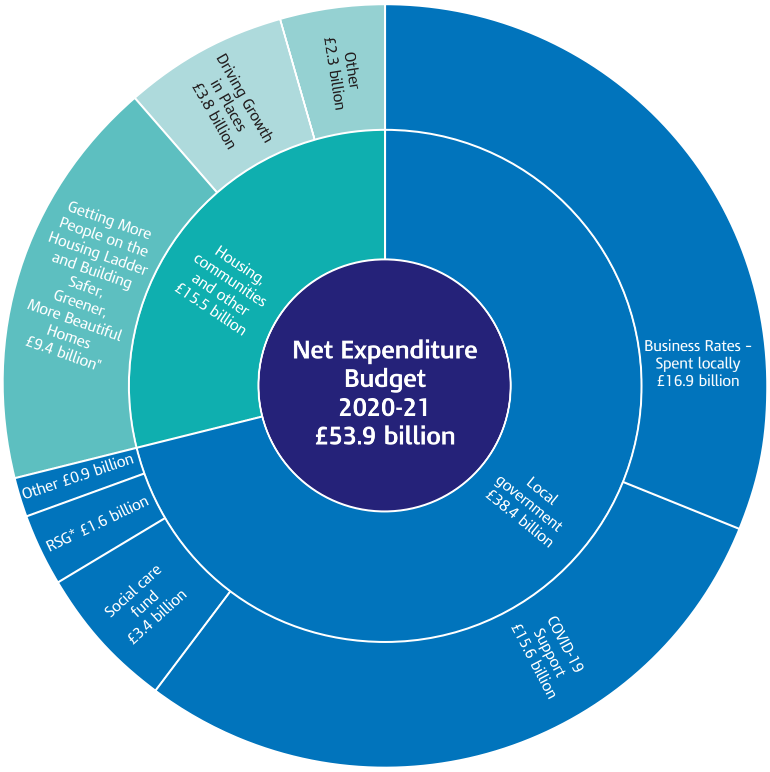
This section and the diagram below represent the 2020-21 Departmental Group budget. Actual expenditure compared to budget can be found on page 183.

Our **total net expenditure budget of £53.9 billion**[1] is shown in the centre of the diagram. This is then split between two segments; local government (£38.4 billion: £40.2 billion expenditure offset by £1.8 billion income) and our other strategic objectives as shown on page 14 (£15.5 billion: £17.4 billion expenditure offset by

1 https://www.gov.uk/government/publications/supplementary-estimates-2020-21

£1.9 billion income). The outer circle shows the main components of spend within each segment.

Figure 6: Net Expenditure Budget 2020-21



*Revenue Support Grant

- **Local Government:** Local government funding is provided to local authorities and the majority can be spent on any service[2]. The outer circle splits our local government budget into further detail:
- the local share of business rates retained by local authorities to spend locally (£16.9 billion);
- COVID-19 Support (£15.6 billion) – including funding to local authorities and the business rates expanded retail discount;

2 Local share, Revenue Support Grant, business rates relief, top-ups and in year and outturn payments can be spent on any service.

- Social Care grants including the improved Better Care Fund (£3.4 billion);
- the Revenue Support Grant (£1.6 billion); and
- other smaller grants (£0.9 billion).
- Other grants (£0.9 billion) includes the Independent Living Fund and various other grants which are all administered by MHCLG.

Housing, communities and other: The housing and communities budget is used to fund the department's programmes and, in the diagram, has been split by strategic priorities. The majority of this spend relates to our priority to get more people on the housing ladder and building safer, greener, more beautiful homes (£9.4 billion) and driving growth in places (£3.8 billion). Other housing and communities spend (£2.3 billion) includes our strategic priorities ending rough sleeping (£0.7 billion); bringing about the biggest change in building safety for a generation (£0.6 billion); supporting communities to respond, recover and emerge from COVID-19 stronger (£0.3 billion); ensuring local government has access to the powers and funding to support communities and level up (£0.2 billion) and our running costs (£0.5 billion). The strategic priority for supporting corporate activities does not have a specific budget allocated to it. It is included across the areas above.

Running costs include administration expenditure and expenditure related to movements in pension scheme liabilities and additions and impairments of capital assets used to run the department.

Annually managed expenditure (AME) budgets are shown separately in the Statement of Outturn against Parliamentary Supply on page 180 but the diagram above includes AME budgets attributed to the strategic area that they relate to.

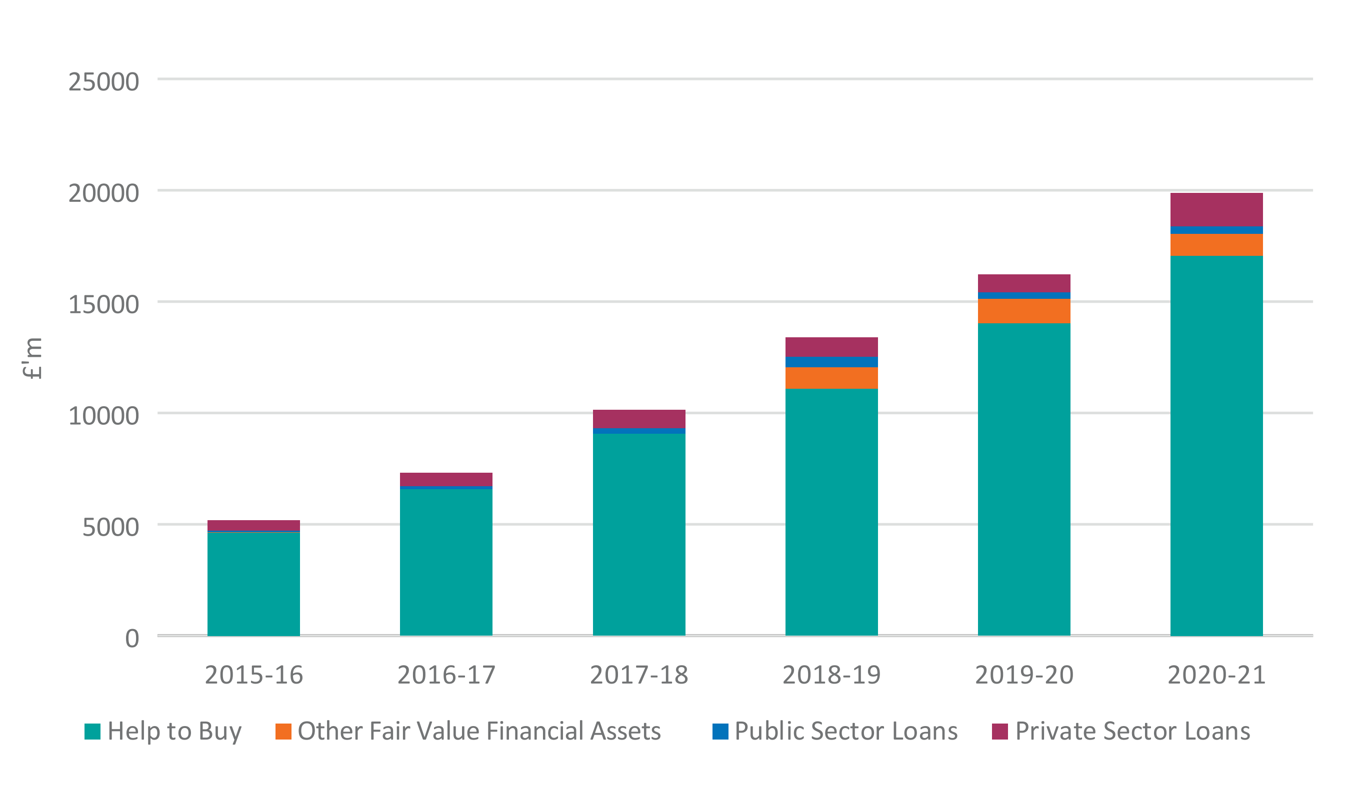
Further detail on the department’s budgets can be found in the Parliamentary Accountability and Audit Report from page 175.

Group Loans, Investments and Returns

In order to achieve its objectives more efficiently, the department has increasingly made investments or given loans instead of grants, sometimes from its own balance sheet and sometimes by guaranteeing loans made from other entities. All loans are due to be repaid in full with an appropriate rate of interest. However, as with any investment product, there is a risk of loss and provisions are recorded as required.

Equity loans under the Help to Buy scheme are provided for a period of 25 years, finance extended under the guarantee programmes have maturities of up to 30 years, and the majority of the department’s direct loans mature in less than 10 years.

Figure 7: MHCLG Financial Assets

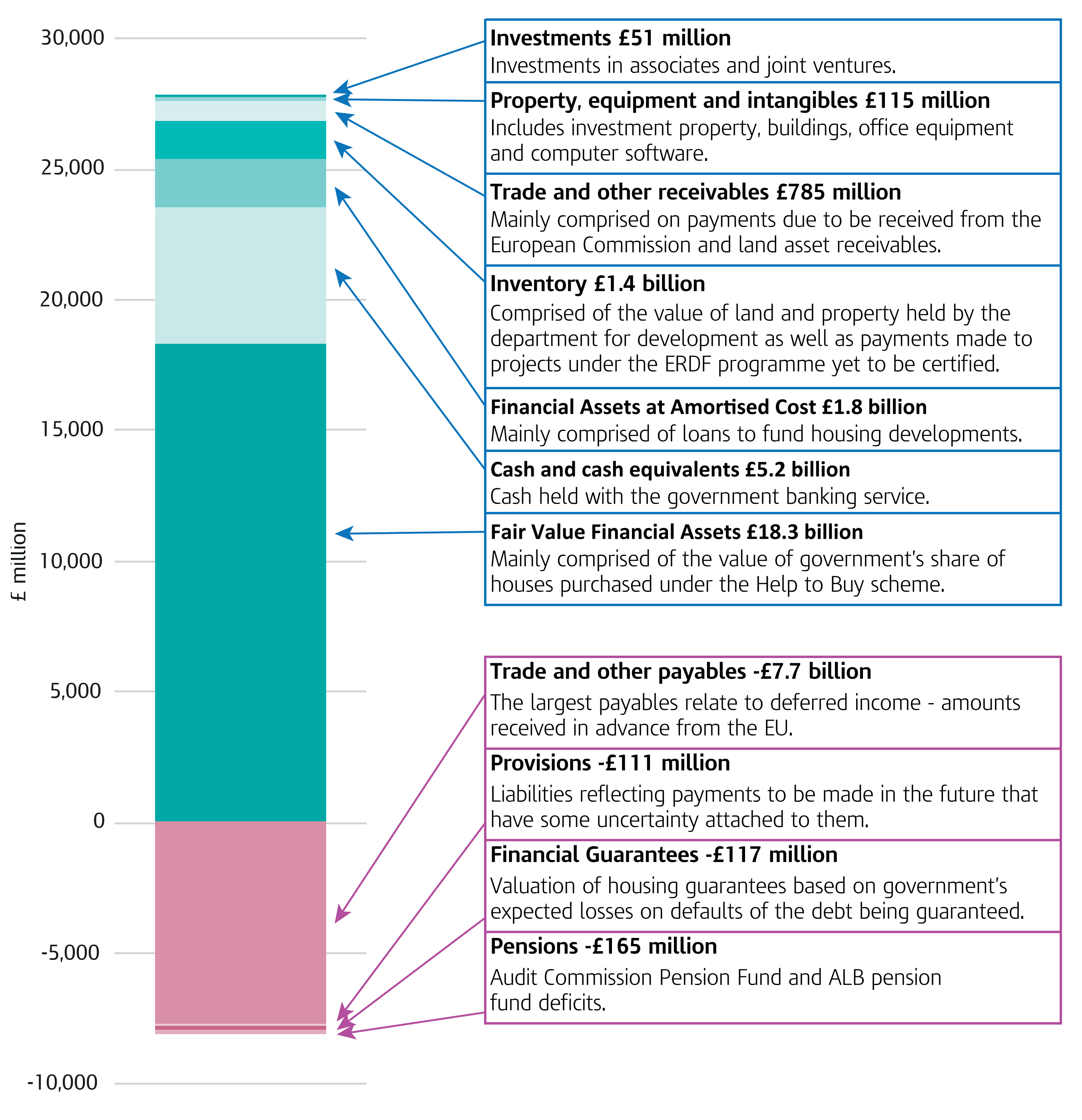


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2021 (page 230) shows the size of our asset base which is predominantly made up of the department's investment in the Help to Buy scheme. The Governance Statement describes how the department manages the financial and credit risk of its portfolio of financial instruments.

Figure 8: Department's Statement of Financial Position 31 March 2021



Managing our key risks

MHCLG faces a range of risks stemming from its diverse responsibilities for housing, local government, communities and growth, as well as its role as a central government department and employer. The risks we face are varied in nature and severity and are sometimes determined by unpredictable external events such as changes in the UK economy, or by external forces over which the department may have some influence but no control.

The department must ensure its budgets are allocated appropriately in order to meet its objectives and must act to ensure value for money and to deliver on its duty of care to staff and others, while mitigating these risks.

Over the course of the year the Risk Management Framework has continued to be developed and implemented, with a particular focus on the identification of the department's risk landscape and associated mitigations. The Executive Team have actively engaged on this, supported by its Risk Sub-Committee. The Governance Statement provides further details of these arrangements can be found from page 93.

Area	1. Strategic Risk		2. Financial Risk		3. Operational Risk	
Examples	Programme design and delivery	Reputation and external Stakeholders	Non-recovery of loans	Write-down of assets or liabilities	Personal Misconduct	Regulatory Compliance
	External Events	Capability, capacity and resources	CDEL Impact	AME Impact	Fraud	Data, Personal, Physical Security
Managed by	Executive Team, Senior Leaders		Financial Programme/ Instrument Managers		All of our people	
Risk appetite	Significant but impossible to quantify		Significant but quantified, agreed and limited		Zero to minimal, insofar as feasible and cost-effective	

Sustainability Report

In 2020-21 the department saw a decrease in gas, electricity and water use. The department subscribes to a number of targets including the mandatory Greening Government Commitments (GGC) for reducing energy, water, paper and other resource use, reducing travel and managing waste. In 2020-21, the department met or exceeded the GGC targets for greenhouse gas (GHG) reduction, domestic flights, water use, paper use, waste arising and recycling rate. The greenhouse gas emissions target by 2020-21 was a reduction of 68%.

The data below shows the department's present position for the financial year 2020-21 against a 2009-10 baseline (unless otherwise stated). Environmental data is for a 12-month reporting period from January 2020 to December 2020. This report includes office buildings occupied by MHCLG including London Marsham Street and some regional offices. The report does not include data from locations where landlords do not currently provide information. The report also includes information on buildings occupied by MHCLG's Arm's Length Bodies where data is available and the body is not exempt. The reporting includes data from the Queen Elizabeth II Conference Centre, as an Executive Agency of MHCLG. 2019-20 non-financial indicators have been restated to include actual environmental performance for the 2019-20 financial year.

The GPA was responsible for managing the department's property portfolio in 2020-21. However, overall responsibility for sustainability remains with the MHCLG executive team.

The impact of COVID-19 meant that, whilst buildings were still operational, the number of staff using them had significantly reduced due to working from home arrangements.

Summary of greenhouse gas emissions performance

Overall GGC Performance 2020-21						
Requirement	**2017-18 performance**	**2018-19 performance**	**2019-20 performance**	**2020-21 performance**	**Achievement against target**	**Explanation where target not achieved**
Reduce greenhouse gas (GHG) emissions by 68%	64%	66%	72%	79%	⬆	n/a
Reduce domestic business flights by 30%	23%	21%	15%	81%	⬆	n/a

Overall GGC Performance 2020-21						
Requirement	**2017-18 performance**	**2018-19 performance**	**2019-20 performance**	**2020-21 performance**	**Achievement against target**	**Explanation where target not achieved**
Continue to reduce overall waste	77%	65%	62%	84%	↑	n/a
Landfill waste to be less than 10%	9%	6%	3%	4%	↑	n/a
Increase recycling	64%	80%	91%	85%	↓	n/a
Reduce paper use by 50%	93%	89%	83%	92%	↑	n/a
Continue to reduce total estate water consumption	45%	39%	28%	49%	↑	n/a

The department recorded a 79% reduction in its overall greenhouse gas for 2020-21 compared to 2009-10.

Greenhouse gas emissions

The department has reduced its total in-scope gross greenhouse gas (GHG) emissions by 79% since the 2009-10 baseline year.

Greenhouse gas (GHG) emissions		**2009-10**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 re-stated**	**2020-21**
Non-financial indicators (tCO_2e)	Total Gross Scope 1 (Direct) GHG emissions**	3,650	1,628	1,538	1,617	1,727	1,800	1,565
	Total Gross Scope 2 (Energy indirect) emissions	13,928	5,835	5,296	5,155	3,514	3,265	2,566
	Total Gross Scope 3 (Official business travel) emissions	5,904	1,647	1,743	1,569	1,621	1,597	738
	Total emissions – Scope 1, 2 & 3	**23,482**	**9,110**	**8,578**	**8,341**	**6,862**	**6,662**	4,868
Non-financial indicators (MWh)	Electricity: non-renewable	25,943	0	0	0	0	0	0
	Electricity: renewable	1,695	12,624	12,854	14,663	12,413	12,773	11,006
	Gas	20,901	7,105	6,755	7,266	8,014	8,468	8,209
	Total energy	**48,539**	**19,729**	**19,609**	**21,929**	**20,426**	**21,241**	**19,214**

Waste minimisation and management

Waste production 2020-21

Waste			**2009-10**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 re-stated**	**2020-21**
Non-financial indicators (tonnes)	Hazardous waste		1	3	0	0	0	0	0
	Non-hazardous waste	Landfill	351	46	149	43	40	28	15
		Reused/ recycled	1,716	293	500	336	643	596	295
		Composted	–	–	–	–	–	–	–
	ICT waste	Reused	–	–	–	–	–	–	–
		Recycled	–	–	–	–	–	–	–
	Incinerated with energy from waste		189	84	131	140	67	55	36
	Total waste		**2,257**	**426**	**780**	**519**	**750**	**679**	**347**
	Reams of paper		87,486	11,586	14,745	9,049	11,603	16,881	7,301

Waste has been reduced by 84% since 2009-10, and only 4% of waste is currently sent to landfill.

Water consumption 2020-21

Water		2009-10	2015-16	2016-17	2017-18	2018-19	2019-20 restated	2020-21
Non-financial indicators	Total water consumption (m3)	99,358	51,318	47,990	55,228	68,800	71,255	50,714

Since 2009-10, the department has reduced water use by 49%.

Future look

During 2021-22 MHCLG with GPA will be looking to further enhance the sustainability performance of their estate. Key activities in the Net Zero Programme will be completion of initial works at Nottingham Apex Court and Sheffield St Paul's Place.

Other Sustainability Commitments

The department is committed to procuring sustainably and reports against a number of transparency commitments as part of the GGC framework.

Sustainable Procurement

Procurement staff are provided with annual training on sustainable procurement. Identified procurement champions are offered a more advanced annual training to provide a robust layer of sustainable coverage. Sustainability clauses are embedded within the department's general terms and conditions and is in the process of being defined around a ‘whole life’ contractual analysis. New contracts require that suppliers meet the Government Buying Standards (GBS). Above threshold requirements launched from 1 January 2021 now include social value benefits as part of the tender evaluation. Whilst this is specific to each tender, this can include environmental and sustainability factors.

Procurement of Food and Catering

All food provided in our catering outlets is produced to UK or equivalent food standards and is local and in season, where possible. The department buys food from farming systems that minimise harm to the environment, such as produce certified by LEAF, the Soil Association or Marine Stewardship Council. The department also offers fairly traded and ethically sourced products. The department is reducing the amount of foods of animal origin eaten, as livestock farming is one of the most significant contributors to climate change, and ensure that meat, dairy products and eggs are produced to high environmental and animal welfare standards. The department is reducing the amount of palm oil used and ensures that what is used is sustainably sourced.

Sustainable Construction

The department is committed to achieving the Building Research Establishment Environmental Assessment Method excellent/very good standard, for new builds or major refurbishment in line with the Government Buying

Standards. However, there were no such projects carried out in 2019-20.

Small and Medium Sized Enterprises (SMEs)

The Group reported 32.4% of its total procurement spend was made to SMEs during the 2019-20 financial year. This figure includes both direct and indirect SME spend and the department looks to procure through methods that will support the involvement of SMEs and VCSE organisations where possible.

Biodiversity and Natural Environment

The department's estate comprises mainly of buildings with little outside space and limited opportunity to enhance the natural environment.

Sustainable Development

Sustainable development remains integral to policy work in the department, notably in planning policy and economic growth activities. The National Planning Policy Framework (NPPF) sets out the government's view of what sustainable development means for the planning system.

Rural Proofing

The Department for Environment, Food & Rural Affairs' (DEFRA) rural proofing impact assessment is an integral part of the department's approach to developing regulation.

Climate Change Adaptation

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.

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 (2021) 01:

- 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 B sets out the financial assistance provided by the Secretary of State under this power for the year 2020-21, totalling £28.3 million (2019-20: £18.2 million).
- No complaints against the department were accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2020 to 31 March 2021.
- In 2020-21 the department processed 14,553 (2019-20 12,083) pieces of correspondence from members of the public that were answered by officials. Of these, 44% (2019-20 64%) of letters requiring a response were replied to within our target of twenty working days. There was an increase in TOs (Treat Official) correspondence over the course of the year due

to COVID-19, the Building Safety programme and Planning Reform. Achievement of the 20-day deadline was affected by the fact that officials were working on these priorities.

Jeremy Pocklington CB **14 July 2021**
Accounting Officer
Ministry of Housing, 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.

Remuneration & Staff Report

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

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Corporate governance report

The Directors' Report

Our Departmental Board

During 2020-21 the department consisted of the core department and twelve other arm's length bodies (ALBs). Note 24 of the accounts provides 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').

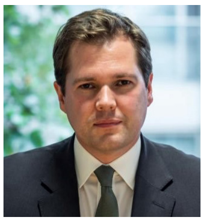
The Departmental Board, comprising of Ministers, Non-Executive Directors, and the Executive Team, met three times in the year rather than quarterly, owing to the pandemic. Each member's attendance at Departmental Board meetings are noted below. The Board's role is to advise on and supervise five key areas: strategic clarity; commercial sense; talented people; results focus; and management information. The department also has a Non-Ministerial Board which met twice in 2020-21. The Non-Ministerial Board is chaired by the Lead Non-Executive Director. It is attended by the Executive Team (ET) and Non-Executive Directors. Its role is to scrutinise organisational capability and culture.

Further 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/ministry-of-housing-communities-and-local-government

Note 22 Related Party Transactions discloses any financial transaction during the reporting period where a board member had an interest. The department maintains a register of interests to ensure that any perceived or real conflicts of interest can be identified. Relevant information is held by the department in a central register alongside mitigation measures taken. The register of ministers' interests is held by Parliament[3]. Non-executives' interests are set out in Annex D. In the Executive Team, Jeremy Pocklington receives rental income from a property and two members of the Executive Team hold charity trusteeships. No interests have been identified which conflict with their responsibilities; there were no transactions with these charities in the year.

Our Ministers as at 31 March 2021[4]



The Rt Hon Robert Jenrick MP

Secretary of State for Housing, Communities and Local Government and chair of the Departmental Board

From 24 July 2019

Attended 3 of 3 board meetings

The Rt Hon Christopher Pincher MP

Minister of State for Housing

From 13 February 2020

Attended 3 of 3 board meetings

Luke Hall MP

Minister of State for Regional Growth and Local Government

From 27 July 2019

Attended 2 of 3 board meetings

Eddie Hughes MP

Parliamentary Under Secretary of State for rough sleeping and housing

From 13 February 2021

Attended 1 of 1 board meetings

3 https://www.gov.uk/government/publications/list-of-ministers-interests

4 Attendance records relate to Ministerial Board meetings.

Lord Stephen Greenhalgh

Minister of State for Building Safety and Communities

From 18 March 2020

Attended 3 of 3 board meetings

Our Non-Executive Directors

Michael Jary

Lead Non-Executive Director

Attended 3 of 3 board meetings

Dame Mary Ney DBE

Non-Executive Director

Attended 3 of 3 board meetings

Pam Chesters CBE

Non-Executive Director

Attended 3 of 3 board meetings

Our Executive Directors

Jeremy Pocklington CB

Permanent Secretary

Attended 3 of 3 board meetings

Catherine Frances

Director General, Local Government, Strategy & Analysis

Attended 2 of 3 board meetings

Matt Thurstan

Director General, Chief Financial Officer and Corporate

From 17 August 2020

Attended 2 of 2 board meetings

Emran Mian

Director General, Cities & Local Growth Unit

Attended 3 of 3 board meetings

Richard Goodman

Building Safety, Grenfell & Net Zero

From 25 November 2020

Attended 1 of 1 board meetings

Tracey Waltho

Housing & Planning

Attended 3 of 3 board meetings

Lise-Anne Boissiere

Director of Strategy

Attended 1 of 3 board meetings

Ruth Bailey

Director, People, Capability and Change

Attended 1 of 3 board meetings

Other Ministers who served in the department during 2020-21 were:

- Kelly Tolhurst MP, Parliamentary Under Secretary of State at the Ministry of Housing, Communities and Local Government from 8 September 2020 to 16 January 2021. Attended one of one board meetings
- Simon Clarke MP, Minister for Regional Growth and Local Government at the Ministry of Housing, Communities and Local Government from 14 February 2020 to 7 September 2020. Attended one of one board meetings.

No other Non-Executive Directors served in the department during 2020-21

Other Executive Directors who served in the department during 2020-21 were:

- Andy Hobart, interim Chief Financial Officer (CFO) until 17 August 2020; attended one of one board meetings.
- David Thomas, Director of Finance, was a member of ET until 17 August 2020; attended no board meetings.

Auditor

The core, agency, arm's length body and group accounts have all been audited by the Comptroller and Auditor General (C&AG) with the exception of the Leasehold Advisory Service which is audited by Beever & Struthers. Further details are given in the accounts of the bodies concerned. The total cost of the audit across the Departmental Group is £1,023,000 of which £598,500 is a cash charge and £425,000 is a notional charge (2019-20: £952,598 of which £530,098 was a cash charge and £422,500 was a notional charge).

The audit fee for the core department is £295,000 (2019-20: £295,000), broken down as £270,000 for the departmental audit, £10,000 for the cost of consolidation work and £15,000 for the departmental audit of the Whole of Government Accounts submission made by the department to HM Treasury.

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

- Main Rating Account: £41,000 (2019-20: £40,000)
- Levy Account: £8,500 (2019-20: £8,000)
- Trust Statement: £20,500 (2019-20: £20,000)

The National Audit Office 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 executive 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. For further information on the department's response to data related incidents, refer to Information Security on page 119.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Ministry of Housing, Communities and Local Government to prepare, for each financial year, consolidated resource 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 2018 number 313 (together known as the 'Departmental Group', consisting of the department and bodies listed in Note 24 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 income and expenditure, Statement of Financial Position and cash flows of the Departmental Group for the financial year.

In preparing the accounts the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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 arm's length public bodies;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

On 2 April 2020, HM Treasury appointed Jeremy Pocklington, the Permanent Head of the department, as Accounting Officer of the Ministry of Housing, 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 resource 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 the sponsored bodies.

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 other arm's length sponsored public bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money*[5] published by HM Treasury.

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5 This publication offers guidance on how to manage public funds and can be found here: https://www.gov.uk/government/publications/managing-public-money

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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

Governance Statement

Introduction

The Accounting Officer is responsible to Parliament for the stewardship of the resources given to MHCLG, including those allotted to the department's arm's length bodies (ALBs) and for funding which is devolved to local bodies such as local authorities and Local Enterprise Partnerships (LEPs). This Governance Statement sets out the range of measures we implement to achieve effective control across the Departmental Group and the sources of assurance available to the Accounting Officer to support the conclusions drawn.

More detail on the control system is given in the Accounting Officer System Statement[6] (AOSS) and the National Local Growth Assurance Framework[7] which gives details of arrangements for LEPs.

Details for individual ALBs are contained in the Governance Statements of their individual Annual Report and Accounts. This Governance Statement sets out:

- the role of the Board and the Audit and Risk Assurance Committee (ARAC) of the Board and in particular the work of the non-executive directors in supporting and challenging the work of the

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6 The latest version of MHCLG's AOSS can be found here: https://www.gov.uk/government/collections/accounting-officer-system-statements

7 This framework is for Mayoral Combined Authorities with a Single Pot funding arrangement and Local Enterprise Partnerships and can be found here: https://www.gov.uk/government/publications/national-local-growth-assurance-framework

department, culminating in the annual Governance Assurance Exercise;

- the role of the Executive Team (ET) and its sub-committees;
- the role of the Senior Sponsors and the Boards of the ALBs;
- the mechanisms in place to assure the Accounting Officer that locally devolved budgets are spent with regularity, propriety and value for money; and
- the risk management framework and the risk environment in which we operate.

Board Committees

Figure 11: Board committees

The Departmental Board and Non-Ministerial Board

The Departmental Board is chaired by the Secretary of State and comprises Ministers, the Executive Team and Non-Executive Directors, currently totalling 16 people. The Ministerial Board met three times during the year and full attendance records are provided in the

Directors' Report, page 84. The Spring Ministerial Board was cancelled so that senior leaders could focus on responding to the coronavirus pandemic.

The Non-Ministerial Board is chaired by Michael Jary in his capacity as the Lead Non-Executive Director and comprises the Non-Executive Directors and the Executive Team, currently totalling 11 people. This Board met twice during the year. The Non-Executive Directors also met with members of the Executive Team on an ad hoc basis throughout the year to provide challenge and support on a range of departmental priorities.

These Boards consider the department's overall performance against its strategic objectives, metrics and indicators, supported by a verbal report from the Permanent Secretary and, where appropriate, the Departmental Performance Reports produced for the Executive Team.

The Departmental Board receives a briefing and report from the ARAC chair on the latest ARAC meetings as a standing item. During 2020-21 the Departmental Board reviewed the department's response to the pandemic, delivery of our commitments to the public (including the Building Safety programme), and Beyond Whitehall.

The Boards remained compliant with the corporate governance code of good practice[8] during the year.

8 The Corporate governance in central government departments: code of good practice can be found here: https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

Measures taken to ensure compliance include: undertaking yearly evaluations of Board effectiveness; managing conflicts of interest and effective management and reporting of risks. The 2020-21 Board effectiveness evaluation is an internal review carried out by the Lead NED on behalf of the SoS, however, as required every three years, this effectiveness evaluation had independent input from a Lead NED from another government department. All Board Members are required to declare conflicts of interest so they can be understood, considered and handled appropriately. A register of interests is maintained which covers all executive and non-executive members. It is updated annually and when relevant changes occur. I am satisfied that there were no material conflicts of interest during the year. The 2020-21 Board Effectiveness Evaluation was completed in May 2021 and the findings will be reviewed by the Non-Ministerial Board, with actions to be implemented during 2021-22.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by Non-Executive Director, Pam Chesters, and usually meets at least five times throughout the year. Other members during 2020-21 included the Lead Non-Executive Director, Michael Jary, and two independent members, Mark Sheridan and Susan Barratt. The ARAC is also regularly attended by various additional people including the Permanent Secretary, Chief Financial Officer, Financial Director, Chief Risk Officer and representatives from NAO, GIAA and Homes England. The ARAC met six times during 2020-21, it reviewed papers on the effects of the coronavirus pandemic on the risk landscape, internal and external audit programmes, the department's emerging risk management plan, the relationship with Homes England, capacity and capability risks, the implementation of the Hudson Review, local government cyber security threats and supported the signing off of the Annual Report and Accounts.

Governance Assurance Exercise

At the end of each financial year Governance Assurance Panels (GAPs), structured around our five Director General-led groups, allow the department to draw assurances on the effectiveness of the governance arrangements, internal controls and risk management arrangements implemented by the director generals and directors in the discharge of their delegated authority and responsibilities towards the delivery of the department's strategic objectives. The GAPs also explore how directors have safeguarded the department's assets by ensuring regularity and propriety of expenditure and promotion of best value for money of that expenditure. The GAPs are not designed to scrutinise the department's policies.

GAPs are challenge panels and are led by the Chair of the ARAC with NEDs, independent ARAC members, the department's internal auditors, the Chief Risk Officer and a director from a different group. The panels are also attended by observers from the NAO.

The panel acknowledged the overall good progress that the department has made despite the challenging environment posed by the COVID-19 pandemic. They drew assurances from improvement efforts made over the year to strengthen governance and internal controls, as well as the significant improvements being progressed, facilitated through the extensive business planning and prioritisation exercise, as well as the development of metrics. The panel noted that the department was still in the process of embedding its risk management framework in a systemic way to further facilitate and strengthen departmental assurances. The panel also acknowledged that the department was developing appropriate plans to address the strategic areas that were identified for strengthening through the governance assurance exercise including:

- Implementing assurance mechanisms for the new funding streams.
- Ensuring that the capability roadmap remains on track, to mitigate the significant capability risks, especially in new funding schemes that require specific expertise.
- Ensuring clear visibility, delivery tracking, and understanding of any associated capacity risks, for the resourcing set through the Business Planning activity.
- Adopting a principle-based decision making framework for better objectivity, and maintaining a

fuller audit trail of decisions, including ministerial decisions and risk appetite.

- Enhancing the end-to-end Investment Sub-Committee (ISC) processes and culture, including clarity on responsibility for benefits realisation, to better support investment appraisals.
- Ensuring stronger ownership of risk identification, mitigation and management by programme and operational management, overseen by the risk function and internal audit.
- Embedding RADAR as the single tool for capturing risks across the department, to facilitate department-wide risk management assurances.
- Continuing to make health and safety the priority, including through the effective management of risks associated with the Grenfell Site & Programme.
- Providing a joined up MHCLG approach with clarity of accountabilities to support local authorities in addressing their cyber security risks and associated capabilities.
- Continuing focus on strengthening the relationship between Homes England and MHCLG, aided by the outcome of the sponsorship review and the Chair's review, and implementing appropriate assurance mechanisms to surface and address risks.

Ministerial Directions

There were two ministerial directions in 2020-21.

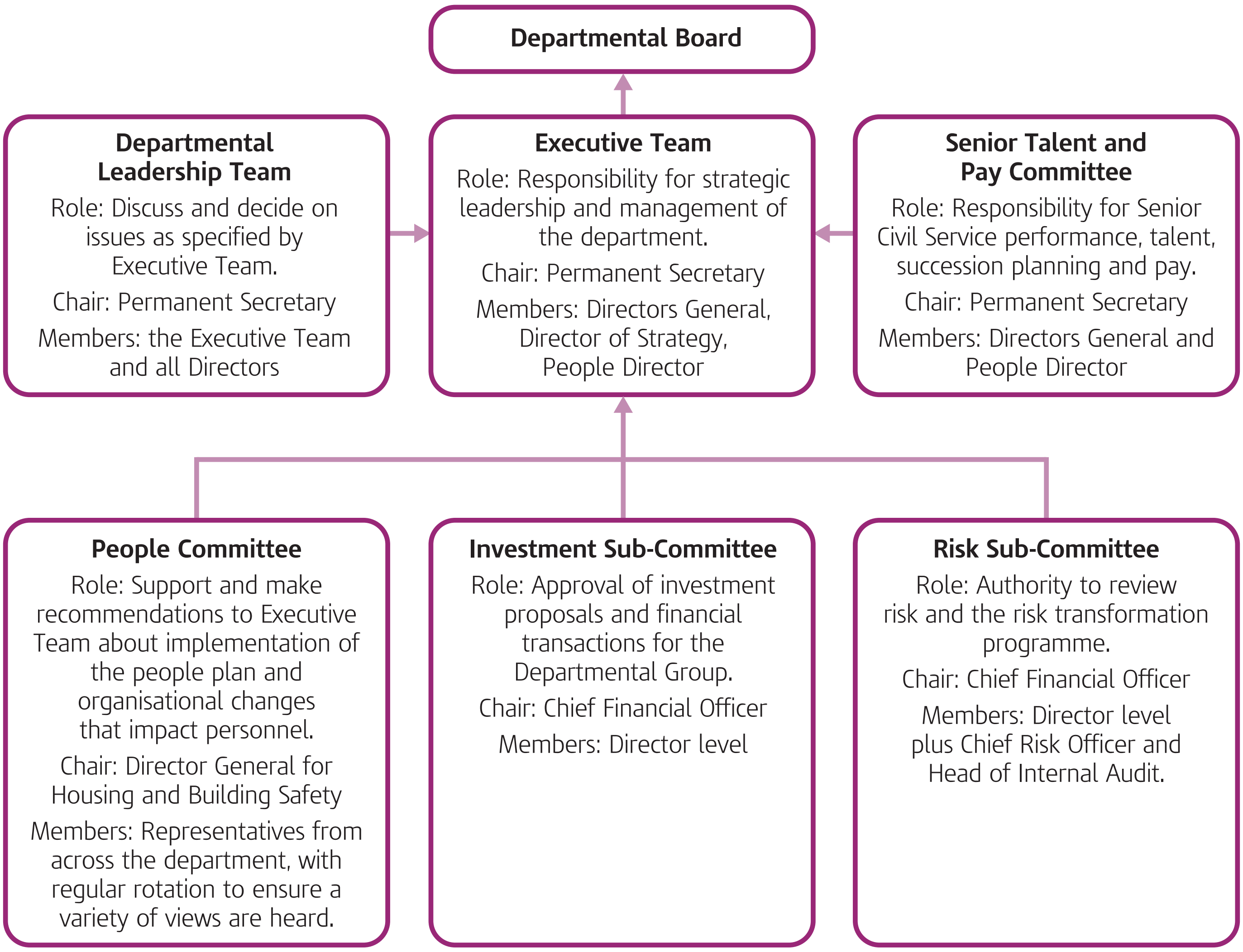
On 26 May 2020, the Secretary of State gave a ministerial direction to remove financial barriers to increase the pace of remediation of unsafe non-ACM cladding on high rise residential buildings that are 18 metres and over. The letters providing the rationale and authorisation can be read here: https://www.gov.uk/government/publications/remediation-of-buildings-which-have-unsafe-non-acm-cladding-systems-ministerial-direction

On the 16th December 2020, the Secretary of State gave a ministerial direction for the creation of a £30 million Waking Watch Relief Fund for unsafe high-rise buildings. The letters providing the rationale and authorisation can be read here: https://www.gov.uk/government/publications/ministerial-direction-30-million-waking-watch-relief-fund-for-unsafe-high-rise-buildings

The ministerial directions were communicated to the National Audit Office (NAO), the Housing, Communities and Local Government (HCLG) Select Committee, HM Treasury and the Public Accounts Committee.

The Executive Team and its Sub-Committees

Figure 12: Executive Committees



Executive Team

The Executive Team is chaired by the Permanent Secretary and comprises the Directors General, the Director of Strategy and the Director of People, Capability and Change. The Finance Director also was an interim member of the Executive Team and Board until 17 August 2020, to support the interim Director General Chief Financial Officer. The Executive Team meets one to two times per week (with increased frequency across 2020-21 to support the COVID-19 emergency response), including one week in each month when all Directors join the Executive Team as the Departmental Leadership Team.

The Executive Team also meets monthly as the Senior Talent and Pay Committee (STPC) to consider senior civil service resourcing, talent and pay. The Executive Team considers corporate and policy issues, focusing on the performance, management and coordination of the department and on strategic planning. Discussions in 2020-21 included the COVID-19 response, preparations for end of Transition, Building Safety, Levelling Up and the People Plan. The Executive Team usually reviews a Departmental Performance Report on a monthly basis, considering progress against the business plan milestones, finance, workforce and risk. This report was paused from April to September 2020 due to the pandemic. The Executive also meets annually to review progress on the internal audit programme and approves the audit programme for the year ahead.

People Committee

This committee is chaired by a Director General, which this year was the Director General for Housing and Planning. The committee comprises representatives from across the department, who are rotated on a regular basis and meets on a monthly basis to oversee the development and delivery of the MHCLG People Plan. It also oversees and contributes to the people elements of other corporate programmes to ensure a coordinated approach.

Investment Sub-Committee (ISC)

The ISC is chaired by the Chief Financial Officer and comprises a fixed membership of directors from across the professions. This sub-committee meets every week or as needed to scrutinise and approve investment proposals for the Departmental Group to ensure they achieve value for money and meet the requirements of Managing Public Money. ISC achieves this by reviewing the associated business cases, taking into account value for money, procurement transparency, deliverability, risk management, and how programmes will evaluate progress across their lifecycle.

Risk Sub-Committee

The Risk Sub-Committee is chaired by the Chief Financial Officer and comprises a director from each of the director general groups, the Chief Risk Officer, Directors of Finance and Legal and the Head of Internal Audit. It has delegated authority to review risk and to oversee the implementation of the new risk framework. It receives a report on the department's risk profile and its key risks, including any significant new transactions and activities and an update on the performance of the department's risk management controls and risk management processes.

Locally Devolved Budgets

This department is responsible for the local government accountability framework for local authorities and for the award of the Local Growth Fund to LEPs. This section sets out the controls that provide the assurance that devolved budgets meet the requirements of Managing Public Money.

Local Government Accountability Framework

Regular assurance advice is provided to me as Accounting Officer on whether the core accountability framework for local authorities has remained robust. This takes account of published reports on local audit and accounts, governance and fraud, which cover regularity, propriety and achieving value for money locally. It also includes research from the sector; work the department has produced; and specific advice on whether the framework may need amending.

In March 2019, we set out our aim to enhance our oversight of the accountability and assurance system for local government covering both: (a) the operation of the system as a whole, and to enhance it; and (b) understanding the individual local authorities which comprise the sector and enhancing the support available to them. In so doing, we established the Local Authority Governance and Accountability Framework Review Panel in September 2019 to assist the department in identifying areas for corrective action and continually assess the governance and accountability framework for local authorities to ensure it is still fit for purpose.

In respect of the second element, regarding individual authorities, the department has enhanced its activity in this regard over the period of the COVID-19 pandemic, to understand any shorter term pressures on local authorities during the pandemic, and linked our ongoing work on stewardship with wider work within the department and across Whitehall on the pandemic and on other concurrent pressures, including EU transition. Throughout the pandemic we have increased the frequency of our meetings with partners from other government departments as well as continuing to engage regularly with colleagues at the Local Government Association and others. This informs, and is informed by, the extensive work carried out by the department's Local Government Finance directorate to understand the specific financial pressures on the sector during the pandemic, and the special grant funding and exceptional financial support arrangements that have been put in place to support the sector.

The department made necessary adjustments to the accountability framework during the COVID-19 pandemic to help local authorities redeploy resources to deal with the pandemic and ensure that essential business continues whilst protecting the health and safety of their members, officers and the public. This included giving local authorities the flexibility to conduct meetings remotely and allowing access to members of the public; and work within the department to assess and respond to the scale of financial risk that COVID-19 poses to local authorities both at the sector level and at individual local authority level. In addition to the grant paid in FY 19-20, we have thus far provided local government with a total of £4.6 billion in un-ringfenced COVID-19 funding. We also encouraged individual local authorities to contact the department at the earliest possible stage where their finances are such that a section 114 notice could potentially be issued.

There have also been regular and significant engagement between Ministers, regional mayors and council leaders throughout the COVID-19 crisis to respond to the emergency. This included calls between the Secretary of State and Ministers, and regional mayors; as well as weekly teleconferences hosted by the Secretary of State for all local government leaders and chief executives, with other Ministers present to answer questions.

The department has maintained the requirement in its sector support agreement for 2021-22 with the Local Government Association that 30% of the grant we provide for improvement support should be spent through external suppliers. This is intended to make the best use of existing specialist expertise and to diversify and grow the market for the future. The implementation of this requirement, along with the rest of the sector support agreement, will be monitored by a new Sector Support Oversight Board chaired by the Local Government Minister.

In July 2019, the department commissioned Sir Tony Redmond to carry out an independent review into the effectiveness of local authority financial reporting and external audit in England. The Redmond Review report was published on 8 September 2020 and made 23 recommendations. The government's response was published on 17 December 2020 and set out how we will implement many of the report's recommendations, including swift action to ensure the ongoing effectiveness of the local audit system and improvements to make financial information more transparent. The government has since published a further report on 19 May, setting out its response to the outstanding recommendations, including that ARGA should be established as the new system leader for local audit. MHCLG is committed to publishing a further consultation ahead of summer recess on the system leadership proposals, as well as responses to the recent consultations on the allocations methodology for providing £15m to principal local bodies to help with the costs of audit and on proposals to amend regulations to give greater flexibility for the appointing person to pay for additional costs.

As a result of delays to the closure of local authority accounts in 2018-19 and the knock-on impact of COVID-19 on the 2019-20 accounts, in April 2020, the department amended the Accounts and Audit Regulations 2015 to extend for one year the draft and final audit publication dates from 31 May and 31 July to 31 August and 30 November respectively. This was to provide audit firms and councils with additional time to produce their accounts, given other pressing priorities.

In November 2020, the department carried out rapid non-statutory reviews of the London Borough of Croydon and Nottingham City Council. These were, in part, in response to the councils' requests for Exceptional Financial Support and in part reflecting concerns around governance and scrutiny at the councils and their ability to meet their Best Value duty (as defined in the Local Government Act 1999). In both cases, we have put in place improvement and assurance arrangements to support and challenge the councils' work to make improvements and to provide assurance on progress to the Secretary of State. Earlier, in July 2020, the non-executive advisers at Birmingham City Council stood down, marking the end of the Council's New Model of Progressive Assurance. The department's statutory intervention at Northamptonshire County Council came to an end on 31 March 2021 when the Council ceased to exist following a local government restructure. Under the Commissioners, the Council's finances had been stabilised and turned round and services strengthened in preparation for the restructure. At Liverpool City Council, following a Best Value inspection report which set out serious failings at the authority. Ministers have set out proposals for an intervention package. Final decisions will be made following representations from the Council and other interested parties.

Hudson Review

Throughout 2020-21 we have continued to implement the recommendations from the Hudson Review[9]. Since

9 Local Government Finance: Review of Governance and Processes (Hudson Review) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751023/Hudson_Review.pdf

March, the department has paid £4.6bn in un-ringfenced funding to the local government sector and other required funding, often at pace. We introduced a new sales, fees and charges scheme as well as cashflow support and a tax income guarantee scheme; whilst also maintaining statutory and business as usual activities essential for operation of the local government finance system.

We remain vigilant to risks, challenges and opportunities, regularly reviewing our processes and refining or replacing them where appropriate. We have also established, for when areas require particular attention, a deep dive process, which allows us to establish common understanding and resolve more complex issues.

Overall, our activities have reduced the overall risk for the department. Outstanding risks are either relatively low and/or we are confident we have processes in place to drive delivery without specific and potentially bureaucratic oversight and reporting.

In December 2020, we agreed to end treatment of the Hudson Review as a formal programme as we move the report's recommendations to a business as usual footing.

We remain committed to the Hudson principles and are ensuring that all new projects, and business planning, build on the report's principles from the outset.

No errors with the NNDR1 form or guidance were raised this year. We are implementing increased assurance processes for NNDR 2021-22.

Local Enterprise Partnerships (LEPs) and the Local Growth Fund

Growth deals provide funds to LEPs for projects that benefit the local area and economy. The National Local Growth Assurance Framework (2019)[10] guides local decision-making to support accountability, transparency and value for money. Substantial work was undertaken during 2018-19 to enable the new framework, the National Local Growth Assurance Framework to be introduced from April 2019. This incorporates recommendations from the non-executive director review of LEP governance and transparency (October 2017)[11] conducted by Dame Mary Ney, one of the department's NEDs. It also addresses a number of the recommendations included in the Ministerial Review into LEPs, Strengthened Local Enterprise Partnerships (July 2018)[12] and in NAO and PAC reports. The purpose of this assurance system is to ensure funds are spent locally with regularity, propriety and value for money, with oversight of what is being delivered, and is based on:

annual assurance provided by the Section 151 Officer of the LEP's Accountable Body to the Accounting Officer;

10 The National Local Growth Assurance Framework (2019) https://www.gov.uk/government/publications/national-local-growth-assurance-framework

11 LEP governance and transparency (October 2017) report https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency

12 Strengthened Local Enterprise Partnerships (July 2018) https://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships

- an annual assurance statement from the LEP Chair and chief executive which is published on the LEP website;
- regular reporting against agreed output metrics;
- an evaluation framework;
- a delivery plan, published on LEP websites;
- mid-year and annual performance reviews with each LEP;
- compliance spot checks on LEP websites; and
- deep dives to review LEP governance, accountability and transparency.

For Mayoral Combined Authorities and LEPs who have agreed to combine funding into a 'Single Pot', the NLGAF supersedes the guidance given in the *Single Pot Assurance Framework* (2016).

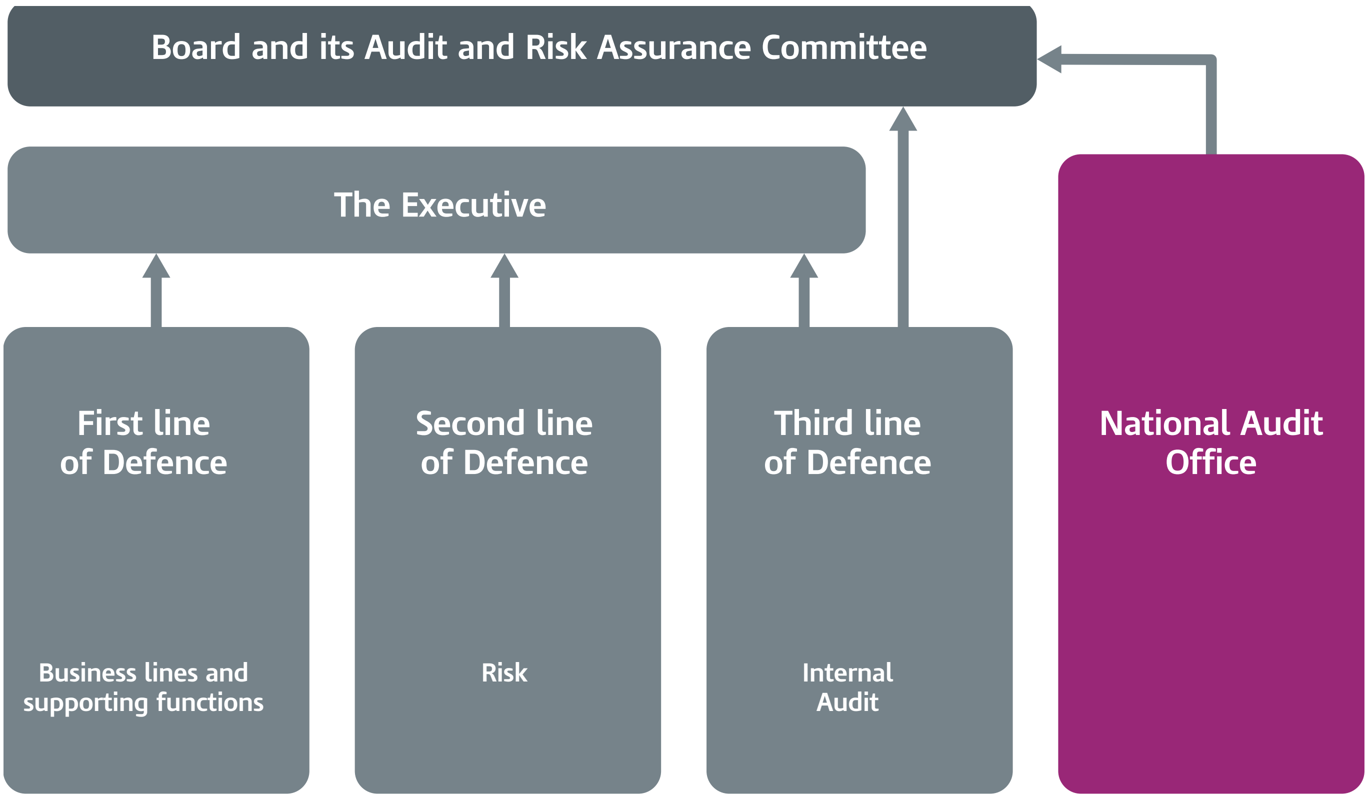
The 2020-21 LEP annual assurance process (as set out above) retained the strengthened assurance cycle introduced in 2019-20, whilst taking account of the impacts of the pandemic on delivery of programmes and some board operations (e.g. virtual meetings, postponed AGMs etc). All annual assurance statements were provided and the Annual Performance Review (APR) process concluded in April 2021. For governance, 37 LEPS were found to meet the requirements and a single LEP, identified as Action Needed during the APR, continues to progress within an already live improvement plan. In consideration of delivery and strategic impact all 38 LEPs were identified as meeting the requirements and no improvement plans were required.

Managing risks to our objectives, peoples and systems

This section outlines our risk management framework and describes the risk environment in which we operate.

Risk Governance – Roles and Responsibilities

The mechanism of risk oversight in MHCLG is based on 3 lines of defence principle, in line with the requirements in the revised HM Government Orange Book[13].



First Line of Defence: The first line of defence is the various business lines responsible for the implementation

13 HM Government Orange Book: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF

of the organisation's strategies. This includes business line supporting functions such as Human Resources, Information Technology, Finance etc. The first line owns, and is responsible for identifying, mitigating, controlling, and managing risks within its designated area of operation.

Second Line of Defence: The second line of defence is the function mandated by the executive to guide, support and challenge the first line units to ensure an adequate design and operation of effective risk management and control processes. The second line provides independent and objective views to the executive and board through the provision of timely and adequate reports on the effectiveness of first line activities.

Third Line of Defence: The third line is responsible for providing assurance on the effectiveness of the organisation's operating model through its first, and second line arrangements. It provides independent assessment and recommends improvements to first line, second line or the operating arrangement between them where needed.

Our Risk Management Framework

The department's risk management framework is designed to support effective decision making, to protect the department's reputation, to mitigate against financial loss and to minimise disruption to the delivery of its programmes.

The richness and diversity of the risks faced by MHCLG are such that they cannot be managed by processes and procedures alone: effective risk management will depend on the department's people being empowered to take the initiative and to do the right thing in identifying and escalating emerging problems before they become material.

As such, the risk management framework is based on principles just as much as on process. These principles – seven in total – focus on transparency, clarity, open communications and cooperation, building on the principles outlined by the Orange Book. They are outlined below:

- **Transparency and clarity**. We seek clarity and openness about which risks MHCLG wishes to take, which risks it wishes to manage out, and which risks it is exposed to.
- **Consistency**. We seek to report risk and risk appetite consistently across MHCLG and its affiliated institutions, using common metrics and definitions.
- **Challenge**. We welcome challenge, respect honesty, and listen to colleagues even when they bring bad news.
- **No-blame culture**. We promote a no-blame culture when investigating mistakes, probing losses or reporting risks that exceed mandated limits and tolerances.

- **Co-operation**. We work collaboratively to identify risk, whether it affects our own department or another one, and we work together to respond to risk.
- **Independence**. MHCLG's risk function is independent of front-line policy functions with a direct reporting line, via the Chief Financial Officer, to the Executive Team and, via the Audit and Risk Assurance Committee, to the Board.
- **Respect**. All our people, at all levels, respect these principles and embody them in day-to-day decision-making.

The figure below summarises the MHCLG approach to grouping, managing and reporting risk, and outlines the risk appetite we have set for various activities.

Figure 13: MHCLG's risk management framework

Area	1. Strategic Risk		2. Financial Risk		3. Operational Risk	
Examples	Programme design and delivery	Reputation and external Stakeholders	Non-recovery of loans	Write-down of assets or liabilities	Personal Misconduct	Regulatory Compliance
	External Events	Capability, capacity and resources	CDEL Impact	AME Impact	Fraud	Data, Personal, Physical Security
Managed by	Executive Team, Senior Leaders		Financial Programme/ Instrument Managers		All of our people	
Risk appetite	Significant but impossible to quantify		Significant but quantified, agreed and limited		Zero to minimal, insofar as feasible and cost-effective	

A specialised risk system (RADAR) was introduced in 2019 for recording, aggregating and analysing risk across the department. The central system incorporates standardised categories of risk aligned to the MHCLG Risk Taxonomy, as well as a risk scoring methodology and the ability to oversee the organisation's risk universe from the bottom up. During 2020-21, the system continued to be in place and has been enhanced to start recording performance metrics, consolidating the project and programme data on both performance and risks through to the portfolio level. In 2021-22, the department will continue relying on the system and further improving its risk reporting for its Board and Executive Committees, including enhancing the system's reporting functionality, tracking of usage, compliance and escalation processes.

The 2020-21 review of departmental systems of risk management and internal controls is more fully described in the Governance Assurance Exercise section. The department is implementing its 2021-23 Risk Action Plan, which will further enhance its risk management capability and embed the revised Orange Book principles. Further detailed assurance is provided by the third line of defence – Internal Audit, described in the relevant section of this Statement.

Principal risks

MHCLG operates in a complex risk environment and faces a number of internal and external threats and challenges. Departmental Principal Risk Register consists of thematic risks which the business believe covers all the types of risks the department could face. The risks are aggregated from the project and programme through to the portfolio levels. The principal risks can be cross cutting, or specific to one area of the department's business but of great significance. These are owned by members of the department's Executive Team who are responsible for putting in place and managing appropriate mitigating actions. During 2020-21, the Executive Team has performed deep dives into the Credit Risk, People and Capability, and Non-viability of Local Government Finance principal risks. Further detail on the risks to the departmental objectives is included in the Performance Report, and the Note 17 to accounts provides additional detail on the financial risks faced by the department.

The department initiated a review of its principal risk register with a view to realign it to the department's 2021-22 strategic objectives. The review will be concluded in Q2 2021-22. The current principal risks are building safety risks including Grenfell Tower, building safety remediation schemes and building safety regulation; the COVID-19 pandemic; local government financial viability; strategic planning risk due to financial uncertainty of the Spending Review; cyber risk, ALB risks, and people capability and capacity risks.

Counter Fraud, Error and Whistleblowing

A Counter Fraud Strategic Plan was developed to underpin the current counter fraud policy and response plan and was approved by the department's Risk Sub Committee in November 2019. The plan sets out how MHCLG intends to develop its arrangements to counter fraud, corruption and bribery over the next two to five years and is committed to preventing fraud and the promotion of a strong counter-fraud culture.

Due to the significant challenges presented by COVID-19, the reprioritisation of work and the department's response to the ongoing crisis the COVID-19 Counter Fraud Strategy, Policy and Response Plan outlines the approach for the prevention, detection, reporting and handling of fraud.

The department collaborates closely with the Cabinet Office to ensure ongoing compliance around cross-government Functional Standards, with four standards being partially met and the remainder fully achieved. The department continues to make use of available tools, including the use of the assurance tool Spotlight for pre-award grants management assurance and post-event fraud testing.

As part of the department's mandatory learning requirements, all staff are required to complete the Counter Fraud, Bribery and Corruption e-Learning course available through the Learning Platform for Government. A number of channels have been introduced to support staff reporting instances of potential fraud, bribery and corruption, including an online risk and issues system (RADAR) which is available to all staff, and the whistleblowing arrangements.

The department has nominated officers who are available to support people with whistleblowing queries and a director who acts as our ‘Whistleblowing champion’. Since reviewing its procedures in response to Dame Sue Owen’s cross government review of culture and procedures around sexual misconduct and harassment, the department has broadened the ways that people can report wrongdoing. This includes the use of a confidential helpline through our Employee Assistance Programme and introducing an In Confidence mailbox. In the last year, the department has continued to raise awareness of the policy and procedure, encourage people to speak up and seek sources of support which included a blog and a speak up campaign. We will continue to raise awareness of the policy and procedure.

The department received three whistleblowing allegations of fraud relating to Grant funding in 2020-21 and there were two fraud-related whistleblowing cases reported by an arm’s length bodies. In all cases, the allegations were investigated and no confirmed fraud was identified.

Information Security

Procedures and processes are in place to protect information and data and ensure it is only used for the purposes for which it was collected. The department, including executive agencies and ALBs, manages a range of data relating to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals.

In 2020-21 there were two data breaches for MHCLG and its ALBs that met the threshold for reporting to the Information Commissioner's Office (ICO) and in all those cases the ICO determined that no further action was required. In addition, there were two data breaches reported to the ICO for information only; in both cases the ICO determined that no further action was required. The data breaches that met the threshold for reporting were:

1. A 'phishing' attack on the Deposit Protection Scheme (DPS) was carried out which has resulted in unauthorised criminal access.
2. Mis-use by Agent appointed processor of Deposit Protection Scheme (DPS) data.

Other arm's length bodies report separately in their own Annual Report.

The department continued to raise awareness of cyber security through the year, with the Digital Directorate providing advice and guidance to staff about how to stay secure online in both a personal and professional context, and risk management in respect of cyber security maturing. Following the Government Internal Audit Agency's cyber security review, the majority of recommendations have been implemented including, but not limited to Security Operations Centre, ransomware protection, advanced malware analysis tools, advanced web traffic filtering and inspection, advanced malware protection, and improved email protection, and those remaining will be resolved in the coming year.

Managing Modern Slavery and Risks to Human Rights

The department has adopted the use of the guidance 'Tackling Modern Slavery in Government Supply Chains' developed by the Government Commercial Function to identify and manage modern slavery risks in both existing contracts and new procurement activity.

Staff in the Commercial Directorate have undertaken training to raise awareness of modern slavery and human rights abuses that can occur in supply chains.

Business Appointment Rules

The Business Appointment Rules (BAR) is part of the Civil Service Management Code and regulates the movement of civil servants and ministers into other business sectors. Civil servants must consider if the BAR requires them to seek departmental permission before applying for or accepting a job outside of the service. Most moves do not require an application, but some will and, in some cases, approval is subject to conditions.

The aim of the BAR is to avoid any reasonable concerns that:

- a civil servant might be influenced in carrying out his or her official duties by the hope or expectation of future employment with a particular firm or organisation, or in a specific sector; or

- on leaving the civil service, a former civil servant might improperly exploit privileged access to contacts in government or sensitive information; or
- a particular firm or organisation might gain an improper advantage by employing someone who, in the course of their official duties, has had access to information relating to unannounced or proposed developments in government policy, knowledge of which may affect the prospective employer or any competitors; or commercially valuable or sensitive information about any competitors.

In the 2020-21 year, MHCLG received BAR applications from three individuals, and all three were approved. In compliance with the Business Appointment Rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Details of any applications and the outcome are published on the MHCLG website for staff at SCS Pay Band 1 and 2 level and Special Advisers of equivalent level, and on the ACOBA website[14] for SCS Pay Band 3 or above and Ministers. BAR applications and outcomes are reported to the Audit and Risk Assurance Committee on a quarterly basis. Advice regarding specific business appointments has been published on MHCLG's website: https://www.gov.uk/government/publications/dclg-

14 https://www.gov.uk/government/organisations/advisory-committee-on-business-appointments

business-appointment-rules-advice/dclg-business-appointment-rules-advice-may-to-december-2015

Managing Conflicts of Interest

Staff

The department launched a refreshed Conflict of Interest Policy and online form to record and manage Conflicts of Interest in January 2021. The policy applies to all staff. It summarises the obligations under the Civil Service Management Code and provides some illustrative examples to help colleagues to understand the conflicts that may arise. Forms are attached to individual members of staff and follow them into new roles so new managers can see what conflicts have been declared and what mitigation may need to continue. The system also prompts managers to review declared interest at least once a year. The department's Risk Committee oversees the policy and reviews the effectiveness of the policy as well as staff compliance. All cases of remunerated employment are highlighted and subject to review by the Line Manager and senior HR staff to ensure that employment does not represent a conflict of interest that cannot be mitigated.

Compliance with the policy is assured for staff below the Senior Civil Service (SCS) by making confirmation they have no undeclared conflicts of interest part of the mandatory quarterly performance and development conversations with Line Managers. These cannot be signed off without provision of this statement and for the last round of conversations 94% of those eligible completed this assurance. This approach will be extended to all staff including the SCS by the autumn of 2021.

Special Advisers

In line with the current Declaration of Interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Director of People, Capability and Change has considered these returns and there are no relevant interests to be published.

Homes England

It has come to our attention this year that Homes England's former Chair made a declaration at the Homes England Investment Committee meeting in May 2019 that he had acted as a consultant for Delancey and did not make clear that this was still ongoing. It was also not made clear in the former Chair's declarations of interest that Dream Ltd was connected to Delancey Real Estate Management Ltd. The former Chair has issued a statement confirming that he should have left the meeting. Delancey are a shareholder in two joint ventures in receipt of funding from Homes England, with both arrangements agreed prior to the former Chair joining Homes England. However, a guarantee for the government private sector rental loan scheme was recommended by Homes England at the 2019 meeting in respect of one of the sites, which was subsequently approved and issued by the Ministry. Homes England intend to review the guidance for Board members, conduct any necessary training and improve diligence on the interests recorded.

Grants Management

The department recognises that, with EU Exit and new domestic grants, such as the £4.8 billion Levelling Up Fund, effective grant management is paramount. It therefore continues to develop its framework for grant management, to ensure its conformance to the Grant Funding Standard in the post EU Exit environment.

Internal Audit Opinion

A key source of independent assurance for MHCLG is the internal audit function provided by the Government Internal Audit Agency (GIAA), which complies with the Public Sector Internal Audit Standards. The annual 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 the Accounting Officer is made aware of any significant issues which indicate that key risks are not being effectively managed.

The Group Chief Internal Auditor's (GCIA) opinion on governance, risk management and control for the year was assessed as Moderate. The opinion takes into consideration the context in which the department had to operate over the year, with its significant focus on the response to the pandemic. The GCIA recognised that the department should rightly be proud of its resilience and crisis management during the pandemic, including in key programmes as a response to it, such as Shielding and Rough Sleeping Accommodation. He also acknowledged the department's strengths in policy development & delivery, programme delivery, and the development of policies and strategies in multiple corporate service areas. The GCIA evidenced that the Chief Finance Officer group has continued to build on foundations established since its inception, but there were areas that required further work for improving governance, risk management, and internal control, including:

- continued development and implementing of an enterprise risk management framework and culture, so that the benefits of commonality and transparency of risk identification and management from projects and programmes, through portfolios, and onto the strategic risk register, can be realised;
- continued development of IT service management, to ensure the department's resilience in its Digital, Data and Technology (DDAT) environment;
- implementing a contract management framework, with governance and control mechanisms to ensure ownership and management of all contracts;
- continued development of a grant management framework that will meet the department's responsibilities of governance for new domestic grants, that will arise as a result of EU Exit; and

- improving HR core controls over the leavers process.

Homes England received a limited Head of Internal Audit Opinion in 2020-21 related to areas of control improvement required in relation to risk management processes and culture. Further information on their response can be found in the Homes England Annual Report and Accounts 2020-21.

External Scrutiny

The department's work was the subject of eight NAO reports and ten Public Accounts Committee (PAC) evidence sessions in 2020-21, all of which are summarised below.

NAO Reports

Timeliness of local auditor reporting on local government in England, 2020: The NAO's report examines the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20, against the revised publication deadline of 30 November 2020. The report concluded that the late delivery of 2019-20 audit opinions is concerning, given the important part that external audit plays in assurance over taxpayers' money both centrally and locally. The increase in late audit opinions, concerns about audit quality and doubts over audit firms' willingness to continue to audit local authorities all highlight that the situation needs urgent attention. This will require cooperation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.

Local government finance in the pandemic: The report examined if the department's approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examined whether the department fulfilled its responsibilities in securing financial sustainability across the sector. The report concludes that the steps taken by the government, led by the department, have supported local authorities in the COVID-19 pandemic response. The department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the department has managed the most severe risks to value for money in the short term. However, the financial position of local government remains a cause for concern. Despite continuing support into 2021-22 the outlook for next year is uncertain, with many authorities setting 2021-22 budgets in which they have limited confidence and are balanced through cuts to service budgets and the use of reserves.

Protecting and supporting the clinically extremely vulnerable during lockdown: This report looks at how effectively government identified and met the needs of clinically extremely vulnerable people to 1 August 2020. It only examines the support provided through the shielding programme and does not include wider support to people considered clinically extremely vulnerable (CEV) to the virus. The report concludes that the shielding programme was a swift government-wide response to protect clinically extremely vulnerable people against COVID-19, pulled together at pace in the absence of detailed contingency plans. Departments have learned lessons from the first iteration of shielding from March to August 2020 and applied many of these to shielding during the second lockdown in November 2020. It took time for people to be identified as CEV and therefore access formal support. Many people benefited from the support provided but government cannot say if the £300 million spent on it helped to reduce the level of serious illness and deaths from COVID-19 across CEV people.

Departmental Overview 2019-20: Ministry of Housing, Communities and Local Government: A summary of the department, spending in 2019-20, its major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from our financial audit and value for money work.

Investigation into the housing of rough sleepers during the COVID-19 pandemic: The investigation was part of a programme of work by the NAO to support Parliament's scrutiny of the government's response to

COVID-19. In this report they set out the steps taken by the department in rehousing rough sleepers in England during the pandemic, focusing particularly on the steps taken at the outset of the pandemic; the information held by the department on those at risk of rough sleeping; and subsequent steps that the department has taken to provide long-term accommodation to those at risk of rough sleeping. The report is a 'facts only' account of the department's actions and is not a value-for-money evaluation.

The adult social care market in England: This report examines the current care market and offers insights and recommendations ahead of future social care reforms. The report concluded that the lack of a long-term vision for care and short-term funding has hampered local authorities' ability to innovate and plan for the long term, and constrained investment in accommodation and much-needed workforce development. The Department of Health & Social Care will be leading reform plans and has committed to bringing forward proposals in 2021. Reforming the sector will be a significant challenge and will need a whole system, cross-government approach.

Review of the Town Deals selection process: The review describes the process followed by the department to select the 101 towns that had been invited to bid for up to £25 million, or up to £50 million in exceptional circumstances, from the £3.6 billion Towns Fund to implement an agreed Town Deal. The NAO's review is factual and does not evaluate the selection process or its outcomes. The review covers the criteria, process and sources of evidence used by the department to assess and rank towns, and the results of the assessments and ranking of towns, which towns were selected and the rationales given for selection.

Investigation into remediating dangerous cladding on high rise building: Following the Grenfell Tower disaster, MHCLG established the Building Safety Programme. This investigation examined how MHCLG is assuring itself that all the buildings which fall within scope of the programme have been correctly identified and are being fully remediated, and the pace of the remediation. It also explores how MHCLG decided which buildings qualify for remediation funding. The investigation found that as at April 2020, 149 of the total 456 buildings, 18 metres and over with unsafe aluminium composite material (ACM) cladding, have been fully remediated. The pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector. Early signs are that the effects of COVID-19, and public health measures taken to limit its impact, have slowed down the recent pace of remediating unsafe buildings. The department had identified the majority of high-rise buildings with unsafe ACM cladding by summer 2018, although more buildings continue to be identified. The department estimates there to be around 85,000 buildings between 11 and 18 metres but does not yet know how many of these have cladding systems, or what proportion of these might be unsafe

ACM cladding. As at April 2020, the department expects to pay for 94 projects (out of 208) in the private sector, where the developer or building owner has not agreed to fund remediation works themselves. The department currently estimates that all buildings within scope of its funding schemes will be remediated by mid-2022, with more than 95% completed by the end of 2021.

The studies can be viewed on the NAO website: https://www.nao.org.uk/ .

PAC evidence sessions

The Public Accounts Committee held evidence sessions on the following subjects:

- Local Authority Commercial Investment (15 May 2020)
- Whole of Government Response to COVID-19 (15 June 2020)
- Readying the NHS and adult social care for the COVID 19 pandemic (22 June 2020)
- Progress in remediating dangerous cladding (6 July 2020)
- Selecting towns for the Towns Fund (21 September 2020)
- Starter Homes (22 October 2020)
- MHCLG Recall (7 December 2020)
- COVID-19: Housing rough sleepers (25 January 2021)

- COVID-19: Supporting the vulnerable during lockdown (22 February 2021)
- COVID-19: Local Government finance (18 March 2021)
- any other PACs scheduled? – TBC

Details of the PAC reports are on the PAC website. The PAC makes recommendations which the department responds to in Treasury Minutes. These can be found at https://www.gov.uk/government/collections/treasury-minutes.

HCLG Select Committee

The HCLG Select Committee held a session on the department's 2019-20 Annual Report and Accounts in April 2021.

The Role of the Senior Sponsors and Boards of the ALB's

The department currently has one executive agency and twelve other arm's length bodies (ALBs), which are listed in Note 24. Each maintains its own governance structures and processes, appropriate to their business and scale, and each body has its own Accounting Officer with delegated authority from the Principal Accounting Officer to oversee the operation and delivery of the ALB's objectives.

The ALB control and assurance framework strikes a balance between the level of delegation and autonomy afforded to the bodies, and the need for a robust system of internal controls that provides sufficient assurance to the Principal Accounting Officer in fulfilling their duties. We have embedded the Cabinet Office's 'Senior Sponsor' partnership model[15] with senior officials within the department providing oversight of the performance and the direction of the ALBs. Additional specialist central support on matters relating to governance and the appointment of non-executive members of ALB Boards is provided by the Finance and People, Capability and Change directorates.

For each ALB, a framework agreement is in place, which sets out the parameters within which ALBs are expected to operate, the relationship between the department and the ALB, and the way it is expected that the department (in its capacity as sponsor for the ALBs) and the ALBs themselves interact with each other.

ALB boards are responsible for ensuring that effective arrangements are in place to provide assurance to the Board and department on risk management, governance and internal control. In particular, the Homes England board are responsible for producing and overseeing a risk appetite statement and risk management framework in respect of risks relevant to the activities and exposures of Homes England.

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15 Partnership between departments and arm's-length bodies https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594345/Partnerships_between_departments_and_arm_s_length_bodies-code_of_good_practice.pdf

This includes risks associated with making and divesting investments, the assessment and mitigation of those risks and Homes England's associated structures, controls, processes and procedures. The risk management framework includes agreed escalation processes and sets out ways of working with the department including provision for open communication between the Chief Risk Officers of Homes England and the department to discuss and share information on risk matters.

Further assurance is provided through:

- an annual risk-based impact assessment to ensure the level of sponsorship and Accounting Officer engagement is proportionate to each organisation and aligned with departmental priorities;
- a bi-annual meeting for Audit and Risk Assurance Committee chairs, where concerns affecting the departmental Group are considered;
- key performance indicators for each ALB to enable effective performance assessments; and
- A consistent approach to ALB Board effectiveness which was developed and undertaken for Homes England, with annual appraisal reviews, including for chairs. A similar approach is to be developed and considered for other ALBs, during the next Tailored Review Programme, which is currently under review by the Cabinet Office.

Entities within the Departmental Boundary

The department has one Executive Agency and 12 designated bodies. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation and the Architects Registration Board are consolidated into the departmental accounts.

Executive Agency	**Planning Inspectorate**
Advisory Non Departmental Public Body (NDPB)	**Building Regulations Advisory Committee**
Tribunal	**Valuation Tribunal for England**
Executive Non Departmental Public Bodies (NDPBs)	**Homes England** **Leasehold Advisory Service** **Regulator Of Social Housing** **The Housing Ombudsman** **Valuation Tribunal Service** **Ebbsfleet Development Corporation** **The UK Holocaust Memorial ltd** (see note below)
Other Body (not classified as NDPB)	**Local Government and Social Care Ombudsman**
	Queen Elizabeth II Conference Centre
Public Corporation	**Architects Registration Board**

The UK Holocaust Memorial Ltd (UK HMF) was incorporated on 12 July 2019, remained dormant during the year and was dissolved on 23 March 2021. The UK HMF programme continues to operate within the core department.

Homes England

The largest of our ALBs is Homes England, which is governed by a Board that provides strategic leadership to ensure that Ministerial aims and objectives for the organisation are met. It is currently chaired by Peter Freeman, who was appointed in October 2020. Its members are appointed by the Secretary of State. To ensure a strong and effective corporate governance system, with effective arrangements in place to provide assurance to the department on risk management, governance and internal control, the Board is constituted to ensure a majority of non-executive members.

Meeting ten times a year, the Board gains assurance through the monitoring of performance against Key Performance Indicators (KPIs), analysis of written reports such as the Market Overview report and Early Warning Indicator report, and upward reporting from Homes England’s other committees. The Board implemented a significant refresh of its Terms of Reference and Committee structures in March 2020. Since his appointment in October 2020 the Chair has been conducting, on behalf of the Secretary of State, a Review of Homes England’s operations including the work of the Board. The findings and recommendations of that Review are likely to result in further changes to strengthen the role of the Board as part of wider transformation across the Agency to support the delivery of government’s housing ambitions.

The Chair has been the only non-executive appointment to the Board in 2020-21. One member’s final term ended in October 2020 and the recruitment of new members is planned for 2021-22. Future recruitment will ensure the Board has the necessary skills and experience to effectively deliver its assurance and oversight role as well as respond to the findings of the Chair’s Review. At an executive level, Nick Walkley resigned as Chief Executive in February 2021. The existing Chief Investments Officer, Gordon More, has been appointed as Chief Executive on an Interim basis while a recruitment campaign is being run for a permanent successor. As Chief Executive and Accounting Officer, Gordon More is a member of the Homes England Board.

The Senior Sponsor is the Director General for Housing and Planning, responsible for chairing AO meetings, providing effective scrutiny and challenge to hold the ALB to account. To support the Senior Sponsor, the department also has a Shareholder member on the Homes England Board. The role of Shareholder Member is to help inform discussion at the Board and thereby strengthen communication and relations at a senior level.

Performance against corporate and delivery objectives is overseen by two governance panels:

- Corporate and governance performance is discussed at a quarterly Shareholder Meeting, which is chaired by the Senior Sponsor and is attended by the Shareholder member, and other directors from the department together with the Chair, Chief Executive and other executives from Homes England.
- Delivery performance is discussed at a monthly client meeting comprising the Deputy Senior Sponsor and policy directors from the department together with the executive directors and senior responsible owners from Homes England.

My Conclusion

I have reviewed the evidence provided through the governance assurance exercise, the Internal Audit opinion, NAO and PAC reports, and I am satisfied that overall the department continued to embed a sound system of internal control during this reporting period, and to improve its governance arrangements. The department continues to develop and embed its enterprise risk management framework to further facilitate and strengthen departmental assurances.

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.

All tables and the pay multiples section of the Remuneration Report have been subject to audit.

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

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 Commission can be found at: www.civilservicecommission.org.uk

Remuneration (Including Salary) and Pension Entitlements

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.

No benefits in kind were received by any minister or official named in the tables below in 2019-20 or 2020-21.

Single total figure of remuneration (subject to audit)

Ministers	Salary £		Full year Equivalent Salary if different £		Pension benefits[1] £ (to nearest £1,000)		Total remuneration £ (to nearest £1,000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
The Rt Hon Robert Jenrick Appointed 01 August 2019	67,505	45,853	-	68,779	17,000	11,000	85,000	57,000
The Rt Hon Christopher Pincher MP Appointed 01 March 2020	31,680	2,640	-	31,169	8,000	1,000	40,000	4,000
Luke Hall MP Appointed 01 August 2019	27,622	15,217	-	22,826	7,000	4,000	35,000	19,000
Lord (Stephen) Greenhalgh Appointed 18 March 2020	-	-	-	-	-	-	–	-
Kelly Tolhurst MP Appointed 08 September 2020	6,556	-	18,408	-	2,000	-	9,000	-
Simon Clarke MP Appointed 01 March 2020	21,736	3,068	49,585	36,218	3,000	1,000	25,000	4,000
Eddie Hughes MP Appointed 18 January 2021	3,729	-	18,905	-	1,000	-	5,000	-

(1) The value of Parliamentary Contributory Pension Fund (PCPF) 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. This is a different basis to the way CETV (Cash Equivalent Transfer Value) is calculated in the Ministerial Pension Benefits table.

Single total figure of remuneration (subject to audit)

Officials	Salary £'000		Full year Equivalent Salary if different £'000		Bonus Payments £'000		Other Benefits £ (to nearest £1,000)		Pension benefits(1) £ (to nearest £1,000)		Total remuneration £ £'000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Jeremy Pocklington Permanent Secretary Appointed 30 March 2020	160-165	135-140	160-165	–	15-20	15-20	–	–	198,000	95,000	375-380	245-250
Matt Thurstan Chief Financial Officer Appointed 17 August 2020	100-105	–	160-165	–	–	–	–	–	122,000	–	220-225	–
Richard Goodman Director General Building Safety Appointed 7 December 2020	40-45	–	120-125	–	–	–	–	–	17,000	–	55-60	–
Tracey Waltho Director General Housing and Planning Appointed 30 March 2020	125-130	–	125-130	–	0-5	–	–	–	97,000	–	225-230	–

David Thomas Director of Finance Appointed 1 April 2020 Left 16 August 2020	25-30	20-25	75-80	75-80	–	–	–	–	24,000	13,000	50-55	35-40
Catherine Francis Director General, Local Government and Public Service	125-130	125-130	125-130	–	0-5	–	–	–	56,000	143,000	185-190	265-270
Emran Mian Director General, Decentralisation and Growth	125-130	60-65	125-130	125-130	0-5	–	–	–	84,000	38,000	215-220	100-105
Andy Hobart(2) Chief Financial Officer Appointed 1 April 2020 Left 16 August 2020	65-70	50-55	180-185	175-180	–	–	2,000	2,000	–	–	65-70	55-60
Lise-Anne Boissiere Director for Strategy	95-100	90-95	95-100	–	15-20	10-15	–	–	52,000	40,000	160-165	145-150

Ruth Bailey Director People, Capability and Change	100-105	95-100	100-105	–	15-20	5-10	–	–	46,000	106,000	160-165	210-215

Note: bandings above are in the format: £0-£5,000, £5,000-£10,000, £10,000-£15,000, £15,000-£20,000.

(1) This column only shows pension benefits for the Principal Civil Service Pension Scheme (‘PCSPS’) and Civil Servants and Other Pension Scheme (‘CSOPS’). The value of PCSPS and CSOPS 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. This is a different basis to the way CETV in the Officials’ Pension Benefits table is calculated.

(2) Andy Hobart is a member of the Partnership pension scheme and as such did not accrue PCSPS or CSOPS pension benefits in 2020-21. The employer contributions to his Partnership pension account were £2000 (to the nearest £100) in 2020-21 and are included in the Other Benefits column of this table.

The non-executive directors (NEDs) did not receive a salary in their capacity as Board Members and details of fees paid to them during 2020-21 are shown below (subject to audit):

Non-Executive Directors	Fees (£) 2020-21	Fees (£) 2019-20
Michael Jary (Lead) Appointed 1 February 2019	20,000	20,000
Mary Ney(1)	24,600	15,000
Pam Chesters	17,500	17,500
Daniel Morley Resigned 6 September 2019	–	7,500

(1) Mary Ney carried out a review in Leicestershire following the local lockdown in 2020 for which an addional fee was paid of £9,600. The full year entitlement was £15,000.

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; the salary for their services as an MP £81,932 (from 1 April 2020) 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.

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 Ministers or officials named in these tables received benefits in kind in 2019-20 or 2020-21.

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 2020-21 relate to performance in 2019-20 and the comparative bonuses reported for 2020-21 relate to the performance in 2019-20.

Fair Pay Disclosures (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 board member in the department, the department's Interim Chief Financial Officer, in the financial year 2020-21 was

£180,000 – £185,000 (2019-20: Interim Chief Financial Officer, £175,000-£180,000). This was 4.3 times (2019-20: 4.5 times) the median remuneration of the workforce, which was £42,130 (2019-20: £39,171)

In 2020-21, nil (2019-20, nil) employees received remuneration in excess of the highest-paid board member.

Remuneration of employees ranged from £20,000 – £25,000 to £175,000 to £180,000 (2019-20: £20,000 – £25,000 to £175,000 – £180,000). 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 2020-21 has increased by £2,959 compared to the 2019-20 median salary.

Compensation for loss of office (subject to audit)

No ministers or officials received compensation for loss of office in 2020-21.

Ministerial Pension Benefits (subject to audit)

The table below shows the Parliamentary Contributory Pension Fund ('PCPF') pension benefits accrued by ministers who have served as board members of the department during the 2020-21 reporting year:

	Accrued pension at age 65 as at 31/03/21	Real increase in pension at age 65	CETV(1) at 31/03/21	CETV at 31/03/20	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Robert Jenrick MP	0–5	0–2.5	26	14	4
Kelly Tolhurst MP	0–5	0–2.5	13	11	1
Lord Stephen Greenhalgh	–	–	–	–	–
The Rt Hon Christopher Pincher MP	0–5	0–2.5	31	23	4
Eddie Hughes MP	0–5	0–2.5	5	4	1
Simon Clarke MP	0–5	0–2.5	5	3	1
Luke Hall MP	0–5	0–2.5	7	2	1
(1) CETV stands for Cash Equivalent Transfer Value.					

Pension benefits for ministers are provided by the PCPF. The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015[16].

Those Ministers who are Members of Parliament (MPs) may also accrue an MP's pension under the PCPF (details of which are not included in this report). 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.

16 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

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 PCSPS and CSOPS pension benefits accrued by officials who have served as board members of the department during the 2020-21 reporting year.

Officials	Accrued pension at pension age as at 31/03/21 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/21	CETV at 31/03/20	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Jeremy Pocklington	60 – 65 plus a lump sum of 30 – 35	10 – 12.5 plus a lump sum of 2.5 – 5	934	762	137
Catherine Frances	30 – 35 plus a lump sum of Nil	2.5 – 5 plus lump sum of Nil	440	391	28
Richard Goodman	10 – 15 plus lump sum of Nil	0 – 2.5 plus lump sum of Nil	101	92	5
Ruth Bailey	25 – 30 plus a lump sum of 55 – 60	2.5 – 5 plus lump sum of 0 – 2.5	431	388	24
Lise-Anne Boissiere	30 – 35 plus lump sum of Nil	2.5 – 5 plus lump sum of Nil	358	319	23
Emran Mian	20 – 25 plus a lump sum of Nil	2.5 – 5 plus lump sum of Nil	306	243	45
David Thomas	35 – 40 plus a lump sum of Nil	0 – 2.5 plus a lump sum of Nil	460	434	13
Matt Thurstan	20 – 25 plus a lump sum of Nil	5 – 7.5 plus a lump sum of Nil	318	228	75
Tracey Waltho	45 – 50 plus a lump sum of 90 – 95	2.5 – 5 plus a lump sum of 2.5 – 5	719	638	62

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 (CSOPS) 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: three 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 5 months from their normal pension age on 1 April 2012 will switch into alpha (CSOPS) 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 in 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 (CSOPS), as appropriate. Where the official has benefits in both the PCSPS and alpha (CSOPS) 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.

Staff Report

The Staff Report relates to the core department. Information on ALBs can be found in their published Annual Reports.

Annual Report – People

During 2020-21 the department had to respond immediately to the unique people and resourcing challenges created by supporting the national response to the COVID-19 pandemic. We established several new teams, from scratch, in vital areas such as Shielding to advise, assist and co-ordinate the efforts of other departments, local government and other regional and local partners in managing the crisis. Our people responded positively and flexibly to changing roles and workloads, to working within different teams and with new colleagues, whilst adapting to meet new priorities on a regular basis. The lessons learned from our work in preparing for the UKs exit from the EU in 2019-20 were drawn upon in facilitating the rapid deployment of staff to meet the unprecedented nature of the challenge. We were also able to respond to the task by stopping, pausing or significantly reducing all non-essential work whilst maintaining other vital services. During the year we prioritised and focused on the following core people issues:

Supporting home working

At the start of the crisis, we switched almost overnight, to default home working. We focused on providing people with the support and tools they needed to do their job effectively at home. This included the provision, where needed, of chairs, desks, keyboards etc through to more specialised and individual support for staff with reasonable adjustments or additional needs. This was a major logistical exercise and was one of the outstanding early achievements of our people response, evidenced by the fact the department scored highly in a cross-government survey on the ability to work from home. This activity was supported by the rapid introduction of new policies and procedures to enable people and teams to continue to work effectively and deliver services at home. We ran frequent surveys to assess if we needed to do more and how we could best support colleagues to work from home effectively and to stay connected with their teams and the work of the department.

Providing a safe environment for those working from the office

During the year there were a small number of staff who were required to deliver vital or essential work in MHCLG offices, other government departments or to directly support work in local communities. At various points during the year, as restrictions eased other colleagues attended offices either because home working was difficult due to personal circumstances or to maintain their mental health and well-being. Throughout the MHCLG estate we introduced a rigorous system of health and safety checks and processes to protect our people and to minimise the risk of catching or spreading the COVID infection including; social distancing measures, cleaning on a regular basis and rapid reporting and action to deal with suspected or known infections.

Maintaining the well-being of our people

At the start of the pandemic we were conscious of the potentially adverse impact on mental health as a result of the social distancing restrictions. We reinforced our already comprehensive well-being provision and made sure we communicated the available support in a visible manner and on a regular basis to our people. We made sure all colleagues but especially those in leadership and management positions were aware of their responsibility to check on and support the well-being of their people. We introduced a specific emphasis and requirement within our performance and development system to ensure that regular conversations took place throughout the year to discuss well-being. Other actions included providing access to the Calm app, bespoke mental health and personal resilience workshops and the extension of our Mental Health Ambassador service to out of office hours.

Resourcing

The pandemic placed a considerable strain on the resources of the department as we took on new responsibilities and continued to deliver vital or essential business e.g. we created a new Director General led Group during the year to increase leadership focus on and bring together our work on building safety, the Grenfell community and site; and our work on Net Zero. Much of the resource demand was met by existing staff moving flexibly between roles and through frequent reprioritising of the work of the department. We also grew slightly to respond to the overall increased work of the department. We did this through a combination of; bringing in civil servants from other departments or our arms-length bodies (e.g. the Queen Elizabeth Conference Centre), innovative schemes such as Industry Partners which brought in valuable skills from outside the civil service and, through an increase in recruitment from the summer onwards. We recruited and deployed people flexibly at volumes which far exceeded what would normally be the case. As a result, we improved our ability to manage, at scale, all the associated activities such as onboarding and induction at pace. We also put people at the centre of our plans to ensure that they were well informed and engaged at each stage.

Beyond Whitehall

Home working provided an opportunity to develop and progress our plans to move roles out of London to ensure that we are representative of the communities we serve across the U.K, with a diverse and inclusive workforce, helping us to ensure policy is as relevant in Wolverhampton as it is in Westminster. Our Beyond

Whitehall programme, which will see a minimum of 500 roles moved outside of London and the South East by 2025, will contribute to the government's priorities of levelling up and building back better out of the pandemic. During the year we announced our new second headquarters in Wolverhampton, which will be open in the autumn of 2021 and confirmed our commitment to joining the new Northern Economic Campus in Darlington. The March 2021 Budget also confirmed new programme funding responsibilities which for the first time will see the department establish a presence in each of the three devolved nations in 2021/22.

Diversity and Inclusion

This issue continued to be a priority for the department, at a time when many protected and minority groups were severely impacted by the pandemic. To be truly connected to the places that we serve the diversity of our people is essential. Our aspiration is to create a culture based upon fairness, delivered through the right attitudes, behaviours, and practices. Key work and achievements during the year included; being one of the Civil Service high performers for Inclusion and Fair Treatment in the 2020 People Survey, achieving at or above gender balance at most grades (except at G6 and SEO where 49% are colleagues are female), achieving 12th place on the 2020 Social Mobility Employer Index, increased prominence of positive role models through our 'We are for everyone' campaign which are also used as an 'attraction vehicle' in all external recruitment campaigns.

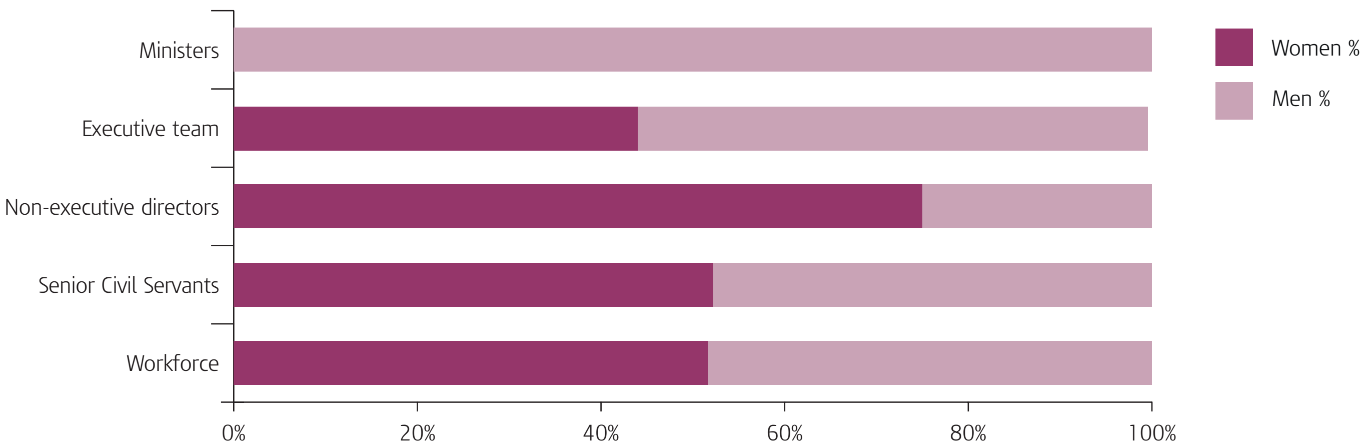
The progress achieved by this work was evidenced by the fact that the proportion of staff who experienced discrimination (or preferred not to say) was in 2020 lower than any year since 2016. Similarly, the proportion of staff who experienced bullying or harassment (or preferred not to say) was in 2020 also lower than any year since 2016 (except for 2018 were the levels were similar).

Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In January 2021 we published data on our gender pay gap in line with other employers[17]. The MHCLG Group gender pay gap data for 31 March 2021 will be published in January 2022 as part of a co-ordinated publication exercise across all Whitehall departments. The chart only includes staff that are on the departmental payroll.

Staff Diversity by Gender – Core Department as at 31 March 2021



17 https://www.gov.uk/government/publications/mhclg-gender-pay-gap-report-and-data-2020/mhclgs-gender-pay-gap-report-2020

Health and Safety Management

The department's safety performance has remained consistent during 2020-21. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2020-21 (none in 2019-20), while a total of 0 accidents were reported by employees in 2020-21 against 17 in 2019-20. The Reportable Accident Rate was calculated as 0 per 100,000 employees. This is due to the fact of the impact of the COVID-19 pandemic and the vast majority of staff working from home.

We have improved measures to increase greater awareness among staff of the importance concerning reporting work-related accidents by transferring the process to RADAR alongside accompanying internal communications.

Average Working Days Lost

	Jan – Dec 2020	**Jan – Dec 2019 (AWDL)[1, 2]**
Civil Service	**TBC**	7.4
Core Department	3.4	4.2
Executive Agency	3.8	5.3

(1) AWDL: Average working days lost.

(2) Civil Service AWDL is based on April 2019 – March 2020 data

Staff with no sickness absence

	Jan-Dec 2020	Jan-Dec 2019
Core Department	76%	68%
Executive Agency	74%	57%

Trade Union Facility time

The following data relates to both the core department and executive agency (Planning Inspectorate).

Relevant union officials

Number of employees who were relevant union officials during 1 April 2020 – 31 March 2021	Full-time equivalent employee number
47	47

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	18
1-50%	29
51%-99%	–
100%	–

Percentage of pay bill spent on facility time

	Figures
Total cost of facility time	£95,905
Total pay bill	£205,702,000
Percentage of the total pay bill spent on facility time	0.05%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%

Some relevant union officials did not spend facility time on union activities.

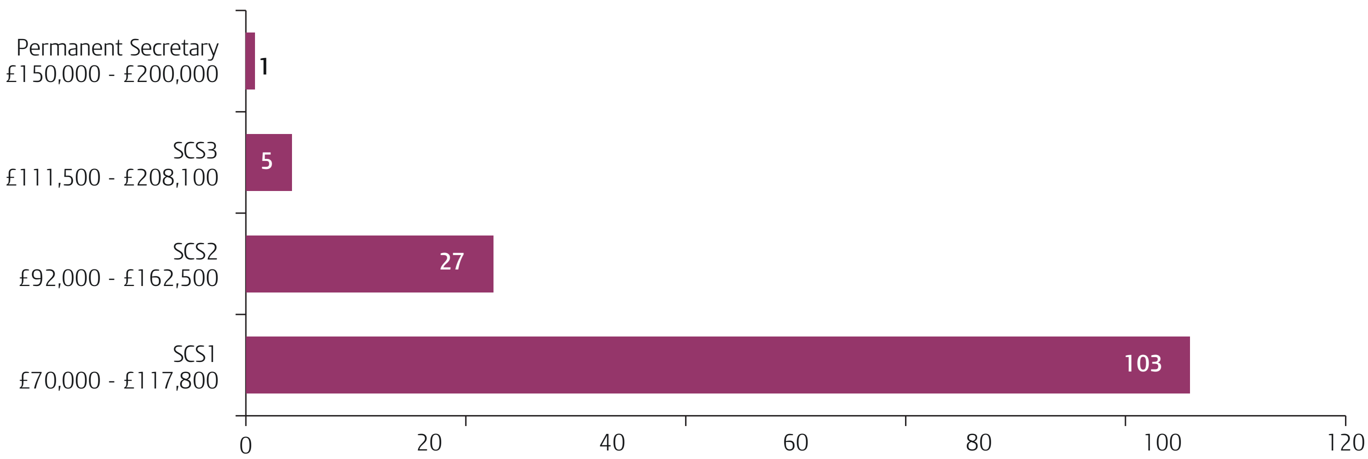
Staff Turnover Percentage

Staff turnover for the department for 2020-21 was 18.9% (2019-20: 21.6%). Turnover, in line with the Cabinet Office definition, includes all staff who have left the Civil Service.

Senior Civil Service salaries and staffing

At 31 March 2021 there were 136 Senior Civil Service staff including the Permanent Secretary on the core department's payroll. This includes staff receiving temporary responsibility allowance at an SCS pay band.

SCS Headcount by pay band as at 31 March 2021



Staff numbers and related costs (subject to audit)

The following sections below have been subject to audit: staff costs, average number of full time equivalent persons employed, and reporting of civil service and other compensation schemes.

Staff costs[18]

						£'000
					2020-21	2019-20
	Permanently Employed Staff	Others	Ministers	Special Advisers	Total	Total
Wages & Salaries	223,090	21,378	160	-	244,628	224,540
Social Security Costs	26,476	-	16	-	26,492	23,298
Pension Costs	71,349	-	-	-	71,349	67,640
Other	2,194				2,194	
Total Costs	**323,109**	**21,378**	**176**	**-**	**344,663**	**315,478**
Less Recoveries in respect of outward secondments	(1,794)	-	-	-	(1,794)	(2,140)
Total Net Costs	**321,315**	**21,378**	**176**	**-**	**342,869**	**313,338**
Of which:						
Core Department	148,242	8,848	176	-	157,266	149,053
Agency	47,719	717	-	-	48,436	43,647
Designated Bodies	127,148	11,813	-	-	138,961	122,778

Average number of full-time equivalent persons employed

					2020-21	2019-20
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	2,102	354	5	3	2,464	2,359
Agency	748	11	-	-	759	736
Designated Bodies	1,579	182	-	-	1,761	1,553
Total	**4,429**	**547**	**5**	**3**	**4,984**	**4,648**

18 Special Advisers wages and salaries transferred to the Cabinet Office part way through the year. The table only shows the amounts we paid them prior to their transfer.

This is the annual average based on month end full time equivalent staff numbers.

Although administered through Cabinet Office payroll, Special Advisors continue to be employed by the appointing Minister. Therefore Special Advisors are included when reporting staff numbers.

Staff redeployments

In accordance with Transfers within the Civil Service (February 2019), short-term staff loans of up to six months remained on the payroll and terms and conditions of their home department and the host department bore no responsibility for the costs of the loaned staff.

Number of staff	**Inward (Hosted)**	**Outward (Loaned)**	**Total**
Administrative Officers	2	–	2
Executive/Higher Executive Officers	40	5	45
Senior Executive Officers	34	2	36
Grade 7/6	75	11	86
Senior Civil Service	8	2	10
Total	**159**	**20**	**179**

Average duration (months)	**Inward (Hosted)**	**Outward (Loaned)**	**Total**
Administrative Officers	4	–	4
Executive/Higher Executive Officers	4	6	4
Senior Executive Officers	3	4	3
Grade 7/6	3	7	4
Senior Civil Service	4	17	6
Total	**3**	**8**	**4**

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 schemes, 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 (https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2020-21, employers’ contributions of £28,202,446 (2019-20: £25,672,268) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 26.6% to 30.3% 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 2020-21 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 2020-21, employers’ contributions of £140,200 (2019-20: £159,289) were paid to the appointed stakeholder pension provider. 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 2020-21, employer contributions of 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 £11,539 (2019-20: £10,155). Contributions prepaid at that date were nil.

Two members of staff (2019-20: one) retired early on ill-health grounds, the additional accrued pension liabilities in the year amounted to £15,469 (2019:20: £5,617).

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.

	2020-21			2019-20	2020-21			2019-20
	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	–	–	–	1	–	–	–	1
£10,000 – £25,000	–	–	–	–	–	–	–	–
£25,000 – £50,000	–	–	–	1	–	–	–	1
£50,000 – £100,000	–	1	1	3	–	1	1	10
£100,000 – £150,000	–	–	–	–	–	–	–	–
£150,000 – £200,000	–	–	–	–	–	–	–	1
£200,001 onwards	–	–	–	–	–	–	–	–
Total number of exit packages	**–**	**1**	**1**	**5**	**–**	**1**	**1**	**13**
			£'000	**£'000**			**£'000**	**£'000**
Total cost	**–**	**95**	**95**	**318**	**–**	**95**	**95**	**1,076**

Expenditure on Consultancy and Temporary Staff

				£000
	2020-21	2019-20 Restated	2018-19 Restated	2017-18 Restated
	£000	£000	£000	£000
Cost of Contingent Labour				
Core Department	4,991	5,992	5,180	1,640
Executive Agency	1,659	2,476	3,091	1,908
NDPBs	16,106	7,302	5,105	3,052
Total	22,756	15,771	13,376	6,600
Cost of Consultancy				
Core Department	19,544	4,898	2,763	336
Executive Agency	–	106	60	–
NDPBs	604	225	430	102
Total	20,148	5,229	3,253	438
Overall Total	**42,904**	**20,999**	**16,629**	**7,038**
Note: Contingent labour – 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.				
Note: The 2019-20 Annual Report contained errors in the arm’s length body cost of consultancy figures. This has been corrected in the table above.				

The new areas of delivery required as part of the Building Safety Programme have meant MHCLG has had to look beyond Civil Service skills to secure niche, specialist advice. This contributed to increased spend on a range of managed consultancy services covering advice and support on: the new building safety regulators; the Private Sector Cladding Remediation Fund; as well as core services such as building regulation stewardship and energy performance certification review. All consultancy arrangements were subject to internal approval checks and delivery was monitored as part of the programme’s governance structure.

There were also one-off consultancy requirements in relation to COVID-19 (£5 million) which primarily related to the set-up of Shielding, and the Resilience and Emergency Division’s new situational awareness function.

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 arm’s 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.

All off-payroll appointments as of 31 March 2021, earning at least £245 per day			
	Main Department	**ALBs**	**Departmental Group**
No. of existing engagements as of 31 March 2020	**53**	**176**	**229**
of which have existed for:			
less than one year at time of reporting	31	41	72
between one and two years at time of reporting	7	48	55
between two and three years at time of reporting	7	80	87
between three and four years at time of reporting	2	1	3
Four years or more at time of reporting	6[1]	6[2]	12[3]
(1a) These are independent expert assessors approved by the Secretary of State to assess prospective Tenant Management Organisations. The assessors' employment is sporadic and these roles cannot be fulfilled by on-payroll staff because this work must be carried out by experts who are independent from Government.			
(1b) The role is a Project Director for Design & Construction of the Holocaust Memorial and Learning Centre. The postholder is a qualified architect and project manager, leading the client-side work covering issues from planning, engineering and design, through to construction methodology and cost management. The project is ongoing and the role is likely to be retained for a number of years until the project has been completed.			
(1c) The postholder is a rent charge specialist providing essential expert legal advice on complex rent charge redemption, apportionment applications on an 'as and when needed' basis.			
(1d) Post holder is a Regional Growth Fund Contract Manager. The role is to support compliant closure of projects and programmes in line with State Aid regulations and contractual obligations. This contract is expected to end on 30th September 2021			
(2) The Planning Inspectorate engaged in a number of off-payroll contracts. Over 60% of these engagements were for the services of Non-Salaried Inspectors (on a fee-paid contractual basis), to provide necessary flexibility in the Inspector workforce. The remainder of the off-payroll engagements were to support a specific need in the organisation whilst transforming the organisational design.			
(3) Homes England are actively working to replace off-payroll workers on a permanent basis. The delay is due to the Digital Restructure currently awaiting sign off. Once the sign off are in place the plan is to start permanent recruitment. All these roles have been in business critical or frontline services, which have been critical in Homes England development.			

All temporary off-payroll appointments engaged at any point during the year ended 31 March 2021 and earning at least £245 per day			
	Main Department	**ALBs**	**Departmental Group**
No. of off-payroll workers engaged during the year ended 31 March 2021	**95**	**326**	**421**
Of which:			
No. determined as in-scope of IR35	67	181	248
No. determined as out-of-scope of IR35	28	145	173
No. of engagements reassessed for compliance or assurance purposes during the year	27	141	168
Of which:			
No. of engagements that saw a change to IR35 status following review	0	5	5
No. of engagements where the status was disputed under provisions in the off-payroll legislation	0	0	0
Of which:			
No. of engagements that saw a change to IR35 status following review	0	0	0
Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021			
	Main Department	**ALBs**	**Departmental Group**
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0	1(4)	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.	11	82	93
(4) Homes England had an Interim Executive Director on ‘off-payroll’. The interim was during a period of time when Homes England were implementing a new operating model, designing their structures and securing their permanent leadership team. The interim moved roles in that time and was covering critical roles where Homes England were looking to make permanent appointments. They left Homes England on 4th April 2021.			

Parliamentary Accountability and Audit Report

Introduction

As described on page 83, the Parliamentary Accountability and Audit Report includes three sections: the Statement of Parliamentary Supply, Parliamentary Accountability Disclosures and the Certificate and Report of the Comptroller and Auditor General. This introduction provides further detail on the figures presented in the Statement of Parliamentary Supply and in the Core Tables of the Parliamentary Accountability Disclosure section.

The department's spending is shown in two presentations in the Annual Report and Accounts.

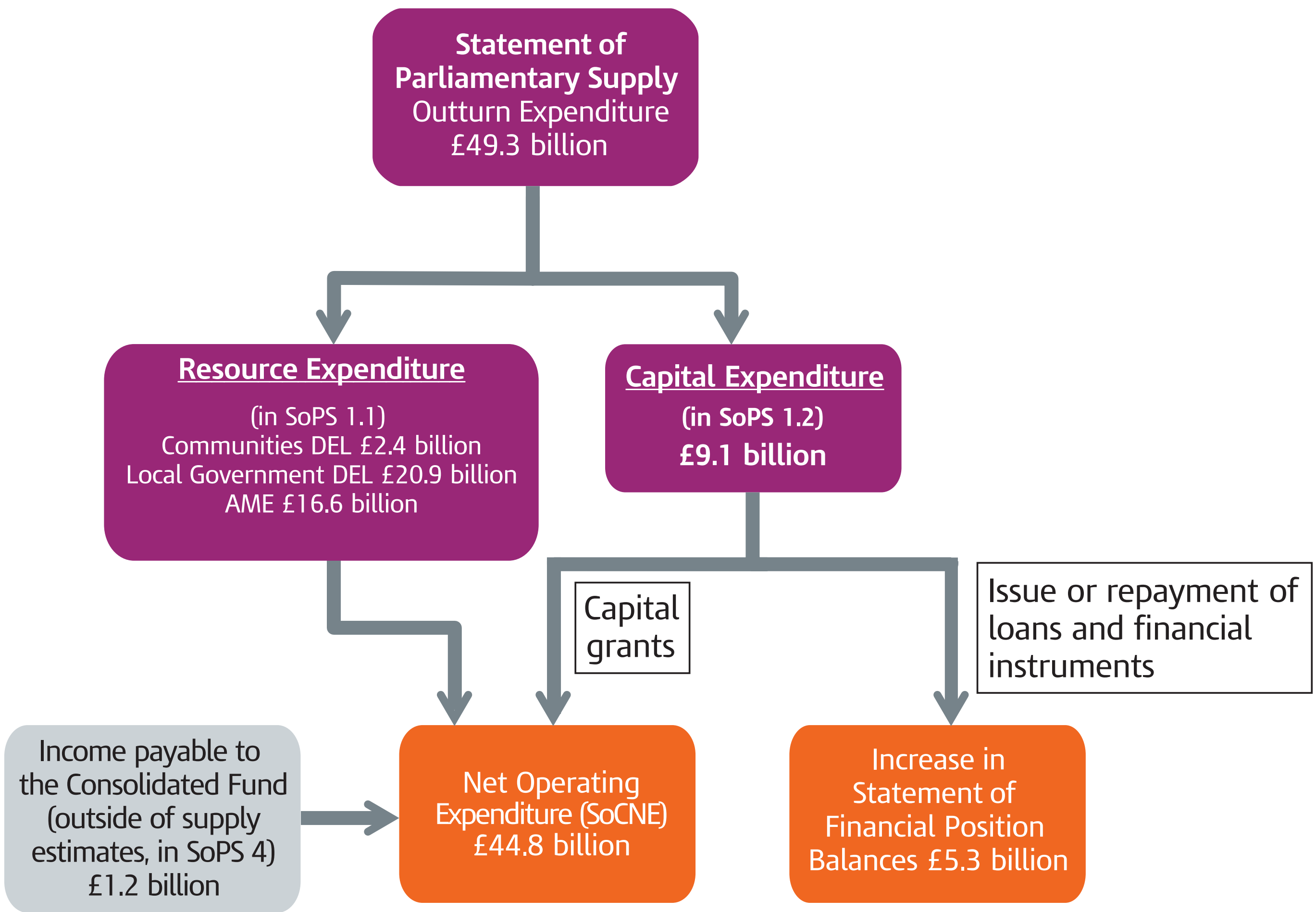
The **Parliamentary Accountability and Audit Report** presents the department's spend against the budgets set by Parliament in Supply Estimates. The final budgets for the year were set in the Supplementary Estimates[19].

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.

19 https://www.gov.uk/government/publications/supplementary-estimates-2020-21

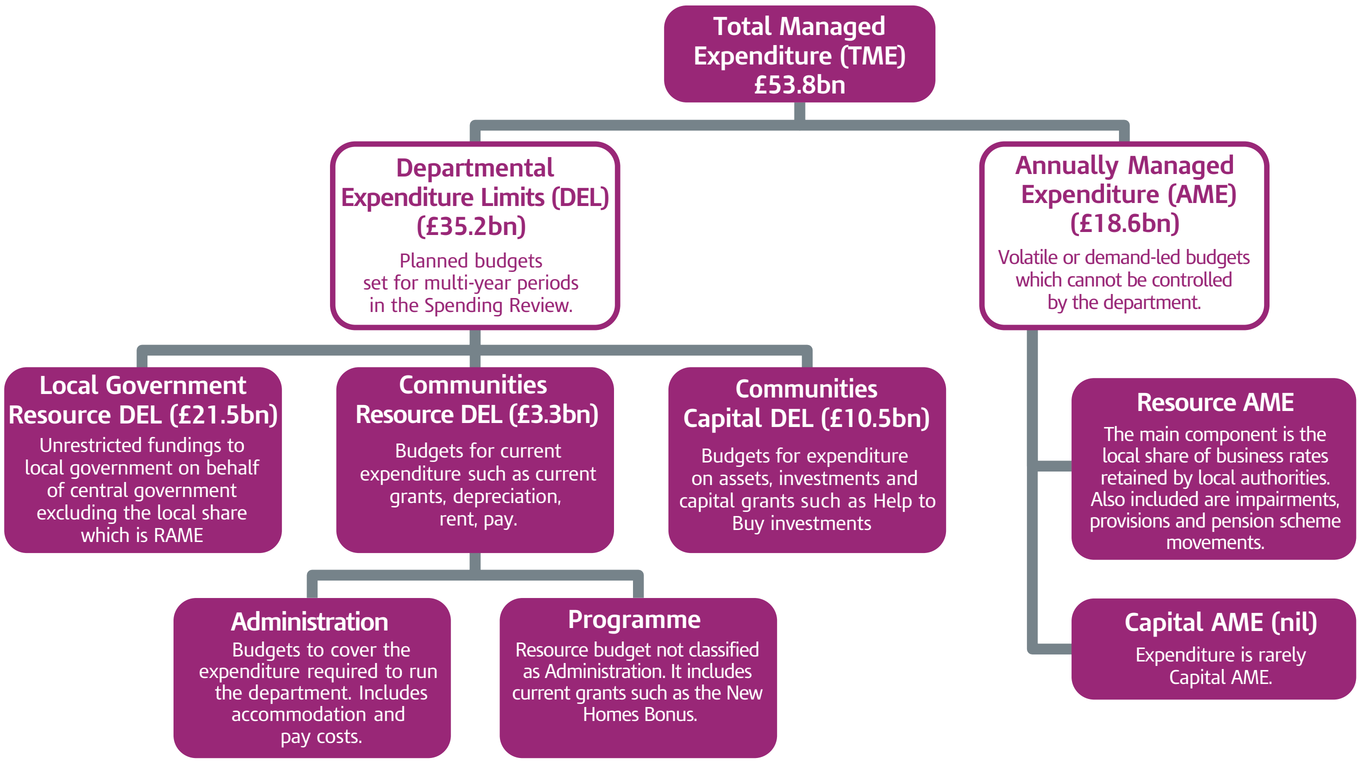
The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

The diagram below shows how total spending from one presentation relates to the other. A more detailed reconciliation between resource expenditure shown in the Statement of Parliamentary Supply (SoPS) 1.1 and net operating expenditure in the Statement of Comprehensive Net Expenditure in the Financial Statements can be found in Statement of Parliamentary Supply (SoPS) 2 below.



The Department's Budget and Outturn

The diagram below shows the department's control totals which are the budget totals that we must not breach and which are set in Supply Estimates. The department has 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. These and other control totals are set out in the diagram below. In 2019-20, the Local Government Resource DEL control total has been breached which is a serious issue resulting in the Comptroller and Auditor General's qualified regularity opinion. Further information can be found in the 2019-20 Annual Report and Accounts. In 2020-21, an Excess Vote was obtained in the next Supply and Appropriation Act which gave retrospective Parliamentary approval for this spending.



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 & Planning or Troubled Families. SoPS 1.1 reports resource expenditure and SoPS 1.2 reports capital expenditure. The specific areas of departmental expenditure in budgets are called estimate rows. The Core Tables on page 199 present expenditure at the same level of detail (i.e. by estimate row) and on the same basis as SoPS 1.1 and SoPS 1.2 over a six year period.

The table on the next page shows the main streams of expenditure contained within each estimate row presented in SoPS 1.1, SoPS 1.2 and the Core Tables. Costs classified as administration expenditure by HM Treasury are all incurred within Communities Resource DEL. The administration expenditure Core Table provides a subset of figures from the Departmental Resource Spending Core Table. The Administration Costs table in the SoPS provides a subset of figures from the summary of Resource and Capital Outturn table and SoPS 1.1.

Estimate Row	Main Expenditure Streams
Communities DEL Estimate Rows	
A: Local Government & Public Services	Rough Sleeping Accommodation
	COVID-19
	Grenfell Tower Site Management
	London Settlement
B: Housing and Planning	New Homes Bonus
	Affordable Housing London
	Flexible Homelessness Support Grant
	PFI Housing Grants
	Expenditure of the Planning Inspectorate
C: Decentralisation & Local Growth	Devolution Deals
	Local Growth Fund
	Getting Building
D: Troubled Families	Troubled Families Programme
E: Research, Data and Trading Funds	Research & Development
	ERDF Foreign Exchange Rate (Gains)/Losses
	Regional Fire Control Centres
F: MHCLG Staff, Building and Infrastructure Costs	The majority is classified as administration expenditure:
	Staff Pay
	Estates costs e.g. rent, rates, utilities
G: Local Government & Public Services (ALB)(Net)	Expenditure of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE) – the majority of which is classified as administration expenditure.
H: Housing and Planning (ALB)(Net)	Expenditure by Homes England on programmes including:
	Help to Buy
	Affordable Homes Programme
	Home Building Fund
	Land Assembly Fund
	Investment income received by Homes England
	Administration expenditure on Homes England 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 Regulator of Social Housing – both Administration and Programme expenditure
Local Government DEL Estimate Rows	
I: Revenue Support Grant	Revenue support grant – central government funding provided to support local government services

J: Other Grants and Payments	Business rates and council tax reliefs and support
	Social Care grants (including improved Better Care Fund)
	COVID-19 payments to local authorities
K: Business Rates Retention	Payments to local authorities whose income from business rates is below a baseline level
AME Estimate Rows	
L: Local Government and Public Services	Grenfell Site provision
M: Housing & Planning; and	Impairments of non-current and financial assets
S: Housing & Planning (ALB)	Impairments and revaluations
N: Decentralisation and Local Growth	Impairments and revaluations
O: Research, Data and Trading Funds	Unrealised exchange rate losses and gains
P: MHCLG Staff, Building and Infrastructure Costs	Expenditure by the core department on creation and release/utilisation of provisions
Q: Non-Domestic Rates Outturn Adjustment	Expenditure relating to year-end adjustments for business rates retention outturn.
R: Local Government & Public Services (ALB)(Net)	Expenditure on pensions by the VTS and the CLAE
T: Business Rates Retention	Includes the local share of business rates collected and retained by local authorities as well other business rates retention payments and receipts

Statement of Outturn against Parliamentary Supply (subject to audit)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires MHCLG to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes. The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year. Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn. The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration. The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the Financial Statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 175, in the Our Expenditure section of the performance report on page 67 and on page 177, onwards. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk[20].

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The Our Expenditure section of the Performance Report page 67, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

20 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021

Summary of Resource and Capital Outturn 2020-21

										£'000
									2020-21	2019-20
		Outturn			Estimate			Outturn compared with Estimate: saving/ (excess)		Prior year
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total
Departmental Expenditure Limit (DEL) **MHCLG Housing and Communities**										
Resource	SoPS1.1	**2,672,460**	–	2,672,460	**3,251,064**	–	3,251,064	578,604	578,604	2,479,436
Capital	SoPS1.2	**9,095,716**	–	9,095,716	**10,485,773**	–	10,485,773	1,390,057	1,390,057	8,272,083
Total		**11,768,176**	**–**	**11,768,176**	**13,736,837**	**–**	**13,736,837**	**1,968,661**	**1,968,661**	**10,751,519**
Departmental Expenditure Limit (DEL) **MHCLG Local Government**										
Resource	SoPS1.1	**20,906,596**	–	20,906,596	**21,484,798**	–	21,484,798	578,202	578,202	8,571,762
Capital	SoPS1.2	**–**	–	–	**–**	–	–	–	–	–
Total		**20,906,596**	**–**	**20,906,596**	**21,484,798**	**–**	**21,484,798**	**578,202**	**578,202**	**8,571,762**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**16,648,350**	–	16,648,350	**18,630,370**	–	18,630,370	1,982,020	1,982,020	18,193,464
Capital	SoPS1.2	**–**	–	–	**–**	–	–	–	–	–
Total		**16,648,350**	**–**	**16,648,350**	**18,630,370**	**–**	**18,630,370**	**1,982,020**	**1,982,020**	**18,193,464**

Total Budget										
Resource	SoPS1.1	**40,227,406**	–	40,227,406	**43,366,232**	–	43,366,232	3,138,826	3,138,826	29,244,662
Capital	SoPS1.2	**9,095,716**	–	9,095,716	**10,485,773**	–	10,485,773	1,390,057	1,390,057	8,272,083
Total Budget Expenditure		**49,323,122**	–	**49,323,122**	**53,852,005**	–	**53,852,005**	**4,528,883**	**4,528,883**	**37,516,745**
Total Budget and Non-Budget		**49,323,122**	–	**49,323,122**	**53,852,005**	–	**53,852,005**	**4,528,883**	**4,528,883**	**37,516,745**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net Cash Requirement 2020-21

					£'000
		2020-21			**2019-20**
Item	**SoPS Note**	**Outturn**	**Estimate**	**Outturn vs. Estimate: saving/(excess)**	**Prior Year Outturn**
Net Cash Requirement	3	**32,265,900**	**38,937,524**	6,671,624	19,831,656

Administration Costs 2020-21

					£'000
		2020-21			**2019-20**
Type of spend	**SoPS Note**	**Outturn**	**Estimate**	**Outturn vs. Estimate: saving/(excess)**	**Prior Year Outturn**
Administration Costs	1.1	**263,333**	**326,830**	63,497	244,061

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply

SoPS 1. Outturn detail, by Estimate line

SoPS 1.1 Analysis of resource outturn by Estimate line

												£'000
											2020-21	2019-20
	Resource Outturn							Estimate				
	Administration			Programme							Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		
Spending in Departmental Expenditure Limits (RDEL) – MHCLG Housing and Communities												
Voted expenditure												
A Local Government & Public Services	–	–	–	112,345	(408)	111,937	111,937	251,185	–	251,185	139,248	169,653
B Housing and Planning	–	–	–	1,788,134	(23,274)	1,764,860	1,764,860	1,738,443	26,417	1,764,860	–	1,630,816
C Decentralisation & Local Growth	–	–	–	633,219	(219,420)	413,799	413,799	440,532	(26,417)	414,115	316	215,143
D Troubled Families	–	–	–	159,929	–	159,929	159,929	161,755	–	161,755	1,826	155,028

E Research, Data and Trading Funds	–	–	–	5,927	(2,053)	3,874	3,874	13,997	–	13,997	10,123	12,239
F MHCLG Staff, Building and Infrastructure Costs	225,377	(11,373)	214,004	13,355	(1,787)	11,568	225,572	237,708	(428)	237,280	11,708	204,810
G Local Government & Public Services (ALB) (Net)(1)	17,975	–	17,975	–	–	–	17,975	17,547	428	17,975	–	18,967
H Housing and Planning (ALB) (Net)(1)	31,354	–	31,354	(56,840)	–	(56,840)	(25,486)	389,897	–	389,897	415,383	72,780
Total Voted DEL	**274,706**	**(11,373)**	**263,333**	**2,656,069**	**(246,942)**	**2,409,127**	**2,672,460**	**3,251,064**	**–**	**3,251,064**	**578,604**	**2,479,436**
Non Voted Expenditure												
Total spending in RDEL – MHCLG Housing and Communities	**274,706**	**(11,373)**	**263,333**	**2,656,069**	**(246,942)**	**2,409,127**	**2,672,460**	**3,251,064**	**–**	**3,251,064**	**578,604**	**2,479,436**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result, and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via ‘virements’.

												£'000
											2020-21	2019-20
	Resource Outturn								Estimate		Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Vire-ments	Total inc. virements(2)		
Spending in RDEL – MHCLG Local Government												
Voted expenditure												
I Revenue Support Grant	–	–	–	1,612,632	–	1,612,632	1,612,632	1,612,644	–	1,612,644	12	653,053
J Other Grants and Payments	–	–	–	19,311,475	(20,864)	19,290,611	19,290,611	19,868,801	–	19,868,801	578,190	7,918,502
K Business Rates Retention	–	–	–	3,353	–	3,353	3,353	3,353	–	3,353	–	207
Total Spend-ing in RDEL – MHCLG Local Government	**–**	**–**	**–**	**20,927,460**	**(20,864)**	**20,906,596**	**20,906,596**	**21,484,798**	**–**	**21,484,798**	**578,202**	**8,571,762**
Total spending in RDEL	**274,706**	**(11,373)**	**263,333**	**23,583,529**	**(267,806)**	**23,315,723**	**23,579,056**	**24,735,862**	**–**	**24,735,862**	**1,156,806**	**11,051,198**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result, and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

												£'000
											2020-21	2019-20
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Vire- ments	Total inc. virements(2)		Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
L Local Government and Public Services	–	–	–	10,971	–	10,971	10,971	(12,748)	23,719	10,971	–	53,671
M Housing and Planning	–	–	–	3,867	–	3,867	3,867	166,684	(23,719)	142,965	139,098	8,261
N Decentralisation and Local Growth	–	–	–	–	(7,312)	(7,312)	(7,312)	12,100	(1,411)	10,689	18,001	(2,254)
O Research, Data & Trading Funds	–	–	–	–	–	–	–	2,000	–	2,000	2,000	–
P MHCLG Staff, building and infrastructure costs	–	–	–	(1,100)	–	(1,100)	(1,100)	(2,511)	1,411	(1,100)	–	(4,119)
Q Non-Domestic Rates Outturn Adjustment	–	–	–	9,520	–	9,520	9,520	101,686	–	101,686	92,166	2,586

R Local Government & Public Services (ALB) (Net)(1)	–	–	–	2,568	–	2,568	2,568	2,929	–	2,929	361	2,550
S Housing & Planning (ALB) (Net)(1)	–	–	–	358,270	(423,259)	(64,989)	(64,989)	1,598,837	–	1,598,837	1,663,826	(234,398)
T Business Rates Retention	–	–	–	18,517,135	(1,822,310)	16,694,825	16,694,825	16,761,393	–	16,761,393	66,568	18,367,167
Total spending in RAME	**–**	**–**	**–**	**18,901,231**	**(2,252,881)**	**16,648,350**	**16,648,350**	**18,630,370**	**–**	**18,630,370**	**1,982,020**	**18,193,464**
Total resource	**274,706**	**(11,373)**	**263,333**	**42,484,760**	**(2,520,687)**	**39,964,073**	**40,227,406**	**43,366,232**	**–**	**43,366,232**	**3,138,826**	**29,244,662**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via ‘virements’.

SoPS 1.2 Analysis of capital outturn by Estimate line

									£'000
								2020-21	2019-20
		Outturn			Estimates				Outturn
	Type of spend (Capital)	Gross	Income	Net Total	Net Total	Virements	Total inc. virements	Outturn vs Estimate saving/excess	Net
	Spending in Departmental Expenditure Limit (CDEL) – MHCLG Housing and Communities								
	Voted expenditure								
A	Local Government & Public Services	131,355	(66,331)	65,024	130,144	-	130,144	65,120	13,650
B	Housing and Planning	1,646,808	(579,324)	1,067,484	1,996,361	-	1,996,361	928,877	1,823,678
C	Decentralisation and Local Growth	2,480,655	(348,926)	2,131,729	2,218,497	-	2,218,497	86,768	928,837
D	Troubled Families	546	-	546	934	-	934	388	749
E	Research, Data & Trading Funds	4,925	(1,767)	3,158	8,950	-	8,950	5,792	4,509
F	MHCLG Staff, building and infrastructure costs	8,339	(1,218)	7,121	12,860	-	12,860	5,739	6,963
G	Local Government & Public Services (ALB) (Net)(1)	125	-	125	258	-	258	133	251
H	Housing and Planning (ALB) (Net)(1)	5,820,529	-	5,820,529	6,117,769	-	6,117,769	297,240	5,493,446
	Total spending in CDEL – MHCLG Housing and Communities	10,093,282	(997,566)	9,095,716	10,485,773	-	10,485,773	1,390,057	8,272,083

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result, and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk.[21]

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SoPS 2 Reconciliation of outturn to net operating expenditure

				£'000
		SoPS Note	**2020-21**	**2019-20**
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	40,227,406	29,244,662
Add:	Capital grants		4,745,221	4,258,544
	Capital budget adjustments(1)		30,291	3,704
	Asset transfers		1,039	34,619
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(180,827)	(189,178)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**44,823,130**	**33,352,351**

(1) The capital budget adjustments include profit on disposal of certain financial assets that is recorded in net operating expenditure in the financial statements but is not recorded in SoPS budgets, research and development costs and the capital element of the Grenfell Tower provision which are recorded in net operating expenditure in the financial statements but are recorded in the capital budget rather than the resource budget in SoPS.

21 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the Financial Statements. Reconciling items must be explained, if not already explained elsewhere, with reference to where and why budgeting rules diverge from IFRS. For example, capital grants are budgeted for as CDEL but accounted for as spend on the face of the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. £4.7 billion of capital grants were issued to local government for the purposes of funding capital spend by local authorities. Asset transfers in 2020-21 relate to the transfer of fixed assets to the Government Property Agency. Asset transfers in 2019-20 relate to Ebbsfleet Development Corporation assets that were reclassified outside the Departmental Group’s accounting boundary during the year.

SoPS 3. Reconciliation of net resource outturn to net cash requirement

				£'000
				2020-21
	SoPS Note	**Outturn**	**Estimate**	**Outturn vs Estimate, saving/ (excess)**
Total Resource Outturn	1.1	40,227,406	43,366,232	3,138,826
Total Capital Outturn	1.2	9,095,716	10,485,773	1,390,057
Adjustments to remove non-cash items:				
Depreciation and amortisation		(9,457)	(184,434)	(174,977)
New provisions and adjustments to previous provisions		(9,656)	(7,920)	1,736
Other non-cash items		15,216,421)	16,375,304)	(1,158,883)
Adjustments for ALBs:				
Remove voted resource and capital		(5,750,722)	(8,127,237)	(2,376,515)
Add cash grant-in-aid		4,770,372	5,135,638	365,266
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		145,553	-	(145,553)
Increase/(decrease) in receivables		41,640	-	(41,640)
(Increase)/decrease in payables		(1,054,515)	4,621,758	5,676,273
CFERs receivable		–	–	–
Use of provisions and pension fund adjustments		22,126	23,018	892
Other Adjustments		3,858	-	(3,858)
Net cash requirement		**32,265,900**	**38,937,524**	**6,671,624**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement

SoPS 4. Amounts of income to the Consolidated Fund

SoPS 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 2020-21		**Outturn 2019-20**	
	Accruals	**Cash basis**	**Accruals**	**Cash basis**
Income outside the ambit of the Estimate(1)	180,827	*180,827*	189,178	*189,178*
Other amounts collectable on behalf of the Consolidated Fund(2)	1,068,492	*1,068,492*	912,556	*912,556*
Total amount payable to the Consolidated Fund	**1,249,319**	**1,249,319**	**1,101,734**	**1,101,734**

(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). Referred to as CFER income (consolidated fund extra receipt) in Note 5 to the Financial Statements.

(2) Receipts in relation to the Help to Buy scheme as those home owners who are part of the scheme sell their homes and repay their equity loan.

SoPS 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 as part of the Annual Report and Accounts from page 322.

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 Outturn against Parliamentary Supply on page 180 shows our 2020-21 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) – MHCLG Communities				
A	Local Government & Public Services	112	251	55%	Final claims on flooding schemes and council tax / business rates were lower than the amount accrued in 2019-20 which created a credit offsetting 2020-21 expenditure.
E	Research, Data & Trading Funds	4	14	72%	Favourable movements in the exchange rate meant that budget cover for exchange rate losses on the ERDF programme was not required.
H	Housing and Planning (ALB) (Net)	(25)	390	107%	Income from financial transactions was higher than budgeted. Expected credit losses reduced this year but a budget was held in case they increased.

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
	Resource Spending in Annually Managed Expenditure (RAME)				
L	Local Government and public services	11	(13)	186%	The actuarial revaluation movements on the Audit Commission pension scheme were different from budget.
M	Housing and Planning	4	167	98%	These budgets are held to manage expected losses on the department's guarantee programmes. Deterioration in credit quality was less than expected.
N	Decentralisation & Local Growth	(7)	12	160%	This relates to the Greenwich Peninsula fair value financial asset.
Q	Non-Domestic Rates Outturn Adjustment	10	102	91%	Year end adjustments to the amounts due to local authorities were lower than expected. In prior years it has been usual practice to hold a contingency budget of £50m for year end adjustments relating to non domestic business rates outturn. This was increased to £101m this year because of delays to local authority audits.
S	Housing & Planning(ALB) (Net)	(65)	1,599	104%	Revaluations of housing market related assets owned by Homes England were higher than budgeted. There was an AME credit to reflect changes in the valuation of the Help to Buy portfolio, driven by the movement in house prices over the course of the year
	Capital Spending in Departmental Expenditure Limit (CDEL) – MHCLG Communities				
A	Local Government & Public Services	65	130	50%	Delivery of the Lancaster West refurbishment programme has been delayed into next year due to COVID-19 restrictions. Some costs in relation to Grenfell Tower site maintenance have moved into the next financial year as the cost profile is different with the new principal contractor. The Rough Sleeping Accommodation Programme was less expensive than expected.

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
B	Housing and Planning	1,067	1,996	47%	Help to Buy is a demand led programme so changes in demand create variances against budget. Despite a large uptake in applications for cladding remediation, many buildings have been unable to verify that they have unsafe cladding and are still in an early stage of planning works, therefore some cladding remediation spend has moved to 2021-22.
E	Research, Data & Trading Funds	3	9	65%	Some research projects could not go ahead or were scaled back during the COVID-19 lockdown.
F	MHCLG Staff, building and infrastructure costs	7	13	45%	The Government Shared Services (GSS) procurement pause meant that some procurements have been delayed. Some digital staffing was redeployed to non-capital projects to address COVID-19 requirements.

Core Tables[22] – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department’s expenditure outturn for 2020-21 and the four prior years, along with the planned expenditure for the next year.

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

Departmental Resource Spending						
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plan**
Spending in DEL – MHCLG Communities	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Voted expenditure						
Of which:						
A: Local Government & Public Services	207,171	136,549	174,145	169,653	111,937	173,019
B: Housing and Planning	1,822,372	1,765,527	1,573,280	1,630,816	1,764,860	1,733,403
C: Decentralisation & Local Growth	136,825	113,313	178,143	215,143	413,799	500,276
D: Troubled Families	170,807	213,618	174,369	155,028	159,929	165,000
E: Research, Data and Trading Funds	13,987	1,535	2,927	12,239	3,874	12,171
F: MHCLG Staff, Building and Infrastructure Costs	135,424	136,853	165,613	204,810	225,572	239,889
G: Local Government & Public Services (ALB) (net)	17,177	19,110	17,756	18,967	17,975	18,373
H: Housing and Planning (ALB) (net)	(15,518)	(14,975)	41,788	72,780	(25,486)	147,083
Total Spending in DEL – MHCLG Communities	**2,488,245**	**2,371,530**	**2,328,021**	**2,479,436**	**2,672,460**	**2,989,214**
Voted expenditure						

22 The values within all the Core Tables for 2016-17 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. The most significant change has been the transfer of the Fire Policy function which transferred to the Home Office on 1 April 2016.

Departmental Resource Spending						
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plan**
Spending in DEL – MHCLG Communities	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Of which:						
I: Revenue Support Grant	7,205,326	3,799,502	1,378,997	653,053	1,612,632	1,621,562
J: Other grants and payments	998,629	2,904,792	3,450,911	7,918,502	19,290,611	15,810,687
K: Business Rate Retention	25,151	9,252	3,928	207	3,353	38,280
Total Spending in DEL – MHCLG Local Govt	**8,229,106**	**6,713,546**	**4,833,836**	**8,571,762**	**20,906,596**	**17,470,529**
Total Resource DEL	**10,717,351**	**9,085,076**	**7,161,857**	**11,051,198**	**23,579,056**	**20,459,743**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
L: Local Government & Public Services	5,511	33,466	7,903	(2,254)	10,971	(17,476)
M: Housing and Planning	68,391	11,902	6,166	53,671	3,867	162,325
N: Decentralisation & Local Growth	2,000	1	5,802	8,261	(7,312)	11,000
O: Research, Data and Trading Funds	1,625	(12,262)	(74)	–	-	2,000
P: MHCLG Staff, Building and Infrastructure Costs	(3,854)	6,171	1,267	(4,119)	(1,100)	599
Q: Non-Domestic Rates Outturn Adjustment	656	30,167	(10,818)	2,586	9,520	350,000
R: Local Government & Public Services (ALB) (Net)	2,428	803	2,354	2,550	2,568	2,849
S: Housing and Planning (ALB) (Net)	77,745	143,962	174,887	(234,398)	(64,989)	1,534,613
T: Business Rate Retention	12,412,600	15,721,960	21,199,022	18,367,167	16,694,825	13,195,658
Total Resource AME	12,567,102	15,936,170	21,386,509	18,193,464	16,648,350	15,241,568
Total Resource	23,284,453	25,021,246	28,548,366	29,244,662	40,227,406	35,701,311

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

Departmental Capital Spending						
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plan**
Spending in DEL – MHCLG Communities	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Voted expenditure						
Of which:						
A: Local Government & Public Services	424,512	771,574	885,336	13,650	65,024	124,164
B: Housing and Planning	55,496	78,556	454,754	1,823,678	1,067,484	1,222,536
C: Decentralisation & Local Growth	1,756,812	1,455,050	1,190,461	928,837	2,131,729	1,484,555
D: Troubled Families	827	532	697	749	546	0
E: Research, Data and Trading Funds	21,188	2,210	3,072	4,509	3,158	8,300
F: MHCLG Staff, Building and Infrastructure Costs	4,652	6,545	13,923	6,963	7,121	16,800
G: Local Government & Public Services (ALB) (Net)	202	448	494	251	125	360
H: Housing and Planning (ALB) (Net)	2,850,232	4,318,690	4,875,032	5,493,446	5,820,529	5,965,480
Total Spending in DEL – MHCLG Communities	**5,113,921**	**6,633,605**	**7,423,769**	**8,272,083**	**9,095,716**	**8,822,195**
Total Capital DEL	**5,113,921**	**6,633,605**	**7,423,769**	**8,272,083**	**9,095,716**	**8,822,195**

Table 2: Administration budgets

Administration budgets						
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plan**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
B: Housing and Planning	38,240	36,963	36,022	-	-	

I: Decentralisation & Local Growth (ALB)(Net)	-	-			-	
F: MHCLG Staff, Building & Infrastructure Costs	133,430	135,418	161,039	198,661	214,004	211,130
G: Local Government & Public Services (ALB)(Net)	17,177	19,110	17,756	18,967	17,975	17,255
H: Housing and Planning (ALB) (Net)	53,350	32,222	39,485	26,433	31,354	93,160
Total Voted	**242,197**	**223,713**	**254,302**	**244,061**	**263,333**	**321,545**
Total Administration expenditure	**242,197**	**223,713**	**254,302**	**244,061**	**263,333**	**321,545**

Interpreting the Core Tables

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

The rows in the Estimates 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.

Administration costs are included within the first section below regarding the Resource DEL – Communities budget.

Resource DEL – Communities

- A: Local Government & Public Services – Expenditure increases in 2020-21 included additional spend in response to COVID-19 (£57 million) and the Rough Sleeping Accommodation Programme (£24 million), and is more than offset by reductions in EU Exit (£46 million), Resilience and Emergency Response (£34 million), Controlling Migration (£25 million) and other programmes. For 2021-22 expenditure is planned to increase in Rough Sleeping programmes more than offset the cessation of non-recurring COVID-19 expenditure.

- B: Housing and Planning – Expenditure increases in 2020-21 included additional spend on Rough Sleeping programmes (£169 million), Capital Pooled Housing Receipts (£26 million) and Neighbourhood Planning (£26 million), which is partially offset by lower spending on the Voluntary Right to Buy Pilot (£90 million). For 2021-22 expenditure is planned to decrease as net increases in Homelessness and Rough Sleeping (£51 million) and Domestic Abuse (£92 million) and other programmes are more than offset by a reduction in the New Homes Bonus (£185 million).
- C: Decentralisation and Local Growth – Expenditure increases in 2020-21 were mainly driven by spend on Shielding (£177 million). For 2021-22, expenditure is planned to increase due to new funding for UK Community Renewal Fund (£200 million), Towns Deals (£45 million), and for Freeports (£12 million) and the Oxford Cambridge Arc (£10 million), which offsets against lower planned spending on Shielding.
- D: Troubled Families – Payments on this programme are demand-led, with payment made in accordance with the programme results achieved by local

authorities. The budget for 2021-22 has been allocated to match with expected delivery.

- E: Research Data and Trading Funds – The row includes a budget for potential write offs and exchange rate losses that may be incurred on the European Regional Development Fund (ERDF) programmes. Such spending varies from year to year.
- F: MHCLG Staff, Building and Infrastructure – The increase in our resource administration spend supported the employment of additional resources to deliver expanded programmes. This is part funded by the retention of income from fees and charges to offset the costs of running the department (income is reflected on Estimate Row H). In 2020-21, the department generated income in excess of the income cap, which was returned to HM Treasury. HM Treasury agreed to further flexibilities including a budget switch from Resource DEL programme budget to Resource Admin budget to support work undertaken by the department in response to the COVID-19 pandemic.
- H: Housing and Planning (ALB) (net) – The decrease in expenditure can be attributed to lower spend on a number of programmes including the Home Building Fund (£78 million) and the Single Land Programme (£18 million). Such spending varies from year to year.

Resource DEL – Local Government

- I: Revenue Support Grant – Part of the department's remit is to manage and provide funding to local government on behalf of central government. 9% of Local Government Resource DEL will be paid as Revenue Support Grant in 2021-22. This funding can be spent by local authorities on any service.
- J: Other Grants and Payments – in 2020-21 As a result of the COVID-19 pandemic significant additional funding was made available to local government. Most notably were £4.6 billion of additional unringfenced funding, £1.6 billion of this was brought forward into 2019-20 and the other £3 billion was paid in 2020-21, and £10.8 billion of Business Rates Reliefs. The budget at the Main Estimate for 2021-22 does not include all the measures introduced in response to COVID-19 for 2020-21 and consequently reduces by £4 billion.
- K: Business Rates Retention – The row provides budget for the safety net payments to local authorities whose income from business rates is below a baseline level.

Resource AME

- L: Local Government & Public Services – The row records the pension costs of the Audit Commission and accounting provisions relating to the London Settlement, Coalfields and Grenfell Tower.

- M: Housing and Planning – Outturn has risen over recent years due to the increasing scope of the department's housing portfolio and larger expected exposure to changes in land values.
- N: Decentralisation and Local Growth – The row includes a budget for housing delivery of Greenwich Peninsula and for write offs and exchange rate losses that may be incurred on the European Regional Development Fund (ERDF) programmes.
- O: 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.
- P: MHCLG Staff, Building and Infrastructure – The row provides budget for the creation and release of the core department's provisions. Note 15 provides more detail.
- Q: Non-Domestic Rates Outturn Adjustment – The row contains a £350 million budget for 2021-22 which has been set aside for outturn adjustments against prior year business rates expenditure and as contingency against audit changes at year end.
- R: Local Government and Public Services (ALB) (net) – The row records the pension costs of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE).

- S: 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, including the Homes England interest in Help to Buy properties. The amount used each year has been much lower than budgeted as these impairments or devaluations have not materialised. The basis of measurement changed in 2018-19 with the application of IFRS 9.
- T: Business Rates Retention – Since 2013-14, local authorities have retained at least 50% of the business rates they collect, which forms a significant portion of their income. Retained business rates are recorded as a non-cash expenditure item in the department's accounts and the amount forecast to be retained by local authorities in 2020-21 is £18 billion. In 2021-22 the Local Share from National Non-Domestic Rates (NNDR 1) forms has fallen by around £7 billion, this decrease is offset by an increase of Deficit payments to local authorities worth £4 billion.

Capital DEL – Communities

- A: Local Government & Public Services – 2020-21 expenditure predominantly relates to loans and grants awarded to the Greater London Authority as part of the London Settlement. This includes funding made available for the Affordable Homes Programme.
- B: Housing and Planning – Expenditure decreases in 2020-21 mainly relate to a lower spend in the

Affordable Homes Programme reflecting delays in delivery due to the impact of site closures and social distancing measures put in place to manage COVID-19 and the decision to extend the programme by one year. Planned spend increases in 2021-22 include additional spend on Non-ACM cladding (£482 million), the Housing Infrastructure Fund (£184 million), and Brownfield housing (£84 million), which was offset by lower spending on Brent Cross (£75 million), Non-ACM Remediation (£61 million) and Affordable Homes Programme (£431 million) where the funding will be provided later in the year.

- C: Decentralisation and Local Growth – The budget profile for the Local Growth Fund was agreed at Spending Review 2015 and outturn has broadly followed this budget profile. The budget was set to incrementally reduce between 2016-17 and 2019-20 and then increase in 2020-21. Final payments of the Local Growth Fund Programme were made in 2020-21. This row also includes funding for Getting Britain Building of £450 million in 2020-21 and 2021-22 only.
- D: Troubled Families – The row records expenditure on research and development for the Troubled Families programme which was reclassified as capital expenditure by HM Treasury from 2016-17.
- E: Research, Data and Trading Funds – The row records other capital expenditure on research and development.

- F: MHCLG Staff, Building and Infrastructure – The row records the core department's expenditure on the purchase of non-current assets, mostly relating to IT system improvements.
- G: Local Government and Public Services (ALB) (net) – The row records capital expenditure on the purchase of noncurrent assets by two ALBs: the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE).
- H: Housing and Planning (ALB)(net) – Expenditure on the Help to Buy programme remains a significant proportion of this budget and expenditure has steadily increased since its inception until the closure of the current scheme in 2020-21. The new 2021-23 Help to Buy scheme will target new buyers only. There have also been significant increases in expenditure on both the Affordable Homes programme from 2017-18, on the Home Building Fund from 2016-17 and on the Housing Infrastructure Fund.

Regularity of Expenditure (subject to audit)

Losses, special payments and gifts

Managing Public Money and the FReM 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.

	2020-21				2019-20			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	9	4	12	6	26	14	71	35
Claims abandoned	72	1,962	93	5,455	9	5,137	41	59,454
Fruitless payments	1	2	1	2	14	458	14	458
Constructive losses	–	–	–	–	–	–	–	–

	2020-21				2019-20			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	80	1,510	81	1,572	99	4,269	99	4,269

Losses

Cases over £300,000	£'000
Two RGF payment recovery write offs each greater than £300,000 (claims abandoned)	1,596

In the normal course of administering the European Regional Development Fund (ERDF) and the Regional Growth Fund (RGF), which is now closed, the department pays grants to projects. When the project does not spend the grant in line with the conditions of the grant, the department seeks to recoup the funds. Where funds cannot be recouped, they are written off. There was one write-off greater than £300,000.

Planning Inspectorate: No losses in excess of £300,000 were incurred in the year.

Homes England: Under International Financial Reporting Standard 9: Financial Instruments (IFRS 9), financial asset investments are either classified as a basic lending arrangement at Amortised Cost or at Fair Value.

For assets which are measured at amortised cost, a write-off amount is recognised in the financial statements when it is considered that there is no realistic prospect of full recovery. There are also a number of loan investments which are managed operationally in line with the loan management processes however from an accounting point of view are measured at Fair Value through Profit or Loss (FVTPL). Where it has been assessed that there is no realistic prospect of full recovery for such loan investments, these have also been disclosed in this note. This is aligned with the FReM requirement to disclose losses in this note for the attention of Parliament at the earliest point at which a loss is expected.

For assets measured at Amortised Cost, the effect of discounting future cash flows (to reflect the present value of the anticipated recovery) is considered in order to determine the required write-off allowance for accounting purposes. The losses recognised here include an element of this discounting effect, which will subsequently be unwound in future years as interest income on the impaired balance.

During 2020-21 there were two cases of loan losses recognised where the amount written-off or impaired for accounting purposes was in excess of £300,000, totalling £2,517,000. More detailed information on these losses can be found in Homes England's 2020-21 Annual Report and Accounts

Special Payments

Cases over £300,000	£'000
One person injury claim	373

Special payments over £300,000 relate to a personal injury claim.

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 ALBs made any reportable gifts in 2020-21 (2019-20: nil).

Fees and Charges (subject to audit)

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

						£'000
			2020-21			2019-20
Objectives	**Full Cost**	**Income**	**Surplus/ (Deficit)**	**Full Cost**	**Income**	**Surplus/ (Deficit)**
MHCLG – Energy Performance Certificate Fees	(1,833)	5,556	3,723	–	–	–
Planning Inspectorate – Local Plans	(7,712)	2,635	(5,077)	(6,807)	4,576	(2,231)
Planning Inspectorate – National Infrastructure	(11,669)	4,749	(6,920)	(4,540)	1,204	(3,336)
Planning Inspectorate – Other Major Specialist Casework	(3,687)	1,109	(2,578)	(9,103)	802	(8,301)
THO – Membership of Housing Ombudsman scheme	–	–	–	(6,007)	6,007	–
RSH – The Regulator of Social Housing	(12,451)	12,451	–	(11,739)	11,739	–
Total	**(37,352)**	**26,500**	**(10,852)**	**(38,196)**	**32,056**	**(6,140)**

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 93.

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

In addition to contingent liabilities reported within the meaning of IAS 37, the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

Quantifiable

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

- The department operates a guarantee scheme for the affordable housing sector (AHGS), and at the accounting date £3.2 billion has been drawn down and is covered by the guarantee scheme. The AHGS closed to applicants in March 2016 and the programme is now in the portfolio management and monitoring phase, meaning there will be no new applicants or approvals. Therefore, there will be no further drawing against this scheme. The financial guarantees have been recognised in the Statement of Financial Position with a value of £29.1 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 £1.8 billion of which £1.5 billion has been drawn down and is covered by the guarantee scheme. The guarantees have been valued in accordance with IFRS 9 and have been recognised as a financial guarantee in the Statement of Financial Position with a value of £88.3 million.
- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. No approved borrowing had been drawn down at the reporting date.
- In 2019-20, the department provided a letter of comfort to the Queen Elizabeth II Conference Centre to confirm that a loan will be provided if required, in accordance with the Framework Agreement between the department and the trading fund. The department laid a Statutory Instrument on the 8th June 2021 to increase the trading fund’s borrowing limit from £2 million to £12 million. At 31 March 2021, the department had loaned the trading fund £1,179,000.

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

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 IFRS 9. 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.
- To strengthen local authorities' ability to enforce building safety remediation action, the department has indemnified the Joint Inspection Team (JIT) for professional indemnity and for death and personal injury claims resulting from their advice. The local authority retains responsibility for decisions on enforcement. The indemnity is unquantifiable and will continue for the duration of the period over which the JIT operates and 6 years thereafter for professional indemnity, and 125 years for death and personal injury.

- The department provides letters of comfort to ALBs in relation to their pension scheme liabilities. Ebbsfleet Development Corporation is no longer part of the Departmental Group for accounting purposes (see note 24) but the department continues to be responsible for governance arrangements and the letter of comfort continues to be in place.

Jeremy Pocklington CB **14 July 2021**
Accounting Officer
Ministry of Housing, Communities and Local Government

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

Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Housing, Communities and Local Government and of its Departmental Group for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The Department comprises 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 2020. 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

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 2021 and of the Department's net operating expenditure and Departmental Group's net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

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 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the

Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Ministry of Housing, Communities and Local Government's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Ministry of Housing, Communities and Local Government is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report 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 and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Ministry of Housing, Communities and Local Government and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance or Accountability Report. 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and

- assessing the Ministry of Housing, Communities and Local Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Ministry of Housing, Communities and Local Government will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Ministry of Housing, Communities and Local Government's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Ministry of Housing, Communities and Local Government's controls relating to the Government Resources and Accounts Act 2000, the Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money and establishing legislation for bodies within the Departmental Group.
- discussing among the engagement team including significant component audit teams and involving

relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and grant expenditure.

- obtaining an understanding of the Ministry of Housing, Communities and Local Government and group's framework of authority as well as other legal and regulatory frameworks that the Ministry of Housing, Communities and Local Government and Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Ministry of Housing, Communities and Local Government and Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2020, establishing legislation for bodies within the Departmental Group and relevant employment law and taxation legislation.
- assessing the nature of the control environment of the Ministry of Housing Communities and Local Government, its business performance and performance targets, and performing risk-based sampling of manual journals to identify those presenting higher risk of fraud, informed by planning

risk assessment and review of the Statement of Parliamentary Supply outturn against budget.

- In addition to the above, my procedures to respond to identified risks included the following:
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud, reviewing internal audit reports, documentation and correspondence in relation to claims and contracts, and continuous risk assessment procedures

performed relating to fraud, non-compliance with laws and regulation or regularity.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **16 July 2021**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021 *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
			2020-21		2019-20
	Note	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Staff Costs	3	205,702	344,663	192,700	315,478
Operating Expenditure	4	46,462,119	48,383,303	34,707,076	36,392,355
Operating Income	5	(3,218,223)	(3,904,824)	(2,925,580)	(3,355,482)
Grant-in-aid to ALBs		4,770,372	-	4,503,933	-
Net Operating Expenditure for the year ended 31 March		**48,219,970**	**44,823,142**	**36,478,129**	**33,352,351**
Total Expenditure		51,438,193	48,727,966	39,403,709	36,707,833
Total Income		(3,218,223)	(3,904,824)	(2,925,580)	(3,355,482)
Net Operating Expenditure for the year ended 31 March		**48,219,970**	**44,823,142**	**36,478,129**	**33,352,351**
Other Comprehensive Net Expenditure:					

Items that will not be reclassified to net operating expenditure:					
Net (Gain)/Loss on:					
Pension Schemes	16	132,063	132,020	(136,991)	(133,466)
Income tax on items in other comprehensive expenditure		-	4,932	-	(843)
Total comprehensive expenditure for the year ended 31 March		**48,352,033**	**44,960,094**	**36,341,138**	**33,218,042**

The Notes on pages 242 to 321 form part of these financial statements.

Consolidated Statement of Financial Position as at 31 March 2021

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

£'000					
		31 March 2021		**31 March 2020**	
	Note	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Non-current assets					
Property, plant and equipment		19,488	26,643	24,005	35,782
Intangible assets		15,885	19,042	10,979	14,345
Investments in associates and joint ventures	6	5,000	50,732	5,000	75,936
Financial assets at fair value	7	145,762	18,035,589	148,675	14,976,942

Financial assets at amortised cost	9	280,327	1,304,456	278,386	1,103,780
Investment properties		66,800	66,800	67,656	67,656
Trade and other receivables	12	184,279	376,461	118,517	195,781
Total non-current assets		**717,541**	**19,879,723**	**653,218**	**16,470,222**
Current assets					
Inventories	11	323,147	1,434,033	177,594	1,175,666
Assets held for sale		-	2,250	-	-
Financial assets at fair value	8	4,319	233,327	-	183,954
Financial assets at amortised cost	10	50,997	536,065	114,000	664,946
Trade and other receivables	12	256,101	408,910	209,259	267,559
Cash and cash equivalents	13	4,963,130	5,246,960	-	-
Total current assets		**5,597,694**	**7,861,545**	**500,853**	**2,292,125**
Total Assets		**6,315,235**	**27,741,268**	**1,154,071**	**18,762,347**
Current liabilities					
Cash and cash equivalents	13	-	-	2,833,687	2,596,749
Trade and other payables	14	6,640,193	7,189,933	745,156	1,182,919
Provisions	15	33,267	34,749	30,429	30,753
Total current liabilities		**6,673,460**	**7,224,682**	**3,609,272**	**3,810,421**
Non-current assets plus/less net current assets/ liabilities		**(358,225)**	**20,516,586**	**(2,455,202)**	**14,951,926**
Non-current liabilities					
Trade and other payables	14	337,032	528,177	260,650	376,478
Provisions	15	56,977	76,247	72,279	84,734
Pensions	16	209,429	165,228	74,325	36,503
Financial guarantees		117,388	117,388	94,804	94,804
Total Non-current liabilities		**720,826**	**887,040**	**502,058**	**592,519**
Assets less liabilities		**(1,079,051)**	**19,629,546**	**(2,957,260)**	**14,359,407**

Taxpayers' equity					
General fund		(893,323)	19,763,798	(2,903,534)	14,362,872
Revaluation reserve		257	257	196	196
Pension reserve		(185,985)	(134,509)	(53,922)	(3,661)
Total taxpayers' equity		**(1,079,051)**	**19,629,546**	**(2,957,260)**	**14,359,407**

Jeremy Pocklington CB **14 July 2021**
Accounting Officer
Ministry of Housing, Communities and Local Government

The Notes on pages 242 to 321 form part of these financial statements.

Consolidated Statement of Cash Flows For the year ended 31 March 2021

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 department's future public service delivery.

					£'000
			2020-21		**2019-20**
	Note	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(48,219,970)	(44,823,142)	(36,478,129)	(33,352,351)
Adjusted for:					
Finance costs	4,5	(3,018)	(515,695)	(57,672)	(340,287)
(Profit)/loss on disposal of non-current assets	4,5	-	7,010	5	(12,705)
Depreciation and amortisation	4	9,457	14,005	8,612	13,432
Revaluation of non-current assets passing through the SoCNE	4	856	856	5,096	5,096

					£'000
			2020-21		2019-20
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Impairment of non-current assets	4	(5,012)	262,007	7,493	(74,170)
(Increase)/decrease in inventories	11	(145,553)	(258,367)	(114,726)	(261,684)
Other non cash transaction	4,5	2,877	6,081	5,847	56,936
(Increase)/decrease in trade & other receivables		(41,640)	(221,441)	(45,520)	(44,241)
Increase/(decrease) in trade & other payables		1,054,515	1,235,667	(27,734)	23,937
Movement in provisions	4	9,656	17,803	86,677	86,648
Utilisation of provision	15	(22,117)	(22,291)	(2,553)	(2,613)
Pension fund adjustments	16	81	(838)	1,335	11,973
Local share (business rates retained by local authorities)	4	16,345,279	16,345,279	17,812,372	17,812,372
Adjustments for Corporation Tax		-	1,303	-	6,309
Adjustments for net operating (gains)/losses – asset transfers	4,5	1,039	1,039	-	21,265
Net Cash outflow from operating activities		**(31,013,550)**	**(27,950,724)**	**(18,798,897)**	**(16,050,083)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(2,972)	(6,010)	(3,854)	(9,511)
Purchase of intangible assets		(7,974)	(9,763)	(3,511)	(5,167)
Financial assets issued		-	(4,684,589)	(73,206)	(4,385,506)

					£'000
			2020-21		**2019-20**
	Note	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Proceeds from disposal of property, plant and equipment		-	21	-	-
Proceeds on disposal of joint ventures		-	30,987	-	-
Proceeds on disposal of financial assets		834	1,275,033	-	1,047,359
Repayment of financial assets	7,8, 9,10	7,647	314,907	129,040	531,034
Interest received	5	5,655	70,612	40,696	109,752
Other adjustments – investing activities		13	(3,587)	(1,158)	2,029
Net Cash inflow/ (outflow) from investing activities		**3,203**	**(3,012,389)**	**88,007**	**(2,710,010)**

					£'000
			2020-21		**2019-20**
	Note	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Cash Flows from Financing Activities					
From the consolidated fund (supply) – current year		37,189,488	37,189,488	16,768,022	16,768,022
From the consolidated fund – Excess Vote 2019-20		2,867,896	2,867,896	–	–
Advances from the contingencies fund		4,974,984	4,974,984	–	–
Repayments of advances from the contingencies fund		(4,974,984)	(4,974,984)	–	–
Capital element of payments in respect of finance leases		(4,705)	(4,705)	(4,469)	(4,469)
Interest paid	4	(5,146)	(5,488)	(5,382)	(5,748)
Other adjustments – financing activities		2,053	2,053	(7,846)	(7,846)
Net Cash inflow/ (outflow) from financing activities		**40,049,586**	**40,049,244**	**16,750,325**	**16,749,959**
Net increase/ (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**9,039,239**	**9,086,139**	**(1,960,565)**	**(2,010,134)**
Payments due to the Consolidated Fund		(1,242,422)	(1,242,422)	(1,129,714)	(1,129,714)

					£'000
			2020-21		2019-20
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Net increase/ (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**7,796,817**	**7,843,709**	**(3,090,279)**	**(3,139,848)**
Cash and cash equivalents at the beginning of the period	**13**	**(2,833,687)**	**(2,596,749)**	**256,592**	**543,099**
Cash and cash equivalents at the end of the period	**13**	**4,963,130**	**5,246,960**	**(2,833,687)**	**(2,596,749)**

The Notes on pages 242 to 321 form part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

This statement shows the movement in the year on the different reserves held by the Departmental Group, analysed into three reserves. The General Fund reflects contributions from the Consolidated Fund, which represents the total assets less liabilities of the Departmental Group, to the extent that the total is not represented by other reserves and financing items. Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure.

The Pension Reserve reflects actuarial gains/losses on pension schemes.

					£’000
	Note	**General Fund**	**Revaluation Reserve**	**Pension Reserve**	**Total Reserves**
Balance at 1 April 2019		**14,035,825**	**251**	**(133,842)**	**13,902,234**
Comprehensive Net Expenditure	SOCNE	(33,351,508)		133,466	(33,218,042)
Non cash charges – auditor's remuneration	4	423	–	–	423
Local share (business rates retained by local authorities)	4	17,812,372	–	–	17,812,372
Other adjustments to reserves		3,848	–	(3,684)	164
Transfers between reserves		(344)	(55)	399	–
Total recognised income and expenses for 2019-20		**(15,535,209)**	**(55)**	**130,181**	**(15,405,083)**
Net Parliamentary Funding – drawn down		16,768,022	–	–	16,768,022
Net Parliamentary Funding – deemed supply		195,968	–	–	195,968
CFERs payable to the Consolidated Fund	SoPS4.1	(1,101,734)	–	–	(1,101,734)
Sub Total		**15,862,256**	**–**	**–**	**15,862,256**
Balance at 1 April 2020		**14,362,872**	**196**	**(3,661)**	**14,359,407**
Comprehensive Net Expenditure	SOCNE	(44,828,074)	–	(132,020)	(44,960,094)
Non cash charges – auditor's remuneration	4	425	–	–	425

Local share (business rates retained by local authorities)	4	16,345,279	–	–	16,345,279
Other adjustments to reserves		(10)	61	–	51
Transfers between reserves		(1,172)	–	1,172	–
Total recognised income and expenses for 2020-21		**(28,483,552)**	**61**	**(130,848)**	**(28,614,339)**
Net Parliamentary Funding - drawn down		37,189,488	–		37,189,488
Net Parliamentary Funding - excess vote		2,867,896	–	–	2,867,896
Supply (payable)/receivable		(4,923,587)		–	(4,923,587)
CFERs payable to the consolidated fund	SoPS4.1	(1,249,319)	–	–	(1,249,319)
Sub Total of Net Parliamentary Funding and CFERs payable		**33,884,478**	**–**	**–**	**33,884,478**
Balance at 31 March 2021		**19,763,798**	**257**	**(134,509)**	**19,629,546**

The Notes on pages 242 to 321 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

					£'000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 1 April 2019		**(100,510)**	**251**	**(190,913)**	**(291,172)**
Comprehensive Net Expenditure	SOCNE	(36,478,129)	–	136,991	(36,341,138)
Non cash charges – auditor's remuneration		423	–	–	423
Local share (business rates retained by local authorities)	4	17,812,372	–	–	17,812,372
Other adjustments to reserves		(1)			(1)
Transfers between reserves		55	(55)	–	–
Total recognised income and expenses for 2019-20		**(18,665,280)**	**(55)**	**136,991**	**(18,528,344)**
Net Parliamentary Funding - drawn down		16,768,022	–	–	16,768,022
Net Parliamentary Funding - excess vote		195,968	–	–	195,968
CFERs payable to the Consolidated Fund	SoPS4.1	(1,101,734)	–	–	(1,101,734)
Transfer of assets and liabilities		–	–	–	–
Sub Total		**15,862,256**	**–**	**–**	**15,862,256**
Balance at 1 April 2020		**(2,903,534)**	**196**	**(53,922)**	**(2,957,260)**
Comprehensive Net Expenditure	SOCNE	(48,219,970)		(132,063)	(48,352,033)

Non cash charges – auditor's remuneration		425	–	–	425
Local share (business rates retained by local authorities)	4	16,345,279	–	–	16,345,279
Other adjustments to reserves		–	61	–	61
Transfers between reserves		–	–	–	–
Total recognised income and expenses for 2020-21		**(31,874,266)**	**61**	**(132,063)**	**(32,006,268)**
Net Parliamentary Funding – drawn down		37,189,488	–	–	37,189,488
Net Parliamentary Funding – excess vote		2,867,896	–	–	2,867,896
Supply (payable)/ receivable		(4,923,588)	–	–	(4,923,588)
CFERs payable to the consolidated fund	SoPS4.1	(1,249,319)	–	–	(1,249,319)
Transfers between reserves					
Sub Total		**33,884,477**	**–**	**–**	**33,884,477**
Balance at 31 March 2021		**(893,323)**	**257**	**(185,985)**	**(1,079,051)**

The Notes on pages 242 to 321 form part of these financial statements.

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 2020-21 Financial Reporting Manual (FReM) issued by HM Treasury and apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the 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 and those arm's length bodies (ALBs) which fall within the departmental boundary as defined by the FReM; these bodies make up the 'Departmental Group'. The Ministry of Housing, Communities and Local Government is the ultimate parent of the Departmental Group and its results, along with those of the department's executive agency, 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 24.

3. Impact of standards and interpretations in issue but not yet effective

The department has adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2021. The department has taken into account the specific interpretations and adaptations included in the FReM.

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 16 (Leases) has been effective since 1 January 2019 for the private sector and is planned to be introduced in the 2022-23 FReM to replace IAS 17 (Leases). The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. It is not yet possible to quantify the impact on our accounts. The group's current value of commitments under operating leases (note 18) is £157 million.

- The International Accounting Standards Board (IASB) has issued IFRS 17 (Insurance Contracts) which replaces IFRS 4 (Insurance Contracts). It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date. Guidance has yet to be issued to government departments on the interpretation of this standard.

4. Segmental reporting

In accordance with IFRS 8: Operating Segments (IFRS 8), the department has considered the need to analyse its income and expenditure relating to operating segments. The department's operating costs are analysed into four operating segments. Activities in respect of Finance and Corporate Services, Strategy, Communications and 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 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. See Note 2 for operational disclosures.

5. Significant estimates and judgements

The preparation of the financial statements requires management to make estimates and judgements that affect amounts reported. Estimates and judgements are based on knowledge of current facts and circumstances, historic experience and other relevant factors. Where significant estimates and judgements have been made, the relevant accounting policy or note to the accounts will provide further details. Note 17 sets out significant estimates and judgements in relation to Financial Instruments.

Impact of The Trade and Cooperation Agreement

As of 1st January 2021, the Trade and Cooperation Agreement, signed between the United Kingdom and the European Union has come into effect. This has reduced the macro-economic uncertainty surrounding the UK's withdrawal from the EU, however, there remain areas of material uncertainty, such as the pending agreement on financial services which could still impact the UK housing market.

Impact of COVID-19 on the financial statements

As at the 31 March 2021 there remains significant uncertainty over the short and medium-term future as a result of the ongoing COVID-19 pandemic. Consideration of the effects of changes to market conditions on critical accounting judgements and key sources of estimation uncertainty as a result of the pandemic are set out below.

Background to COVID-19

The United Kingdom's position in relation to COVID-19 is much improved from year-end 2019-20. While it has experienced a once in 300-year economic shock, the advent of numerous effective vaccines coupled with an effective rollout mean that the economy is forecast to rebound strongly in 2021-22 and 2022-23.

Since the start of the pandemic, significant work has been taking place to monitor market conditions and to develop scenarios for the future. This has informed our forward assumptions and modelling.

Central guidance

When calculating the impact of COVID-19 on the Financial Statements, guidance issued by national and international authorities and professional bodies has been considered.

The Financial Reporting Council has issued guidance noting that making forward-looking assessments and estimates when preparing financial statements and providing other corporate reports is particularly difficult at this time. The Council highlights the need for entities to adequately consider the basis of any significant judgements when confirming the preparation of the financial statements on a going concern basis and the increased importance of providing information on significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made.

In 2019-20, the Prudential Regulatory Authority (PRA) issued guidance that blanket assumptions on significant increases in credit risk should not be made and that forecasts should take into account relief measures available to borrowers. They reaffirmed the pertinence of this guidance in August 2020. This guidance has been taken into account in preparing the 2020-21 Financial Statements, with particular emphasis on the assumptions for expected credit losses, where the estimate is particularly reliant on forward-looking information.

Critical accounting judgements and key sources of estimation uncertainty

The following disclosures provide information which allows users of the 2020-21 financial statements to understand the key judgements made in preparing the financial statements and sources of uncertainty as a result of COVID 19.

It is important to note that some estimates are based on market information as at 31 March 2021 and others are based on expectations of future performance. Broadly, our valuations fall into these categories as follows:

Asset type	Valued with reference to observed evidence of conditions & prices which existed at 31 March 2021	Valued with reference to expectations of future performance
Home equity loans, including Help to Buy	✓	
Loans measured at amortised cost: *Write-offs*	✓	
Loans measured at amortised cost: *Expected Credit Losses*		✓
Value of land and property assets		✓
Other Financial assets measured at fair value		✓

This means that there is ongoing material uncertainty as to the future performance of the housing market, and therefore the value of the Help to Buy Portfolio as reported at 31 March 2021. Users of the accounts may wish to consider the future risks to the portfolio from changes in the economic environment as the United Kingdom recovers from COVID-19. The sensitivity analysis in Note 17 considers this risk and quantifies the potential impact of alternative scenarios.

Home equity loans, including Help to Buy: valuation uncertainty

With the portfolio of Help to Buy assets valued at £17 billion and the residual portfolio of legacy equity loan assets valued at just over £232 million, this is the most significant area of the Group’s Statement of Financial Position. The valuation of investments in homes (through equity-loan programmes such as Help to Buy) is highly sensitive to changes in assumptions about market prices so the judgement exercised by management, both in the application of indexation to the home equity portfolio and in the experience adjustments applied to this indexation, is a source of estimation uncertainty in the Group's financial statements.

These assets are valued with reference to regional house price indices (HPI), supplemented by adjustments for the experience of actual disposals since the inception of the schemes. These adjustments are required as house price indices are based on all market activity whereas Help to Buy is only available on new build properties purchased with a mortgage, and redemptions can occur via staircasing as well as by sale. Together, these provide a reasonable estimate of the fair value of these assets because house price indices alone cannot accurately predict the value of individual homes; and disposal proceeds to date, although a good indicator of market performance, may not occur at the same level in the future. The adjustments have a significant effect on the fair value because they modify the expected market price of properties from which Homes England's percentage share is calculated. The Office for National Statistics (ONS) resumed regular publication of HPI following the first lockdown, however there is still uncertainty over the future performance of the housing market as a result of forecast higher unemployment and the ending of the Stamp Duty holiday.

Analysis showing the sensitivity of the valuation of these assets to changes in market prices, and therefore to management's judgement in estimating this valuation, is shown in Note 17. In addition, Note 17 sets out valuation judgements made by the management in response to the COVID-19 pandemic and Note 17b outlines management's analysis of the sensitivity of the valuation of the Help to Buy portfolio to key modelling assumptions.

Loans measured at amortised cost: Write-offs and Expected Credit Losses

The two components of loans measured at amortised cost which are impacted by COVID-19 are asset-level write-offs, where specific evidence of impairment has been identified, and the Expected Credit Loss allowance, where a portfolio-level estimate of future losses is made in accordance with *International Financial Reporting Standard 9: Financial Instruments* (IFRS 9).

IFRS 9 requires an Expected Credit Loss allowance calculation to be performed with reference to the level of credit risk and performance of each investment. The determination of the risk associated with each asset is a key judgement by management as the result determines whether a 12-month loss allowance or a lifetime loss allowance is calculated for that asset. The Expected Credit Losses are calculated by comparing the estimated balance at the time of default against moderated security values (calculated by applying Modified Security Value percentages (MSVs) to gross security values to estimate the likely value which might be realised from a sale of security in distressed circumstances). In accordance with the requirements of IFRS 9, a minimum loss on default value of 35% is applied. The calculated loss on default is then multiplied against an associated Probability of Default percentage value (PD) for the relevant loss calculation period. The PD value applied is determined based on the Credit Risk Rating of the associated asset using industry metrics for default.

Whether a 12-month loss allowance or a lifetime loss allowance is calculated for each asset is determined in accordance with IFRS 9, based on whether there has been a *Significant Increase in Credit Risk* (SICR) after the investment was first made. In line with the work done to consider whether any specific write-off adjustments are required, the Watchlist process has also considered whether there is evidence of a SICR, taking the guidance issued by the PRA into account. This was only identified in a handful of cases in the period after 31 March 2021 until these Financial Statements were produced and was considered in producing the estimate of Expected Credit Losses. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no further instances of SICR which would require adjustments to be made prior to publication.

In addition to calculating either 12-month or lifetime loss allowances, IFRS 9 also requires consideration of how the calculation would vary under alternative economic scenarios. This has been achieved by varying the application of PD assumptions to the same base loan data for each scenario modelled. In addition, during 2020-21 the MSVs applied to the ECL allowance calculation performed under each economic scenario have been varied, to reflect the relative expected discount on gross security values in a distressed situation for each economic scenario. The results calculated for each scenario are then used to calculate an unbiased, weighted-average loss allowance. This is done by using the relative likelihood of each scenario, based on an internal view of their relative probability.

Details of key modelling assumptions which have been varied in response to the COVID-19 pandemic are as follows:

Economic scenarios and relative weightings:

The economic scenarios applied to inform the ECL allowance calculation were derived from the Office for Budget Responsibility (OBR) macro-economic scenario forecasts. They are used for stress testing and sensitivity analysis and reflect a plausible range of economic outcomes. Internal experts then provided relevant metrics and assessed these scenarios based upon their likelihood to determine the scenarios weightings.

The decision on how to weight these scenarios against the central scenario was derived from expert judgement. The weightings applied for the Financial Statements are as follows:

Base scenario	Downside scenario	Upside scenario
70%	15%	15%

Probability of default:

Basic values for the probability of default (PD) associated with each credit risk rating score to be applied to investments is obtained from the OBR. This employs the same methodology to determine the PDs that is used for the annual stress-testing exercise, which is subject to an appropriate level of internal governance and challenge.

Moderated security values (MSVs):

The economic metrics determined for each of the three scenarios include measures which estimate how development land values may change over time in response to each scenario. Because security held against the investments are mainly land, this enables moderation of the security values applied to limit losses on default under each scenario, resulting in a more appropriate expectation of likely losses.

Valuation of land and property assets classified as inventory

Valuations for land and property assets are performed by internal and external valuers when there is evidence of a change in value but in all cases where the net realisable value of the asset was more than or equal to £5m in the preceding year. However, during the year and in light of the potential for uncertainty arising from the COVID-19 pandemic, a decision was made at the outset of the valuation process that all assets with a net realisable value of £150,000 or more would require a valuation. Valuations are required to adhere to the current edition of RICS Valuation – Professional Standards, i.e. Red Book valuations. The valuation methodology reflects the objectives and conditions for each asset.

The annual valuation exercise has been carried out against the backdrop of the ongoing COVID-19 pandemic, and strong house price growth in the residential market, with difficulties in the commercial sector. To ensure there is a portfolio valuation as at 31 March 2021, valuation assessments have been made on the evidence available to valuers at the time. During 2019-20, it was acknowledged that there was uncertainty attached to the valuations. Reflecting this, firms supporting the year-end valuation exercise were directed by the Royal Institution of Chartered Surveyors (RICS) to include a disclaimer highlighting ‘material valuation uncertainty’. However, during 2020-21, this direction was removed by RICS.

During the current financial year, activity resumed within the housing market and there is sufficient evidence to provide valuations no longer subject to this uncertainty. House prices have performed strongly over the last year. However, there remains some ongoing uncertainty around the future performance of the housing market, with the risk of inflation necessitating higher interest rates or the withdrawal of demand-side support cooling the market. These factors do not impact on the current valuations as valuations are conducted at a ‘point in time’ and are materially correct as at the 31 March 2021.

To provide an indication of the level of change needed to estimated property values to have a significant impact, our calculations indicate that if average values fell by 10%, a £74 million reduction in portfolio values would arise.

Other Financial assets measured at fair value

Other than the PRS Real Estate Investment Trust (PRS REIT), which is measured with reference to published unit prices, and Help to Buy and other legacy equity loans which are valued with reference to a wider market, all other financial assets measured at fair value are held in the level 3 hierarchy under *International Financial Reporting Standard 13: Fair Value Measurement* (IFRS 13) and are valued with reference to discounted cashflows.

Loans measured at Fair Value Through Profit or Loss (FVTPL)

Where loans do not meet the requirements under IFRS 9 to be accounted for at amortised cost, they are held at fair value through profit or loss (FVTPL). Despite this, they continue to be managed under the same operational controls as other loans and are subject to the same Watchlist processes, ensuring that any risks to recovery are identified, considered and reflected in forecast cashflows which are then used to inform the valuation of assets at year-end.

As with loans measured at amortised cost, no significant evidence of impairment as a result of COVID-19 has surfaced in the period after 31 March 2021 until these Financial Statements were produced. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no further instances of distress which would require adjustments to be made prior to publication.

Other level 3 financial assets measured at fair value

Other level 3 financial assets measured at fair value are valued with reference to cashflow data maintained for individual assets by project managers and, whilst subject to individual scrutiny, are not subject to the same oversight as loans which are subject to the regular Watchlist process. This is because the investments are not primarily subject to credit risk but were made to share risk in an underlying development. The assessment of the performance of these loans now includes a year of data from the COVID-19 pandemic, however given the nature of the valuation there remains a degree of uncertainty in the forecast future cashflows. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no changes to forecasts which would require adjustments to be made prior to publication.

Defined benefit pensions

The value of the defined benefit pension assets and liabilities have been assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

Because assets managed under the pension schemes are mainly in quoted investments, the pension assets stated at year-end are less susceptible to valuation uncertainty due to COVID-19 than other balances disclosed in the Financial Statements. Of the £2.4 billion employer assets at 31 March 2021 disclosed in Note 16, only £140.4 million was investment in property and is subject to the uncertainty outlined above in relation to the land and property assets.

Similarly, the discount rates used for scheme liabilities are derived from bond markets and so are determined with reference to published figures. This means that COVID-19 did not create significant additional uncertainty for the calculation of the scheme liabilities as at 31 March 2021.

6. Inventories

The Departmental Group property and 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. The determination of the portfolio value, by its nature, involves a significant amount of estimation uncertainty and accordingly, is a significant estimate within the accounts. In all cases valuations are in accordance with the 'RICS Valuation – Global Standards 2017' Red Book published by the RICS.

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. This receivable is classed as a fair value through profit or loss financial asset under IFRS 9.

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 C.

7. Financial Assets

Classification of financial assets

Two criteria are used to determine how financial assets should be classified and measured under IFRS 9:

- The business model for managing the asset; and
- The contractual cash flow characteristics of the financial asset

The measurement categories reflect the nature of the cash flow and the way they are managed. The three categories are:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income (FVOCI); and
- financial assets measured at fair value through profit or loss (FVTPL).

The contractual cash flow characteristics are either:

- financial assets held to collect cash flows only; or
- the assets are held to collect cash flows and to sell.

The department’s financial assets are initially measured at fair value but are classified into those subsequently measured at either amortised cost or fair value through profit and loss, in accordance with IFRS 9. Financial assets are measured at Amortised Cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest (SPPI). Other financial assets are measured at fair value through profit or loss.

Amortised cost assets

Amortised cost assets comprise loans to public and private sectors and the QEII public dividend capital (PDC) balance. These loans meet the SPPI test because they are solely payments of principal and interest and are not linked to other valuation movements such as property prices. The FReM specifies that PDC is held at amortised cost. The department holds these assets to collect cashflows with no intention of selling.

For amortised cost assets, an expected credit loss allowance is calculated based on the probability of a loss (or default) occurring, and the estimated value of the loss, taking into account the value of any collateral available to the department. The probability of loss is calculated based on credit ratings. The loan exposure is calculated based on projecting contractual cashflows into the future which are adjusted based on assumptions of potential arrears and wider economic factors. The value of collateral available to the department is calculated based on the expected value of properties constructed under the loans, which is adjusted for distressed sale conditions and wider economic assumptions. The impairment calculation is set at 12 months of expected credit losses unless there has been a significant increase in credit risk, when it increases to the lifetime expected credit loss. The simplified approach of recognising the lifetime expected credit loss is applied to trade receivables.

The methodologies used to determine the expected credit loss are considered to be an area of estimation and judgment within the accounts. The assumptions which can have a significant impact on the Expected Credit Loss Allowance calculation are as follows:

- Probability of Default: Probability of Default values are determined with reference to current economic conditions. The Probability of Default values are applied to each Investment in relation to their Credit Risk Rating.
- Economic Scenarios and relative Weightings: The Standard requires the department to consider alternative economic scenarios in the calculation of the Expected Credit Loss Allowance. For each identified scenario, variations are made to the Probability of Default values applied based on an individual investment's Credit Risk Rating. The amount of change applied is dependent on the scenario. Weightings are applied to the Expected Credit Loss calculations for each scenario, determined in relation to the probability of each scenario

occurring, with reference to current market and credit risk expectations.

- Loss Given Default (LGD) Floor: A minimum percentage value has been applied to the LGD calculation with reference to individual investments. This is in line with the requirements of IFRS 9, where historic data is insufficient to provide an evidence base for anticipated losses on default. At 31 March 2020 and at 31 March 2021 the LGD floor applied was 35%.
- Moderated Security Values (MSVs): To reflect the expected value which might reasonably be realised from the sale of security in the event of default, MSV percentages are applied to gross security values to determine a measure of Loss Given Default (when compared against the estimated exposure on default). The MSVs are varied depending on the type of security held. A lower MSV percentage results in a higher discount applied to the determined security values.

Fair value through profit or loss

Fair value through profit or loss assets comprise the Help to Buy asset portfolio, property investments and other financial assets that are not SPPI. The department expects to hold these assets until they are derecognised when the underlying property assets are sold by the owners. The department therefore does not hold them for collection of contractual cashflows or for sale. The cashflows due to the department from these assets are variable subject to movements in the housing market, so do not consist of solely payments of principal and interest.

Where assets are to be measured at fair value, this is performed with reference to the requirements of International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13), applying considerations which follow the three hierarchies set out under the standard for determining fair value. Note 17 provides further detail on how the department measures fair values.

The department holds no financial assets measured at fair value through other comprehensive income.

8. Financial Liabilities

The department's financial liabilities including trade and other payables are measured at amortised cost. The valuation of provisions is an area of estimate and judgement.

9. Financial Guarantees

The department provides Affordable Housing Guarantees (AHG) over borrowing to Private Registered Providers to facilitate access to borrowing at competitive interest rates to fund the building of affordable housing. The guarantees are recognised in line with IFRS 9 at the higher of initial fair value and expected loss, with a probability-weighted model used as the basis of the accounting valuation.

The department provides Private Rented Sector guarantees over borrowing to incentivise institutional investment in the supply of new, purpose built and professionally managed private rented sector homes. The guarantees are recognised in line with IFRS 9 at the higher of initial fair value and expected loss, with the accounting valuation based on the lifetime fee that will be paid by the borrower in return for the guaranteed funds. This fee includes the cost of risk, administration costs and a fee to the department based on appropriate remuneration.

The department provides ENABLE Build guarantees over borrowing by smaller housebuilders. No guarantees had been recognised at the balance sheet date in relation to this scheme.

The methodology used to determine the fair value of the guarantees is considered to be an area of estimation and judgment within the accounts.

10. 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 16. Employees of arm's 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.

The valuation of pension liabilities is an area of estimate and judgement. The value of the department's and ALB's defined benefit pension assets and liabilities have been assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

11. Income

Operating income relates directly to the operating activities of the department.

Business Rates income represents the tariff retention by the department and is accounted for in accordance with IFRS 15. As there are no performance obligations and the revenue is non-refundable, revenue is recognised when an equivalent to a taxable event has occurred, the revenue can be measured reliably and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. All these elements must be satisfied. Revenue is determined via NNDR1 claim forms submitted by local authorities. 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 (National Non-Domestic Rates Return – a submission whereby local authorities calculate their non-domestic rating income).

Income from financial instruments is accounted for in line with IFRS 9.

12. Grants

Grants made or received by the department are recorded as expenditure or income respectively 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.

Grants to local authorities include the Revenue Support Grant which finances revenue expenditure and capital grants which finance non-current assets. These are agreed through the local government finance settlement. In addition, specific grants are distributed outside the settlement. The basis of specific grants varies but they are accounted for in line with the same criteria as set out above.

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 in respect of Business Rates is also recognised at the point at which eligibility is determined. Expenditure including the notional charge for the local share is determined via NNDR1 claim forms and NNDR3 returns. The local share refers to the business rates that local authorities retain under Business Rates Retention. The department records notional income to reflect the rates due to the department and a notional grant to local authorities for the amount that they are permitted to retain.

Grant expenditure and income in respect of ERDF is also recognised at the point at which eligibility is determined. Further details about the ERDF balances included in these accounts can be found in Annex C.

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 and 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.

Net programme expenditure against the four operating segments is shown in the following table. Programme expenditure on 'Research, Data and Trading Funds' and 'MHCLG 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
		2020-21					2019-20				
	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	39,711,354	160,475	5,318,080	3,113,874	48,303,783	28,778,428	155,777	5,896,680	1,466,531	36,297,416
Income	SoPS1.1	(1,843,582)	–	(1,176,479)	(567,512)	(3,587,573)	(1,590,160)	–	(1,096,498)	(322,551)	(3,009,209)
Net Expenditure		**37,867,772**	**160,475**	**4,141,601**	**2,546,362**	**44,716,210**	**27,188,268**	**155,777**	**4,800,182**	**1,143,980**	**33,288,207**

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. It relates to the income and expenditure of the activities not included in Note 2 as operating segments along with non-budget income the department passes to HM Treasury.

			£'000
	Note	**2020-21 Total**	**2019-20 Total**
Total net expenditure reported for operating segments	2	**44,716,210**	**33,288,207**
Reconciling items:			
Income		(317,251)	(346,273)
Expenditure		561,135	276,108
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**44,960,094**	**33,218,042**

Note 3. Staff Costs

					£'000
			2020-21		**2019-20**
	Notes	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Staff Costs		205,702	344,663	192,700	315,478

The Staff Report, page 157, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

					£'000
		2020-21			2019-20
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-Cash Items					
Asset transfers: capital grant in kind expenditure		1,039	1,039	-	34,619
Depreciation and amortisation		9,457	14,005	8,612	13,432
Impairment of Property, Plant and Equipment		126	2,968	319	(19)
Impairment of other financial assets		(5,138)	259,039	7,174	(74,152)
Impairment of inventory		–	67,013	-	45,513
Revaluation of assets		856	856	5,096	5,096
Loss on disposal of assets		–	–	5	43
ERDF write-offs and disallowances		1,148	1,148	911	911
Auditors remuneration		425	425	423	423
Increase/Decrease in provisions (Provisions provided for in year less any release)	15	9,656	17,803	86,677	86,648
Write-off of bad debt		1,304	4,516	4,514	55,603
Net interest on pension scheme liabilities	16	1,685	(4,098)	5,137	3,706
Admin charge on pension assets	16	1,275	1,545	1,213	1,445
Share of Loss of Joint Ventures and Associates	6	–	1,673	-	(4,707)
Notional costs		132	132	127	127

					£'000
			2020-21		**2019-20**
	Notes	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Local share (business rates retained by local authorities)		16,345,279	16,345,279	17,812,372	17,812,372
Other non cash costs		3,896	3,896	259	259
Total Non Cash Items		**16,371,140**	**16,717,239**	**17,932,839**	**17,981,320**
Cash Items					
Rentals under operating leases		406	1,205	522	1,410
Accommodation including rentals under operating leases		8,526	18,103	16,065	25,792
Research and development		9,743	9,743	14,611	14,611
Legal and professional services		74,089	137,902	62,774	118,821
Consultancy		15,476	15,535	5,052	5,104
Marketing and communications		824	6,277	1,746	2,382
Training and development		1,922	3,078	3,699	4,985
Auditor's remuneration		47	739	45	655
IT expenditure		31,612	39,744	25,227	34,176
Travel and subsistence		697	1,251	5,193	9,710
Early retirement and voluntary exit costs		337	337	1,119	1,119
ERDF exchange rate losses (realised)		-	-	7,846	7,846
Interest payable		5,146	5,488	5,382	5,748
Taxation		454	7,123	2,224	12,753
ERDF grants		564,724	564,724	291,205	291,205

					£'000
			2020-21		**2019-20**
	Notes	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Revenue support grant and PFI grant		1,822,692	1,822,692	866,267	866,267
Business rates retention (top ups)		1,834,559	1,834,559	1,560,000	1,560,000
Other capital grants to local authorities		3,863,978	4,199,449	3,531,808	3,684,138
Other current grants to local authorities		21,800,494	21,801,112	10,334,053	10,335,643
Other grants		50,752	1,176,831	38,692	1,413,129
Other cash costs		4,501	20,172	707	15,541
Total Cash Items		**30,090,979**	**31,666,064**	**16,774,237**	**18,411,035**
Total		**46,462,119**	**48,383,303**	**34,707,076**	**36,392,355**

The external auditors total group fees (notional and cash) for all statutory audit work were £1,023,000. Of the £739,000 cash charge for auditor's remuneration, £598,500 relates to external audit fees and the remaining relates to other assurance work not performed by external audit.

Note 5. Operating Income

					£'000
		2020-21		2019-20	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non Cash Items					
Gain on sale of non current assets and assets held for sale		–	97,397	–	87,745
Increase in fair value – FVTPL assets		2,368	446,590	42,375	250,394
Decrease in fair value – financial guarantees		–	–	(7,816)	(7,816)
ERDF exchange rate gains (unrealised)		4,944	4,944	2,254	2,254
Notional income		132	132	128	128
Total Non Cash Items		**7,444**	**549,063**	**36,941**	**332,705**
Cash Items					
CFER income		180,827	180,827	189,178	189,178
Grant income		602,083	621,759	772,515	791,892
ERDF grant income		574,418	574,418	300,598	300,598
Business rates retention (tariff)		1,822,292	1,822,292	1,544,655	1,544,655
Goods and services		5,740	5,767	9,129	9,387
Accommodation		(47)	4,398	12,080	17,164
Fees		14,172	26,674	14,522	32,283
ERDF exchange rate gains (realised)		2,053	2,053	-	-
Interest and dividends		5,655	70,612	40,696	109,752
Miscellaneous		3,586	46,961	5,266	27,868
Total Cash Items		**3,210,779**	**3,355,761**	**2,888,639**	**3,022,777**
Total		**3,218,223**	**3,904,824**	**2,925,580**	**3,355,482**

Note 6. Investments in associates and joint ventures

	£'000
	Investment in Associates & Joint Ventures
Opening balance at 1 April 2019	**52,149**
Additions	22,267
Revaluation	(3,187)
Profit / (loss) on JV or Associate	4,707
Balance at 31 March 2020	**75,936**
Additions	4,110
Disposal	(30,987)
Profit / (loss) on JV or Associate	1,673
Balance at 31 March 2021	**50,732**
Of which:	
Core Department	5,000
Agencies	-
Designated bodies	45,732

Investments in associates and joint ventures are accounted for in accordance with IAS 28 via the Equity method.

Investments of the core department relate to a 50% share in the Nottingham joint venture between the department and Alliance Boots Holdings Limited whose principal activity is site preparation works. Investments of designated bodies at 31 March 2021 include:

Name of undertaking	Share capital	Nature of business
English Cities Fund Limited Partnership	46%	Property development
Countryside Maritime Limited	50%	Development of land
Kier Community Living LLP	26%	Property development
Temple Quay Management Limited	24%	Property management company
Kings Waterfront (Estates) Limited	50%	Property management company
Pride in Camp Hill	33%	Regeneration of Camp Hill area of Nuneaton

Note 7. Financial assets at fair value through profit or loss: due after one year

				£'000
	Investments in Help to Buy Programme	**Other Investments & Equity Schemes**	**Due from Disposal of Land & Property**	**Total Non Current Financial Assets**
Balance at 1 April 2019	**11,083,939**	**728,504**	**171,286**	**11,983,729**
Additions	3,592,937	191,992	44,707	3,829,636
Write down / Impairments	109,187	(13,858)	–	95,329
Fair value gains/(losses)	150,087	53,183	42,375	245,645
Disposal	(919,840)	(114,770)	–	(1,034,610)
Reclassification	–	(142,787)	–	(142,787)
Balance at 31 March 2020	**14,016,310**	**702,264**	**258,368**	**14,976,942**
Additions	4,059,942	149,342	29,977	4,239,261
Write down/ Impairments	(242,505)	(42,468)	(277)	(285,250)
Fair value gains/(losses)	401,421	38,402	2,368	442,191
Disposal	(1,181,623)	(99,333)	(834)	(1,281,790)
Transfer to receivables < 1year	-	(51,446)	(4,319)	(55,765)
Balance at 31 March 2021	**17,053,545**	**696,761**	**285,283**	**18,035,589**
Of which:				
Core Department	–	13,970	131,792	145,762
Agencies	–	–	–	–
Designated bodies	17,053,545	682,791	153,491	17,889,827

Investments in Help to Buy represent the entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy houses, the majority of which arises from the Help to Buy scheme.

Other investments for the core department include the Coalfields Enterprise Fund and the Coalfields Growth Fund. Other investments of designated bodies include an investment in PRS REIT PLC (a quoted Real Estate Investment Trust) loans which did not meet the criteria for a basic lending arrangement (2020-21: £434.4 million, 2019-20: £326.1 million.), investments in development and infrastructure projects with variable returns, the Housing Growth Partnership managed fund and overage, where future receipts are due on the disposal of land to third parties.

Amounts due from disposal of land and property are measured with reference to the underlying agreement. In the majority of cases the inclusion of an overage clause within the land sale agreement requires the receivable to be measured at fair value through profit or loss (FVTPL).

The valuation of Homes England's equity loan mortgage portfolio is highly sensitive to changes in assumptions, in particular about market prices. Analysis showing the sensitivity of the portfolio valuation of these assets to market prices is shown in Note 17. In addition, an assessment has been undertaken in relation to the potential impact of COVID-19 on key judgements and assumptions. This is presented in the Accounting Policies.

Homes England is exposed to credit risk in relation to loans classified to Fair Value through Profit or Loss (FVTPL). The credit risk exposure at 31 March 2020 in relation to these investments was £471.1 million.

Note 7.2 Financial Instruments – Recognised fair value measurements

Level 1, 2 and 3 are explained in Note 17.

	2020-21			
£'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	–	17,053,545	–	17,053,545
Other property investments		–	982,044	982,044
Investments	50,732	–	–	50,732
Total financial assets	**50,732**	**17,053,545**	**982,044**	**18,086,321**
of which				
Core Department	5,000	–	145,762	150,762
Agencies	–	–	–	–
Designated bodies	45,732	17,053,545	836,282	17,935,559
Total financial assets	**50,732**	**17,053,545**	**982,044**	**18,086,321**
Financial liabilities at fair value through profit or loss				
Financial guarantees	–	–	(117,388)	(117,388)
Other financial liabilities	–	–	(7,994,334)	(7,994,334)
Total financial liabilities	**–**	**–**	**(8,111,722)**	**(8,111,722)**
of which				
Core Department	–	–	(7,394,286)	(7,394,286)
Agencies	–	–	–	–
Designated bodies	–	–	(717,436)	(717,436)
Total financial liabilities	**–**	**–**	**(8,111,722)**	**(8,111,722)**

	2019-20			
£'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	–	14,016,310	–	14,016,310
Other property investments		–	960,632	960,632
Investments	75,936	–	–	75,936

Total financial assets	**75,936**	**14,016,310**	**960,632**	**15,052,878**
of which				
Core Department	5,000	–	99,482	104,482
Agencies	–	–	–	–
Designated bodies	70,936	14,016,310	861,150	14,948,396
Total financial assets	**75,936**	**14,016,310**	**960,632**	**15,052,878**
Financial liabilities at fair value through profit or loss				
Financial guarantees		–	(94,804)	(94,804)
Other financial liabilities		–	(4,308,136)	(4,308,136)
Total financial liabilities	**–**	**–**	**(4,402,940)**	**(4,402,940)**
of which				
Core Department	–	–	(4,111,330)	(4,111,330)
Agencies	–	–	–	–
Designated bodies	–	–	(291,610)	(291,610)
Total financial liabilities	**–**	**–**	**(4,402,940)**	**(4,402,940)**

Changes in level 3 Instruments Financial assets £’000	Other property investments	
	2020-21	**2019-20**
Balance 1 April	**960,632**	**899,790**
Additions	179,319	236,699
Repayments/disposals	(100,167)	(114,770)
Reclassifications	(55,765)	(142,787)
Gains/losses recognised in SOCNE	(1,975)	81,700
Balance 31 March	**982,044**	**960,632**
of which		
Core Department	145,762	148,675
Agencies	-	-
Designated bodies	836,282	811,957
Balance 31 March	**982,044**	**960,632**

Changes in level 3 Instruments Financial assets £’000	Financial guarantees	
	2020-21	**2019-20**
Balance 1 April	**(94,804)**	**(67,206)**
Additions	(22,584)	(27,598)
Balance 31 March	**(117,388)**	**(94,804)**
of which		
Core Department	(117,388)	(94,804)
Agencies	-	-
Designated bodies	-	-
Balance 31 March	**(117,388)**	**(94,804)**

Note 8. Financial assets at fair value through profit or loss: due within one year

Changes in level 3 Instruments Financial assets £’000	Current financial assets at fair value through profit or loss	
	2020-21	**2019-20**
Balance 1 April	**183,954**	**70,086**
Additions	49,373	113,868
Balance 31 March	**233,327**	**183,954**
of which		
Core Department	4,319	-
Agencies	-	-
Balance 31 March	**229,008**	**183,954**

Note 9. Financial Assets held at amortised cost: due after one year

				£'000
	Private Sector Loans	**Public Sector Loans**	**Public Dividend Capital**	**Total Financial Assets held at amortised cost**
Opening balance at 1 April 2019	**867,629**	**348,245**	**821**	**1,216,695**
Additions	459,242	74,361	-	533,603
Write down / Impairments	(51,181)	-	-	(51,181)
Expected loss allowance	(14,067)	(6,685)	-	(20,752)
Repayments	(399,393)	(94,390)	-	(493,783)
Transfer to receivables < 1year	(43,552)	(37,251)	-	(80,803)
Balance at 1 April 2020	**818,678**	**284,281**	**821**	**1,103,780**
Additions	433,166	2,944	-	436,110
Write down/ Impairments	(2,686)	-	-	(2,686)
Expected loss allowance	21,122	5,269	-	26,391
Repayments	(328,714)	(70,809)	-	(399,523)
Transfers in / (out)	11,503	-	-	11,503
Transfer to receivables < 1year	65,878	63,003	-	128,881
Balance at 31 March 2021	**1,018,947**	**284,688**	**821**	**1,304,456**
Of which:				
Core Department	-	279,506	821	280,327
Agencies	-	-	-	-
Designated bodies	1,018,947	5,182	-	1,024,129

Public Sector Loans in the core department relate to loan facilities held with Greater London Authority and Manchester City Council. Private Sector Loans primarily relate to development loans and infrastructure loans. Public Dividend Capital relates to the financing of the QEII conference centre. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.

Sensitivity of Expected Credit Losses to modelling assumptions

IFRS 9 requires an Expected Credit Loss allowance calculation to be performed with reference to the level of credit risk and performance of each investment. The determination of the risk associated with each asset is a key judgement by management as the result determines whether a 12-month loss allowance or a lifetime loss allowance is calculated for that asset. The Expected Credit Losses are calculated by comparing the estimated balance at the time of default against moderated security values (calculated by applying Modified Security Value percentages (MSVs) to gross security values to estimate the likely value which might be realised from a sale of security in distressed circumstances). This is then multiplied against an associated Probability of Default percentage value (PD) for the relevant loss calculation period. The PD value applied is determined based on the Credit Risk Rating of the associated asset using industry metrics for default.

In addition to calculating either 12-month or lifetime loss allowances, IFRS 9 also requires consideration of how the calculation would vary under alternative economic scenarios. This is achieved by varying the application of PD assumptions to the same base loan data. In addition, by varying the MSVs applied to the ECL allowance calculation performed under each economic scenario, to reflect the relative expected discount on gross security values in a distressed situation for each economic scenario. The results calculated for each scenario are then used to calculate an unbiased, weighted-average loss allowance. This is done by using the relative likelihood of each scenario, based on a view of their relative probability.

The Expected Credit Loss model is highly sensitive to the modelling assumptions noted above, which are therefore considered to be a key judgement of management. To analyse the impact of the key assumptions applied at 31 March 2021, a sensitivity analysis has been performed in Note 17, which also provides an overview of the key modelling assumptions and how they are applied.

Note 10. Financial Assets held at amortised cost: due within one year

			£'000
	Private Sector Loans	**Public Sector Loans**	**Total current Financial Assets held at amortised cost**
Opening balance at 1 April 2019	**518,978**	**65,165**	**584,143**
Transfer from receivables > 1year	31,968	48,835	80,803
Balance at 1 April 2020	**550,946**	**114,000**	**664,946**
Transfer from receivables > 1year	(65,878)	(63,003)	(128,881)
Balance at 31 March 2021	**485,068**	**50,997**	**536,065**
Of which:			
Core Department	-	50,997	50,997
Agencies	-	-	-
Designated bodies	485,068	-	485,068

Note 11. Inventories

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

				£'000
	2020-21		**2019-20**	
	Core Department & Agency	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Land and buildings				
Opening balance at 1 April	**-**	**998,072**	**-**	**852,734**
Additions	-	317,730	-	357,311
Disposals	-	(137,903)	-	(152,806)
Transfers	-	-	-	(13,654)
Impairments	-	(67,013)	-	(45,513)
Closing balance Land and buildings as at 31 March	**-**	**1,110,886**	**-**	**998,072**
ERDF Work in Progress				
Opening balance as at 1 April	177,594	177,594	62,868	62,868
Payments to Projects	433,778	433,778	362,177	362,177
Disposals	(288,225)	(288,225)	(247,451)	(247,451)
Closing balance ERDF as at 31 March	**323,147**	**323,147**	**177,594**	**177,594**
Total inventory closing balance as at 31 March	**323,147**	**1,434,033**	**177,594**	**1,175,666**

Note 12. Trade and other receivables

				£'000
	2020-21		**2019-20**	
	Core Department & Agency	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Amount falling due within one year:				
Trade receivables	2,292	6,436	1,555	4,195
Deposits and advances	–	6	–	19
VAT receivables	3,195	3,240	2,981	3,027
Other receivables	46,015	193,864	111,781	166,548
ERDF accrued income	44,885	44,885	49,899	49,899
Prepayments and accrued income	159,714	160,479	43,043	43,871
Sub Total	**256,101**	**408,910**	**209,259**	**267,559**
Amounts falling due after more than one year:				
Trade receivables	–	6,352	–	(39)
Other receivables	56,468	242,298	42,333	119,636
ERDF advances	127,530	127,530	75,894	75,894
Prepayments and accrued income	281	281	290	290
Sub Total	**184,279**	**376,461**	**118,517**	**195,781**
Total	**440,380**	**785,371**	**327,776**	**463,340**

Note 13. Cash and cash equivalents

				£'000
	2020-21		2019-20	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	(2,833,687)	(2,596,749)	256,592	543,099
Net change in cash and cash equivalent balances	7,796,817	7,843,709	(3,090,279)	(3,139,848)
Cash Balance at 31 March	**4,963,130**	**5,246,960**	**(2,833,687)**	**(2,596,749)**
The following balances at 31 March were held at:				
Other bank and cash	–	40,655	–	15,492
Commercial banks and cash in hand	–	8,774	–	7,642
Government Banking Service	4,963,130	5,197,531	(2,833,687)	(2,619,883)
Balance at 31 March	**4,963,130**	**5,246,960**	**(2,833,687)**	**(2,596,749)**

The department held a negative cash balance with the Government Banking Service at 31 March 2020 because urgent COVID-19 payments were made to local authorities in March 2020 before a contingency fund advance was received from the consolidated fund in April 2020.

Note 14. Trade and other payables

				£'000
	2020-21		**2019-20**	
	Core Department & Agency	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Amounts falling due within one year:				
Taxation and social security	4,162	9,069	3,613	17,575
Trade payables	418	514,710	1,372	394,343
Other payables	154,707	172,423	81,687	101,485
Accruals	948,067	951,035	260,718	263,905
Finance lease	9,851	9,851	9,851	9,851
Deferred income	53,391	63,248	496	8,341
ERDF deferred income	506,468	506,468	239,049	239,049
Amount issued from the Consolidated Fund for supply but not spent	4,923,587	4,923,587	–	–
NNDR payable to the Consolidated Fund[1]	–	–	115,725	115,725
Consolidated fund extra receipts to be paid to the Consolidated Fund				
-received	39,542	39,542	32,645	32,645
Sub Total	**6,640,193**	**7,189,933**	**745,156**	**1,182,919**
Amounts falling due after more than one year:				
Finance lease	76,455	76,455	81,160	81,160
ERDF deposits held	258,817	258,817	177,730	177,730
Other payables	–	179,012	–	107,579
Deferred income	1,760	13,893	1,760	10,009
Sub Total	**337,032**	**528,177**	**260,650**	**376,478**
Total	**6,977,225**	**7,718,110**	**1,005,806**	**1,559,397**

(1) The 'Amount issued from the Consolidated Fund for supply but not spent' in 2019-20 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'. In 2019-20, the breach of the net cash requirement (NCR) results in neither a Consolidated Fund payable position nor receivable position for the year. National Non-Domestic Rates (NNDR) creditors cannot be netted off this position so are shown as a separate payable in 2019-20.

Note 15. Provisions for liabilities and charges

				£'000
	2020-21		**2019-20**	
	Core Department & Agency	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Opening balance at 1 April	102,708	115,487	18,584	31,467
Increase	12,340	20,295	90,634	90,652
Utilisation	(22,117)	(22,291)	(2,553)	(2,613)
Reversal	(2,687)	(2,687)	(3,957)	(4,017)
Unwinding of discount	–	192	–	(2)
Balance at 31 March	**90,244**	**110,996**	**102,708**	**115,487**
Of which:				
Current liabilities	33,267	34,749	30,429	30,753
Non-current liabilities	56,977	76,247	72,279	84,734
Balance at 31 March	**90,244**	**110,996**	**102,708**	**115,487**

Core department provisions comprise:

(i) Early retirement provisions

The department and its agency meet 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 provide for this in full when the early retirement becomes a binding liability. All early retirements reached normal pension age in 2020-21 so the provision value has reduced to nil.

(ii) The department’s responsibility for the Grenfell Tower site

The department took ownership of the Grenfell Tower site in July 2019 and is responsible for, and committed to, keeping it safe and secure until a decision is reached both about its future, and until the community has determined a fitting memorial to honour those who lost their lives in the tragedy. Until then the department is responsible for any significant operational decisions on site, including but not limited to the future of the Tower. No value has been recognised in property, plant and equipment, in relation to the site, due to a legal restriction put in place which prevents the land being used for any future purpose other than that determined by the community-led memorial process. The nil value reflects the accounting treatment for this restriction.

The community-led Grenfell Tower Memorial Commission, which is supported by HM Government, will seek views from the bereaved families, survivors and the community to develop a proposal for a fitting memorial and decide how the memorial will be owned and managed. The Commission have started their work to engage the community on proposals for a memorial. The provision relates to the department’s responsibilities for keeping the site safe and secure and preparing the site for future use.

(iii) Other provisions

In the core department, these provisions include claims made by staff and third parties against the department. The provision is calculated based on general experience of expected claim values. Provisions are also made for dilapidations to comply with lease clauses for buildings which are occupied by the department. The department's dilapidation provisions are calculated based on the estimated cost of meeting future expenditure, in order to settle obligations in respect of lease clauses.

The rest of the Departmental Group provisions relate to Homes England. The Homes England Annual Report and Accounts provides further details.

Analysis of expected timing of discounted cashflows by type

				£'000
	Early Retirement	**Grenfell Tower Site**	**Other**	**Total**
Not later than one year	2,146	26,188	2,419	30,753
Later than one year and not later than five years	360	62,249	22,125	84,734
Later than five years	–		–	–
Balance at 31 March 2020	**2,506**	**88,437**	**24,544**	**115,487**
Not later than one year	–	24,364	10,385	34,749
Later than one year and not later than five years	–	52,867	23,380	76,247
Later than five years	–	–	–	–
Balance at 31 March 2021	**–**	**77,231**	**33,765**	**110,996**

Note 16. Pensions

The core department is responsible for the Audit Commission Pension Scheme, a funded defined benefit scheme. The liabilities of this scheme are represented below in the Core Department & Agencies column. The staff of arm's 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
		2020-21		2019-20
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	1,187,725	2,141,702	1,334,631	2,316,777
Current service cost	–	31,770	–	27,505
Interest charges	26,385	47,965	33,009	56,290
Admin charge on pension liabilities	–	(66)	–	(73)
Contribution by members	–	5,614	–	8,148
Remeasurement of (gains)/ losses on liability	257,111	439,850	(149,974)	(211,910)
Past service cost/(gains)	90	263	1,335	3,807
Losses/(gains) on curtailment	–	–	–	(98)
Absorption transfers – Audit Commission Pension Scheme	–	–	–	(2,025)
Benefits paid				
Funded benefits paid	(30,273)	(56,978)	(31,276)	(56,168)
Unfunded benefits paid	(9)	(654)	–	(551)
Closing defined benefit obligation	**1,441,029**	**2,609,466**	**1,187,725**	**2,141,702**
Reconciliation of fair value of employer asset				

Opening balance	(1,113,400)	(2,105,199)	(1,131,000)	(2,162,839)
Interest income on scheme asset	(24,700)	(52,063)	(27,872)	(52,584)
Admin charge on pension assets	1,275	1,529	1,213	1,457
Contributions by members	–	(5,614)	–	(8,148)
Contributions by employer	–	(34,140)	–	(20,015)
Remeasurement of (gains)/ losses on asset	(125,048)	(307,831)	12,983	78,178
(Losses)/gains on curtailment	–	2,005	–	2,438
Assets distributed on settlement	30,273	57,075	31,276	56,314
Closing fair value of employer asset	**(1,231,600)**	**(2,444,238)**	**(1,113,400)**	**(2,105,199)**
Closing net pension liability	**209,429**	**165,228**	**74,325**	**36,503**
of which:				
Funded	209,372	156,901	74,259	27,296
Unfunded	57	8,327	66	9,207

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. This is a closed scheme. The weighted average scheme duration is 22 years.

The valuation of the scheme liabilities as at 31 March 2021 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:

		£'m
Fair Value of Scheme Assets	**2020-21**	**2019-20**
Diversified Growth Funds	699	590
Liability Driven Investment	347	334
Infrastructure	95	100
Property	85	84
Cash	5	5
Total	**1,232**	**1,113**

The Scheme invests in a Liability Driven Investment portfolio to mitigate the risks relating to interest rate and inflation rate changes.

Overall, the Scheme's assets have increased in value over the year to 31 March 2021. This is mainly due to an increase in the value of diversified growth funds. The net liability has increased due to changes in financial assumptions, particularly the decrease in the discount rate and the increase in inflation.

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations for the five years to 2021 are shown in the table below.

	2021	2020	2019	2018	2017	2016
Principal assumptions	% pa	% pa	% pa	% pa	% pa	% pa
Rate of inflation	3.40	2.70	3.35	3.25	3.30	3.05
Rate of salary increase	n/a	n/a	n/a	n/a	n/a	n/a
Discount rate for liabilities	1.95	2.25	2.50	2.65	2.70	3.40
Rate of increase of pensions in payment	3.40	2.70	3.35	3.25	3.30	3.05
Rate of increase of deferred pensions	3.40	2.70	3.35	3.25	3.30	3.05

The assumed life expectations on retirement at age 60 were: for males retiring today, 28 years (2019-20: 29 years), for females retiring today, 30 years (2019-20: 30 years) and for males retiring in 20 years, 30 years (2019-20: 30 years), for females retiring in 20 years, 32 years (2019-20: 32 years).

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

			£'m
Assumption	**Change in assumption**	**Impact on scheme liabilities**	**Impact on scheme liabilities**
Discount rate	Decrease by 0.5%	Increase by 12%	173
Rate of inflation	Increase by 0.5%	Increase by 11%	159
Rate of mortality	Mortality table rated down by one year	Increase by 4%	58

Note 17a. Financial Instruments: Risk Management and Fair Value

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 and lenders. The portfolio is continuing to increase in size and is largely concentrated in a single sector, housing.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As the cash requirements of the group are largely met through the Estimates process and central government's ability to borrow to raise funds, there is minimal liquidity risk.

Currency risk

The department has risks arising from foreign exchange in relation to the European Regional Development Fund (ERDF) programme. Further details about the ERDF balances included in these accounts can be found in Annex C. The following table shows the balances held by the department as at 31 March 2021 that are subject to exchange rate risk. (Exchange rate at 31 March 2021 £1 = €1.173923).

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2021	**172,416**	**202,399**
Total assets at 31 March 2020	125,794	142,222
Total liabilities at 31 March 2021	**(264,534)**	**(310,537)**
Total liabilities at 31 March 2020	(177,730)	(200,941)

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

The asset balance represents ERDF grant payments made but yet to be reimbursed from the EU. These balances are fixed in Euros being the Euro equivalent of the Sterling expenditure at the time the expenditure was certified using the 'Europa' rate.

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

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 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 March 2021	Euro Rate at 31 March 2021	Impact of rate change to			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	£172,416	1.1739	£30m gain	£12m gain	£17m loss	£28m loss
Liabilities	-£264,534	1.1739	£46m loss	£18m loss	£26m gain	£42m gain
Net gain/ loss	-£92,119		£16m loss	£6m loss	£9m gain	£15m gain

Market risk

Results and equity are dependent upon the prevailing conditions of the UK economy, especially UK house prices, which significantly affect the valuation of assets.

In particular, there is exposure to significant market price risk in the equity-loan mortgage portfolio and land portfolio. Any market price movements are reflected in net expenditure for the period.

Market price risk is an inherent feature of the operation of Help to Buy and other home equity schemes. The Departmental Group does not attempt to directly mitigate this risk, for example via hedging, but monitors the exposure.

Sensitivity analysis is performed to measure 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. Stress-testing is performed which looks at exposure to adverse scenarios to ensure that the financial risks are understood.

Home Equity Portfolio (including Help to Buy) – market risk

The table below shows the effect on net expenditure arising from movements in the fair value of these portfolios at 31 March 2021, before the effects of tax, if UK house prices had varied by the amounts shown and all other variables were held constant. This illustrates the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.

Modelled change in house prices	Estimated portfolio value (£m)	Incremental change in fair value recognised in net expenditure (£m)	Incremental change in fair value recognised in net expenditure (%)
20.0%	20,740.5	3,455.2	20.0%
10.0%	18,162.0	876.7	5.1%
0%	17,285.3	–	0.0%
-5%	16,416.4	(868.9)	-5.0%
-10.0%	15,495.4	(1,789.9)	-10.4%
-20.0%	12,866.9	(4,418.4)	-25.6%
-30.0%	9,165.9	(8,119.4)	-47.0%

Private sector developments, overage and infrastructure – market risk

Homes England also holds assets in relation to private sector developments, land sale overages and infrastructure. At 31 March 2021, if development returns had been 10% higher/lower and all other variables were held constant, the effect on net expenditure arising from movements in investments in private sector developments and infrastructure projects, before the effects of tax, would have been an increase/decrease of £21.0m/£21.0m from that stated.

Further market risk analysis is available in Homes England's Annual Report and Accounts.

Financial guarantees – market risk

The department is also exposed to market risk via the financial guarantees it provides over borrowing for affordable housing and private rented sector homes. More detail on the magnitude of those schemes can be found on page 213. Changes in the housing market may cause rental arrears or void properties which may have an impact on the borrower's ability to repay the loans issued under the guarantees programme.

Impact of COVID-19 on the financial statements

As at the 31 March 2021 there remains significant uncertainty over the short and medium-term future as a result of the ongoing COVID-19 pandemic. The analysis below considers the potential impact of the pandemic.

Potential financial impact of alternative post-COVID scenarios on asset values

Applying metrics from possible alternative macro-economic scenarios to model changes to asset values allows us to estimate the potential future effect of market uncertainty, due mainly to COVID-19, for 95.5% of assets as at 31 March 2021, giving a good indication of the potential overall effect of the pandemic on asset valuations.

This analysis takes no account of additions or disposals in the next 12-month period and does not seek to forecast the Statement of Financial Position for 2021-22. However, it is a good indication of the risks and the quantum of movements in asset values which might reasonably be expected as a result of the ongoing pandemic and the United Kingdom's recovery from it.

£m	2020-21	Upside		Central	Downside	
	March 2021	March 2022	Low	March 2022 = Low point	March 2022	Low
Home equity loans	17,515	17,682	17,682	17,185	16,247	15,592
Loans at amortised cost	1,841	2,196	2,196	2,135	2,066	2,066
Loans at FVTPL	434	587	587	568	533	533
Land	1,111	1,117	1,111	1,100	1,064	1,029

Other financial assets at fair value	320	230	230	219	203	203
Total value of assets analysed	**21,220**	**21,812**	**21,806**	**21,207**	**20,113**	**19,423**
Change in asset values		**591**	**585**	**-13**	**-1,107**	**-1,797**

As indicated in the table above, the central scenario sees the aggregate value of the portfolio of assets fall by £330 million (1.5%) during 2021-22, with March 2022 being the point when asset values are lowest. This contrasts with the downside, where asset values reduce through the year and are estimated to be £1.4 billion lower at March 2022 (6.7% down), with further falls of around £0.7 billion expected under this scenario during 2022-23. Finally, under the upside scenario, overall asset values expected to be £0.2 billion (1%) up at 31 March 2022 compared to March 2021. This reflects a position where the market has substantially recovered, but where potential levels of mortgage arrears reduce the returns estimated from home equity assets.

The most significant thing to note from this analysis is the overall uncertainty surrounding the potential future impact of market uncertainty on asset values, with a £1.7 billion range in anticipated values across the three scenarios, modelled based on the market conditions associated with each scenario at March 2021.

The tables below explain the assumptions in more detail.

Potential impact on asset valuations from alternative economic scenarios during 2020-21

To aid users of the accounts in understanding the potential risks posed by COVID-19 to the Group's assets, we have used the scenarios developed to inform the 2020-21 Expected Credit Loss allowance to estimate what the effect of each scenario might be on the key asset classes.

By applying relevant metrics from these scenarios to the key asset categories we can model the potential impact of COVID-19 on assets disclosed in the 2020-21 Financial Statements.

Home Equity Loans (including Help to Buy)

For home equity loans the principal drivers influencing changes to the valuation of assets under COVID-19 are house prices, the proportion of homeowners who go into arrears with their mortgage (for example as a result of redundancy) and the proportion of homeowners who are potentially repossessed by their first charge lender.

The impact of the three scenarios (relative to the position as at 31 March 2021) is:

	Scenario changes to house prices (March 2022)	Scenario changes to house prices (low point modelled)	Adjustment to proportion of accounts in arrears	Adjustment to anticipated repossessions rate
Upside scenario	0.92%	0.92%	-0.88%	-0.44%
Central scenario	-1.61%	-1.61%	0.93%	0.46%
Downside scenario	-5.56%	-8.88%	5.20%	2.62%

Loans

For loans measured at amortised cost, the Expected Credit Loss allowance (ECL) reflects a weighted average of the outcomes which might be expected under each of the three scenarios. To model the effect of each scenario individually we have considered the outputs from each individual scenario ECL calculation. In addition, we have considered whether the credit-risk stages of assets (based on an assessment of SICR) might change under each scenario.

In addition, for users' reference we have modelled the impact under each scenario if all assets were moved to stage 2 (indicating a significant increase in credit risk for all assets), with the modelling for the downside scenario producing an increased ECL of £134 million under these assumptions.

	ECL as applied in the financial statements (£m)	**ECL is SICR stages are adjusted to stage 2 for 100% of portfolio (£m)**
Upside scenario	19	52
Central scenario	47	94
Downside scenario	66	134

For loans measured at fair value through profit or loss (FVTPL), the fundamental contractual nature of these loans and primary exposure to variation in returns is comparable with loans measured at amortised cost and so the ECL percentages estimated for the loans measured at amortised cost are considered to be a suitable measure to estimate how asset values will vary under different economic scenarios.

	Valuation adjustment	Changes to house prices (March 2022)
Upside scenario	0.92%	0.92%
Base scenario	-1.61%	-1.61%
Downside scenario	-6.48%	-5.56%

Land

The scenarios modelled include specific metrics for changes in development land values.

	Land valuation adjustment (March 2021)	Land valuation adjustment (low point modelled)
Upside scenario	0.92%	No fall predicted
Base scenario	-1.61%	-1.61%
Downside scenario	-6.48%	-10.89%

Other level 3 financial assets measured at fair value

Other level 3 financial assets are held across both investment and land portfolios. Land and house price indexes have been applied to forecast our balance sheet growth under our three scenarios, applying 100% scenario weighting to each individual case. This will provide indicative adjustments to gross development return expectations for other level 3 financial assets measured at fair value adjustment to discount expected receipts to reflect the diminution of value over a period, the valuations being projected as at March 2022.

	Valuation adjustment (March 2022)	Changes to house prices (March 2022)
Upside scenario	0.92%	+0.92%
Base scenario	-1.61%	-1.61%
Downside scenario	-6.48%	-5.56%

Financial risk

Some of the department's housing programmes are underpinned by the use of financial instruments such as loans, equity investments and financial guarantees which expose the department to credit and investment risk. The portfolio continues to grow but remains relatively immature: it has not yet been through a market cycle; it is concentrated in a single sector that is susceptible to economic shocks, and its investments are typically outside the appetite of other market investors and lenders. The current economic uncertainty has amplified these risks and increased the susceptibility for financial loss.

During the year, the department has continued to develop its capability for managing financial risk, reviewing the tools used to identify and measure the risks associated with the portfolio of financial instrument based programmes and reviewing its risk profile and appetite, which remains significant but is quantifiable. Many of the financial risks that the department has exposure to sit with Homes England, and the department continues to work in partnership with Homes England to manage these risks. The department has enhanced its monitoring of financial risk in the portfolio following the increase in economic uncertainty resulting from the COVID-19 pandemic. The department prepared contingency plans to manage financial distress in its portfolio and will continue closely monitoring its financial risk during the next financial year, as the consequences of COVID-19 continue to materialise.

A regular stress testing exercise has been in place since 2015 to help the department measure and manage the risk of loss associated with a stress event, based on Bank of England cyclical stress test scenarios. The outcomes of the stress tests are used for contingency planning and policy development with particular regard to economic risks related to the consequences of COVID-19.

Credit Risk

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments.

The maximum exposure to credit risk, without taking into account any security held, is the same as the carrying amount of financial assets recorded in the Financial Statements. This is summarised in Note 7.2.

Amortised cost assets – credit risk

For assets measured at amortised cost, including loans, Homes England has performed a sensitivity analysis that considers how expected credit losses would vary under alternative future economic scenarios. Refer to the Homes England Annual Report and Accounts for more detailed analysis. The Expected Credit Loss model is highly sensitive to its modelling assumptions, which are therefore considered to be a key judgement of management.

The impact of expected credit loss allowances and write offs in the Departmental Group is summarised below. The net impact is negative in 2020-21 because expected credit losses have reduced compared to 2019-20 due to improvements in forward looking scenarios.

		£'000
Expected Credit Loss Allowances	**2021**	**2020**
Opening balance	**72,404**	**51,655**
Net movements in Expected Credit Loss Allowances	(26,391)	20,749
Closing balance	**46,013**	**72,404**

		£'000
Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	**2020-21**	**2019-20**
Net movements in Expected Credit Loss Allowances	26,391	(20,749)
Amounts written-off loan balances as irrecoverable under IFRS 9	(2,686)	(51,181)
Total credit impairment loss charge	**23,705**	**(71,930)**

Financial Guarantees – credit risk

The potential liabilities arising from the provision of financial guarantees will be subject to credit risk, particularly increases in rental arrears and void properties which may have an impact on a borrower's ability to repay a loan issued under the guarantees programme. The department has set up a number of risk mitigations to minimise the risk arising from the guarantees, including a rigorous eligibility criteria and credit assessment process.

Affordable Housing Guarantees – credit risk

The department has provided guarantees to strongly rated (low risk) Private Registered Providers to facilitate access to borrowing at competitive interest rates. This funding is then used by the borrowers to build affordable housing.

As at 31st March 2021, the department had approved £3.2 billion worth of debt finance raised by Affordable Housing Finance on behalf of Private Registered Providers, all of which has been drawn down and is covered by a financial guarantee issued by the department. The accounting valuation for the guarantee as at 31 March 2021 is £29 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. The model incorporates an estimated Probability of Default (PD) for each borrower, based on their credit rating.

Sensitivity analysis was conducted on the valuation by changing both the credit rating and the assumed Loss Given Default (LGD). The sensitivity testing adjusted the credit grade down by five Standard & Poor's (S&P) equivalent grades (considered to be conservative as the Registered Provider industry has a zero-default history) and increased the LGD around the central estimate. Although there might be some relationship between the PD and the LGD, the analysis and the underlying probability-weighted loss model treats the PD and LGD as two independent variables that are multiplied together in arriving at the financial guarantee liability. The result is a valuation range from £9.8 million (5% LGD, Low PD) to £218 million (25% LGD, High PD). When liquidity reserves are accounted for in the sensitivity analysis, the valuation ranges from £4.5 million (5% LGD, Low PD) to £194 million (25% LGD, High PD).

Private Rented Sector Guarantees – credit risk

The department has also provided Private Rented Sector guarantees to private rented sector operators and Private Registered Providers to incentivise institutional investment into the supply of new, purpose built and professionally managed private rented sector homes. Guaranteed debt is generally available once units are completed and generate a stable income.

As at 31 March 2021, the department had approved circa £1.8 billion worth of debt finance to be raised by PRS Finance plc. to finance long term loans to private sector operators and Private Registered Providers. Of the circa £1.8 billion, £1.5 billion has been drawn and is covered by the Private Rented Sector financial guarantees issued by the department. The valuation of the liability arising as a result is £88.3 million.

The accounting valuation is based on the appropriate elements of the lifetime fee that will be paid by the borrower in return for the guaranteed funds. Specifically, the cost of risk, administration costs and a fee to the department based on appropriate remuneration of capital.

Private Rented Sector Guarantees concentration risk

The overall PRS exposure is measured at £88.3 million and the top five counterparties represent 65% (based on guaranteed loan exposure). There are 12 counterparties for the 25 loans guaranteed.

Homes England concentration risk

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

- Financial asset investments measured at fair value relate mainly to amounts receivable individually from proceeds generated when the equity-loan mortgage portfolio properties are sold or staircased, 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 homes are secured by a second charge over their property.
- For loans, the top ten counterparties at 31 March 2021 accounted for £951.3 million of the total exposure (48.1%). The balance includes both loans measured at amortised cost and loans measured on a fair value basis. The exposures are before the application of the expected credit loss allowance.
- Receivables arise largely from disposals of land and property assets, generally to major developers and housebuilders in the private sector. These receivables are always secured by a 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. Ten counterparties account for 96.7% of the £175.6 million receivables balances due from disposal of land and property assets

- 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 or by a mortgage administrator pending allocation to accounts.
- Further information can be found in Homes England's Annual Report and Accounts.

There are no significant concentrations of credit risk in other financial instruments in the Departmental Group.

Interest rate risk

The Departmental Group has no material interest rate risk on its financial assets.

Fair values

The estimated fair values of the financial instruments held by the department approximate to their book values at 31 March 2020 and 31 March 2021. 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 1, 2 and 3 fair value financial instruments, as defined by IFRS 13, and detail on the sensitivities of the fair values, see Homes England Annual Report and Accounts.

Financial Instrument	**Basis of fair value estimation**
Current payables and receivables (Note 14 and 12) and Public Dividend Capital (Note 9)	Nominal value. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Non-current payables and receivables (Note 14 and 12)	Discounted cost (where materially different from nominal value). The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Investments in the Coalfields Enterprise Fund and the Coalfields Growth Fund (Note 7)	The fair value of the funds is identified with reference to the fund manager revaluation. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Homes England's shareholding in the PRS REIT plc (Note 7)	The fair value of Homes England's shareholding in the PRS REIT plc is calculated with reference to prices quoted on the London Stock Exchange and is therefore categorised as level 1 in the fair value hierarchy as defined by IFRS 13.
Financial assets relating to housing units (Note 7)	The fair values of Homes England's equity-loan mortgage portfolio 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.

Financial Instrument	Basis of fair value estimation
Equity investments in private sector developments and infrastructure projects (Note 7)	The fair values of 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.
Managed funds (Note 7)	The fair value of managed funds is 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.
Affordable Housing financial guarantees liabilities	For initial recognition, fair value is based on probability weighted expected losses. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Private Rented Sector financial guarantees liabilities	For initial recognition, fair value is based on the fee charged for the guarantee. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.

Note 17b. Sensitivity of Significant Help to Buy Modelling Assumptions

Help to Buy

Homes England models the fair value of Help to Buy on the basis of the estimated proceeds that would be achieved were all homeowners to redeem their equity loans on the reporting date. Homes England considers these estimated proceeds to be a significant accounting estimate, because the fair value of the portfolio is highly sensitive to market price risk as set out in Note 17a. In addition, the estimate is sensitive to significant assumptions that Homes England makes within the valuation model. We have disclosed below the individual impact of the assumptions that currently have a material impact on the estimates. Other assumptions within the valuation model, including estimated rates of first charge mortgage arrears and discount to sales on repossession, do not have a material impact at present, but could do if there was a significant decrease in house prices.

Assumptions of market adjustments

Office for National Statistics’ House Price Indices (UK HPI) – which are used by Homes England to estimate the effect of house price inflation over time – are based on all market activity. Help to Buy is only available on new-build properties purchased with a mortgage, and redemptions can occur via staircasing as well as by sale. This means that the market price of the property on redemption may differ from that estimated by HPI alone. Homes England therefore makes regional and property type market adjustments using its accumulated experience of gains and losses on disposals across different redemption transaction types to allow for these differences. These assumptions have a significant effect on the fair value because they modify the expected market price of properties from which Homes England’s percentage share is calculated.

The table considers how the portfolio valuation would vary with 1% changes in the adjustments applied	Fair value (£m)	Movement from base assumption (£m / %)	
2% increase in market adjustment	16,698.0	(355.3)	-2.1%
1% increase in market adjustment	16,876.2	(177.1)	-1.0%
Base assumption	17,053.3	–	0.0%
1% decrease in market adjustment	17,232.3	179.0	1.0%
2% decrease in market adjustment	17,410.2	356.9	2.1%

Assumptions of expected proportions of transaction types

Help to Buy is redeemed at the earlier of the sale of the property, or when the homeowner staircases the equity loan with a payment equivalent to Homes England's share of the current estimated value of the property (as determined by a Chartered Surveyor). Homes England applies regional assumptions based on its accumulated experience to estimate the proportion of its portfolio that will be redeemed by each of these two redemption types. These assumptions have a significant effect on the estimated fair value because the proceeds recovered via a sale may be reduced by the balance due to the first charge mortgage lender and because different transaction types are observed to generate differing returns (as reflected in the regional market adjustments applied).

The table considers how the portfolio valuation would vary with changes in the expected proportions of transaction types	Fair value (£m)	Movement from base assumption (£m / %)	
All redemptions are staircasing transactions	16,628.4	(424.9)	-2.5%
10% increase in the rate of staircasing	16,940.3	(113.0)	-0.7%
Base assumption (a blend of sales and staircasing)	17,053.3	–	0.0%
10% increase in the rate of sales	17,168.3	115.0	0.7%
All redemptions are sales	17,768.4	715.1	4.2%

Combined impact of assumptions

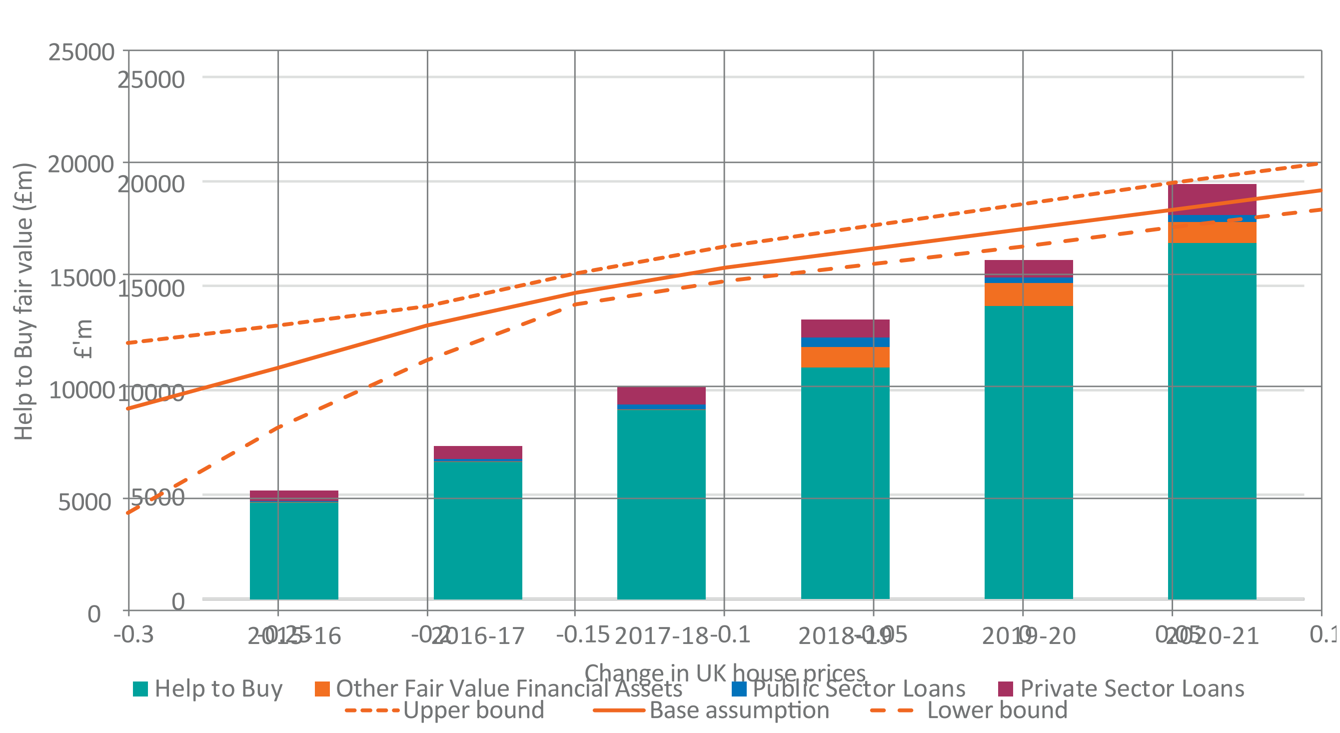
The assumptions applied by Homes England will interact with each other in different economic scenarios. For example, a 15% point fall in house prices might lead to both a 10% point increase in staircasing transactions (relative to sales) and a 7.5% increase in accounts in arrears (of which 1.5% might be an increase in accounts likely to be repossessed). In this situation Homes England would model a fair value of £14,051 million: a reduction of £3,002 million or 17.6% on the base assumption.

The below graph illustrates a potential spread of fair value from the combined impact of assumptions at different market prices. The upper and lower bounds correspond to assumptions within the following ranges:

- market adjustments between 2% lower and 2% higher than the base assumptions
- proportion of transaction types between 100% sales and 100% staircasing
- mortgage arrears rates ranging from no arrears to a 7.5% increase on the base assumption

The combined impact of assumptions generates a spread in estimated fair value of £1.85 billion at current market prices. This spread would increase in a falling market, reaching approximately £7.5 billion should market prices fall by 30%. The combined impact of assumptions is therefore more sensitive in a falling market. This is primarily due to the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.

Potential spread of fair value from the combined impact of assumptions at different market prices



Note 18. 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				
	2020-21		2019-20	
Obligations under operating leases comprise:	**Core Department & Agency**	**Departmental Group**	**Core Department & Agency**	**Departmental Group**
Buildings:				
Payment due within 1 year	15,675	16,441	14,506	15,524
Payment due after 1 year but not more than 5 years	60,599	61,223	55,123	56,702
Payment due thereafter	79,482	79,482	81,360	81,360
Total value of obligations	**155,756**	**157,146**	**150,989**	**153,586**

Other:				
Payment due within 1 year	–	9	–	9
Payment due after 1 year but not more than 5 years	–	4	–	14
Payment due thereafter	–	–	–	–
Total value of obligations	**–**	**13**	**–**	**23**

Note 19. Other Commitments

Homes England has made financial commitments in relation to programmes for investments in loan and equity assets, which had become unconditional at the reporting date, but which had yet to be drawn down by that date. The value of these commitments, excluding those recognised on the Statement of Financial Position, was £4,657 million at 31 March 2021 (31 March 2020: £3,773 million). The increase includes £3,250 million additional Housing Infrastructure Fund contracted and approved in the year.

Homes England has entered into financial commitments in relation to affordable housing grant programmes totalling £751 million at 31 March 2021 (31 March 2020: £1,783 million). The increase is due to additional commitments through the Strategic Partnership framework.

Homes England 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 2021 plus contractual commitments to third-party suppliers who administer individual transactions on behalf of Homes England was £1,083 million (31 March 2020: £1,153 million).

Homes England has entered into financial commitments in relation to land development and building leases totalling £289 million and £25 million respectively at 31 March 2021 (31 March 2020: £382 million and £10 million).

Note 20. 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
		2020-21	2019-20
a	The Government Legal Department (GLD) manages litigation cases on behalf of the department. Litigation costs may be incurred following unsuccessful attempts to resist some of those challenges.	397	215
b	Claim for repair or repurchase of defective Right to Buy homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
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 and 2014-20 programmes.	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 liabilities arising following the tragic events at Grenfell Tower in June 2017. At this time, the nature and value of the liabilities arising cannot be determined with sufficient reliability and consequently, are considered to be unquantifiable.	Unquantifiable	Unquantifiable

g	Homes England: 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 Homes England 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 will only be known once any defects are identified. No claims have yet been notified under this indemnity.	Unquantifiable	Unquantifiable
h	Homes England: At 31 March 2021, the West Sussex Pension Scheme had 11 active members. When the last active member leaves the scheme, the obligation to pay an exit debt will be crystallised. The timing and value of any exit debt due in the future is not yet known.	Unquantifiable	Unquantifiable
i	Homes England: Homes England 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 that payment is considered probable.	Unquantifiable	Unquantifiable
j	Planning Inspectorate: 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	70	88
k	Planning Inspectorate: 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 a member of the Inspectorate’s staff.	188	5

Note 21. Contingent assets disclosed under IAS 37

			£'000
		2020-21	**2019-20**
a	Homes England 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 them. 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.	Unquantifiable	Unquantifiable

Note 22. Related party transactions

The department is the parent of a number of sponsored bodies listed in Note 24. These bodies are regarded as related parties with which the department 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 may be perceived to, influence their judgement as a board member.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24. Transactions are classified as related party transactions if they occurred during the period the board member named held office. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

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 23. 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.

There are no significant events after the reporting period that require disclosure.

Note 24. Entities within the Departmental Boundary

The department has one executive agency and 12 designated bodies. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation and the Architects Registration Board are consolidated into the departmental accounts.

The UK Holocaust Memorial Ltd (UK HMF) was incorporated on 12 July 2019, remained dormant during the year and was dissolved on 23 March 2021.

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

Subsidiaries of designated bodies are disclosed in the relevant entity's accounts.

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 at least 50% of the rates collectable as their 'local share'. The Trust Statement reports the remaining portion of the rates collectable retained by central government. This includes the Central Share. Separate to this, 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. Central List income relates to hereditaments that go beyond one local authority area, such as gas, electricity, railways and communication networks. Visiting Forces Income relates to rates paid by the Ministry of Defence in respect of properties occupied by Visiting Forces, these typically include Royal Air Force bases.

The results presented in this Trust Statement are separate to those presented in the department's Resource 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 217. The auditor's notional fee of £20,500 (2019-20: £20,000) is included in the department's Resource

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 Ministry of Housing, Communities and Local Government to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury appointed me, Jeremy Pocklington CB, 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;
- prepare the Trust Statement on a going concern basis; and
- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced and understandable.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement in respect of the Trust Statement

The department's Governance Statement, covering both the Resource Accounts and the Trust Statement, starts on page 93.

Jeremy Pocklington CB **14 July 2021**
Accounting Officer
Ministry of Housing, Communities and Local Government

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

Opinion on financial statements

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 2021 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the Business Rates Retention and Non-Domestic Rates Trust Statement gives a true and fair view of the state of affairs relating to the collection and allocation of Business Rates as at 31 March 2021 and of the net revenue for the Consolidated Fund Account 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 regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the appropriateness of preparing the Trust Statement on a going concern basis for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Business Rates Retention and Non-Domestic Rates Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the foreword, Statement of Accounting Officer's Responsibilities, governance statement and the annual

report of the Ministry of Housing, Communities and Local Government but does not include the financial statements and my auditor's certificate thereon.
The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.
In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.
If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

the information given in the foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Ministry of Housing, Communities and Local Government and its environment obtained in the course of the audit, I have not identified material misstatements in the foreword. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

the financial statements are not in agreement with the accounting records and returns; or

I have not received all of the information and explanations I require for my audit; or

the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;

assessing the appropriateness of preparing the financial statements on a going concern basis, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services accounted for within these financial statement will not continue to be provided.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Ministry of Housing, Communities and Local Government's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Ministry of Housing, Communities and Local Government's controls relating to the Local Government Finance Act 1988 and Local Government Finance Act 2012.
- discussing among the engagement team and involving relevant internal specialists regarding how and where fraud might occur in the financial statements and any

potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.

- obtaining an understanding of the Ministry of Housing, Communities and Local Government's framework of authority as well as other legal and regulatory frameworks that the Ministry of Housing, Communities and Local Government operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Ministry of Housing, Communities and Local Government. The key laws and regulations I considered in this context included the Local Government Finance Act 1988 and Local Government Finance Act 2012.
- assessing the nature of the control environment of the Ministry of Housing Communities and Local Government, its business performance and performance targets.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud, reviewing internal audit reports and continuous risk assessment procedures performed relating to fraud, non-compliance with laws and regulation or irregularity as appropriate; and
- substantive analytical procedures and tests of detail to confirm compliance with the requirements of the Local Government Finance Act 1988.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **16 July 2021**
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 2021

			£'000
	Note	**2020-21**	**2019-20**
National Non-Domestic Rates		1,837,458	1,779,233
Business Rates Retention		27,231,753	27,325,620
Local Share			
Deduction of Local Share		(16,345,279)	(17,812,372)
Total Revenue after deduction of Local share	3	12,723,932	11,292,481
Net Revenue for the Consolidated Fund Account		**12,723,932**	**11,292,481**

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

The notes at pages 339 to 342 form part of this Statement.

Statement of Financial Position as at 31 March 2021

			£'000
	Note	**2020-21**	**2019-20**
Current Assets			
Accrued Revenue Receivable		112,540	88,493
Cash and Cash Equivalents	CfS	5,211	14,474
Total Current assets		**117,751**	**102,967**
Current Liabilities			
Accrued Revenue Payable		5,211	14,474
Total Current Liabilities		**5,211**	**14,474**
Total assets less current liabilities		112,540	88,493
Balance on Consolidated Fund Account	2	**112,540**	**88,493**

Jeremy Pocklington CB **14 July 2021**
Accounting Officer
Ministry of Housing, Communities and Local Government

The notes at pages 339 to 342 form part of this Statement.

Statement of Cash Flows for the period ended 31 March 2021

			£'000
	Note	**2020-21**	**2019-20**
Cash flows from operating activities		12,690,622	11,314,681
Cash paid to the Consolidated Fund		(12,699,885)	(11,300,209)
Increase/(decrease) in cash in this period		**(9,263)**	**14,472**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	12,723,932	11,292,481
(Increase)/Decrease in receivables		(24,047)	7,728
Increase/(Decrease) in payables		(9,263)	14,472
Net Cash Flow from Operating Activities		**12,690,622**	**11,314,681**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		(9,263)	14,472
Net funds at 1 April		14,474	2
Net Funds as 31 March		**5,211**	**14,474**

The notes at pages 339 to 342 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 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.

Business Rates income represents the tariff retention by the department and is accounted in accordance with IFRS15. As there are no performance obligations revenue is recognised when the revenue is wholly non-refundable, can be measured reliably, and it is probable that the associated economic benefits from the taxable event will flow to the collecting entity. All these elements must be satisfied. Revenue is determined via NNDR1 claim forms submitted by local authorities. 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.

Local share

Under Business Rates Retention, local authorities retain a percentage 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 2019-20).

Trust Statement Note 2 Balance on the Consolidated Fund

		£'000
Consolidated Fund	**2020-21**	**2019-20**
Balance on Consolidated Fund Account as at 1 April	88,494	96,221
Net Revenue of the Consolidated Fund	12,723,932	11,292,481
Less amount paid to the Consolidated Fund	-12,699,885	-11,300,209
Balance on Consolidated Fund Account as at 31 March	**112,541**	**88,493**

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

		£'000
Revenue	**2020-21**	**2019-20**
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,837,458	1,779,233
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	10,886,474	9,513,248
Balance on Consolidated Fund Account as at 31 March	**12,723,932**	**11,292,481**

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.

The COVID-19 pandemic has had a significant impact on the collection of business rates at a local level, but that has not flowed through to the business rates transactions between central and local government presented in these accounts. This is largely to do with timing of those transactions, which we anticipate will impact on our accounts in future years

The transactions that flow into this account are governed by legislation and dictated by the local government finance settlement and the annual national non-domestic rating (NNDR1) process which took place prior to March 2020. By law sums had to be paid and collected as if the pandemic had not disrupted the business rates yield. Any other arrangement would have required a change to primary legislation. So instead, other measures were introduced to ease the financial pressure on local authorities with regard to commitments to paying the Central Share of business rates to government. This initially included a 3 month deferral of the Central Share with catch up repayments spread over the final 6 months and was followed by the payment of business rates relief grants worth £10.7 billion. This compensated local authorities for lost BR income for both the local and central share and in effect allowed them to meet their financial commitments for business rates income due to central government.

Going forward we expect the loss of business rates income collected in 2020-21 to be reflected in a significant deficit on local authority collection funds. As part of the NNDR1 process for 2021-22, local authorities have estimated this to be in the region of £4 billion.

Accounts Direction Given by HM Treasury

This direction applies to the Ministry of Housing, 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: Disaggregated Information on Arm's Length Bodies

The following table provides details of how totals included within the Statement of Comprehensive Net Expenditure (SoCNE) are broken down between the department and its Arm's Length Bodies.

				Permanently employed staff		Other Staff	
	Total Operating Income £000	Total Operating Expenditure £000	Total Net Expenditure £000	Number employed	Cost £000	Number employed	Cost £000
Core Department	(3,206,177)	46,603,742	43,397,565	2,102	148,242	354	8,848
Commission for Local Administration in England	(29)	14,520	14,491	185	11,705		8
Homes England	(664,810)	2,015,810	1,351,000	1,088	90,441	165	10,077
Leasehold Advisory Services	(51)	1,784	1,733	26	1,190		
Planning Inspectorate	(12,046)	64,079	52,033	748	47,719	11	717
Regulator of Social Housing	(11,436)	17,808	6,372	169	14,879		
The Housing Ombudsman	(10,275)	4,171	(6,104)	52	5,275	15	1,470
Valuation Tribunal Service		6,052	6,052	59	3,646	2	258
Departmental Group[2]	**(3,904,824)**	**48,727,966**	**44,823,142**	**4,429**	**323,097**	**547**	**21,378**

1 The entities shown are the ALBs consolidated to form the financial statements in this Annual Report and Accounts. Note 24 provides details of the status of the ALBs above and other departmental ALBs not consolidated.

2 The balances allocated to each ALB are after deduction of transactions between the ALB’s. This may result in differences to the financial statements presented in the underlying ALBs Annual Report and Accounts. These form the Departmental Group totals that can be seen in the SoCNE on page 229 and in the table of Average Number of Persons Employed on page 166.

Annex B: Section 70 Grant Payments to Charities

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

Institution	Payments (£'000)	Purpose
Anne Frank Trust UK Ltd - Anne Frank Trust/Hate Crime Action Plan Refresh	204	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
Anthony Walker Foundation - Anthony Walker Foundation and Agent Academy	269	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion
Antisemitism Policy Trust - Antisem.Faith, Anti-Muslim Hatred Advisers, Antisemitism Policy Trust (Online), Hate Crime Action Plan Refresh	173	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion. Independent advice to government with perspectives from Jewish communities, academics and experts on antisemitism to inform policy work.
Association Of Jewish Refugees - Geo-Tagging Resource	30	Funding to collate and geo-tag information about Holocaust and refugee related monuments and memorials.
Belper Meadows Community Sports Club - November 2019 Floods	8	Charities Match Funding - supporting communities recovering from flooding.
Big Ideas Community Interest Company – UK HMF Content Director	110	Community Engagement funding.
Big Society Capital Limited - Rough Sleeping Accommodation Programme	15,750	Funding to help end rough sleeping by providing Big Society Capital with a capital grant.
Birmingham University - Faith Leader Training Initiative	29	To help ensure faith communities are supported to respond to COVID-19 impacts and that intelligence from communities informs our evolving policy response on social distancing regulations.

Institution	Payments (£'000)	Purpose
B'nai B'rith Hillel Foundation - Union Of Jewish Students	40	Antisemitism awareness at universities to educate student leaders on what antisemitism is, how to identify and handle it on campus, and how to combat it.
Cambridge University - Safeguarding Holocaust Sites	10	Contributing to International Holocaust Remembrance Alliance best practice guide on safeguarding Holocaust sites.
Church Urban Fund - Near Neighbour Initiative/ Windrush	2,710	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, building well connected inter-faith communities with resilient structures for times of need.
Clapton Common Boys Club - Bergen Belsen Testimony And Documentation	15	To film and transcribe five testimonies from survivors in Bergen Belsen Displaced Persons camps.
Community Foundation For Calderdale	250	Charities Match Funding - supporting communities recovering from flooding.
Cranfield University - Oxford-Cambridge Arc	50	Funding to support development of Arc Universities Group, including an updated prospectus and pilot 'policy lab' event.
Doncaster Community Church Salvation - November 2019 Floods	13	Charities Match Funding - supporting communities recovering from flooding.
Faith & Belief Forum - forum	184	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
Faith Action - Community Based English Language	125	To help ensure faith communities are supported to respond to COVID-19 impacts and that intelligence from communities informs our evolving policy response on social distancing regulations.
Faith Matters - Tell MAMA	841	To encourage people to report instances of anti-Muslim hatred via Tell MAMA and carry out community engagement to educate people about anti-Muslim hatred and improve the recognition and reach of Tell MAMA in communities.
Fayre Share Foundation - Strengthening Faith Institutions	1,850	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.

Institution	Payments (£'000)	Purpose
Football League Ltd T/A English Football League Trust	288	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
Holocaust Educational Trust – UK HMF Content Director	134	Developing the Holocaust Memorial content.
Holocaust Memorial Day Trust - Holocaust Memorial Day/UK HMF Content Director	900	Support for the UK's annual Holocaust Memorial Day.
Institute Of Structural Engineers - Confidential Report On Structural Safety (Cross) Expansion	515	For setting-up a functional framework for Confidential Reporting on Structural Safety (CROSS) to extend into fire safety and strengthen its capacity to receive structural reports.
Inter Faith Network for the UK - Interfaith Network	221	To promote understanding and cooperation between organisations and people of different faiths across the country.
Lincolnshire Community Foundation	36	Charities Match Funding - supporting communities recovering from flooding.
Lions Clubs International - November 2019 Floods	27	Charities Match Funding - supporting communities recovering from flooding.
London Funders - London Transition Board	5	To allow specialist infrastructure organisations to support the London Transition Board and London Strategic Co-ordination Group to sustain effective pan-London co-ordination in managing the COVID-19 pandemic. They are identified as small voluntary sector organisations that are able to represent groups less-heard in policy-making.
Manningham Housing Association	122	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
Muscular Dystrophy UK - Changing Places Toilets	65	To fund research, into the geographical location and types of building where existing specialist disabled toilets (Changing Places Toilets) are situated across the country, and into developing an understanding of user priorities.
Newcastle United Foundation	72	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
Open Doors Education And Training	400	To improve life skills for NEET (Not in Education, Employment, Training) young people as a result a result of better access to training and development.

Institution	Payments (£'000)	Purpose
Parochial Church Council Ecclesiast - November 2019 Floods	44	Charities Match Funding - supporting communities recovering from flooding.
Princes Foundation - Planning Delivery Fund	3	Funding to complete model charrettes.
Rotary Club Of Doncaster Trust Fund - November 2019 Floods	24	Charities Match Funding - supporting communities recovering from flooding.
S4all Ltd - November 2019 Floods	39	Charities Match Funding - supporting communities recovering from flooding.
Solutions Not Sides	100	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
South Yorkshire Community Foundation - November 2019 Floods	692	Charities Match Funding - supporting communities recovering from flooding.
Stoke-On-Trent & North Staffordshire Theatre Trust - New Victoria Theatre	223	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
The Linking Network - Integration Strategy First Wave Area Programme/ Schools Linking	441	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.
Trees And Design Action Group - Street Trees Technical Guidance	10	To produce street tree planting technical guidance to support the forthcoming Manual for Streets.
Two Ridings Community Foundation - November 2019 Floods	249	Charities Match Funding - supporting communities recovering from flooding.
Ummah Help – Remembering Srebrenica	400	To commemorate the Genocide in Srebrenica in 1996, learning lessons and raising awareness with the aim of countering discrimination, hatred and extremism to build stronger community relations here in the UK.
Wiener Library Holocaust – International Tracing Service Archive	25	Support for Lessons from Auschwitz Universities Project.
Women's Aid Federation – No Women Turned Away Project	255	To enable women experiencing gender-based violence to access safe accommodation, help and support and influence national and local policy.

Institution	Payments (£'000)	Purpose
Woodland Trust – Ancient Woodland Inventory Update	79	To create an accurate record of ancient woodland and ancient wood pasture in England.
Youth Sport Trust	247	Funding for established community groups and civil society organisations across England to tackle religious and racial discrimination and hate crime, and champion social cohesion.
TOTAL	**28,277**	

Annex C: European Regional Development Fund

European Regional Development Fund (ERDF).

The information in the following paragraphs gives additional information about entries included in the financial statements and notes regarding the 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. In London, the ERDF continues to be delivered by an intermediate body, the Greater London Authority (GLA). A more limited range of Managing Authority functions has been delegated to devolved intermediate bodies either as part of the delivery of the mainstream ERDF programme or Sustainable Urban Development element.

Under the terms of the EU-UK Withdrawal Agreement, which was signed in January 2020, the UK will continue to participate in the EU programmes funded through the current 2014-20 Multiannual Financial Framework (which includes ERDF). There will be no change to the existing arrangements for the current EU funded operation.

Within ERDF when 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 March 2021: £323 million, 31 March 2020: £178 million) and only transferred to expenditure on certification.

All projects 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 European Commission (EC) are based on a combination of the priority axis (the policy theme) and the GDP-based category of the region's 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 March 2021: £0, March 2020: £0) or as deferred income within current payables (31 March 2021: £501 million, 31 March 2020: £233 million).

During 2020-21 the EC recognised the financial burden on public budgets, due to the response to the COVID-19 pandemic, and to alleviate this burden allowed member states to have the option to request a co-financing rate of 100%. This would allow member states to receive the amount claimed to be paid back at 100% intervention rate between 1 July 2020 and 30 June 2021 to assist in helping with fluidity of cash. This additional funding is held in the deferred income account and is the reason for the large difference in the amounts held between 31 March 2020 and 31 March 2021.

European Regional Development Fund 2014-2020

The department agreed the 2014-20 ERDF Programme in 2015-16 and the first payments were made in June 2016. The programme is expected to close in early 2025.

The department has been provided with an initial advance which is held as a payable until utilised (31 March 2021 £87 million, 31 March 2020 £92 million). In the 2014-20 Programme, there is an advance for the whole programme plus annual advances paid each year, for use on an annual basis. Any annual advance not used by the Department has to be paid back to the EC once the annual accounts have been agreed, however the EC has allowed member states to offset the amount owed against the next year's yearly advance. The 2014-20 programme differs from the 2007-13 as the EC hold back 10% of each requested amount from each payment application made. Once the annual accounts have been agreed this amount is released and is taken from the annual advance, along with any adjusted amounts that have been made to previous payment applications through the annual accounts. The EC will pay any additional monies that are owed to the Department at this stage (31 Mar 2021: £128 million, 31 Mar 2020: £76 million).

In 2020 the EC delayed the recoupment of pre-financing normally occurring at the end of the financial year (February 2020) to improve programme liquidity due to the response to addressing the consequences of COVID 19. This has also resulted in the EC delaying the hold back of 10% payment, due in early 2020, until the closure of the programme. This has resulted in a larger than usual difference in the monies owed from the EC between 31 March 2020 and 31 March 2021.

The Audit Authority function (the designated body that audits the ERDF), which is delivered by the Government Internal Audit Agency, tested the validity of 70 claims and finalised results for 69, despite the challenges faced as a result of the COVID 19 pandemic. Finalised claims equating to €221 million out of total declared expenditure of €2,118 million were audited. This statistically representative sample revealed 98.4% of claims contained less than 2% of error (2% is the EC's materiality threshold). Most claims (88.4%) contained zero error. Where errors were identified, they had limited financial impact although they did identify some instances in relation to public procurement breaches (by ERDF beneficiaries) and state aid infringements. A "residual total error rate" for the EC's 2019-20 accounting period was confirmed at 1.18%, below the EC's 2% materiality threshold. In their February 2021 annual report to the EC, the Audit Authority provided an unqualified opinion, specifically that:

the ERDF accounts submitted to the EC by the department for the EC accounting period 2019-20 give a true and fair view, as established by Article 29(5) of Regulation (EU) No 480/2014;

the expenditure in these accounts for which reimbursement has been requested from the Commission is legal and regular; and

the ERDF management and control system put in place by MHCLG functions properly.

European Regional Development Fund 2007-13 programme

The department submitted formal closure documents for all ten programmes to the EC by 31 March 2017. The Commission has approved the Managing Authority's Final Implementation Reports (FIRs), the Audit Authority's Final Control Report (FCR) and Closure Declaration, and the Certifying Authority's claim for the final balance, for nine of the ten programmes. Five percent of each programme value is held on retention by the EC.
Final closure settlement for nine programmes of £115 million due has been received by the department. We should receive the remaining €113,091.64 (for the SW Convergence programme) following the outcome of on-

going work with the Commission to resolve and close the remaining OLAF (European Anti-Fraud Office) report on one project that affects this programme. However, given the impact of COVID-19, this may now slip a further period of months. The EC issues a closure letter for each programme which fixes the date from which the three-year document retention period runs. We may still be subject to audit during this period, should the EC elect to complete a review.

Annex D: Register of Interests

Non-Executive Directors' Declared Interests – 1 April 2020 to 31 March 2021

Michael Jary – Lead Non-Executive Director	
Directorships	OC&C Peleus Advisors LLP (limited partner) Strategikon Limited Itad (2015) Limited Barclays Bank UK plc Barclays Investment Solutions Limited A G Carrick Limited Duchy Originals Limited Highgrove Enterprises Limited
Employment, remunerated profession or consultancy	OC&C Strategy Consultants LLP - Limited Partner (until 3 April 2020) OC&C Strategy Consultants LLP - Senior Adviser
Other Public Appointments	None
Offices in voluntary, non-profit making bodies, charities etc	Opera Holland Park (Trustee) These Islands (advisory council member) The Retail Trust (ambassador) The Fashion Retail Academy (advisory board member) The Michael Jary Charitable Trust (Chair) The Prince's Foundation (Trustee)
Shareholding	Strategikon Limited (100%) The Chafford Bridge Residents' Association Ltd (above 3%) Itad (2015) Ltd (above 3%) OC&C Peleus Advisors LLP (above 3%)
Other	Ownership of two properties from which rental income is received.

Dame Mary Ney DBE – Non-Executive Director	
Directorships	None
Employment, remunerated profession or consultancy	Senior Associate of Cratus Communications Mentoring Chief Officer at London Borough of Waltham Forest For MHCLG undertook a Stocktake of the Lessons Learnt and Good Practice in the Management of Local COVID-19 Outbreaks (outside of NED role)
Other Public Appointments	None
Offices in voluntary, non-profit making bodies, charities etc	Trustee of CAFOD Trustee of RC Diocese of Southwark
Shareholding/Equity	None Material
Other	None

Pamela Chesters CBE – Non-Executive Director	
Directorships	None
Employment, remunerated profession or consultancy	Occasional fees from NHS Providers for lecturing
Other Public Appointments	None
Offices in voluntary, non-profit making bodies, charities etc	Chair of Council at Bath University
Shareholding	None Material
Other	None

Annex E: Expenditure on COVID-19 and EU exit

In accordance with PES 2021 (01) and PES 2021 (03), further detail of expenditure on COVID-19 and EU exit is provided below.

COVID-19 Expenditure

How Funds Were Spent	Budget Category	Strategic Priority	2020-21 £'000	2019-20 £'000
Local authority and other local services funding that enabled a response to service pressures due to COVID-19. Including the adult social care workforce, public health services and services helping the most vulnerable; including the homeless, clinically vulnerable and clinically extremely vulnerable.	Current Grant to Local Authorities	2	3,000,000	1,600,000
Reimbursing local authorities for lost income. Where relevant losses were more than 5% of planned income from sales, fee and charges, the government covered 75p in every pound lost. This included the 'Sales Fee and Charges Income Compensation Scheme'	Current Grant to Local Authorities	3	1,329,600	–
Local authority funding to support Clinically Extremely Vulnerable (CEV) individuals to access the services required during periods where Shielding advice was in place, either nationally or locally.	Current Grant to Local Authorities	2	176,110	–
Support to project rough sleepers during winter 2020-21. Including £154 million for the Rough Sleeping Accommodation Programme, £10 million Cold Weather Fund for local authorities and £15 million for the Protect Programme. Also including £2 million for faith and community groups and £1.6 million extra support for the Protect Plus programme. 2019-20 funding was for the Emergency Rough Sleepers fund.	Current Grant to Local Authorities	6	254,900	2,800

Grants to local authorities and voluntary sector organisations for community champions, compliance and enforcement, innovative digital projects and local business partnerships. Also includes a charities support package, other support to communities and MHCLG's additional operating staff and non-staff costs (£23 million).	Current Grant to Local Authorities and Voluntary and Community Sector Organisations and Staff Costs and Professional Services	1, 2, 3, 6 and 7	98,680	–
Additional Hardship Fund funding which enabled local authorities in England to reduce the 2020-21 council tax bills of working age people receiving Local Council Tax Support.	Current Grant to Local Authorities	3	500,000	–
Total			**5,359,290**	**1,602,800**
Unused funding – The department did not spend £26.3 million of ring-fenced reserve funding received for COVID-19 work. **Use of estimates** - The figures in the table above are actuals.				

EU Exit Expenditure

How Funds Were Spent	Budget Category	Strategic Priority	2020-21 £'000	2019-20 £'000
Local authority funding received in 2019-20 for those who either have or are near a major air, land or seaport. Ensuring they continue to operate efficiently when the UK leaves the EU on 31 October. Local authority funding in 2020-21 supporting councils to prepare for changes at the border; bolstering local plans to ensure operations continue to run smoothly at the end of the transition period.	Current Grant to Local Authorities	2	9,996	5,010
Local authority funding in recognition of the central role councils play ensuring residents were ready for EU Exit; supporting a range of activity including communications, training and the recruitment of staff. Additionally, councils were expected to designate an EU Exit lead to work with central government and work closely with stakeholders to plan for EU Exit.	Current Grant to Local Authorities	2	-	40,092
Funding for Local Resilience Forums (LRF).	Current Grant to Local Authorities	2	-	3,935
Funding for regional representatives drawn from local authorities in the nine regions to support intelligence coordination of key risks at a regional level. This was to help meet the cost of producing timely intelligence reporting on economic vulnerabilities, impacts on places and people, and support for businesses for EU Exit in all nine regions.	Current Grant to Local Authorities	2	-	1,350
Additional capacity funding split between teams supporting Local Government, including internal admin. £1m of this funding went to councils.	Current Grant to Local Authorities	2	-	3,250
Total			**9,996**	**53,637**

Unused funding – The department did not spend £5 million of ring-fenced reserve funding received for EU Exit work.

Use of estimates - The figures in the table above are actuals.

ISBN: 978-1-5286-2681-1
CCS0121901340 07/21