Department for Levelling Up, Housing & Communities

Annual Report and Accounts 2021-22

April 2021 to March 2022

HC 491

Department for Levelling Up, Housing and Communities

Annual Report and Accounts 2021-22

(For the year ended 31 March 2022)

Accounts presented to the House of Commons pursuant to section 6(4)

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

Ordered by the House of Commons to be printed 19 July 2022

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This is part of a series of Departmental publications which, along with the Main Estimates 2021-22 and the document Public Expenditure: Statistical Analyses 2021, present the government's outturn for 2021-22 and planned expenditure for 2022-23.

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CORRECTION SLIP

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<u>Correction 1:</u>

Data error in Covid-19 spend table on page 27:

“Covid 20-21 Tax Income Guarantee Scheme £102 million” should be “Shielding Support £102 million”;

“Expanded Retail Discount £799 million” should be “Covid 20-21 Tax Income Guarantee Scheme £799 million”;

“Covid-19 Expenditure Support £5,827 million” should be “Expanded Retail Discount £5,827 million”;

“Covid-19 Additional Relief Fund £1,550 million” should be “Covid-19 Expenditure Support £1,550 million”;

“Sales, Fees and Charges £1,500 million” should be “Covid-19 Additional Relief Fund £1,500 million”; and

“Total £208 million” should be “Sales, Fees and Charges £208 million”

<u>Correction 2:</u>

Duplication of Queen Elizabeth II Conference Centre is included twice in the table on page 198. It is removed as an “Other Body (not classified as NDPB)”

<u>Correction 3:</u>

Label errors in typeset tables referring to former departmental acronym:

- Row F “MHCLG Staff, Building and Funds” on the table on page 256 should be “DLUHC Staff, Building and Funds”.

- Row “Total spending in RDEL – MHCLG Housing and Communities” on table on page 256 should be “Total spending in RDEL – DLUHC Housing and Communities”.
- Row “Total spending in RDEL – MHCLG Local Government” on table on page 257 should be “Total spending in RDEL – DLUHC Local Government”.
- Row F “MHCLG Staff, Building and Funds” on the table on page 259 should be “DLUHC Staff, Building and Funds”.

Correction 4:

Numerical errors in data tables:

- Table on page 256, row B Housing and Planning, Total column, 1,726,172 should be 1,737,217
- Table on page 258, row M Other Grants and Payments, Outturn vs Estimate saving/(excess) column, 88,682 should be 99,862
- Table on page 258, row N Local Government and public services, Total inc. virements column, 9,077 should be 49,077
- Table on page 258, row T Local Government & Public Services (ALB) (Net), Total column, 599 should be 4,462
- Table on page 258, row T Local Government & Public Services (ALB) (Net), Outturn vs

Estimate saving/(excess) column, 37 should be 137

- SOPS 2 Table on page 260, Add Capital Grants row, 2021-22 column, 3,730,443 should be 3,730,446
- Table on page 262, Total Capital Outturn row, Outturn vs Estimate saving/(excess) column, 1,289,211 should be 1,209,211
- Table on page 430, Departmental Group row, Other Staff number employed column, 612 should be 624

Correction 5:

Formatting error in typeset table at the foot of page 368:

- Under Category heading, 31 March 2022 deleted
- Title of Balance at heading changes to Balance at 31 March 2022
- Under Balance at heading, Euro Rate at 31 March 2022 changes to £000s

Month of correction: August 2022

Foreword from the Permanent Secretary

2021-22 saw the creation of the new Department for Levelling Up, Housing and Communities. As a new Department we have a clear purpose: to level up communities across the entirety of the UK. It is a bold and exciting mission, designed to positively impact the lives of millions of people in communities all over the country. We have similarly taken on responsibility for strengthening intergovernmental working to deliver effective outcomes for citizens across the UK.

This year we published the ambitious and visionary Levelling Up White Paper, which is our plan to spread opportunity more equally across the UK. It outlines the twelve medium-term missions to anchor Government policy to 2030; our plan for systemic changes within and outside central Government such as devolving new and deeper powers to more local leaders; as well as the policy programme and initiatives which are making this happen. We have not started from scratch on delivery, and have accomplished much across the United Kingdom over the last year. We've announced the first round of Levelling Up Fund and Community Ownership Fund projects at the 2021 Spending Review; saw the first freeports become operational; made 101 Towns Deals worth £2.35 billion, and committed £830 million to 72 high streets under the Future High Street Fund.

It has been five years since the terrible tragedy at Grenfell Tower and the Department welcomes the passing of the Building Safety Act, which protects leaseholders and makes those responsible fix the cladding crisis. We continue to support the Grenfell Inquiry as it draws to an end later this year.

We also saw a 9% reduction from the previous year in people sleeping rough on a single night; delivered £3 billion to councils for core and discretionary council tax rebate scheme to alleviate cost-of-living for citizens; and continued supporting communities throughout the pandemic.

And of course, we are shocked and saddened by recent events in Ukraine. The Department launched the ‘Homes for Ukraine’ scheme, working closely with the Home Office to provide thousands of homes to individuals and families fleeing the conflict. I am proud of the dedication, professionalism, and resilience of our people to make this happen, and we stand ready to support Ukraine and its people going forward.

Inside the Department we welcomed a new Ministerial Team, and an expanded Executive Team in-line with the Department’s new role. As we emerge from COVID, I am particularly energised to continue momentum on the Places for Growth programme. I am proud we opened our second headquarters in Wolverhampton, which now has over 230 staff in place; alongside establishing a presence at the Darlington Economic Campus. Overall we have increased staff based out of London by 46% in 12 months. This is great progress, and is allowing us to be more connected to the people and places we serve.

I am excited and optimistic about the Department's strengthened purpose and our full-plate of delivering the Government's priorities in the period ahead.

Jeremy Pocklington CB
Permanent Secretary
Department for Levelling Up, Housing and Communities

Lead Non-Executive Director's Report

The 2021/22 year was a busy one for the department, with change being a defining theme throughout. Transforming into the Department for Levelling Up, Housing and Communities (DLUHC) with a new Secretary of State and ministerial team has brought with it the ambitious and exciting new agenda to Level Up the United Kingdom.

To support the new agenda and new responsibilities, changes have also been made to the Non-Executive team, alongside changes to the structure of the department. The department appointed three new additional Non-Executive Directors over 2021/22, namely Jeff Dodds, Gary Porter and me, bringing in skills and experience from across different sectors and industries to help support and challenge the department's work. We also saw the departure of Michael Jary from the Non-Executive team after three years as our Lead Non-Executive Director. We thank him for his excellent contribution to the department's governance as he moves on to a new role as the government-wide Lead Non-Executive Director.

Board meetings and sub-committees

The Ministerial Board held formal meetings twice during the reporting year helping to bring clarity to the department's priorities during the period when DLUHC was newly established. The Board discussed several issues including DLUHC's term ahead, the Housing and Regeneration missions set out in the Levelling Up White Paper, Ukraine and Building Safety. It also received regular updates from the Secretary of State and the Permanent Secretary, who offered clear direction and outlined their core priorities.

The Non-Ministerial Board formally met three times during the reporting year. This provided the opportunity for the Non-Executive Directors to challenge and support the department's delivery against its Outcome Delivery Plan and Departmental Performance Report.

The Audit and Risk Assurance Committee (ARAC) formally met five times during the reporting year. The ARAC received papers on the internal and external audit programmes as well as the department's quarterly risk report.

Involvement of Non-Executive Directors

The Non-Executive Directors have made important contributions to the department over the reporting year. This included:

- providing assurance to the department's Accounting Officer by chairing Governance Assurance Panels, to review the effectiveness of governance arrangements, internal controls and risk management;

- monthly meetings with the Chief Financial Officer to examine the Departmental Performance Report in greater detail, identifying areas that require additional support to increase delivery confidence;
- providing periodic advice for the Secretary of State, most notably to examine budget allocations and spend/delivery confidence for the next fiscal year on specific programmes; and
- frequent, complementary meetings between Non-Executive Directors and members of the Executive team throughout the year. This included weekly meetings between the Lead NED and Permanent Secretary, as well as support for Director Generals with ad hoc and specific issues throughout the year - through both portfolio and delivery boards, and regular bilateral meetings.

The Non-Executive team are excited and positive about the changes to the department. Seeing the Levelling Up agenda being fully embraced shows a commitment that is particularly encouraging. The Non-Executive Directors will continue to utilise their experience from both private and public sector to scrutinise, support, challenge and help shape the department to ensure confidence in the management of the department and delivery of its programmes.

Alison Nimmo
Interim Lead Non-Executive Director

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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 2021-22 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 the UK's transition following the exit from the EU.

Our role and purpose

The new Department for Levelling Up, Housing and Communities (DLUHC) was established during the year with a core mission of levelling up opportunity across the United Kingdom, under a new Secretary of State.

The formal transfer of functions order for the Machinery of Government Change was successfully passed on 8 December, bringing together the Ministry of Housing, Communities and Local Government (MHCLG) with other functions previously undertaken by the Cabinet Office.

DLUHC aims to create great places to live and work and give more power to local people to shape what happens in their area. We strive to ensure people have access to affordable and high-quality housing, boost opportunities for jobs and growth in all parts of the UK, build strong communities, strengthen the Union, support effective local government, create opportunity for everyone, regardless of where they live, and sustain our democracy.

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, as well as a second Permanent Secretary who reports to 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 150, which sets out the department's structures in more detail.

Our 2021-22 strategic priorities

Our Priority Outcomes

The department established four priority outcomes for our Outcome Delivery Plan and our work in 2021-22, supported by strategic enablers. During the year, we added a fifth outcome to reflect the department's new responsibility for the Union and Constitution, as a result of Machinery of Government changes.

1. Raise productivity and empower places so everyone can benefit from levelling up

We are committed to levelling up and we continue to invest in places and our local communities, regenerating our town centres and high streets, boosting local economies – while also giving communities a strong voice to take over cherished local assets.

2. More, better quality, safer, greener and more affordable 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, and at least a million new homes by the end of this parliament – while also driving the biggest changes in building safety for a generation.

3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties

We are building on the significant progress made during the pandemic to support the most vulnerable in society, investing more to prevent homelessness and to drive reductions in rough sleeping in local areas by providing accommodation and tailored support.

4. A sustainable and resilient local government sector that delivers priority services and empowers communities

We are delivering a sustainable funding settlement for future years and developing better approaches to improve long term outcomes for people and places, through greater accountability and transparency, and more effective support for reform to help the sector face future challenges.

5. Ensure the benefits of the Union are clear, visible and understood by all citizens; and reforming the constitution and sustaining our democracy

We are driving the delivery of government's priorities to strengthen the Union and we are working with local authorities to successfully deliver the elections and constitutional policy.

6. Strategic Enablers

We continue to strengthen our corporate centre and functional performance to enable the delivery of our strategic priorities. This includes a continued focus on ensuring we have skilled, diverse and high-performing people, who are supported and trusted by empowering and inclusive leaders.

Our Highlights for 2021-22

Raise productivity and empower places so everyone can benefit from levelling up

- Published the Levelling Up White Paper in February 2022 – a flagship document that sets out how we will spread opportunity more equally across the UK, and comprising a bold programme of systems change, including 12 UK-wide missions to anchor the agenda to 2030, alongside specific policy interventions that build on the 2021 Spending Review to deliver change now.
- Made tax incentives available in 7 Freeports, where Teesside and Thames Freeports became operational benefitting from both tax incentives and customs facilitations, providing local businesses with a comprehensive package of measures.
- Allocated £1.9 billion throughout the UK in the first round of Levelling Up Fund, Community Renewal Fund and Community Ownership Fund, to regenerate

our town centres and high streets, support individuals into employment, improve local transport links and invest in local culture, and supporting communities to take over cherished local assets.

More, better quality, safer, greener and more affordable homes

- Continued to support economic recovery and help the housing industry to build back better following the pandemic. Annual net additions in 2020-21 totalled 216,490 homes and we remain on track to deliver 1 million homes across 2019 to 2024.
- Reset the government's approach to building safety, restoring proportionality in the system; protecting leaseholders from bearing costs of remediation and mitigating fire risks; ensuring industries at fault pay; and holding to account individuals and companies who have, and continue to, knowingly put lives at risk.
- Made further progress with the remediation of unsafe Aluminium Composite Material (ACM) cladding with

452 (94%) of all identified high-rise residential and publicly owned buildings in England having either completed or started remediation work at the end of March 2022.

End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties

- Invested £800 million this year, and committed a further £2 billion over the next 3 years to tackle homelessness and rough sleeping.
- Committed £375 million through the Homelessness Prevention Grant to support local authorities in tackling homelessness, with a further £316 million to be made available to local authorities in 2022-23. This funding will seek to deliver the government's commitment to ensure people at risk of becoming homeless, across the country, get help more quickly.

- Provided councils across England with £203 million under the Rough Sleeping Initiative. This funding provided up to 14,500 bed spaces and 2,700 support staff.

A sustainable and resilient local government sector that delivers priority services and empowers communities

- In 2021-22, made available £50.4 billion to help councils deliver their core responsibilities, a rise in Core Spending Power of 2.8% in cash terms from £49.0 billion in the previous year.
- Launched a £3 billion council tax rebate scheme on 3 February 2022 in response to rising energy bills, to make payments to almost 20 million households, providing a £150 payment to households living in council tax bands A – D as their main home on 1 April 2022.

- Continued the Supporting Families programme in local authorities reported over 55,000 successful family outcomes from 2021-22, representing 79% of outcomes funded through the programme. Since the programme started in 2015, over 470,000 families have been directly helped and sustained significant outcomes up to January 2022.

Ensure the benefits of the Union are clear, visible and understood by all citizens; and reforming the constitution and sustaining our democracy

- Established landmark agreement with Scottish Government to establish two new Green Freeports in Scotland, with additional targeted funding for infrastructure improvements in Freeport areas to level up communities and increase employment opportunities.
- Strengthened engagement arrangements with devolved administrations and partners across the UK

through the arrangements agreed in the joint review of intergovernmental relations.

- Introduced the Elections Bill to Parliament in July 2021 to support the delivery of the government's manifesto commitments on electoral integrity and our wider democratic system.

Strategic Enablers

- Opened a new Headquarters in Wolverhampton and established new offices in Darlington, Edinburgh and Cardiff as we continued to support our Places for Growth agenda. A Northern Ireland office will be established in 2022-23.

- Taken an agile approach in response to the COVID-19 restrictions, with an increasing number of staff taking advantage of the smarter working facilities put in place to allow a blend of office and remote working. Invested to provide enhanced audio-visual equipment in 8 offices to support this, with more offices to follow.

- Increased our investment in growing professional skills across the department. DLUHC became first for Learning & Development in the annual People Survey, across the 16 largest government departments.

2. Performance Analysis

Overview

This section sets out the department's performance against its five priority outcomes and its strategic enablers as set out in the 2021-22 Outcome Delivery Plan. The impact of the COVID-19 pandemic and EU transition on delivery activity and outcomes is also specified where applicable.

Delivering in a COVID-19 environment

DLUHC continued to play a critical role in the government's response to the COVID-19 pandemic through the year, with interventions across housing, local government and communities, to reduce transmission, protect the vulnerable and to help the country recover. The department prioritised responding to the pandemic, with this and related supply constraints slowing delivery of some of our longer term capital programmes, as set out further below.

Housing

COVID-19 stoppages inevitably had an impact on housebuilding, but the government took swift action to support the sector and households through this period, including a stamp duty land tax holiday and issuing developers with guidelines on operating in an effective and safe manner. Most housebuilding is now back up and running: our analysis shows that in the year to the end of September 2021, there were 97% as many Energy Performance Certificates (EPCs) lodged on new dwellings as there were during the year to end September 2019. EPCs issued on new dwellings provide a close estimate of net additions in advance of the net additional dwellings statistics being published.

The pandemic also highlighted disparities within our housing system. Overcrowded homes are associated with increased transmission of the virus, and those living in poor quality or unsuitable housing were particularly impacted by the need to spend significantly more time in our homes. We have shifted our focus away from our previous supply-oriented portfolio of work towards a focus on addressing social injustices and levelling up. We have set out a new mission to halve the number of non-decent rented homes by 2030, with the biggest improvements in the lowest performing areas.

Homelessness Prevention

The Government took unprecedented action to support renters during the pandemic with measures to delay evictions of tenants in both the social and private rented sectors and help renters pay their rent. This included legislation to require landlords to provide longer notice periods (DLUHC led), a stay on possession proceedings (delivered with the judiciary and Ministry of Justice), and restrictions on bailiff enforcement (delivered with Ministry of Justice).

These measures helped reduce the risk of transmission that arises from movement and homelessness, and the subsequent pressure on public services. Homelessness statistics showed a 41% reduction in households owed a homelessness duty following the end of an assured shorthold tenancy in 2020-21, compared with 2019-20. Whilst this is in large part a reflection that bailiff possession activity was restricted during this period, it also demonstrates that landlords were not able to progress cases to court as quickly as they have been previously, which consequently meant that tenants were able to remain in their homes.

Alongside this, Ministry of Justice statistics showed that reported applications to the courts for possession by private and social landlords between October and December 2021 were down 43% compared to the same quarter in 2019, while repossessions by county court bailiffs were down by 64%. Alongside measures to delay eviction, the Government also put in place financial support through the Job Retention Scheme and welfare system and DLUHC announced in October 2021 an exceptional £65 million one-off in-year increase to the Homelessness Prevention Grant to help vulnerable renters with rent arrears built up during the pandemic to reduce the risk of them being evicted and becoming homeless.

As part of the government's mission to protect people from the Omicron variant, we launched the £28 million Protect and Vaccinate programme in December 2021 to support people sleeping rough to get their COVID-19 vaccines and move into safe accommodation over the winter.

Support to Local Government and Communities

Local authorities have played a critical role in responding to the COVID-19 pandemic, leading the response in their communities. A further £1.55 billion of un-ringfenced funding was provided to local authorities in 2021-22, in addition to the £4.6 billion provided in 2020-21.

We have also compensated councils for lost income from sales, fees and charges, making around £1.3 billion in payments covering 2020-21 and a further round to cover Q1 of 2021-22 of c. £210 million, payments of which were made in March 2022.

As part of the Roadmap out of Lockdown, the Government announced £400 million for the Contain Outbreak Management Fund via Cabinet Office to support local authorities managing COVID-19 as part of the Contain Framework. Allocations from the Contain Outbreak Management Fund, made directly to district councils, were also used to support a range of activities including COVID-19 compliance and enforcement activities.

We also worked closely with Cabinet Office, DHSC and UKHSA to support Local Resilience Forums (LRFs) and local authorities to respond to COVID-19 challenges, including the surge of Omicron variant, ensuring their role in the response was clear, coordinating data to understand workforce pressures and helping to facilitate military support where needed. As a consequence, LRFs and councils were integral to supporting accelerated deployment of vaccines, enforcing Covid restrictions in businesses such as the COVID pass, and managing local outbreaks.

The initial Community Champions programme has invested £23.75 million to provide support for and improve engagement with official health messaging amongst communities most affected by COVID-19. Local authorities have reported recruiting 14,189 Community Champions, working with over 700 organisations and providing micro-funding to 215 local organisations. Independent academic research on the Community Champions programme found that positive outcomes of the programme included increased vaccination uptake, decrease in fly tipping, increased trust and engagement with wider services, and some improvements to community cohesion. A second round of the programme, focusing on vaccine take up, paid out £22.4 million to 60 Local Authorities in January 2022. The Local Authorities report recruiting or deploying an additional 4630 champions and engaging with 54,723 individuals as a result.

The department carried out 19 rounds of COVID-19 financial monitoring; an important source of evidence in our work to understand the impacts of COVID-19 on local authority capacity and capability. We continue to closely monitor the sector's finances as we emerge from the pandemic.

We delivered the £106 million Welcome Back Fund to support local authorities and their communities to safely and successfully return to high streets and town centres. From safety messaging and sanitisation in Newcastle to festivals and markets in Great Yarmouth, this funding has been used in a variety of ways to help build back better from the pandemic.

The Governance Statement covers how the department managed risks of fraud and error in its COVID-19 support schemes.

The government's priority is now focused on helping the country recover and rebuild from the pandemic and DLUHC sits at the heart of this agenda.

Table of Covid-19 spend

Policy Area	Description	Amount in 2021-22
Homelessness & Rough Sleeping	Protect and Vaccinate	£28 million
Homelessness & Rough Sleeping	Homelessness Prevention Grant Top Up	£65 million
Homelessness & Rough Sleeping	Community Champions/Covid 19 Additional Relief Fund/Covid Enforcement and Compliance	£22 million
Covid Response	Reopening High Streets Safely	£32 million
Shielding	Covid Local Council Tax Support	£670 million
Local Government	Shielding Support	£102 million
Local Government	Covid 20-21 Tax Income Guarantee Scheme	£799 million
Local Government	Expanded Retail Discount	£5,827 million
Local Government	Covid-19 Expenditure Support	£1,550 million
Local Government	Covid-19 Additional Relief Fund	£1,500 million
Local Government	Sales, Fees and Charges	£208 million
	Total	£10,656 million

1. Raise productivity and empower places so everyone can benefit from levelling up

The creation of the new Department for Levelling Up, Housing and Communities reflects the Government's commitment to levelling up and will be instrumental in driving forward the agenda across government, ensuring we are geared up to deliver on our ambitions.

Over the last year the department has set out the government's vision for the agenda and its policy and reform priorities that will:

- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging;

- Spread opportunities and improve public services, especially in those places where they are weakest;
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost; and
- Empower local leaders and communities, especially in those places lacking local agency.

The specific investments detailed below build on existing action we are already taking across government, and are a down payment in a wider programme of systemic change in the way we address regional disparities. Going forward, DLUHC will be responsible for driving both the system changes and policy required to deliver levelling up across government, including supporting departments in delivering against our new missions and tracking overall progress. The department is also on track for introducing an ambitious legislative programme, including the landmark Levelling Up and Regeneration Bill which bring system change.

We continued our commitment to push government to work in a more strategic and cross-cutting way in places. Missions are a tool to breakdown silos and encourage cooperation across the public, private and voluntary sectors. To ensure missions deliver these benefits we have implemented a new architecture across central government to support delivery. This 'mission architecture' provides clear accountability through named individuals taking responsibility for progress and puts in place structures designed to smooth interdepartmental cooperation on a mission-by-mission basis.

A new Levelling Up Cabinet Sub-Committee has been established, tasked with embedding levelling up across central government policy design and delivery. The committee will also work directly with local leaders to improve the clarity, consistency and coordination of policy.

Place is also at the heart of the mission architecture, with Levelling Up Directors, being recruited in 2022-23, assuming a central role and the Levelling Up Cabinet Sub-Committee regularly considering place-based assessments of mission progress.

We have committed to publish an annual report that will update the public on progress against the missions so that levelling up is subject to rigorous external scrutiny, including by Parliament.

In February 2022, the NAO published a report on “Supporting local economic growth”, a summary of which can be found in the Governance Statement.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP, and our contributions to Sustainable Development Goals.

What we achieved in 2021-22

Reform

- Published the **transformative Levelling Up White Paper** in February 2022, which matches the government's ambition for levelling up, builds on the existing action we are already taking across Government and sets out a new policy regime that will drive change for years to come, including 12 clear and ambitious medium-term missions to drive our levelling up objectives across and beyond government.
- Mobilised internally to embed a whole new programme of work to better deliver on levelling up across DHLUC and wider government. This includes a **new appointed Director General** now in post to drive delivery of our levelling up missions and a **new Spatial Data Unit Director** to lead geo spatial data and analysis.
- Committed to **appointing Levelling Up Directors in 2022-23**, as a single point of contact for local leaders and a first port of call for new and innovative local policy proposals, working closely with HMG officials responsible for delivering the levelling up strategy.

Levelling Up Investments

- Allocated **around £1.9 billion** throughout the UK through the **Levelling Up Fund, Community Renewal Fund** and **Community Ownership Fund**, including

£191 million in Scotland, £169 million in Wales and £61 million in Northern Ireland since October 2021.

- Launched and **completed successful first round Levelling Up Fund totalling £1.7 billion to 105 projects** in October 2021, investing in local projects across the UK to support the regeneration of town centres and high streets, improve local transport and cultural and heritage assets up and down the UK from Rother Valley to Rhondda Cynon Taf.. The prospectus for the next bidding round was published in March 2022 and will focus on the same investment themes of culture, regeneration and transport. The second round will form the next part of the total £4.8 billion Levelling Up Fund.
- Backed 477 locally-led, innovative projects through the **£200 million UK Community Renewal Fund** to pilot imaginative new programmes ranging from £1 million to train people in construction skills in Devon to £400,000 'seaweed academy' in Argyll and Bute providing education in seaweed farming, which will boost productivity and grow local economies. Community Renewal Fund is helping local areas prepare for the launch of the UK Shared Prosperity Fund in Spring 2022.
- Allocated the **first round of the £150 million Community Ownership Fund** which will help communities protect and manage treasured assets such as community centres, sports stadiums and

pubs. As at March 2022, the Community Ownership Fund has funded 31 bids totalling £7.92 million across all areas of the United Kingdom, with the next round due to be announced in May 2022. An example of the 31 projects is the Leigh Spinners Mill Community Regeneration, located in Wigan and awarded £250,000. The Mill is a Grade II listed building that has been vacant for many years and faced a risk of loss due to its physical deterioration. The funding will be used to complete the sustainable restoration of the mill complex and ensure more floorspace is available for heritage, community, and commercial purposes. The multiple-use asset will deliver a range of community services, such as supporting community groups, creating jobs in local enterprises, and delivering training and education opportunities.

- Published the Pre-Launch Guidance for the **UK Shared Prosperity Fund (UKSPF),** providing **£2.6 billion** of new funding for local investment by March 2025. UKSPF launched on 13 April 2022, and is a central pillar of the UK Government's ambitious levelling up agenda and a significant component of its support for places across the UK.
- Made **tax incentives available** in Humber, Teesside, Thames, Freeport East, Liverpool City Region, Solent and East Midlands **Freeports**. In November 2021 and December 2021, Teesside and Thames Freeports respectively become fully operational benefitting from both tax incentives and custom facilitations – a big

step forward for businesses based in these Freeports who will now benefit from a comprehensive package of measures, comprising tax reliefs, customs, business rates retention, planning, regeneration, innovation and trade and investment support.

- Initiated the **competitive process for Freeports in the Devolved Administrations**; the bidding prospectus for Scotland was published on 24 March 2022 with competition closing in June 2022. This should be followed by Wales in May 2022 with Northern Ireland later in the year.
- **Offered Town Deals to all 101 places**, committing **over £2.35 billion** for town centre improvements, station redevelopments, new business hubs and much more in towns like Blackpool, Doncaster, Lowestoft and Middlesbrough.

Pan-Regional Partnerships

- The **Northern Powerhouse** team worked with regional partners to deliver policy on key regional strengths. In March 2021, NP11 partnered with BEIS to deliver Your Journey to Net Zero North, an event which promoted action on Net Zero. In September 2021, alongside Northern Health Science Alliance, NP11 published the Life Sciences Supercluster report, which provided a strong evidence base for bringing together life sciences clusters across the North into a supercluster. In February 2022, the Convention of the North brought together stakeholders including five of the northern metro mayors, LEP chairs, third sector leaders, and politicians to discuss plans for the North and its post-pandemic recovery.

- The **Midlands Engine Partnership** published the first pan regional level ten-point plan for Green Growth in July 2021, setting out how the Midlands will meet the challenge of net zero. This was followed up with the Midlands Engine Hydrogen Technologies Strategy in December 2021. The Midlands Engine Intelligence Hub was also launched in July 2021, the second State of the Region report was published in November 2021, and continued to work with Department for Culture, Media and Sport to deliver ‘Project Gigabit’ which aims to achieve 85% coverage of gigabit networks by 2025.
- The **Western Gateway Partnership** is already working to implement its economic strategy for the region.

Devolution Deals

- Established the office of the of **Mayor of West Yorkshire**, following the West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 to implement the West Yorkshire deal, conferring significant powers on the Mayor and Combined Authority including transport; education, skills and training; housing and regeneration. Also conferred, from 10 May 2021, the office of the Police and Crime

Commissioner (PCC) on the Combined Authority, to be exercised by the Mayor.

- Government also subsequently conferred borrowing powers for all their functions – for West Yorkshire as well as North of Tyne and South Yorkshire.

Resilience and Recovery

Invested **£7.7 million** in a pilot to provide direct funding to **Local Resilience Forums (LRFs)**, building on the Integrated Review's commitment to "consider strengthening the role and responsibilities of LRFs in England". This was in addition to £850,000 new funding committed to local authorities to support recovery from floods, and £1.89 million to support reception arrangements for vulnerable Ukrainians arriving at ports of entry in England.

- Sustained a **dedicated 24/7 operational service** to coordinate liaison between central government and the local tier on the **pandemic and concurrent emergencies**, including fuel shortages and the unprecedented series of named storms. This included ensuring military support was given to communities hardest hit by Storm Arwen.
- Coordinated a review of **Local Resilience Forums' preparedness across a range of risks**, including for winter 2021-22, covering ability to respond to COVID-19 variants, winter weather and other known risks, and to support the building of capability.

- Designed and implemented an **evaluation process for Local Resilience Forum funding pilots**, including evaluating the effect that it has on local resilience, as part of a wider programme of work to develop a robust outcomes and evaluation framework for the Directorate as a whole.
- Undertook a **programme of engagement** with resilience stakeholders to understand **common issues**, shape **cross-government policy**, and support **development of a national resilience strategy**.
- Reviewed and renewed **planning for DLUHC's lead department responsibilities**, including for flood recovery and a return of British Nationals to the UK.

Specific Challenges

The Levelling Up White Paper set out an ambitious, long-term agenda. The department is strengthening its capabilities, including by recruiting Levelling Up Directors. The department is monitoring closely the impact of supply chain and other constraints on funds and offers support where possible to Local Authorities who need further capacity to deliver successfully.

Contribution to Sustainable Development Goals (SDGs)

The £4.8 billion Levelling Up Fund supports the SDGs below. It will invest in infrastructure that improves everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets.

SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 10 – Reduce inequality within and among countries

SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

The Government aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all through the allocation of the UK Shared Prosperity Fund (UKSPF), worth over £2.6 billion over the next three year SR period. In particular, the funding will help people get better skills and to get on in life, support the most vulnerable into work and create vibrant communities. It will create opportunity for places, regions and nations where outcomes currently lag. (SDG8 & SDG10).

To prepare communities to take full of advantage of the UKSPF when it launches in 2022, the Community Renewal Fund, noted above, is helping support local areas to pilot imaginative new approaches and programmes that unleash their potential and instil pride. This fund will support those on low incomes to become budding entrepreneurs, investing in local businesses and councils at the forefront of our decarbonisation drive, and funding new education and training facilities that will help people go far but stay local. (SDG8 & SDG10).

The White Paper has set out plans to support strong leadership, including extending the benefits of devolution to ultimately meet the commitment to full devolution in England. This, and our wider system reform, will be fundamental to levelling up, rebalancing the relationship between Whitehall and places. We have already made huge strides towards rebalancing the economy and empowering local government. This has been supported by the government's programme of devolution, which includes nine mayoral devolution deals and one non-mayoral devolution deal in Cornwall. Mayoral devolution has strengthened local leadership and institutions, devolving key powers over transport, planning, skills and funding away from Whitehall so that they are exercised at the right level to make a difference for local communities. (SDG8 & SDG10).

We are already investing over £1.5 billion in City and Region Growth Deals in every part of Scotland, £790 million in deals across Wales, and £617 million in deals covering the whole of Northern Ireland. To support economic, social and cultural regeneration of places across the UK, the Government is focusing spending towards left-behind places through the £2.4 billion of Towns Fund investment, the £830 million Future High Streets Fund, and creation of Freeports to help regenerate areas of industrial decline. (SD11).

2. More, better quality, safer, greener and more affordable homes

2A. Housing & Planning

In line with the government's Levelling Up agenda, we are increasing our focus on addressing social injustices and levelling up. We will be much more place-based in our thinking and delivery; and work more expansively as a single Department and Government.

In the Levelling Up White Paper, we set a new mission to halve the number of non-decent rented homes by 2030, with the biggest improvements in the lowest performing areas. We will achieve this by introducing tough new standards for landlords, including in the private rented sector, as well as through transformational regeneration programmes in 20 towns and cities.

We will also support the White Paper mission to improve pride in place, by delivering a modernised planning system that puts local people in charge of shaping their communities, and delivers development that is beautiful by default, green and accompanied by new infrastructure – supported by local communities and through the regeneration of places.

The Department's largest Arms-Length Body, Homes England, has a crucial role in helping to make this vision a reality. We are working with them through a policy delivery partnership to make sure they can best support the ambitions of the White Paper and align to the government's priorities on levelling up, housing and regeneration. Understanding the sum of activity underway and working with them to make that a success is a key priority in the first part of 2022-23.

We are supporting economic recovery and helping the housing industry to build back better following the pandemic. Annual net additions in 2020-21 totalled 216,490 homes and we remain on track to deliver 1 million homes across 2019 to 2024. To support our high ambitions on housing and placemaking, we announced, at SR21 an additional £1.8 billion for housing supply, to deliver £10 billion investment since the start of this Parliament. Our housing supply programmes will unlock over 1 million new homes over the SR21 period and beyond.

In December 2021, the NAO published a report on Regulation of private renting, a summary of which can be found in the Governance Statement.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP, and our contributions to Sustainable Development Goals.

What we achieved in 2021-22

Getting Britain building

- Announced an **additional £1.8 billion investment** at Spending Review 2021, consisting of £300 million locally led grant funding for allocation to **mayoral combined authorities** and **local authorities** to help deliver their **housing priorities**, and **£1.5 billion** to regenerate underused land and deliver transport links and community facilities.
- Continued to support borrowers through the **Home Building (Short-Term) Fund**, which had an initial allocation of £2.5 billion in 2016. 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 £2.09 billion has been contracted or approved of which 93% has been to small and medium-sized housebuilders.
- Allocated a second tranche of the **Brownfield Fund** to the 7 mayoral combined authorities, helping to transform blighted brownfield sites and on track to unlock 26,000 high quality homes in our towns and cities.
- Allocated a further £30m of funding, delivered through the Brownfield Housing Fund, to 3 mayoral combined authorities that will regenerate brownfield sites and unlock a further 2,500 homes.

- Allocated **£57.8 million** to councils from the **Brownfield Land Release Fund**, of which £25 million was made available to self and custom build projects, to release land for 5,600 homes for housing by 2024, while helping protect countryside and green spaces.

Figure 1

Our performance: Net additional dwellings per annum

Annual housing supply in England amounted to 216,490 net additional dwellings in 2020- 21, down 11 per cent on 2019-20 due to the impact of Covid-19. We have supported the industry throughout the pandemic by enabling construction sites to remain open and operate safely in line with public guidance, so that house builders were able to deliver above the 186,500 forecasted for the UK as a whole by the OBR in November 2020.

The annual housing supply resulted from 194,060 new build homes, 23,790 gains from change of use between non-domestic and residential, 3,870 from conversions between houses and flats and 530 other gains (caravans, house boats etc.), offset by 5,760 demolitions.

Year	Net additional dwellings
2020-21	216,490
2019-20	242,700
2018-19	241,880
2017-18	222,280
2016-17	217,350

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

Figure 2

Our performance: Gross supply of affordable housing completions.

There were 52,100 affordable homes delivered in England in 2020-21, a decrease of 12% compared to 2019-20. Since 2013-14, affordable rent has become the most common tenure type for affordable homes delivery. In 2020-21, there were 23,715 new affordable rent homes, representing 46% of all new affordable homes.

Year	Gross supply of affordable housing completions
2020-21	52,100
2019-20	58,900
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

Helping people onto the housing ladder

- As part of the largest single investment in affordable housing in a decade, 86 new Strategic Partnerships were allocated **£8.6 billion** under the **Affordable Homes Programme** to deliver 119,000 new homes. This includes 56,750 for affordable home ownership, helping many more people realise the dream of owning their own homes.
- Introduced a **95% mortgage guarantee scheme** at Spring 2021 budget to enable homebuyers to secure a mortgage up to £600,000 anywhere in the UK with a 5% deposit, subject to the usual affordability checks. Six lenders are participating within the scheme with over 45 other lenders now offering 95% mortgages

generating over 300 95% mortgage products on the market.

- Launched the **Help to Build Equity Loan** prospectus in November 2021, with the scheme expected to open to applications soon for people in England who want to custom-build or self-build their own home.
- Launched the **Levelling Up Home Building Fund** in February 2022 to support small and medium enterprises and diversify the homebuilding market. The fund is designed to be flexible and can be deployed proactively and innovatively, for example to support local areas achieve their regeneration ambitions, or by supporting platform lending vehicles targeting particular areas of the country.
- Introduced the **First Homes policy in England** through a Written Ministerial Statement and worked with Homes England to deliver this type of affordable housing for first-time buyers through three routes: converting market units to First Homes on Homes England land; working with some councils to deliver early units through the planning system; and a 1,500 home grant-funded pilot programme running to the end of 2022-23.
- Helped more than **26,000 households purchase a new build home** between January and June 2021 through the Help to Buy Equity Loan (2013 – 2021) Scheme.

- Launched the **Help to Buy: Equity Loan (2021-2023)** scheme on 1 April 2021 with regional price limits, set at 1.5 times the average first-time buyer price in each region in England, helping those who need it most; first-time buyers interested in new-build homes.

Leasehold

- Introduced the **Leasehold Reform (Ground Rent) Act 2022**, putting an end to ground rents for new, qualifying long residential leasehold properties in England and Wales. This is a first part of major leasehold reform legislation bringing about one of the most significant changes to property law in a generation.
- Arranged for Competition and Markets Authority (CMA) to investigate mis-selling of leasehold properties and unfair terms for existing leaseholders, including high and increasing ground rents. Secured commitments from some main property developers to amend their practices regarding doubling ground rents and houses sold as leasehold, for the benefit of leaseholders.
- Established the **Commonhold Council** – an advisory panel of leasehold groups and industry experts to advise the government on the implementation of a reformed commonhold regime and bring forward solutions to prepare homeowners and the market for the widespread take up of commonhold for new supply of flats.

Reform the planning system

- Commenced Digital pathfinders and collaborative projects with **Local Plan Pathfinders** in 10 local authorities to look at the digital transformation of local plans.
- Allocated over **£1 million** to 13 planning authorities under the **PropTech Engagement Fund** in October 2021, to test innovative digital initiatives to make the planning process more open and accessible and **boost public engagement**. This was followed by a second round of the Fund totalling **£3.25 million** in March 2022, for a further 28 projects.
- Introduced a further **new permitted development right** allowing the change of use from vacant buildings (3 month vacancy requirement) in the new Class E to residential use from 1 August 2021. This means that a wider range of commercial buildings typically found in high streets and town centres can change to residential use without the need for a full planning application.

Better quality, accessible, homes

Social Housing

- Set out government's ambition to halve the number of non-decent rented homes by 2030 and continued to implement the measures in **The Charter for Social Housing Residents: Social Housing White Paper** to drive up social housing quality.

- Concluded the first phase of a review of the **Decent Homes Standard**, which sets out the minimum standards for social housing decency. Began the second phase, including both rented sectors as a result of our Levelling Up White Paper commitments, in March.
- The Regulator of Social Housing delivered a consultation on the new **Tenant Satisfaction Metrics**, recruited **new Board members** and a **new Chair**, and set out initial thinking on how they will deliver proactive consumer regulation.
- The **Housing Ombudsman Service** continued **publishing all individual case determinations and landlord performance reports**; 750 landlord performance reports were published in 2020-21. Compliance levels with its orders and recommendations (within 3 months) is at 99%.

Domestic Abuse

- **New legal duties** set out in the **Domestic Abuse Act** came to force into 1st October 2021, ensuring victims and their children across England can access the **right support in safe accommodation** when they need it.
- Announced in February 2022, a further **£125 million for councils** across England to make sure safe accommodation spaces, such as refuges and shelters,

can **provide victims with vital support services** including healthcare, social workers and benefits.

- Set up a Ministerial led **Domestic Abuse Safe Accommodation National Expert Steering Group** to provide oversight and ensure robust delivery of the new duties.

Disabled Facilities Grant

- Disbursed **£573 million Disabled Facilities Grant (DFG)** funding for 2021-22 to local authorities in England in May 2021.
- In the recently published Adult Social Care White Paper, People at the Heart of Care, Government announced **£573 million for the Disabled Facilities Grant** in each year from **2022-23 to 2024-25.**

Supported Housing

- Completed the **local authority pilots** with Birmingham, Blackburn with Darwen, Blackpool, Bristol and Hull in September 2021. The independent evaluation and best practice from the pilots will be published later this year. The government is committed to **addressing quality issues in supported housing**, as a priority. The total funding for the five local authority pilots was **£5.4 million.**
- Announced **£20 million** in March 2022, for a three year **Supported Housing Improvement Programme**, which will build on the successful pilots and support the worst affected areas to improve the

quality and value for money of supported housing. Also announced alongside this, the government's intention to bring forward measures to put an end to unscrupulous landlords exploiting some of the most vulnerable in our society.

Specific Challenges

COVID-19 created a difficult delivery environment, with issues around inflation, materials and labour, and as a result, annual housing supply was down 11 per cent on 2019-20. The department's delivery was affected by the same issues, and by the need to reset objectives following the creation of the new department, and the need to prioritise the response to Russia's invasion of Ukraine. Whilst delays due to COVID-19 are less likely in the year ahead, macro-economic factors and supply chain issues will continue to present significant challenges.

In response, we continue to work closely with partners to manage capacity and capability risks through our delivery chain. In addition, the Spending Review provided additional flexibility for our housing delivery agency, Homes England, to take step to address optimism bias in their planning assumptions and operate a degree of over-programming in future years to use its budgets efficiently. Closer monitoring is also being carried out in response to the uncovering of a significant funding surplus for the GLA's Affordable Homes Programme (further details in governance section).

Contribution to Sustainable Development Goals

More, better quality, safer, greener and more affordable homes outcome contributes to the following SDGs:

SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

SDG 13 – Take urgent action to combat climate change and its impacts.

Housing has a significant role to play in support of the Government's net zero targets. This applies across both the construction phase and on a whole life basis, and requires the introduction of innovative design and construction techniques into the sector.

The Government supports the uptake of Modern Methods of Construction (MMC), which contributes to the goal of sustainable industrialisation (SDG9). MMC is associated with less pollution and noise onsite and improved energy performance through airtightness – we are seeking to validate MMC's capacity to reduce embodied carbon over the whole asset lifetime (including end of life).

Many DLUHC and Homes England programmes either facilitate or mandate the use of certain amounts of MMC – this includes through the £8 billion Affordable Homes Programme (2021-2026), where 25% of the affordable housing delivered by Strategic Partners will be required to be constructed through MMC. Concurrently we are exploring options to break down barriers to investment in MMC, such as standardisation of design and build warranties.

The Government's Home Building Fund includes £3 billion of short-term funding for SME housebuilders, custom builders and developers using MMC, and is only available to those who cannot access finance elsewhere.

Build guarantee schemes, such as the £3 billion Affordable Housing Guarantee Scheme (AHGS 2020) announced last year, and its 2013 predecessor, continue to provide wider support and diversification for sections of the housing market.

We are currently exploring how Planning Reform will contribute to the provision of adequate, safe and affordable housing which meets environmental standards, sustainable transport, and strengthening national and regional development planning.

In July 2021, we published a revised National Planning Policy Framework (NPPF) to include amendments on 'Achieving Sustainable Development' that explicitly refers to the 17 Global Goals for Sustainable Development, especially SDG11.

This includes the National Model Design Code used by local councils as a guide to develop their own design codes, setting design standards that new development is expected to meet in their local area, and sets out a process for engaging local communities to create homes, buildings and public places which are safe, inclusive and accessible (SDG 11.3.2). For example, the guidance sets design parameters around mitigating and adapting to climate change, including the use of green infrastructure, sustainable drainage systems and encouraging active transport through design (SDG 11.2).

The £8.6 billion Affordable Homes Programme 2021-26 allocated through Strategic Partnerships, will deliver 119,000 affordable homes. As part of the assessment criteria for Strategic Partnerships, social housing providers were asked to sign up to delivering homes in line with the National Design Guide which illustrates how well-designed places that are beautiful, enduring and successful can be achieved in practice. This builds upon the success of our £9 billion Shared Ownership and Affordable Homes Programme 2016-23, running to 2023, which will deliver approximately 250,000 new affordable homes.

The Social Housing White Paper, published in November 2020, will contribute to SDG11.1.1, “ensuring access to all for adequate, safe and affordable housing and basic services and avoid slums”. The White Paper sets out wide-ranging reforms which will improve the lives of social housing residents across the country. The measures, including strengthening the Regulator of Social Housing and Housing Ombudsman, will ensure social housing landlords consistently meet housing decency standards and deliver good-quality services for their residents.

2B. Safer and Greener Buildings

In January 2022 the Secretary of State announced three key principles through which the Government will approach building safety: Proportionality: restoring proportionality in the system; Protecting leaseholders: leaseholders are protected from bearing the bulk of the cost for remediation and mitigation of fire risks – instead those industries at fault must pay; Holding industry to account: there should be commercial and reputational consequences for those who have, and continue to, knowingly put lives at risk.

Following intensive talks with the largest housing developers and the Home Builders Federation we now have a solution that will see industry contribute an estimated £5 billion to address the building safety defects in residential buildings. This includes developers committing an estimated £2 billion to remediate (or refund the remediation of) buildings they have developed over the past 30 years, and £3 billion raised through an expansion of the Building Safety Levy to fund a new cladding remediation scheme to cover all other unsafe 11-18m residential buildings containing private leasehold properties that fall outside the cover provided by these pledges. Over 45 of the UK's biggest homebuilders have already pledged to undertake all necessary life-critical fire-safety work on 11m+ buildings in which they have had a role in developing over the past thirty years, alongside an agreement to refund money paid out by existing government remediation schemes to fix buildings that they originally developed.

We are establishing a new cladding remediation scheme to cover all other unsafe 11-18m residential buildings containing private leasehold properties that fall outside the cover provided by these pledges. Our intention is that the scheme is funded through the Building Safety Levy, which has been expanded to allow it to be charged on all new residential buildings.

We also continue to deliver the £5.1 billion in existing remediation programmes for high-rise residential buildings to replace unsafe ACM and non-ACM cladding for buildings 18m and above.

We are ensuring all parts of the system understand and take a proportionate approach to risk. In January 2022, following the Secretary of State's announcement about new approaches to building safety, PAS 9980 was introduced and the Consolidated Advice Note (CAN) was withdrawn. The PAS 9980 guidance provides a more proportionate and consistent approach for assessing risks in external walls compared with the binary interpretation of the CAN which saw an overly cautious approach adopted to the assessments of external wall risks and the use of External Wall System fire review certificates (EWS1s) for mortgage valuations.

The department is preparing to launch a professional indemnity scheme, targeted at qualified professionals, to enable them to undertake EWS1 assessments. The department has taken the unprecedented decision to intervene where there is a clear market failure in the availability of professional indemnity insurance.

The Secretary of State announced in January that the Scheme would launch by Easter. We are working to finalise commercial arrangements to issue policies and handle claims for the Scheme. Due to significant delivery issues, the scheme is delayed though we remain committed to launching the Scheme as soon as possible.

In addition, the Department has provided £700,000 of funding to the Royal Institution of Chartered Surveyors (RICS) to train more assessors and build market capacity. There are now over 1,000 candidates on the course.

The Government is committed to protecting leaseholders, who bought their flats in good faith and are innocent parties. Our landmark Building Safety Act protects qualifying leaseholders in law from all costs associated with fixing unsafe cladding, and will have far-reaching and robust legal protections from non-cladding costs including a fixed cap on contributions.

In July 2021, the NAO published a report on Local government and net zero in England, a summary of which can be found in the Governance Statement.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP, and our contributions to Sustainable Development Goals.

What we achieved in 2021-22

Building Safety Reform

- The Building Safety Bill concluded its passage through Lords Committee on 2 March, and achieved Royal Assent on Thursday 28 April 2022 becoming the **Building Safety Act.**
- Provided the funding required to the Office for Product Safety and Standards to set up the **National Regulator for Construction Products** including up to **£10 million** this year to start delivering, pending it becoming fully operational once the Building Safety Bill and subsequent secondary legislation have been approved by Parliament.
- Appointed experts to lead an **independent review** of the system for **testing construction products**, as part of the government's ongoing programme of work to reform and strengthen building safety regulation.
- Published an **Independent Expert Statement** in July 2021 on issues of proportionality in relation to building safety in medium and lower rise blocks of flats, the impact on the housing market, and what more

government could do to ensure approaches that are proportionate to the level of risk.

Remediation Delivery

- Made further progress with the **remediation of unsafe Aluminium Composite Material (ACM) cladding** with 452 (94%) of all identified high-rise residential and publicly owned buildings in England having either completed or started remediation work at the end of March 2022. Of these 422 buildings (87%) no longer have unsafe ACM cladding systems. This includes 372 buildings (77%) that have completed ACM remediation works, of which 316 buildings (65%) have received building control sign off. Of the 31 buildings (6%) yet to start, 5 are vacant (1%), so do not represent a risk to resident safety, and 15 additional buildings were identified after 31 December 2020.
- Allocated a total of over **£1.2 billion** of the **Building Safety Fund** as at March 2022 for the remediation of non-ACM cladding for buildings, of which £1,096 million is for private sector remediation and £132 million is for social sector remediation.
- Increased the **Waking Watch Relief Fund** from £30 million to **£35 million** to pay for the costs of installing an alarm system in buildings with unsafe cladding, and enable costly Waking Watch measures to be replaced in buildings waiting to have unsafe cladding removed.

- Launched a further **£27 million** of **Waking Watch Replacement Fund** to replace costly Waking Watch measures in all buildings where a Waking Watch is in place at cost to leaseholders.

Grenfell Tower

- 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 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 began work on site in July 2021.

Support the Grenfell Community

- **Grenfell Memorial Commission** resumed their meetings and conversations with the community in January 2022 following a meeting with the Secretary of State and are continuing their work towards **creating a fitting memorial.**

- The **Secretary of State wrote to bereaved families and survivors** in December 2021 to explain that he has decided to continue the safety works in the Tower to ensure its stability until a decision about the future of the tower is made. This will allow more time to speak with, and to hear from, the community about the future of the tower.

Grenfell Inquiry

- The Department continued to **fulfil its obligations** as a Core Participant to the **Grenfell Tower Inquiry**, delivering the evidence required by the Inquiry on time and harnessing Departmental expertise to support the Inquiry to get to the truth.
- Continued to **report quarterly on progress** against the recommendations from the government response to **Phase One of the Grenfell Tower Inquiry report**. The most recent progress update was published in September 2021.

Net Zero

- Published our **response to the Future Buildings Standard (FBS) consultation** in December 2021. Also implemented an interim uplift to Part L (conservation of fuel and power) of the Building Regulations, which will act as a stepping-stone to the Future Homes and Building Standards. Once the uplift comes into force, in June 2022, new homes will be expected to deliver 30% fewer carbon emissions compared to the previous standards and new non-domestic buildings will be expected to deliver 27% fewer carbon emissions. Following the introduction of the interim uplift, we remain on track to develop the full technical specification for the Future Homes and

Future Buildings Standards, which we will consult upon in 2023.

- Published a **progress report on the Energy Performance Certificates (EPCs) Action Plan jointly with BEIS**, with 11 of the 35 actions completed and work well-advanced on several others. Some actions will require legislation to amend the relevant regulations and we will consult on these elements in 2022.
- Continued to **deliver efficiencies** through in-house management of the cloud-based **Energy Performance of Buildings (EPB) Register,** which has allowed us to **reduce statutory lodgement fees** for the second consecutive year. The EPB Register, which passed the Government Digital Service Live Assessment in December 2021, now carries approximately 27 million certificates and recommendation reports including more than 2.8 million lodgements received since September 2020.

Specific Challenges

The Building Safety programme is complex, requiring co-ordination between many different actors. The reset of the Building Safety approach announced in January 2022, detailed above, addresses the challenges the programme has faced. Implementing this new approach is a focus for the year ahead.

Our remediation programmes are focused on ensuring all medium and high rise buildings with historic cladding defects are remediated to a proportionate and consistent standard as quickly as possible. Working across multiple delivery partners and actors to drive pace and tackle delivery risks, we are implementing a strong accountability and enforcement framework, taking action against recalcitrant actors and working to increase supply chain and workforce capacity. In addition to the government led schemes, we are working with housebuilders and social housing providers to ensure they meet their commitments to remediate all affected buildings they are responsible for.

The Professional Indemnity Insurance scheme was delayed last year due to issues with our commercial arrangements. We anticipate launching the scheme in September.

We are continuing to work with the Grenfell community on the sensitive and important issues of the future of Grenfell Tower and a memorial on the site.

Contribution to Sustainable Development Goals

More, better quality, safer, greener and more affordable homes outcome contributes to the following SDGs:

SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

SDG 13 – Take urgent action to combat climate change and its impacts.

The uplift to the Building Regulations noted above, will provide a meaningful reduction of approximately 30% in carbon emissions from new homes. It will also act as a stepping stone to the Future Homes Standard, to be introduced from 2025, which will result in at least 75% fewer carbon emissions from new homes.

Also noted above, we are committed to delivering the Energy Performance Certificates (EPC) Action Plan to increase the accuracy, reliability, and trust in EPCs and make them more valuable and effective in driving energy and carbon saving. As part of delivering the Action Plan we intend to consult on changes to the Energy Performance of Buildings Regulations in 2022 to reform the regulations and ensure they are fit for the future.

The Building Safety Remediation programme’s immediate focus, as noted above, is ensuring residents are safe and feel safe in their homes, in line with SDG11.

3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties

During the year, we built on the significant progress made in keeping rough sleepers safe and supported during the pandemic, continuing to drive reductions in rough sleeping and supporting local authorities to prevent homelessness, while funding new homes with wrap around support through the Rough Sleeping Accommodation Programme. We invested £800 million this year alone to tackle homelessness and rough sleeping, with £2 billion committed over the next 3 years.

The Annual Rough Sleeping Snapshot for 2021 showed a 9% reduction from the previous year with the number of people sleeping rough on a single night at 2,440, the lowest level for 8 years. Rough sleeping decreased in every region of England compared to the previous year, falling for the fourth year in a row since 2017.

However, there are growing risks from Ukraine migration in addition to pressures on homelessness services expected in the coming months as a result of Afghanistan resettlement and cost of living pressures.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP, and our contributions to UN Sustainable Development Goals.

Figure 3		
Our performance: Rough sleeping count for England There were 2,440 people estimated to be sleeping rough on a single night in autumn 2021. This is down by 248 people or 9% from the previous year and down 49% from the peak in 2017. 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
2021	2,440	-9
2020	2,688	-37
2019	4,266	-9
2018	4,677	-2
2017	4,751	15
2016	4,134	–

Source: Rough Sleeping Statistics, Autumn 2021, England release schedule: annually in February

What we achieved in 2021-22

Preventing Homelessness

- Committed **£375 million** through the **Homelessness Prevention Grant** to support local authorities to carry out their statutory homelessness duties, underlining the government's commitment to ensure people at risk of becoming homeless, across the country, get help more quickly. This includes a £65 million one-off in-year increase to the Homelessness Prevention Grant to help vulnerable households with rent arrears to reduce the risk of them being evicted and becoming homeless as a result of rent arrears built up during the pandemic.

- In July 2021, commenced the provision of the landmark **Domestic Abuse Act 2021** that means people who are **homeless as a result of domestic abuse have priority need.**
- Announced an additional **£316 million** to be **made available to local authorities in 2022-23** through the **Homelessness Prevention Grant.** This includes an additional £5.8 million to cover the cost of new burdens associated with the expansion of priority need to those forced into homelessness by domestic abuse, following the landmark Domestic Abuse Act 2021.
- In December 2021, the number of **households with children in temporary accommodation decreased 1.4%** from December 2020 to 58,620.

Rough Sleeping Initiative

- Provided councils across England with **£203 million** under the **Rough Sleeping Initiative**. This is more than an 80% increase from the £112 million provided in 2020-21 and provided up to **14,500 bed spaces** and 2,700 support staff.

- Over **40,000 people have been supported into long-term accommodation** since **Everyone In** launched at the start of the pandemic to protect rough sleepers.

Rough Sleeping Accommodation Programme

- **Delivered over 3,000 homes** against the **£435 million Rough Sleeping Accommodation Programme** (RSAP), out of a target of 6,000 homes by March 2024.
- In February 2022, announced the latest round of Rough Sleeping Accommodation Programme allocations of £174 million funding to create over 2,900 safe, long-term, stable move-on homes for rough sleepers by 2024.

Rough Sleeping Drug and Alcohol Treatment Grant

- Provided a further **£27.4 million** to the Office for Health Improvement and Disparities (OHID) to continue and **expand the Rough Sleeping Drug and Alcohol Treatment Grant (RSDATG)** to an additional 20 councils, taking the total number of councils funded to **provide specialist drug and alcohol treatment** services from 43 to 63. This was from a total DLUHC commitment of £52.2 million to RSDATG in 2021-22. Due to delays experienced by councils in mobilising services, the remaining funding was reallocated to other priorities, including helping those at risk of homelessness through support for rent.

- At the start of 2022, over **2,000 people had engaged in structured treatment** through the Rough Sleeping Drug and Alcohol Treatment Grant.

Contribution to Sustainable Development Goals

The investments this year of over £800 million in the Government's commitment to ending rough sleeping and reducing homelessness as outlined above, is in turn supporting the delivery of the following Sustainable Development Goals (SDGs):

SDG1 – End poverty in all its forms everywhere.

SDG3 – Ensure healthy lives and promote well-being for all at all ages.

SDG10 – Reduce inequality within and among countries.

SDG11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

This includes the Homelessness Prevention Grant to support local authorities in ensuring people at risk of becoming homeless, across the country, get help more quickly, and to help vulnerable households with rent arrears to reduce the risk of them being evicted and becoming homeless. (SDG1 & SDG10.)

Our Rough Sleeping Accommodation Programme providing 6,000 units of move-on accommodation by 2024 is ensuring that people who are at risk of, or experiencing rough sleeping, have access to good quality transitional accommodation while local authorities work with them to identify more sustainable long-term accommodation.

Alongside this investment in accommodation, we are supporting local authorities to improve access to private rented sector accommodation for ex-offenders, to deliver improved temporary accommodation in London through Capital Letters and we are piloting at scale in three mayoral combined authorities the provision of Housing First accommodation for those individuals with complex needs. (SDG3 & SDG10).

The Rough Sleeping Initiative (RSI) provides funding for services to enable local authorities to identify and assess the needs of those people sleeping rough and to ensure they receive a service offer to help them move off the street so any episode of rough sleeping is brief. Alongside wrap around support services funded through the RSI and substance misuse services funded through the Rough Sleeping Drug and Alcohol Treatment Grant programme we are helping people with a history of sleeping rough to recover and build resilience so episodes of rough sleeping are non-recurrent. (SDG1, SDG3 & SDG11).

4. A sustainable and resilient local government sector that delivers priority services and empowers communities

Local government is at the heart of delivering government's objectives. In this past year we have continued to support councils to deliver the local response to the pandemic and worked with the local government system to improve the long-term outcomes for people and places. This includes a range of projects including: funding for sector improvement; empowering local leaders through devolution; providing councils with £1.55 billion to support them in responding to COVID-19; ensuring effective accountability; and building stronger communities for all.

To support this, we secured a financial settlement for the local government sector for 2021-22 that saw Core Spending Power in England rise by 2.8% in cash terms, from £49.0 billion in 2020-21 to £50.4 billion . We will continue to make sure that local government has the funding and continued support it needs within a financial and legislative framework that promotes transparency and value for money, and support the system to deal with current and any future challenges the local government sector may face.

We will support the local government sector to help deliver the government's vision, policy and reform priorities set out in the Levelling Up White Paper published in February 2022. By 2030 every part of England that wants one will have a devolution deal with a simplified, long-term funding settlement and we have commenced work to deliver a new local government body that improves transparency on local government performance. We will take forward the ambitions of the Levelling Up White Paper with the Department for Culture, Media and Sport to strengthen and connect communities, including exploring community partnership models that make it easier for local people to shape local priorities and their neighbourhoods.

Building on our existing projects and programmes we continue to promote belonging and connections between people of all backgrounds, helping to build resilient and cohesive communities, whilst also tackling harmful practices that can sow division or threaten social cohesion in some places or communities.

In November 2021, the NAO published a report on "The local government finance system in England: overview and challenges", a summary of which can be found in the Governance Statement.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP, and our contributions to Sustainable Development Goals.

What we achieved in 2021-22

Funding for Local Government

- Delivered a **Local Government Finance Settlement for 2021-22** that saw Core Spending Power in England rise by 2.8% in cash terms, from £49.0 billion in 2020-21 to **£50.4 billion** in 2021-22.
- Secured **£1.6 billion a year of new grant for local government** through the 2021 Spending Review. In addition, agreed a 2% a year increase in council tax and a 1% a year increase in the Adult Social Care (ASC) precept. There will be an estimated £780 million of income from Extended Producer Responsibility (EPR) in 2024-25.
- Secured a **Local Government Finance Settlement for 2022-23** that makes available an **additional £3.7 billion to councils**, including funding for adult social care reform. In total, we expect local authority Core Spending Power to rise from £50.4 billion in 2021-22 to up to £54.1 billion in 2022-23.

Figure 4

Our Performance: Final Local Government Finance Settlement 2022-23

£3.7 billion

Increase in Core Spending Power in England secured through the 2022-23 Local Government Finance Settlement.

Council Tax Rebate Scheme

- Launched a **£3 billion council tax rebate scheme** on 3 February 2022 in response to rising energy bills, ready to make payments to almost 20 million households in early 2022-23. Councils have been funded to provide a £150 rebate payment to households living in council tax bands A – D as their main home on 1 April 2022. Every council has also received a **share of a £144 million fund** to **provide discretionary support** to any household in financial need.
- Councils are expected to make payments to eligible households as soon as possible in the 2022-23 financial year. Payments will generally be made automatically to eligible households that pay their council tax by direct debit (because councils already hold their bank account details). All other eligible households will be contacted with details of how to claim their money. All rebate payments must be made by 30 September and all discretionary support payments by 30 November. The Department will monitor delivery progress through monthly data returns and an assurance exercise, prior to reconciling against actual spend after the scheme closes.

Supporting Local Government Service Delivery and Improvement

- Developed an enhanced approach to supporting local government improvement by considering key delivery outcomes for the sector and working with sector representatives to target support effectively. This includes funding a **£19 million programme of sector support** that aims to continually **build the sector's capability**. Key aims of this programme are to deliver peer support programmes; enhancing financial resilience; leadership development and supporting safer and more sustainable communities.

- Implemented a **programme to strengthen the sector's commercial delivery** and to ensure that it **represents best value to citizens**. This is being achieved through extending centrally designed training, advice and guidance, and market and supplier intelligence to the sector and influencing public procurement policy so that it is practically deliverable at a local level.

- Supported improvement in contract management capability throughout the sector by piloting a series of initiatives including the **Contract Management Pioneer Programme.**

- Piloted hands-on sourcing support to four Councils applying best practice frameworks established in the

Government's Sourcing Playbooks to real life scenarios.

- Maintained a strong focus on **promoting cyber health** and continued to ensure local authorities have the right information to make cyber security improvements. Invested over **£10 million** in direct remediation support to local authorities to help tackle critical issues such as ensuring effective backups are in place.
- Secured an **additional £37.8 million** funding over the next three years at the Spending Review 2021, to continue to **expand the cyber health work** and launch a new fund to identify and promote replicable and effective ways of improving cyber resilience in councils. Supporting councils to improve their cyber resilience is not only vital to ensuring public services are reliably delivered; it is also key to safeguarding our security and our data and building a resilient and prosperous digital UK.
- Launched the **Partnerships for People and Place** (formerly known as the Shared Outcomes Fund Place Model Project) to develop an evidence base to pilot a new approach of policy design and delivery, focusing on place-based initiatives, which create better cross-government coordination and drives more effective spending and policymaking decisions across Whitehall. 13 local areas were selected through a transparent and competitive process to help deliver the programme.

Empowering local leaders

- Published a **devolution framework** in the Levelling Up White Paper, setting out a clear menu of options for places in England that wish to **unlock the benefits of devolution**, as part of the government's recognition that strong and dynamic local leadership is critical to levelling up.
- Supported the implementation of locally developed proposals to reorganise local government in Cumbria, North Yorkshire and in Somerset. On Friday 18 March 2022, **Structural Change Orders** came into force which provide for the **establishment of new unitary authorities** in three areas – Cumbria, North Yorkshire and Somerset.
- Announced a **new independent data body to collect data and assess performance of the Local Government (LG) sector** in the Levelling Up White Paper. The new body will focus on improving the transparency of siloed and disparate data collection to enhance the Government's understanding of place-based leadership, quality of local service delivery and organisational efficacy. It will therefore be an authoritative source of information to help government, local leaders and the citizen to fully understand local government performance. This will drive transparency and enable best practice to be identified and shared.

Local Government Oversight and Accountability

- The Department has maintained its focus on ensuring effective scrutiny of local government through external audit.
- The Department's spring update to the Government's response to the original Redmond Review covered all of Redmond's recommendations. It set out the Department's intention to **establish Audit, Reporting and Governance Authority (ARGA),** the new regulator, being established to replace the Financial Reporting Council (FRC) as system leader for local audit within a simplified local audit framework. The Department consulted on these proposals and published a response in March 2022. The Department has started work with the FRC on its shadow system leader arrangements following the appointment of FRC's new Director of Local Audit.
- Timeliness issues increased in the past year. Challenges around the timeliness of local audit were highlighted by the Redmond Review in 2019. However, these were exacerbated by the pandemic, and completed audits took an accelerated downward trend with only 9% of 2020/21 audits reported as completed in September 2021. Main issues contributing to the challenges are auditor supply and increasing workload and pressure following the high profile corporate failures such as Carillion and

Patisserie Valerie. Local authority capacity to prepare accounts and finance functions have also been impacted by the pandemic.

- The Department in its interim system leader role through the recently established Liaison Committee, worked with key sector partners to prioritise action and agree a package of sector-wide measures in response. The package was published in December 2021 and went further than Redmond's recommendations. The measures included:
  - Paying **£15 million** of 2021-22 funding to **over 500 local bodies** to assist with the increasing fees of local audits;
  - Providing **councils with £45 million** additional funding over the course of the next Spending Review;
  - **Strengthening training and qualification options** for local auditors and audit committee members;
  - Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis;
  - **Extending the 2021-22 audit deadline** to 30 November 2022, and then 30 September until 2027-28.

- The Department was clear **Public Sector Auditor Appointments Ltd (PSAA) remains best placed to act as the appointing body** and oversee the next procurement, due to their strong technical expertise. The Department lay new regulations to provide the appointing person with greater flexibility around fee-setting and fee variations.
- Worked with Public Sector Auditor Appointments Ltd (PSAA), supporting on their procurement strategy. By March 2022, the PSAA notified that 99% of eligible bodies had opted in to its national auditor appointment scheme to run from April 2023.
- Continued to work with individual councils to support improvement where the evidence indicates it is necessary. In June 2021, the then Secretary of State **appointed four Commissioners to Liverpool City Council.** The directions provided the Commissioners with **powers over the highways, regeneration and property management functions** of the Authority and their associated governance, which included non-executive functions relating to the appointment and dismissal of statutory officers and Assistant Director of Audit and Governance. The Secretary of State also asked Commissioners to specifically support the Council in its broader service delivery and finance in so far as they raise concerns for the Council's wider Improvement journey.

- The Commissioners submitted their first report to the Secretary of State on 5 October 2021, setting out that the Council is at the beginning of a long improvement journey and expressing concerns about the Council's finance and wider service delivery. The Commissioners are working with the Council to assist them in taking a whole council approach to improvement. They have requested realistic improvement plans that take account of the urgency and the capacity to deliver; with a view to setting a sustainable long-term financial plan, improving corporate governance, delivering basic services well and meeting the requirements of the statutory directions.
- The **Secretary of State has also appointed Commissioners in two further councils**, in **Slough** Borough Council in December 2021 and **Sandwell** Metropolitan Borough Council in March 2022. Slough Borough Council is one of three councils to have issued a Section 114 notice since March 2020. Other such notices were issued by London Borough of Croydon and Nottingham City Council, where Independent Improvement and Assurance Panel/Board are in place, following the non-statutory reviews undertaken to ensure poor financial management and governance failings are addressed.

Building stronger communities and improving outcomes

- Secured an **additional £200 million investment for the Supporting Families programme**, taking the total planned investment to £695 million over the Spending Review period 2022-2025.
- As of January 2022, the Supporting Families programme in local authorities reported over **55,000 successful family outcomes** from 2021-22, representing 79% of outcomes funded through the programme. Since the programme started in 2015, over 470,000 families have been directly helped and sustained significant outcomes (Figure 5).
- Allocated **£7.9 million Data Accelerator Fund to support 10 data sharing projects** across England to improve joined-up working between councils, NHS trusts and police to ensure children and families receive the right help at the right time. The Data Accelerator Fund is funded through HMT's Shared Outcomes Fund and is managed by Supporting Families.

Figure 5

Our Performance: Supporting Families

Local Authorities have been funded to achieve successful family outcomes with

509,751 families

Families where successful family outcomes were achieved

470,376 between 2015 and January 2022

In 2021-22 areas were funded to achieve successful family outcomes with 69,831 families and as of January 2022 had achieved 55,421 (79%).

Source – Supporting Families annual report 2022

- Continued to work with the local government sector to test innovative approaches to seek to drive lasting change, improving outcomes for families and adults experiencing multiple disadvantage and empowering communities. In July 2021, the **15 local partnerships funded by Changing Futures** – a **3 year £64 million programme** announced in 2020 – **began.** Made excellent progress in mobilising both front line and multi-agency system level interventions aimed at improving the way services work for adults experiencing multiple disadvantage.
- Designed and launched the **£150 million Community Ownership Fund** (COF) in 2021, part of the Levelling Up agenda to help communities across England, Scotland, Wales and Northern Ireland take ownership of assets and amenities at risk of closure. Since July

2021, community groups have been able to bid for matched-funding to help them buy or take over local community assets at risk of being lost, to run as community-owned businesses. Further detail on the COF achievements in 2021-22 are contained under the levelling up investments funds.

- **Funded 42 charities, community groups and local authorities across** every region in England for **Windrush Day 2021**. Interim findings indicate in-person and online participation of over 70,000 people with over 11,800 volunteering hours devoted to running projects.

Support for New Arrivals

Homes for Ukraine

- **Launched the Homes for Ukraine Scheme** on 14 March 2022, with applications opening on 18 March 2022. The scheme provides an uncapped humanitarian route to the UK for Ukrainians who can obtain a visa without having family ties here but who do match themselves with UK based individuals who can provide accommodation for at least six months. This complements the Ukraine Family Scheme led by the Home Office, which enables family members of Ukrainian nationals settled in the UK to come and join them here. As at 13 June 2022, over 77,000 Ukrainians have now arrived in the UK under both schemes, with over 50,000 coming through via the Homes for Ukraine scheme.

- Distributed £1.89 million in grant funding to local authorities to establish **29 welcome points** in key ports of arrival. This has enabled Ukrainian arrivals to receive **basic humanitarian aid and access both translation services and advice to support their onward journey**.
- Provided information to support sponsors, guests and local authorities using the scheme, including regularly updating published guidance. This includes a **welcome pack for people arriving in the UK from Ukraine**, available in English, Ukrainian and Russian and a quick guide to services arrivals may need in their first week in the UK.
- **Supported sponsors who offer accommodation to individuals under the Homes for Ukraine Scheme**. Sponsors are eligible for an optional 'thank you payment' of £350 per month per household, for as long as the guest remains in their accommodation for up to 12 months.
- **Provided funding at a rate of £10,500 per person under the Homes for Ukraine Scheme to councils to enable them to provide support to Ukrainian families to rebuild their lives and fully integrate into communities**. Within the £10,500 is a £200 subsistence payment that councils will provide to each Ukraine guest under the scheme which does not need to be repaid.

- **Published a list of Recognised Providers – voluntary and community sector organisations running schemes which provide support for and help match people** coming from Ukraine with sponsors in the UK.

Hong Kong British National Overseas

- Implemented the **Welcome Programme to help British National Overseas [BNO] status holders and their families arriving from Hong Kong settle successfully in the UK,** following the announcement in April 2021 of up to **£43.1 million** for the programme.

- As part of the programme, **produced a GOV.UK landing page and Welcome Pack** in English and Cantonese with information **for new arrivals on how to settle into life in the UK, and access public services** such as registering for a doctor and finding a school link, and funded 12 virtual 'Welcome Hubs' across the UK working with local partners, and 47 voluntary, community and social enterprise organisations to provide support on employability, education, mental health, wellbeing and a Hate Crime Reporting Service; and English language funding and support to those at risk of destitution.

- We made changes to eligibility regulations on the Allocation of Housing and Homelessness in England in June 2021, so that Hong Kong British Nationals are eligible for social housing and homelessness assistance in the UK, where the 'no recourse to public funds' condition attached to their leave is lifted should they become destitute.

Afghan Resettlement

- Supported individuals and their families from Afghanistan with **resettlement in the UK through the Afghan Relocations and Assistance Policy (ARAP) Scheme and the Afghan Citizens Resettlement Scheme (ACRS),** also ensuring eligible British Nationals receive the same support as those on ACRS and ARAP.
- Produced a Welcome Pack, aimed at **supporting Afghan arrivals with integration into local communities**, including information about finding employment, access to healthcare and education, legal rights and responsibilities and basic information about UK life.
- **Launched a Housing Portal** in August 2021 to **receive offers of housing support for Afghan arrivals**, supporting the resettlement of families into suitable and more permanent housing. The portal allows landlords to state whether they have employment offers, supporting economic integration.
- Set up a **bespoke local engagement team** within the Afghan Resettlement team, with named points of contact for each region across the country and Devolved Governments. Alongside this an

Afghan Resettlement Local Authority Network (ARLAN), to facilitate knowledge-sharing across councils, accelerate accommodation offers, and develop local integration initiatives.

- In collaboration with Home Office and Ministry of Defence, developed a menu of **cultural orientation resources** to **support councils in delivering integration support to Afghan families** who have arrived under ARAP and ACRS, as well as eligible British Nationals.
- **Supported the 'Jobs First' pilot** as part of a cross Government case-working team to **identify and address barriers** which prevent residents from taking up employment and moving into settled accommodation.

Integration and social cohesion

- Administered the **ESOL (English for Speakers of Other Languages) for Integration Fund (EFIF),** which empowers those who speak little or no English by boosting language skills and building confidence to unleash their potential, reduce isolation and participate in their local community.
- Continued to fund 28 of the original 30 local authorities from 2020-21, two of the original local authorities are now self-sufficient in running the ESOL for Integration Fund (EFIF). This single fund continues to bring together previous DLUHC ESOL funding

streams to make it easier for local authorities to deliver tailored solutions that are right for their communities.

- **Dame Sara Khan was appointed** by the Prime Minister as the government's **Independent Adviser for Social Cohesion and Resilience**, working out of DLUHC. Sara will examine extremism at a local level and its harm and impact on individuals and local communities. She is hearing from both victims of extremism and those on the frontline working to combat it, to understand and ultimately counteract its effects to develop recommendations on how Government can better support and protect victims of extremism and those working to stamp it out, as well as communities that are affected.

Faith, belief and places of worship

- Announced a **£1 million Faith New Deal Pilot Fund**; a competitive grant programme to test approaches to **supporting faith-based organisations** to lever their resources including volunteers and community buildings to address debt, food poverty, loneliness, well-being and employment within their communities and to build trust between national government, local government and faith groups.
- Issued a call for evidence as part of the review on **faith engagement** by the PM's Independent Adviser, Colin Bloom. **20,000 individuals and organisations responded** to the Bloom Review's call for evidence.

This information is being fed into Colin's final report which is due to publish in 2022/23.

UK Holocaust Memorial and Learning Centre

- Continued the work to build a **national Memorial and Learning Centre in central London**, to commemorate victims of the Holocaust and to educate about the importance of combatting intolerance and hatred. The Memorial will honour the six million Jewish men, women and children who were murdered in the Holocaust, and all other victims of Nazi persecution. The co-located Learning Centre will explore the role of Britain's Parliament and democratic institutions – what we did and what more we could have done – to tackle the persecution of the Jewish people and other groups. It will also focus on subsequent genocides.

Specific Challenges

The Department closely monitors risks to local government, and this will remain important given the operating environment, including supply chain challenges, inflationary pressures and the risks of cyber attack. A cyber incident occurred in late December 2021. Escalation triggers were not met and the affected council is managing well. We continue to monitor and working closely across government on cyber security.

Latest published PSAA (Public Sector Audit Appointments Ltd) completed audits show that only 9% completed their

2020-21 audits by the deadline of 30 September. By March 2022, this had increased to 52%, with 89% completed for 2019-20. This continues to reflect ongoing issues affecting the stability of the local audit market. Before Christmas, we published a package of measures to support improved timeliness and market stability. The Department is also continuing to work closely with PSAA to consider the contingencies in place for their next procurement. Our broader consultation response on our system leader proposals was published on 31 May 2022.

Three councils (Croydon, Nottingham and Slough) have issued Section 114 notices since March 2020. Independent improvement and assurance panels are in place in Croydon and Nottingham following the non-statutory reviews into the councils to ensure poor financial management and governance failings are addressed. On 25 October 2021 the department announced that intervention was required in Slough. This followed the Slough external assurance review that concluded that Slough Borough Council was failing its Best Value Duty and that intervention was needed to secure its compliance with the Best Value duty. Commissioners were appointed for Slough on 1 December 2021.

Homes for Ukraine

Following the launch, we continue to develop and deliver the Homes for Ukraine scheme. Decisions on the design of the scheme have purposefully balanced the need to respond urgently to the situation in Ukraine with the need to keep both Ukrainian arrivals and sponsors safe.

Ensuring that both sponsors and guests are safe and secure in their sponsorship arrangements is a critical aspect of the scheme. We are working with voluntary and community sector organisations who are looking to responsibly facilitate matches between sponsors and guests as part of the scheme. Sponsors and all adults in sponsors' households, as well as Ukrainians arriving under the scheme, are then subject to standard security checks by the Home Office before visas are granted. Accommodation and DBS checks are conducted by local authorities as soon as possible after arrival, as a second layer of safeguarding. We are continuing to monitor the effectiveness of our approach, working closely with partners inside and outside government.

To make this scheme a success an ongoing national effort is needed – with devolved governments, local authorities, charities, faith groups, businesses and communities all working together to provide much needed support to Ukrainians arriving under the scheme. We continue to work collaboratively to provide access to healthcare, public funds, employment, education and other support and ensure public services are able to meet demand.

UK Holocaust Memorial & Learning Centre

The UK Holocaust Memorial & Learning Centre programme is appealing the High Court decision to overturn the planning consent granted in July 2021.

Contribution to Sustainable Development Goals

A sustainable and resilient local government sector that delivers priority services and empowers communities outcome supports the following SDGs:

SDG1 – End poverty in all its forms everywhere.

SDG3 – Ensure healthy lives and promote well-being for all at all ages.

SDG7 – Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG9 – Build resilient infrastructure, promote inclusive & sustainable industrialisation and foster innovation.

SDG10 – Reduce inequality within and among countries.

SDG11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

SDG13 – Take urgent action to combat climate change and its impacts.

SDG16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

To support local authorities with their ongoing COVID-19 Response role, the Government allocated over £12 billion directly to councils in 2020-21 and 2021-22, over £6 billion of which was not ringfenced. (SDG3).

In the recent spending review, HMT announced £7 million in 2022-23 to fund green spaces across the UK on unused, undeveloped, or derelict land that will broaden accessibility for all. Defra will bolster this with a further £2 million. (SDG3)

The Supporting Families programme, together with DfE, secured an additional £200 million of funding, increasing the budget to £695 million to continue delivering the programme for the next three years helping thousands of families across England to get the help they need to address multiple disadvantages through a whole family approach. (SDG1 & SDG10)

The Changing Futures programme has commenced in partnership with The National Lottery as part of the Shared Outcomes Fund with funding allocated to 15 local areas to mobilise and deliver a programme that improves the way that local systems and services work for adults experiencing multiple disadvantage. (SDG1 & SDG10). DLUHC is also running a new one year £1 million funding to test targeted interventions to support the education of GRT children and young people. (SDG1 & SDG10)

The Government has now set Carbon Budget 6 and has published the Net Zero Strategy, which clarifies the role of local government in delivering local climate action. This includes committing to an engagement Forum for HMG and local government to work together to reduce emissions and capitalise on benefits. (SDG7 & SDG13)

We have provided targeted support to local authorities on the cusp of best value failure to achieve rapid improvement and cultural change. Where necessary, the Government has also intervened in local authorities on a statutory basis to achieve urgent and lasting improvement. For the small number of local authorities that have unique circumstances or residual issues that have resulted in unmanageable pressures, the Government provided additional financial support to these authorities on an exceptional basis. (SDG16)

We are improving local government and service delivery in Cumbria, North Yorkshire and Somerset through, subject to Parliament’s approval, implementing three local led proposals to unitarise local government. (SDG16).

The work reported against other outcomes for SDG8, SDG9 & SDG11 is cross-cutting with this outcome as Local Government plays a key role in the delivery of the work.

5. Ensure the benefits of the Union are clear, visible and understood by all citizens; and reforming the constitution and sustaining our democracy

We continue to lead the delivery of the UK Government's (UKG) priority to ensure the benefits of the Union are clear, visible and understood by all citizens working across the UK Government. This includes work to strengthen intergovernmental working, and engaging all levels of government, business and civic society together to deliver effective outcomes for citizens across the UK.

The Levelling Up White Paper, published in February 2022, followed extensive UK-wide engagement, and sets out an ambitious vision to improve living standards and increase opportunity in all parts of the UK. The clear plan to level up every corner of the UK is underpinned by 12 ambitious "missions" to anchor the agenda to 2030. Delivering against these missions will require close working with the devolved governments and with wider partners across the UK to ensure that everyone in the UK benefits.

The UK and Scottish Government have made a landmark agreement to establish two new Green Freeports in Scotland, which will have a simplified customs process, offer tax measures to incentivise private business investment, carefully considered planning reforms to facilitate much-needed construction and additional targeted funding for infrastructure improvements in Freeport areas to level up communities and increase employment opportunities.

Most recently, we supported the UK-wide development and launch of the UK Shared Prosperity Fund on 13 April 2022, which will see places that need it most draw up plans this year to deliver on their local priorities, based on a conditional allocation of funding over the next three years. This represents the culmination of a concerted effort and joint working across government, with the devolved administrations in Scotland, Wales and Northern Ireland, and local partners across the UK. Through this fund, communities across the United Kingdom will benefit from £2.6 billion of funding to help spread opportunity and level up the country. As part of the fund, local areas across England will see £1.58 billion, Scotland £212 million, Wales £585 million and Northern Ireland £127 million made available.

The UK Government is committed to making the civil service representative of all communities across the UK. The UK government has committed to move 22,000 Civil Service roles from London and the South East to communities across the UK by 2030, including to UK Government Hubs in Scotland, Wales and Northern Ireland. In the recent Levelling Up White Paper, commitments and locations were published, with over 15,000 roles committed to move by 2025.

We are also delivering Government Manifesto (UK Parliamentary General Election 2019) and other Ministerial commitments as part of the Government's electoral reform agenda. The Government is seeking to strengthen the integrity of our electoral system and ensure that our elections remain secure, fair, modern, and transparent. The Government manifesto set out this commitment to protecting our democracy and ensuring that it remains fit for the modern age. This is a complex programme which we will continue to progress in 22-23.

Our achievements against the published Outcome Delivery Plan (ODP) for 2021-22 are outlined below, covering how we delivered against the programmes and projects outlined in the ODP.

What we achieved in 2021-22

Strengthening the Union

- **Strengthened the arrangements** through which **UKG engages with devolved governments and partners** across the UK via the recently agreed arrangements in the joint review of intergovernmental relations, which set out how the UK and devolved governments will work closely together to deliver for people across the whole of the United Kingdom.
- Continued to work collaboratively with the devolved governments across a wide range of areas. The **Intergovernmental Relations Annual Report**

highlights that there were over **440 intergovernmental ministerial meetings** alone in 2021.

- The **Secretary of State continued to meet regularly with First Ministers** of the devolved governments, including the recent first meeting of the Inter-ministerial Standing Committee.
- Worked very closely and at pace with the devolved governments and institutions to establish the **Homes for Ukraine Scheme**, supporting citizens across the UK opening their homes and providing them with security, stability and safety.
- **Supported the development of UK-wide growth funds**, ensuring these deliver for communities in all parts of the UK. In Autumn 2021, UKG announced the first allocations of these funds, providing **£450 million** to fund projects across Scotland, Wales and Northern Ireland through the Levelling Up Fund, the Community Ownership Fund and UK Community Renewal Fund.
- Worked with the Office for National Statistics to **deliver a new Concordat on Statistics**, which refreshes the commitment of the UK government and devolved governments to work together towards a more coherent statistical picture across the UK. Collecting and analysing data that is comparable UK-wide allows us to share evidence and learning with each other, to support better outcomes for citizens across the whole of the UK.

- Continued to deliver on our ambitious **programme to increase the devolution capability of civil servants** across the UK, delivered in collaboration with devolved governments and UK Government Departments. Our work also includes a commitment to **increase meaningful intergovernmental loans and secondments** to improve intergovernmental working which is reflected in the Government Statement of Reform. There is ongoing work taking place across government in support of this, with a number of these changes building on recommendations made by Lord Dunlop in his review of UK Government Union Capability. For example, each UK Government department now has a nominated non-executive director with responsibility for the Union, with these non-executive directors supported by the Department for Levelling Up, Housing and Communities.
- The **Union Strategy Committee,** chaired by the Prime Minister and supported by the Union Policy Implementation Committee, chaired by the Secretary of State for Levelling Up, Housing and Communities and the Minister for Intergovernmental Relations have continued to meet throughout the year, and are **focused on ensuring that the Union is at the heart of UK Government decision making.**

Reforming the constitution and sustaining our democracy

- As part of the **Electoral Integrity Programme, delivered the May 2021 elections effectively and safely**, implementing Covid-19 safeguards.
- Introduced the **Elections Bill to Parliament** in July 2021 to support the delivery of the government's manifesto commitments on electoral integrity and our wider democratic system.

6. Strategic Enablers

We continued to strengthen our corporate centre and functional performance to enable the delivery of our strategic priorities. This includes a continued focus on ensuring we have skilled, diverse and high-performing people, who are supported and trusted by empowering and inclusive leaders.

We made strong progress against our Places for Growth ambitions, increasing the number of roles based out of London by more than 100% against our March 2020 baseline. Our primary focus has been in Wolverhampton, where we successfully opened our new Headquarters in November. We have also established new offices in Edinburgh and Cardiff and will move into a new office in Northern Ireland in 2022.

In line with the Government's Working Safely during COVID-19 Guidance, we carried out safety risk assessments across all the department’s properties and reconfigured spaces to put in place COVID-19 safety measures. This resulted in reduced office capacity. These measures were reviewed on an ongoing basis as guidance was revised throughout the year and all our offices were operating at full capacity by the end of the year with the exception of Cardiff, reflecting the different rules that remained in place across Wales.

We also supported the efficiency and security of the department through investment in technical solutions, from the date the lockdown was announced all staff were enabled to work from home using their standard issued office equipment. From day one due to the comprehensive technical solution in place colleagues were able to operate seamlessly and securely either from home or from the office. All offices have full hybrid facilities, which continues to build on our core tenet of a place-based department by removing geographical boundaries.

Cyber Security continues to be a priority for the department, and we have worked closely with relevant government agencies, including Government Internal Audit Agency (GIAA), to ensure that the standards we operate to are in line with the targets set for government departments.

The development of digital services in the department continues to be a core focus. We have developed the citizen-facing energy performance service. This year this service moved from public beta to live, one of only a handful of government services to do so, and pivotal to this was the requirement to demonstrate that we had a sustainable plan to meet user needs in the future. We are continuing to develop digital services which inform leaseholders on building safety remediation, streamline our funding processes across the department and streamline our data collection processes with local authorities

As part of our stewardship responsibilities, we also provided digital services across our Arm's Length Bodies and assured compliance with government digital service standards.

We are continuing to strengthen our governance and the controls we have in place around the delivery of our major programmes. We have established portfolio boards to monitor and drive progress against each of our outcomes, strengthened the role and process of our Investment Sub-Committee, and begun implementing a new Risk Action Plan and Delivery Improvement Plan to mature our management of risks and major projects. We continued to experience issues with underspending and, as such, improvements in forecasting are a significant priority for the coming year.

What we achieved in 2021-22

Workforce, skills and location

- Following the launch of our departmental **Capability Strategy** in May 2021, a series of foundational activities have been undertaken to begin **increasing capability** and **become a learning organisation**. Achievements include the launch of the DLUHC Learning hub, bringing in additional capacity via skills-based recruitment campaigns and developing the skills of existing colleagues.

- We concluded a **successful external apprenticeship recruitment campaign**, resulting in the recruitment of **36 apprentices in London and Wolverhampton** across the policy and project delivery professions. The department achieved **68 apprenticeship starts in 2021-22**, which is slightly below our annual apprenticeship target of apprenticeship starts equating to 2.3% of our workforce size (including our Civil Service Arm's Length Bodies) but represents a significant improvement on 2020-21, when nine starts were achieved.

- The department received the results of the **2021 Civil Service People Survey** in December. The response rate this year was slightly lower at **88%** in line with a general decrease across the Civil Service, but still well above the Civil Service benchmark (75%). Our employee engagement index remained very positive at 66%.

- Of the 16 largest government departments, **DLUHC is now first for Learning & Development, and joint first for My Manager themes.** We increased our investment in growing professional skills in DLUHC, especially in delivery where we expanded the number of project and programme leadership development placements within our senior team.
- We are working closely with the Government Skills and Curriculum Unit and Civil Service HR on **implementation of centrally led skills initiatives set out in the Declaration on Government Reform**. In particular, we set provisional targets for expanding inward and outward secondments during 2022 to a level that will cumulatively represent 10% of our SCS and 5% of our G6 and G7 workforce (using January 2022 as the baseline), and we have included inward secondments as a recruitment option as part of our high-profile campaign to recruit Levelling-Up Directors.
- As part of this work, we have also **developed an exchange initiative with the District Councils' Network** to build stronger and deeper connections between DLUHC and our local authority partners. The programme provides a mechanism for bringing place-focused perspectives into DLUHC's work, while also helping to develop functional and leadership skills in the next generation of local authority leaders.

Colleagues are in place or in the process of onboarding.

- We **opened offices in Edinburgh, Wolverhampton, Leeds, Birmingham and Cardiff, with an office in Northern Ireland to follow** shortly. We became **operational in the Darlington Economic Campus** with **c40 colleagues** in place or in the process of onboarding, out of a target of 30 for 2021-22.
- The percentage of **Senior Civil Servants based outside of London increased** from 6% (headcount of 7) in March 2020 to **15%** (headcount of 26) as at March 2022, as we progress towards a target of 37.5% by 2025 and 50% by 2030 in DLUHC.

Innovation, technology and data

- As a department of place, we have focused on ensuring that our people can work from any UK location. We **invested significantly on collaboration and audio-visual** to ensure that the tools deployed enable the **inclusive working model** that the department has set out. In addition, our solution has proved extremely robust with no downtime experienced by users.
- We continued to maintain and **invest in cyber protection**. We are aligned with the Government Security Group, attained a green audit review from GIAA on cyber and towards the end of the year, we successfully utilised protocols and policies in response

to cyber threats and global software vulnerabilities, and latterly the heightened awareness as a result of Ukraine.

- We developed a **new modular digital funding service design** which is currently in beta. Work has been carried out on parking appeals, electoral integrity and support for leaseholders on building safety. In addition, we started to automate and improve elements of our internal services, such as our business case approvals process, the management of correspondence and onboarding of resources.
- Our proposed Digital Land platform passed its Alpha assessment in January 2022. We **launched a local plans pathfinder** in June 2021, awarding **£800k to 10 Local Planning Authorities (LPAs)** to look at sites data, test a new style local plan prototype, and understand the barriers LPAs might have to make the data needed for local plans available.
- We added roughly **120,000 pieces of data**, from 370 new resources and across 20 different datasets, to our **Planning Data Platform**. The **PropTech Engagement Fund** was launched with 2 rounds of funding totalling **£4.35 million**, working with 46 LPAs to accelerate adoption of digital citizen engagement tools and best practices. We have finalised our legal clauses to enable a data-driven planning system, which has been an exciting journey taking lessons learnt from projects over the past 2-3 years.

- Finally, our digital planning software moved into beta with a new phase of collaboration and delivery with local planning authorities and software providers. In January 2022, we continued to build on the success of the **Reducing Invalid Planning Applications (RIPA)** and **Back Office Planning System (BOPS)** private beta launch, by **announcing 8 new councils joining the projects.** We also launched the incumbent software Expression of Interest, with 8 councils leading new Pathfinder projects that will explore ways to enhance their planning services by working closely with existing software providers.
- A notable service that was developed this year was the **design and build of the Energy Performance Certificate (EPC) service;** a service which is end-user facing and has generated a significantly improved and lower cost user experience. We have also continued to iterate the grant funding service seeking ways to further enhance this service. Our Cyber Support programme has continued to prioritise remediation in high-risk councils. On top of £4.4 million funding in 2020-21, in 2021-22 we provided a **further £9.5 million** of grant funding to an additional 79 councils to help them mitigate cyber security vulnerabilities and facilitated access to specialist cyber support and expertise to help drive improvements.
- The **Local Digital Fund** provided **£4.6 million** over 2021-22, which supported the development of modern

software and services for councils. These new software and services are cyber secure, efficient and better meet the needs of citizens. The funding has supported nine new projects and provided continued funding for the further development of eight projects

- This year we appointed our **new Chief Data Officer**, with an initial focus on developing the levelling up data strategy, but a remit that spans the department in totality. Our ambition moving forward is to ensure that we have internal and external data services that drive improved policy and increase efficiency. As a data centric department, we have invested in improving how we collate data from multiple sources in an efficient and effective manner to enable it to be ingested and then used for enhanced decision making. Our case level data service is currently in beta.
- Working in partnership with Homes England, we made significant progress on **linking multiple, detailed data sources on land and property to** enrich our evidence for various Departmental policy priorities. For example, we developed re-usable methods to merge property-level data from Ordnance Survey, Land Registry and DLUHC's Energy Performance Certificates registers and provided important new insights for the Building Safety Programme and to assess the impact of Leasehold Policy reform options. We will continue to refine and extend these methods

as we apply them to additional policy priorities, particularly around Levelling Up.

- We have developed a **competency framework for the data skills we want our people to develop**. We also have a medium-term goal to establish skills profiles across the Department that will enable the skills gap in this area to be quantified. This has been supported by the addition of data and analytics courses to the department's Learning Hub to enable people to develop the competencies.

Delivery, evaluation and collaboration

- We developed the first **Outcome Delivery Plan (ODP)** for the department, approved by Cabinet Office, articulating our priority outcomes and how they will be delivered.
- We made improvements to the effectiveness of the **Investment Sub-Committee (ISC)** during the year. We introduced an enhanced quality assurance process with functional representatives required to provide feedback on each case submitted, and a requirement for the responsible SRO or Director to attend the ISC meetings. This has improved the quality of cases considered by ISC.
- We **reported monthly on progress in delivery against the department's priority outcomes** to portfolio boards, the Executive Team, and the Secretary of State (from October 2021), with quarterly

reporting to the Non-Ministerial Board. Departmental reporting is being improved over the next year to better meet the needs of the new department.

- We provided **timely reporting** in response to Cabinet Office central reporting commissions on the **ODP** (quarterly), **Prime Ministers Top 35 programmes** (monthly) and **Sustainable Development Goals** from FCDO (bi-annually).
- We developed a **Delivery Improvement Plan (DIP)** in conjunction with the Infrastructure and Projects Authority (IPA) to **enhance project delivery** across the department with a focus on three areas – people, principles and performance, which align with the IPA's mandate and the Project Delivery Functional Standard. Actions in the DIP include scheduling a series of major project assurance reviews led by the Accounting Officer, strengthening our capability and culture around major project delivery, a new stage gate and assurance process to better align internal assurance with the project delivery lifecycle, and new tools for the end-to-end project delivery process.
- The department again had **significant challenges with underspend** this year of just over **£2 billion**, including £1.5 billion surrendered or reprofiled in the Supplementary Estimates. Within this, around £1bn is attributed to a one-off instance of advance payments made to the GLA for the Affordable Housing Programme, which we uncovered during the year as

we looked to strengthen governance and focus on delivery. Additionally, there was significant underspend in the Building Safety Fund, reflecting some inherent uncertainty on timing and ongoing efforts to refine assumptions and enhance modelling. Nevertheless, the department is addressing its concerns around forecasting and ensuring that accountabilities are effective.

- DLUHC is an active participant in the functional standards that are led from Cabinet Office. In the last two **SCS functional performance surveys**, we have **scored highly** on both completion rates and how well the functions work together. The Analysis, Commercial and Digital functions were amongst the highest scoring functions across departments in the most recent survey.
- This year, we worked with the Cabinet Office to pilot a new process to assess **Coordinated Function Delivery**, which has since been **rolled-out across Whitehall**. In addition, a series of deep dives were held in the year with a targeted number of key functions to assess performance against their functional standard and agree on priorities for continuous improvement.

Sustainability

- The Government Property Agency (GPA) is the Department’s property delivery partner. GPA take the lead in setting Net Zero and related sustainability standards for our offices and are committed to delivering to them. GPA deliver and manage all our estate to meet these standards. In the past year, the Department has **opened new offices in Edinburgh, Cardiff, Leeds, Wolverhampton, Birmingham and Darlington.** GPA has begun a programme of **Net Zero upgrades** in locations where we have no immediate intention to move.

- The newer offices on the estate, including our headquarters in Wolverhampton, are already configured in line with Government Property Agency (GPA) best practice to **support effective smarter working**. We have a **programme** in train to bring many of the remaining offices, including our London Headquarters, to this standard by the end of 2023. This will remain a key focus as we shift the department to more **flexible working practices** and operating across multiple sites.
- **Smarter Working** enables significant reductions in **carbon consumption** through less commuting and business travel. We have seen an increasing number of staff take advantage of the smarter working facilities and practices we have put in place to allow a blend of office and remote working. During the year investments have been made to provide enhanced audio-visual equipment in all offices, with training provided to staff. There were 8 office projects completed in the year.

EU Exit Transition

Housing

- Following the end of the Grace Period on 30 June 2021, we published a revised Allocation of Accommodation Statutory Guidance and Homelessness Code of Guidance in July 2021 to clarify that local authorities should treat certain EEA and Swiss nationals who apply to the EU Settlement Scheme after 30 June 2021 as eligible for social housing and homelessness assistance.
- We made further changes to eligibility regulations on the Allocation of Housing and Homelessness in England in March 2022 so that people fleeing the Russian invasion of Ukraine and granted leave under the Ukraine Family Scheme, Homes for Ukraine Scheme and Ukraine Extension Scheme are eligible for social housing and homelessness assistance.
- COVID-19 and EU Exit have had some impact on the housebuilding sector although this is not always easy to disentangle. We closely monitor analysis from the sector, and maintain a continuous ongoing dialogue with the housebuilding sector – including housing associations, developers of different sizes, supply chain and investors – to develop as clear a picture as possible.

Local Government and Resilience

- DLUHC has continued to work with other government departments to ensure that transition funding requirements for local authorities are considered and provided. DLUHC has also worked to ensure that the local authority perspective is highlighted and recognised regarding the implementation of the remaining transition milestones around Sanitary and Phytosanitary (SPS) import controls, which will come into effect in 2022.
- DLUHC has worked closely with Kent Resilience Forum, and local responders in other port areas, as they prepared for and responded to the impacts of changes to border checks across the short straits.

Building Safety

- Policy development and engagement with stakeholders continues to ensure a successful implementation of the end of recognition of CE marking for construction products in January 2023.

Challenges facing the department

The principal risks facing the department are articulated in the Governance Statement on page 150. These include risks around Local Government capacity and funding, project delivery capacity and capability, strategy risks e.g. ambitious legislative timetable, as well as financial risks. Specific risks and issues faced in the delivery of our outcomes are outlined in the sections above.

This section highlights some cross-cutting challenges for the year ahead, which we expect to be at least as challenging for delivery as previous years, and potentially more so. The department and economy are still dealing with impacts of COVID-19; and the invasion of Ukraine has led both to new responsibilities for the department (notably Homes for Ukraine), as well as compounding difficulties in the operating environment experienced by others too (e.g. inflation, supply chain constraints, risk of cyber-attack, and general uncertainty). In this context, the ability of Local Government to deliver effectively remains one of the department's top risks and is closely monitored.

Inflation

As budgets are set in nominal terms, rising prices risk reducing expected delivery across most areas of the department's business, compounded in some instances by supply chain challenges (see further on housing and levelling up above). The Government is taking steps to place a renewed focus on efficiency, to ensure that departments can continue to deliver on their commitments, despite inflationary pressures.
The Department will monitor and manage its resources to accommodate anticipated inflationary pressures, including reviews with HM Treasury.

Corporate challenges

The year ahead will be our first full year of implementing hybrid working, following the return to office working. The department has a designated senior lead for hybrid working, who is also making refurbishments to support a smarter working environment with flexible digital solutions.

The reduction to the size of the Civil Service will need careful management to minimise risks.

We will continue our focus on strengthening project delivery across the department, progressing the actions in our Delivery Improvement Plan, including a new programme of major project assurance reviews for the Accounting Officer, a new stage gate and assurance process, strengthening project delivery capability and culture, and new tools for the end-to-end project delivery process. Alongside this, the department is continuing to address its concerns around forecasting to reduce underspends in 2022-23 and ensure that accountabilities are effective.

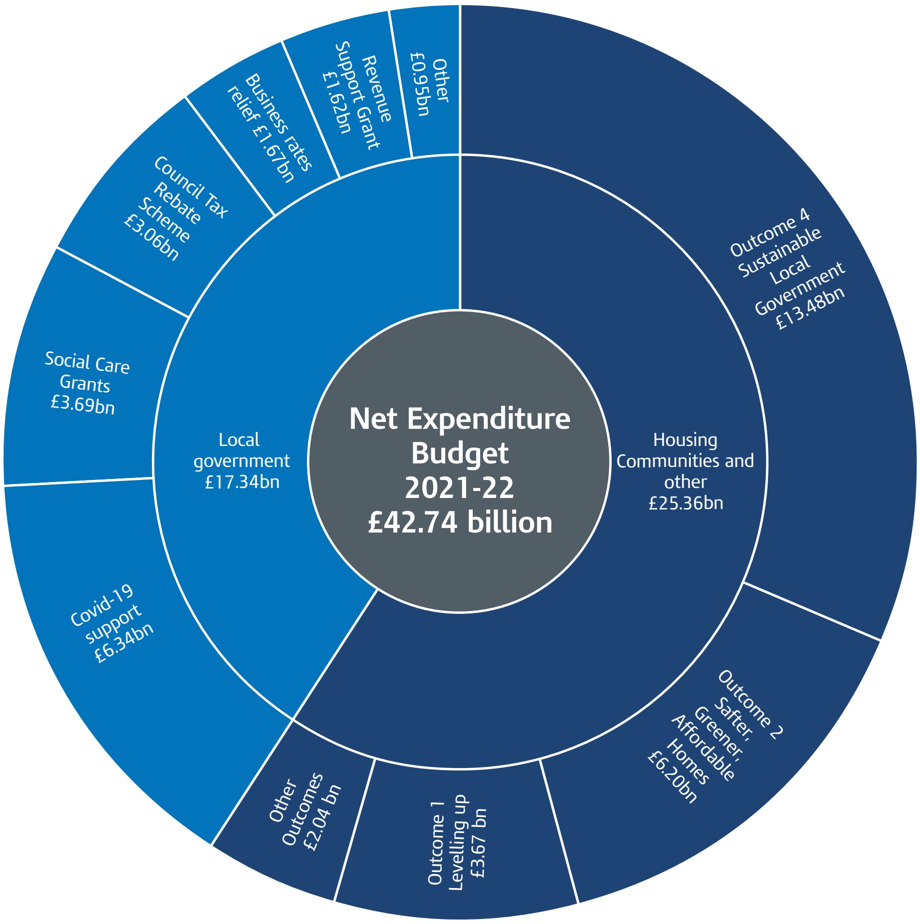
Our Expenditure and Financial Position

Group Budget 2021-22

This section and the diagram below represent the 2021-22 Departmental Group budget. Actual expenditure compared to budget can be found on page 253.

Our **total net expenditure budget of £42.74 billion**[1] is shown in the centre of the diagram. This is then split between two segments; local government (£21.45 billion: £21.49 billion expenditure offset by £0.04 billion income) and other priority outcomes as shown on page 11 (£21.29 billion: £30.64 billion expenditure offset by £9.35 billion income). The outer circle shows the main components of spend within each segment.

Figure 6: Net Expenditure Budget 2021-22



Local Government: Local government funding is provided to local authorities and the majority can be

1 https://www.gov.uk/government/publications/supplementary-estimates-2021-22

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 (£1.67billion);
- COVID-19 Support (£10.46 billion, of which £5.83 billion relates to Expanded Retail Discount programme, £2.49 billion to support lost revenue and the remainder to relieve additional pressures arising from the pandemic; offset by £5.6 billion in recovery of Business Rate Relief funding provided to local authorities during the pandemic);
- Social Care grants including the improved Better Care Fund (£3.69 billion);
- Council Tax Rebate Scheme (£3.06 billion)
- the Revenue Support Grant (£1.62 billion); and
- other smaller grants (£0.95 billion).

Other grants schemes include Localising council tax new burdens, Fire pension, Redmond review, fees and charges support and lower tier services grants which are all administered by DLUHC.

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

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

our priority for a sustainable and resilient local government sector that delivers priority services and empowers communities(£9.37 billion), to raise productivity and empower places so everyone can benefit from levelling up (£1.95 billion), and more, better quality, safer, greener and more affordable homes (£1.48 billion) Other housing and communities spend (£1.16 billion) includes our strategic priorities ending rough sleeping (£0.67 billion); and our running costs (£0.48 billion).

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 253 but the diagram above includes AME budgets attributed to the strategic area that they relate to.

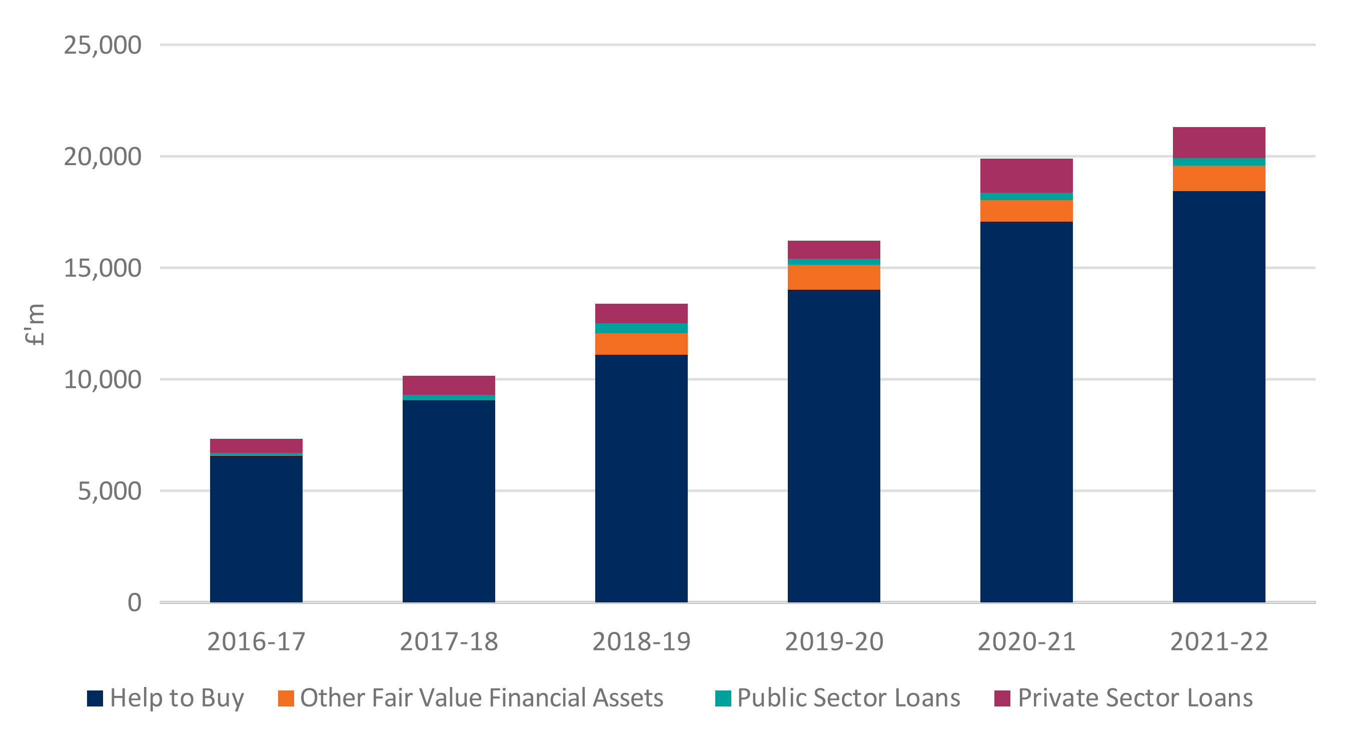
Further detail on the department's budgets can be found in the Parliamentary Accountability and Audit Report from page 243.

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: DLUHC Financial Assets



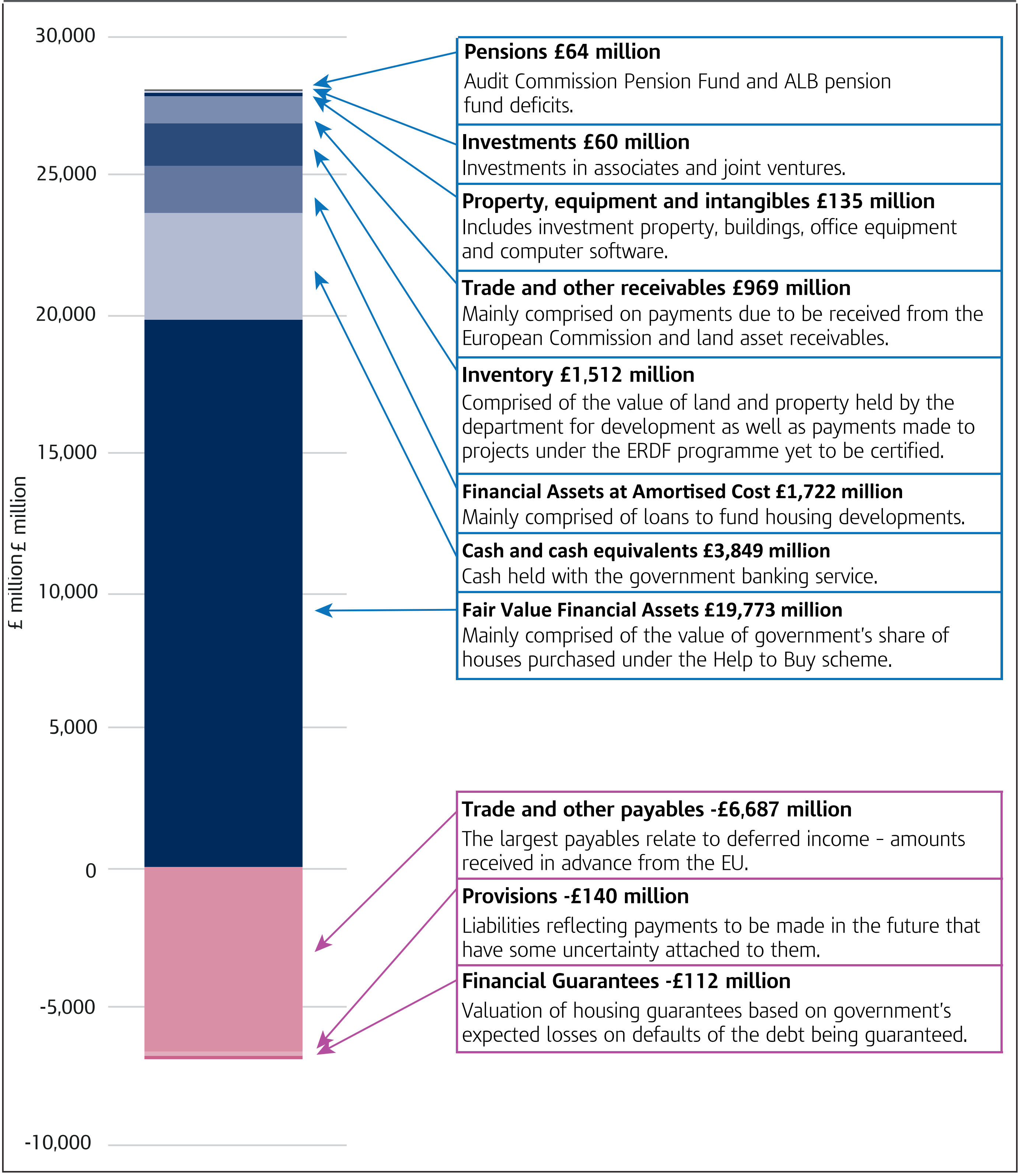
Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2022 (page 308) 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 2022



Managing our key risks

DLUHC 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 150.

Area	1. Strategic Risk	2. Financial Risk	3. Operational Risk
Examples	Programme design and delivery; Reputation and external Stakeholders; External Events; Capability, capacity and resources	Non-recovery of loans; Write-down of assets or liabilities; CDEL Impact; AME Impact	Personal Misconduct; Regulatory Compliance; 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

DLUHC's Property Function acts as an Intelligent Client Function to align the department's estates strategy and plans for operational delivery through the Government Property Agency (GPA). Increasingly, DLUHC's presence is based around the GPA's Hub locations. GPA are responsible for FM supplier management, the introduction of improved best practice on asset condition and take the lead in setting and delivering estates related Net Zero and related sustainability standards. In the past year the Department has made a number of office moves into more modern and energy efficient buildings.

For example, we opened a new second HQ in Wolverhampton, and new offices in Edinburgh and Cardiff (with a new office in Northern Ireland to open shortly).

We have also moved into temporary premises in the Darlington Economic Campus, along with HMT and several OGDs. We also moved to a new GPA Hub in Birmingham and a new HMRC property in Leeds.

The Department is in the process of introducing Smarter Working which allows people to make the choices about their working patterns and includes a blend of home and office working. This will enable significant reductions in carbon consumption through reduced commuting and business travel. Next our Smarter Working investment plans will turn to the refurbishment of our London HQ.

Our Overall GGC performance

In 2021-22 the department saw a decrease in gas, electricity and water use from 2020-21. 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. These targets were updated during 2021-22 with a new target period to 2025. The greenhouse gas emissions target for the department is a reduction of 47% in total emissions and 25% in direct emissions compared to a 2017-18 baseline.

In 2021-22, DLUHC met the GGC targets for greenhouse gas (GHG) reductions, reduction in overall waste production and water consumption but are yet to record meeting the waste to landfill or recycling targets.

The data below shows the department's present position for the financial year 2021-22 against a 2017/18 baseline (unless otherwise stated). Environmental data is for a

12-month reporting period from January 2021 to December 2021. In accordance with annual reporting conventions across other UK Government departments, the Department's non-financial indicators are complied using data from the final quarter of the previous reporting year plus the first three quarters of the current reporting year. 2020-21 non-financial indicators have been restated to include actual environmental performance for the 2020-21 financial year.

The GPA was responsible for managing the department's property portfolio in 2021-22. However, overall responsibility for sustainability remains with the DLUHC executive team.

In order to report the greenhouse gas emissions associated with activities, 'activity' data such as distance travelled, litres of fuel used or tonnes of waste disposed has been converted into carbon emissions.

As a result of the Covid-19 pandemic, attendance at offices during the 2020-21 and 2021-22 financial years was lower than usual. This has impacted the result against target reductions in the following tables.

Summary of greenhouse gas emissions performance

Requirement (from the 17/18 baseline unless otherwise stated)	2017-18 performance	2018-19 performance	2019-20 performance	2020-21 performance	2021-22 performance	Achievement against target
Reduce overall greenhouse gas (GHG) emissions by 47%	10,057	32%	34%	56%	63%	Emissions have reduced and the target is currently being met
Reduce direct greenhouse gas (GHG) emissions by 25%	1,964	12%	8%	23%	36%	Emissions have reduced and the target is currently being met
Reduce the overall amount of waste generated by 25%	631	-35%	-39%	63%	63%	Waste has reduced and the target is currently being met
Reduce the amount of waste going to landfill to less than 5%	2%	5%	3%	5%	9%	The amount going to landfill has increased compared to the baseline. The target is yet to be met.
Increase the proportion of waste which is recycled to at least 70% of overall waste	54%	76%	68%	71%	57%	The amount of waste recycled has reduced compared to the baseline. The target is yet to be met.
Reduce water consumption by at least 8%	58,965	-17%	-21%	19%	26%	Water use has decreased and the target is currently being met

Greenhouse gas emissions

The department has decreased its total in-scope gross greenhouse gas (GHG) emissions by 63% since the 2017-18 baseline year.

Greenhouse gas (GHG) emissions		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators (tCO_2e)	Total Gross Scope 1 (Direct) GHG emissions**	1,964	1,727	1,800	1,504	1,250
	Total Gross Scope 2 (Energy indirect) emissions	6,407	3,514	3,265	2,365	1,883
	Total Gross Scope 3 (Official business travel) emissions	1,686	1,621	1,597	517	593
	Total emissions – Scope 1, 2 & 3	**10,057**	**6,862**	**6,662**	**4,386**	**3,726**
Non-financial indicators (MWh)	Electricity: non-renewable	4,350	0	0	0	238
	Electricity: renewable	13,874	12,413	12,773	10,144	8,609
	Gas	6,639	8,014	8,468	8,088	6,861
	Gas oil	1,677				
	Steam					29
	Total energy	**26,540**	**20,427**	**21,241**	**18,232**	**15,557**
Financial Indicators* (£)	Electricity	N/A	N/A	N/A	N/A	626,434
	Gas	N/A	N/A	N/A	N/A	78,602
	Total Energy	N/A	N/A	N/A	N/A	705,036
	Total expenditure on official business travel	N/A	N/A	N/A	N/A	536,638

* DLUHC are minor tenants in all the buildings occupied. Costs of energy are shared between all tenants. The financial indicators are an estimated apportionment based on information provided by facilities management providers.

Waste minimisation and management

Waste production 2021-22

Waste			2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators (tonnes)	Hazardous waste		–	–	–	–	–
	Non-hazardous waste	Landfill	12	40	28	12	20
		Reused/ recycled	340	643	596	165	133
		Composted	107	99	196	30	25
	ICT waste	Reused	–	–	–	–	–
		Recycled	–	–	–	–	–
	Incinerated with energy from waste		172	67	55	27	56
	Total waste		**631**	**849**	**875**	**234**	**234**
Financial Indicators* £	Waste Management Services		N/A	N/A	N/A	N/A	128,660

* DLUHC are minor tenants in all the buildings occupied. Costs of waste management are shared between all tenants. The financial indicators are an estimated apportionment based on information provided by facilities management providers.

Waste has been reduced by 63% since 2017-18, and 9% of waste is currently sent to landfill. Where data is not available on waste routes for a site a conservative approach has been taken to assume 100% goes to landfill. On sites where actual data or confirmation of waste routes is available to establish an estimate, the amount to landfill is 2.9%.

Paper

Paper Consumption		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	Reams	8,883	11,603	16,881	2,886	7,037

Consumer Single Use Plastics (CSUP)

CSUPs*		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	Number of items	N/A	N/A	N/A	N/A	55,655

*CSUPs are consumer single use plastics; data was not collated prior to 2021/22 and the data is for Q1-Q3 of procurement only

Finite Resource consumption 2021-22

Water		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	Total water consumption (m^3)	58,965	68,800	71,255	47,773	43,427
Financial Indicators* (£)	Water expenditure	–	–	–	–	8210

Water consumption has reduced by 26% since 2017-18. DLUHC are minor tenants in all the buildings occupied. Costs of waste management are shared between all tenants. The financial indicators are an estimated apportionment based on information provided by facilities management providers.

Business Travel

Domestic Flights

Domestic Flights		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	Emissions (Tonnes CO_2eq)	29	42	49	0	4

International Flights

International Flights		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	Emissions (Tonnes CO_2eq)	N/A	N/A	N/A	5	1

Ultra-low emission vehicles

ULEVs**		2017-18	2018-19	2019-20	2020-21 restated	2021-22
Non-financial indicators	% of overall fleet	N/A	N/A	N/A	N/A	53

Future look – net zero

During the next year GPA will be rolling out a range of net zero interventions in properties that DLUHC occupy, including lighting in London Marsham Street and assessing further works at Nottingham Apex Court and Bristol Temple Quay House.

Other Sustainability Commitments

Sustainable Procurement

All Procurement staff are required to complete annual training and an assessment to demonstrate their understanding of the importance of ethical procurement and sustainable supply chain practices. Identified procurement champions undertake more advanced training and can provide more in-depth sustainability advice across the procurement life cycle.

Our internal procurement guidance and checklists support the application of all relevant sustainable procurement policies in our tenders. This includes Government Buying Standards (GBS), social value (PPN 06/02), modern slavery (PPN 05/19) and supplier carbon reduction plans (PPN 06/21).

Sustainability requirements have been enhanced in our model service terms and conditions, introducing additional sustainability requirements, for example supporting the Public Sector Equality Duty, in line with PPN 01/13 – Public sector equality duty, PPN 06/21 – carbon reduction, the Supplier Code of Conduct v.2 and the Government Buying Standards.

Reducing Environmental Impacts of ICT and Digital

All ICT procurements contain a section on green requirements, which incorporates a wide variety of information demonstrating supplier's compliance with the department's objectives of reducing carbon emissions and tackling climate change. In addition, technology driven steps to support our shift to smarter working, such as a switch to using MS Teams for our telephony services, reduces our overall power consumption, and save on telephony costs.

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.

Sustainable Construction

Government Property Agency (GPA), who manage DLUHC's estate have published a Net Zero and Sustainability Annex to their design guide. This sets out the ambitions for both new buildings as well as major refurbishments they undertake on behalf of DLUHC. The guide includes consideration of carbon emissions from construction and operation as well as Building Research Establishment Environmental Assessment Method targets.

Small and Medium Sized Enterprises (SMEs)

The Group reported **33.5**% of its total procurement spend was made to SMEs during the 2020-21 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. GPA is, however, actively exploring opportunities to undertake biodiversity actions within the office spaces occupied.

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

During 2021/22 GPA has undertaken a series of cross functional discussions on climate change adaptation and will be undertaking further assessment in the next few months in order to refine any further detailed action plans needed. We expect them to share their findings with us as the work progresses.

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 (2022) 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 D sets out the financial assistance provided by the Secretary of State under this power for the year 2021-22, totalling £11.3 million (2020-21: £28.3 million).
- One complaint against the department was accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2021 to 31 March 2022.
- In 2021-22 the department processed 13,532 (2020-21 14,553) items of correspondence from members of the public that were answered by officials. Of these, 57% (2020-21 44%) of letters requiring a response were replied to within our target of twenty working days.

Jeremy Pocklington CB **15 July 2022**
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

During 2021-22 the department consisted of the core department and fourteen 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, the Permanent Secretary, Second Permanent Secretary, and the Chief Financial Officer, met two times in the year rather than quarterly, owing to the pandemic and ministerial changes following the Machinery of Government (MoG) change. Each member's attendance at Departmental Board meetings is noted below. The Board's role is to provide collective strategic and operational leadership for the department's business. It supervises five key areas: strategic clarity; commercial sense; talented people; results focus; and management information. The department also has a Non-Ministerial Board which met three times in 2021-22. The Non-Ministerial Board is chaired by the Lead Non-Executive Director. It is attended by the Executive Team and Non-Executive Directors. Its role is to review the department's capability to deliver its priorities and to scrutinise and advise on key performance measures to drive delivery and improvements.

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/department-for-levelling-up-housing-and-communities.

Our Ministers as at 31 March 2022[3]

The Rt Hon Michael Gove MP*

Secretary of State for Levelling Up, Housing, and Communities and Minister for Intergovernmental Relations. Chair of the Departmental Board

From 15 September 2021

Attended 2 of 2 board meetings

The Rt Hon Stuart Andrew MP*

Minister of State for Housing

From 08 February 2022

Attended 1 of 1 board meeting[4]

3 Attendance records relate to Ministerial Board meetings.

4 Joined the department after the first Board meeting in 2021-22.

Kemi Badenoch MP*

Minister of State for Levelling Up Communities and Minister for Equalities

From 16 September 2021

Attended 2 of 2 board meetings

Eddie Hughes MP

Parliamentary Under Secretary of State for rough sleeping and housing

From 13 February 2021[5]

Attended 2 of 2 board meetings

Lord Stephen Greenhalgh*

Minister of State for Building Safety and Fire

From 18 March 2020[6]

Attended 1 of 2 board meetings

Neil O'Brien MP

Parliamentary Under Secretary of State for Levelling Up, The Union and Constitution

From 19 September 2021

Attended 2 of 2 board meetings

5 Started as a minister in the former Ministry of Housing, Communities and Local Government

6 Started as a minister in the former Ministry of Housing, Communities and Local Government

Lord Richard Harrington[7]

Minister of State for Refugees

From 8 March 2022

Attended 0 of 2 board meetings

*Rt Hon Greg Clark MP was appointed as the new Secretary of State in July 2022, replacing Rt Hon Michael Gove MP. Additionally, Rt Hon Stuart Andrew MP, Kemi Badenoch MP, Neil O'Brien MP and Lord Stephen Greenhalgh resigned from their ministerial positions in July 2022. Marcus Jones MP and Paul Scully MP were appointed as Ministers of State, and Lia Nici was appointed as Parliamentary Under Secretary of State in July 2022.

7 Is not a Departmental Board member – attended two meetings during the year

Our Non-Executive Directors

Pam Chesters CBE

Non-Executive Director

Attended 2 of 2 board meetings

Jeffrey Dodds

Non-Executive Director

From 12 April 2021

Attended 2 of 2 board meetings

Dame Mary Ney DBE

Non-Executive Director

Attended 2 of 2 board meetings

Dame Alison Nimmo DBE

Interim Lead Non-Executive Director

From 12 April 2021

Attended 2 of 2 board meetings

Lord Gary Porter CBE

Non-Executive Director

From 7 June 2021

Attended 2 of 2 board meetings

Our Executive Directors

Jeremy Pocklington

Permanent Secretary

Attended 2 of 2 board meetings

Sue Gray

Second Permanent Secretary, Union and Constitution

From 8 December 2021

Attended 2 of 2 board meetings

Matt Thurstan

Director General, Chief Financial Officer and Corporate

Attended 2 of 2 board meetings

Emran Mian[8]

Director General, Cities & Local Growth Unit

Catherine Frances[9]

Director General, Local Government, Resilience and Communities

Richard Goodman[10]

Director General, Safer & Greener Buildings

8 Is not a Departmental Board member – attended two meetings during the year

9 Is not a Departmental Board member – attendance is only required when item relates to work area

10 Is not a Departmental Board member – attendance is only required when item relates to work area

Will Garton[11]

Director General, Levelling Up

From 28 March 2022

Simon Claydon[12]

Director, People, Capability and Change

From 7 June 2021

Kay Withers[13]

Director of Strategy

From 31 January 2022

Other Ministers who served in the department during 2021-22 were:

- MP Robert Jenrick, Secretary of State for Housing, Communities, and Local Government, from 24 July 2019 to 15 September 2021. Attended no board meetings.
- MP Luke Hall, Minister of State for Regional Growth and Local Government at the Ministry of Housing, Communities and Local Government from 27 July

11 Is not a Departmental Board member – attendance is only required when item relates to work area

12 Is not a Departmental Board member – attendance is only required when item relates to work area

13 Is not a Departmental Board member – attendance is only required when item relates to work area

2019 to 15 September 2021. Attended no board meetings.

- MP Christopher Pincher, Minister of State for Housing, at the Department for Levelling Up, Housing and Communities (formally the Ministry of Housing, Communities and Local Government), from 13 February 2020 to 8 February 2022. Attended one board meeting.

Other Non-Executive Directors who served in the department during 2021-22 were:

- Michael Jary, Lead Non-Executive Director from 1 February 2019 to 31 March 2022. Attended two board meetings.

Other Executive Directors who served in the department during 2021-22 were:

- Ruth Bailey, Director of People, Capability and Change from 4 March 2019 to 21 June 2021. Attended no board meetings.
- Lise-Anne Boissiere, Director of Strategy from 20 April 2017 to 31 January 2022. Attended one board meeting.
- Tracey Waltho, Director General for Housing and Planning to 4 March 2022.

Directorships and Significant Interests

Details of directorships and other significant interests held by Ministers are set out in the List of Ministers' Interests which are available on https://www.gov.uk/government/publications/list-of-ministers-interests and the Register of Members' Financial Interests held on the UK Parliament website at: https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/registers-of-interests/register-of-members-financial-interests. Details of directorships and other significant interests held by members of the DLUHC Board can be found at https://www.gov.uk/government/publications/dluhc-register-of-board-members-interests. The Department provides information to individuals who hold appointments in outside organisations where a conflict of interest might arise or might be perceived.

Related Party Transactions & Conflicts of Interest

The names and titles of all Ministers and Related Parties who had responsibilities for the department during the year, are provided above. All potential conflicts of interest for non-executive board members are considered on a case-by-case basis. Where necessary, measures are put in place to manage or resolve potential conflicts. The board has agreed and documented an appropriate system to record and manage conflicts and potential conflicts of interest of board members. Where applicable, the board will publish in this Governance Statement, all relevant interests of individual board members and how any identified conflicts, and potential conflicts, of interest of board members have been managed. Any significant Related Party Transactions associated with the interests of Ministers or board members, are shown in Note 22 – Related Party Transactions. No Minister, board member, key manager or other related party has undertaken any material transactions with the Department of Levelling Up, Housing and Communities during the year.

Auditor

The core, agency, arm's length bodies 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 £1,100,000 of which £640,000 is a cash charge and £460,000 is a notional charge (2020-21: £1,023,000 of which £598,000 was a cash charge and £425,000 was a notional charge).

The audit fee for the core department is £330,000 (2020-21: £295,000), broken down as £305,000 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. The increase reflects the additional complexity of the Department’s audit following the Machinery of Government transfer of functions.

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 (2020-21: £41,000)
- Levy Account: £8,500 (2020-21: £8,500)
- Trust Statement: £20,500 (2020-21: £20,500)

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 arm’s length bodies manage a range of data which relates to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals. Procedures and processes are in place to protect information and data and to ensure it is only used for the purposes for which it was collected. For further information on the department’s response to data-related incidents, refer to Information Security on page 184.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Levelling Up, Housing and Communities 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 2021 number 1441 (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 now the Department for Levelling Up, Housing and Communities.

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*[14] published by HM Treasury.

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.

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

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 DLUHC, 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 (LAs) and Local Enterprise Partnerships (LEPs). This Governance Statement sets out the range of measures we implement to achieve effective control across the department 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[15] (AOSS) and the National Local Growth Assurance Framework[16] 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

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

16 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

challenging the work of the department, culminating in the annual Governance Assurance Panel (GAP) 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, which totalled 23 people by 31st March 2021. The Ministerial Board met two times during the financial year as DLUHC was established in September 2021. Between April 2021 and September 2021 MHCLG's Board did not meet. Full attendance records are provided in the Directors' Report.

The Non-Ministerial Board is chaired by the Lead Non-Executive Director, who at the time of publishing is Dame Alison Nimmo filling the post on an interim basis. Throughout 2021-22, Michael Jary was DLUHC's Lead Non-Executive Director and chaired the Non-Ministerial Board meetings. The Non-Ministerial Board comprises the Non-Executive Directors and the Executive Team, and met three times during the financial 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.

The Departmental Board and Non-Ministerial Board 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 2021-22 the Departmental Board reviewed the missions set out in the Levelling Up White Paper, including the local leadership mission, housing, and regeneration.

Measures to ensure compliance with the corporate governance code of good practice[17] include: undertaking periodic evaluations of Board effectiveness; managing conflicts of interest and effective management and reporting of risks, including undertaking deep dives at ARAC of individual risk areas. All Board Members are required to declare conflicts of interest so they can be understood, considered, and handled appropriately. The Ministerial Code requires all Ministers to disclose their interests in detail, which are published by the Government. 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 any potential or material conflicts of interest that have been identified are sufficiently and appropriately managed. The 2021-22 Board Effectiveness Evaluation was undertaken by Michael Jary as the department's previous Lead Non-Executive Director. The evaluation included several recommendations to improve the Board's effectiveness such as meeting on a more consistent basis, having ministerial priorities made clearer to the Board, and identifying more areas where the NEDs can support Ministers and officials.

17 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

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by Non-Executive Director, Pam Chesters, and usually meets five times throughout the year. Other members during 2021-22 included Non-Executive Directors Michael Jary and Alison Nimmo (from October 2021), and two independent members, Mark Sheridan (until November 2021) and Susan Barratt. The ARAC is also regularly attended by various additional personnel including the Permanent Secretary, Chief Financial Officer, Financial Director, Chief Risk Officer, and representatives from National Audit Office (NAO), Government Internal Audit Agency (GIAA) and Homes England. The ARAC met five times during 2021-22, reviewing several key focus areas across the department. This included a review into the department's evolving risk management model, reviewing internal and external audit programmes, assessing departmental and local government cyber security, and providing feedback on the development of the Building Together programme with Homes England. In 2021-22 ARAC also reviewed the work on the Grants Centre of Excellence, assessed in detail the department's climate action strategy, and supported the signing off of the Annual Report and Accounts 2020-21.

Governance Assurance Exercise

At the end of each financial year, the Governance Assurance Panels (GAP) exercise takes place to 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 GAP exercise was structured around the department's six Director General-led Groups, including:

- CFO and Corporate
- Housing and Planning
- Local Government Analysis and Strategy
- Safer and Greener Buildings
- Stronger Places
- Union and the Constitution[18]

The GAP exercise also explores how directors have safeguarded the department's assets by ensuring regularity and propriety of expenditure, and promoting the best value for money of that expenditure. The GAP exercise is not designed to scrutinise the department's policies. The GAP exercise is instead a series of challenge panels and are led by the Non-Executive Directors, and supported by the department's internal

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18 Union and Constitution included in the GAP exercise following the transfer of responsibilities on elections, UK governance, devolution, the union and the Boycotts Divestment and Sanctions Bill (BDS) from the Cabinet Office to DLUHC in December 2021.

auditors, the Chief Risk Officer, and observers from the NAO.

The Second Permanent Secretary and the five Director Generals and their directors presented evidence to the their respective panels and summarised challenges they faced during the financial year. The six panels were held between 28th February and 15th March 2022.

Overall, the 2021-22 GAP exercise concluded that good progress had been made across the DLUHC's Director General-led Groups in strengthening the department's overarching internal control environment. This progress was particularly demonstrable in relation to risk management and board governance, as well as recognising greater oversight and grip over delivery and operational activity. This progress was especially important given the challenges around the Covid-19 pandemic and amidst changes to the department in response to emerging crises, including in Afghanistan and Ukraine.

However, over the course of the next financial year the GAP exercise identified that given the major shift on policy direction following the creation of DLUHC and the appointment of the new Secretary of State, the department will be required to shift approaches, priorities, and delivery mechanisms, with a review of capacity and skills across the department. The GAP exercise also noted an increased risk appetite in pursuing stretching goals.

In addition, the panels identified that a more consistent approach should be introduced within DLUHC in relation to crisis management, building on the response to Brexit, the Covid-19 pandemic, Afghanistan, and Ukraine. The NEDs agreed that the department's crisis response has impacted longer-term targets due to personnel across the Director General-led Groups being reallocated to these priorities.

The GAP exercise demonstrated that DLUHC must place a greater strategic emphasis on emerging policy priorities in the next financial year, particularly around net zero, building safety and homelessness, to demonstrate a real commitment to the widening priorities of the new department. Specifically in relation to net zero, a clear and more coherent approach is required that conveys confidence that the department will meet the government's targets as set out in the Net Zero Strategy.

The GAP exercise concluded that more work was required in the future in fully integrating the Union and Constitution Group into the wider governance arrangements of the department.

Ministerial Directions

There was one ministerial direction in 2021-22.

On 10 January 2022, the Secretary of State gave a ministerial direction to provide a further £27m for the installation of a common alarm system in all buildings with a Waking Watch, extending the scope of the Waking

Watch Relief Fund. The letters providing the rationale and authorisation can be read here: https://www.gov.uk/government/publications/27m-fund-for-fire-alarms-in-buildings-with-a-waking-watch-ministerial-direction.

The Executive Team and its Sub-Committees

Figure 12: Executive Committees

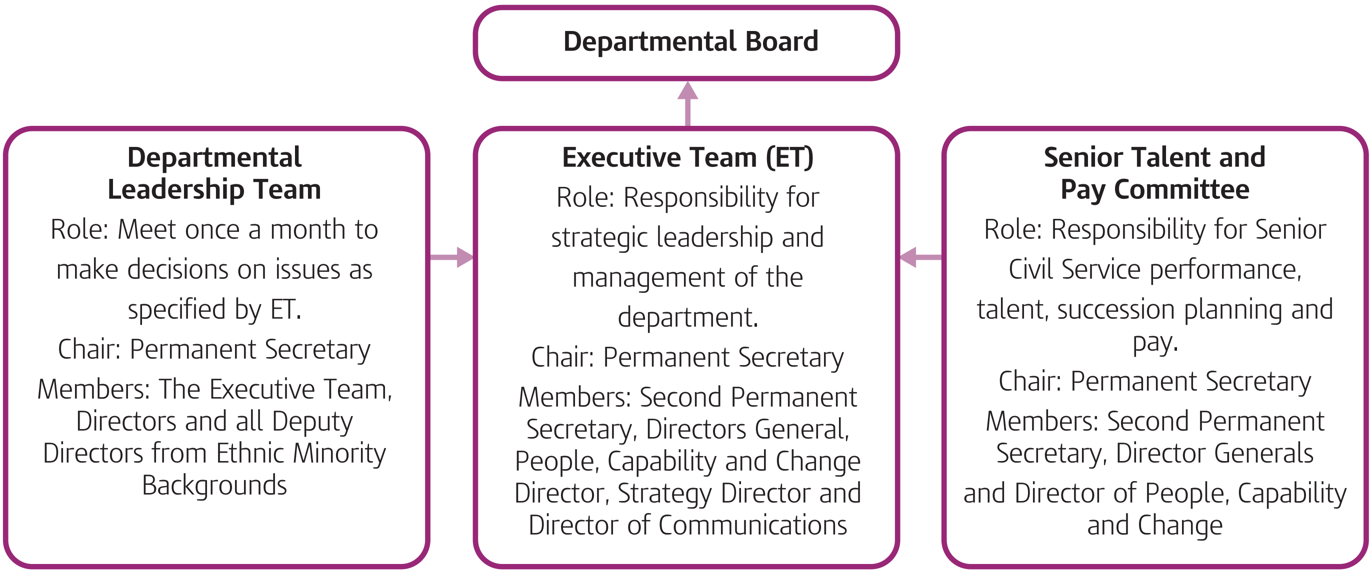
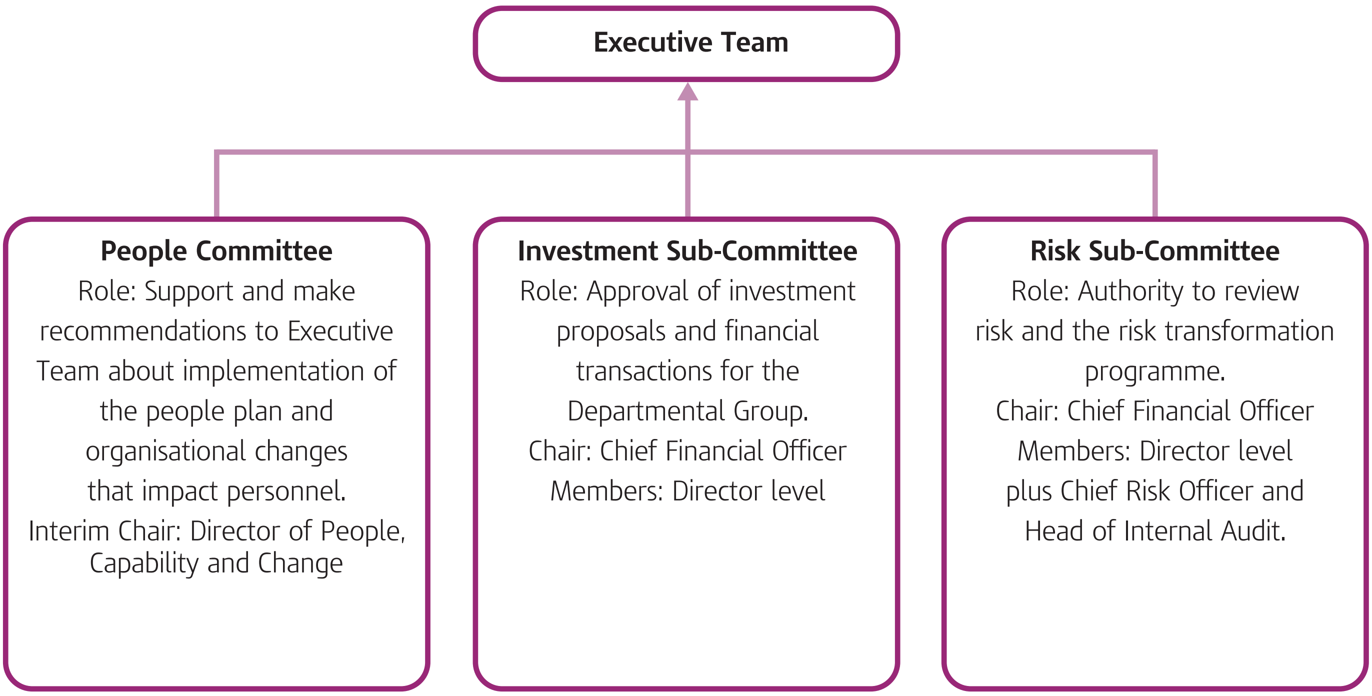


Figure 13: Executive Sub-Committees



Executive Team

The Executive Team is chaired by the Permanent Secretary and comprises the Second Permanent Secretary, Directors General, the Director of Strategy, Director of Communications and the Director of People, Capability and Change. The Executive Team meets one to two times per week, including one week in each month when all Directors and Deputy Directors from ethnic minority backgrounds 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 2021-22 included the Covid-19 response, Machinery of Government (MOG) changes, Ukraine response, building safety, Levelling Up and the People Plan. The Executive Team usually reviews a Departmental Performance Report monthly, considering progress against the business plan milestones, finance, workforce, and risk. The Executive Team also meets annually to review progress on the internal audit programme and recommend to ARAC to approve the audit programme for the year ahead.

People Committee

The People Committee is chaired by the Director for People, Capabilities & Change, 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 monthly to oversee the development and delivery of the DLUHC People Plan. The committee also oversees and contributes to the people elements of other corporate programmes to ensure a coordinated approach.

Investment Sub-Committee (ISC)

The Investment Sub-Committee (ISC) is chaired by the Chief Financial Officer and comprises a fixed membership of directors from across the professions. This sub-committee meets every two weeks or as required to scrutinise and approve investment proposals for the department to ensure they achieve value for money and meet the requirements of Managing Public Money. ISC achieves this by reviewing the associated business cases, considering the strategic, economic, financial, commercial and management case for the proposal, and compliance with Managing Public Money.

Risk Sub-Committee

The Risk Sub-Committee is chaired by the Chief Financial Officer and comprises of directors from across the department (including finance and legal directors), the Chief Risk Officer, and the Head of Internal Audit. The committee 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 key risks, updates on the progress in developing the department’s risk maturity, and ‘deep-dive’ papers on specific areas of significant or emerging risk.

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

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 the published reports on local audit and accounts, governance, which covers a range of issues including 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.

The department continues to hold Framework Panels with our key stakeholders to continually assess the framework to ensure it is fit for purpose and take action where needed. In 2020-21, we part funded the Centre for Governance and Scrutiny working with Localis Research Limited to develop a Toolkit (the Governance, Risk and Resilience Framework) for local authorities to understand how to diagnose and reduce the risk of failure in corporate governance, with the toolkit published as the Governance, Risk and Resilience Framework in March 2021.[19]

We are strengthening the capital finance system in response to changes in patterns in local authority behaviour where a minority of authorities are taking excessive risk through excessive debt, over-reliance on commercial income or the pursuit of novel and risky investments. Details of the actions the government is taking are set out in the policy document *Local authority capital finance framework: planned improvements*[20] (July 2021). Additionally, in March 2022, the department published the Government's response to the recommendations of the Committee on Standards in Public Life report on Local Government Ethical Standards of January 2019 committing to engaging with the sector to take forward several recommendations, and suggesting that other recommendations would be most appropriately, effectively, and swiftly taken forward by local authorities as best practice.

19 https://www.cfgs.org.uk/governancerisk/

20 https://www.gov.uk/government/publications/local-authority-capital-finance-framework-planned-improvements/local-authority-capital-finance-framework-planned-improvements

The department has continued its activity to understand any short-term pressures on local authorities following on from the Covid-19 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. We have maintained our regular engagement with the Local Government Association and other government departments, as well as local authorities. 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.

In December 2021 the department published a package of measures to improve the timeliness of audited accounts, which continue to be a challenge across the sector, and stabilise the market. This was a result of concerted work with all parts of the local audit system, including through the recently established Liaison Committee, to agree a package of measures to get local audit back on track. These measures included:

- providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;

- strengthening training and qualifications options for local auditors and audit committee members;
- reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils, and
- extending the 21-22 audit deadline to 30 November 2022, and then 30 September until 2027/28.

The department's statutory intervention at Liverpool City Council began in June 2021, when the then Secretary of State appointed four Commissioners to the Council. The directions provided the Commissioners with powers over the highways, regeneration and property management functions of the Authority and their associated governance. The Commissioners submitted their first report to the Secretary of State on 5 October 2021, setting out that the Council is at the beginning of a long improvement journey and expressing concerns about the Council's finance and wider service delivery. The Commissioners are working with the Council to assist them in taking a whole council approach to improvement. They have requested realistic improvement plans that take account of the urgency and the capacity to deliver; with a view to setting a sustainable long-term financial plan, improving corporate governance, delivering basic services well and meeting the requirements of the statutory directions.

The Secretary of State has also appointed Commissioners in two further councils, in Slough

Borough Council in December 2021 and Sandwell Metropolitan Borough Council in March 2022. In Slough, the Secretary of State directed the Council to deliver financial sustainability and to close the long-term budget gap, while achieving improvements in its services and agreeing an officer structure and scheme of delegation to enable the Council to deliver its functions effectively. In Sandwell, the Secretary of State directed the Council to continue to rebuild the governance capacity of the Authority, addressing the deep-seated culture of poor governance and leadership and to restore public trust and confidence in the Authority. The Secretary of State has also directed that the Council put an end to any of the Authority's activities, practices, and omissions which are, or risk being, not compatible with the Best Value duty. The department continues to support Commissioner teams in any way needed to secure compliance with the best value duties in these authorities and ensure the provision of the public services their residents deserve.

Slough Borough Council is one of three councils to have issued a Section 114 notice since March 2020. Other such notices were issued by London Borough of Croydon and Nottingham City Council, where an Independent Improvement and Assurance Panel/Board are in place, following the non-statutory reviews undertaken in November 2020 to ensure poor financial management and governance failings are addressed.

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 2019-20, the department have provided local authorities with a total of £4.6 billion in un-ringfenced Covid-19 funding across four tranches in 2020-21, with a further £1.55 billion provided in 2021-22. 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 due to costs resulting from the Covid-19 pandemic.

There have also been regular and significant engagement between Ministers, regional mayors, and council leaders throughout the Covid-19 pandemic. 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.

Hudson Review

The Hudson Review was commissioned in April 2018 to review local government finance governance processes and the overarching business rates system. In February 2021, the department considered proposals to transition the work in response to the Hudson Review to business as usual following the significant progress made over the last three years against the Review's recommendations. In May 2021, the department commissioned the GIAA to provide independent assurance that sufficient progress had been made, with the department providing 53 individual pieces of evidence demonstrating progress against the Hudson recommendations. This was supported by four separate meetings with the GIAA to discuss the evidence provided and to supply additional detail and context.

In October 2021, the GIAA finalised their report of the department's progress against the recommendations of the Hudson Review, with the report acknowledging that significant progress had been made, with 25 out of the 28 recommendations being completed. Of the remaining three recommendations the GIAA acknowledged that progress had been made, but additional work was required, or formal acceptance of the residual risk was needed before officially closing the work.

The three recommendations were.

1.1 Senior management to assess the residual risk existing due to the complexity of the elements that make up the settlement process and working in a political environment and whether this sits within the risk appetite of the Directorate or whether further mitigating action should be taken.

1.2 Senior management to assess the residual risk existing due to the use of spreadsheets used as the repository for the key data and whether this sits within the risk appetite of the Directorate or whether further mitigating action should be taken.

1.3 Management to determine the skills required by policy leads in the role of an intelligent customer and identify and address training needs.

Given the progress already made by the department, the GIAA viewed each of the three recommendations as a low risk. The department has subsequently reassessed all three of the remaining recommendations and have confirmed that the current mitigations in place in response to the recommendations are within risk appetite. As a result, the department agreed in November 2021 to officially transition the three remaining recommendations in response to the Hudson Review to business as usual.

Sanctions in response to Russian invasion of Ukraine

Following the Russian invasion of Ukraine, the NAO have recommended that the department should seek assurances that it understands and accurately accounts for the implications of financial sanctions implemented to encourage Russia to cease its actions. Considering the financial sanctions in place, the department has undertaken a review of its existing contracts to identify Russian and Belarussian owned or controlled organisations. There has been no adverse impact on the department, and checks are in place for all new procurements to further mitigate the risk.

The department has also considered the impact of government's foreign policy of financial sanctions against Russia and Ukraine on the local government sector. The department has regularly engaged with local authorities in England, as well as the Local Government Association (LGA), the National Association of Local Councils (NALC) and the Devolved Administrations. This engagement has included surveying the exposure of English local authorities to Russian and Belarusian prime contractors, and targeted follow-up engagement with those councils with significant exposure.

The department has supported the development of the Cabinet Office's Procurement Policy Note for central Government departments, executive agencies and non-departmental public bodies Contracts with Suppliers from Russia and Belarus (PPN 01/2022). The department has also brought forward the Local Government (Exclusion of Non-commercial considerations) (England) Order 2022 to enable local authorities and parish councils in England, if they so wish, to terminate proposed or subsisting public supply or works contracts either where the country or territory of origin of supplies to the contractor is the Russian Federation or the Republic of Belarus or where the location of the business activities or interests of a contractor is the Russian Federation or the Republic of Belarus. This Order accommodates the request of many council leaders for a flexible approach for councils that wish to terminate contracts with Russian or Belarusian state-owned companies.

Affordable Homes Programme

The Affordable Homes Programme provides grant funding to support the capital costs of developing affordable housing for rent or sale. DLUHC delegates delivery to the department's largest arms-length body, Homes England, and the Greater London Authority (GLA). The Government have committed approximately £9 billion for the 2016-23 Affordable Homes Programme, and a further £11.5 billion to a successor Affordable Homes Programme that will run from 2021-26. Combined, they will build up to 180,000 affordable homes across the country, should economic conditions allow.

In October 2021 the department uncovered a control failing which allowed the GLA to accumulate £1.7 billion of funding from the 2016-23 Affordable Homes Programme that they had not spent on delivery since programme payments began in 2015-16. The surplus funding had been correctly set aside for investment in affordable housing. DLUHC officials took immediate action to stop further payments to the GLA and to recover payments made in 2021-22. This control failing did not affect the overall delivery of the Affordable Homes Programme but revealed weaknesses in the department's scrutiny of financial forecasting and reporting within the programme.

In the latter half of 2021-22, the department introduced measures to improve governance and internal control over the delivery of the Affordable Housing Programme. The department established more rigorous scrutiny over delivery targets, financial forecasting and expenditure, and risk management. The department further formalised information channels between the department and the delivery agencies and embedded more regular assurance mechanisms with the participation of independent experts. In 2022-23 the Affordable Homes Programme will move onto the Government Major Projects Portfolio (GMPP), which will provide further external scrutiny of the programme's governance and processes by the Infrastructure and Projects Authority.

Local Enterprise Partnerships (LEPs), the Local Growth Fund and Getting Building Fund

Growth deals provide funds to LEPs for projects that benefit the local area and economy. The National Local Growth Assurance Framework (NLGAF)[21] guides local decision-making to support accountability, transparency,

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

and value for money. This incorporates recommendations from the non-executive director review of LEP governance and transparency (October 2017)[22] conducted by Dame Mary Ney, one of the department's NEDs. It also addresses several of the recommendations included in the Ministerial Review into LEPs, Strengthened Local Enterprise Partnerships (July 2018)[23] 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:

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

22 LEP governance and transparency (October 2017) report https://assets.publishing.service.gov.uk/government/uploads/system/uploads/ attachment_data/file/655188/Review_of_local_enterprise_partnership_governance_and_transparency.pdf

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

- 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 2021-22 LEP annual assurance process (as set out above) retained the strengthened assurance cycle introduced in 2019-20, while considering the impact of the Covid-19 pandemic on programme delivery and governance (e.g., virtual meetings, postponed AGMs etc). All annual assurance statements were provided, and the Annual Performance Review (APR) process concluded in March 2022. Following the 2021-22 APR process, two LEPs were stated as having ‘concerns identified’ outcomes in relation to their governance arrangements, while all LEPs were identified as compliant in terms of the ‘strategic impact’ outcomes. Specifically in relation to the ‘delivery focussed’ outcomes for the Getting Building Fund (GBF), 10 LEPs were identified as a concern, with over a third of the overall funding for the programme remaining unspent by March 2022.

All concerns following the APR will be addressed with LEPs via the department’s Area Teams, where relevant. LEPs with a ’concerns identified‘ outcome or with outstanding GBF spend in 2022-23 are required to submit quarterly monitoring returns until all concerns have been addressed.

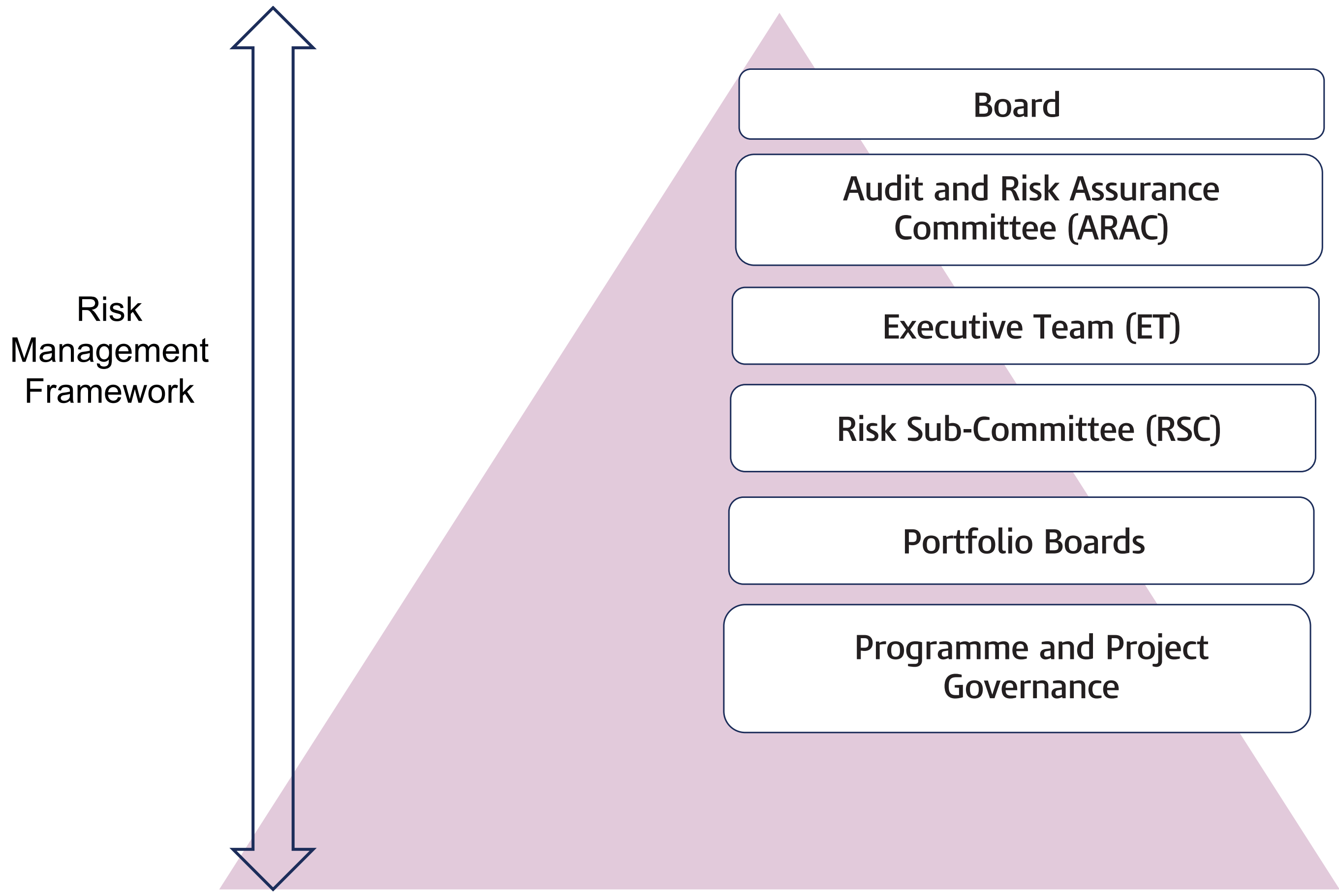
Response to Climate Change and Net Zero

The department has continued to develop its response to the climate crisis and the achievement of net zero in 2021-22 by working closely with the Department for Business, Energy, and Industrial Strategy (BEIS) on decarbonisation and driving forward green objectives across the DLUHC's wider programmes. The department is developing a strategy and delivery plan focused particularly on planning and housing policies and ensuring net zero delivers for levelling up.

DLUHC has also worked closely with BEIS, the Department for Health and Social Care (DHSC) and the Department for Environment, Food and Rural Affairs (Defra) on the cross-government adaptation plan to climate change, where the Department co-owns risks relating to buildings overheating, flood risks, coastal erosion, and other key climate change risks. The Department is also working closely with the NAO to understand how to manage the longer-term risk of climate change, and the implementation of mitigations that may be required in the future.

Our Risk Management Framework

The department's Risk Management Framework is designed to support effective decision making with the intention of enabling the department to achieve its strategic and operational objectives. It is overseen by the below governance structure:



A revised approach to risk management has been endorsed by the department's Executive Team, in line with the methodology set out by 'The Orange Book', to ensure the department's approach to risk is consistent with the rest of Government. The Framework seeks to set the tone for our approach to risk, reinforcing the importance of managing risk proactively, empowering our business teams and people to take responsibility for risk and fostering a culture where consideration of risk is integral to delivery of the department's activities.

This revised approach:

- Formalised the use of the 'three lines of defence' approach to risk management.

- Revised the principal risk categories and principal risks register, aligning the register into 13 principal risks together with associated risk appetite statements.
- Set out a more structured approach to risk ownership and risk awareness across the department.

The principles underlying the Risk Management Framework are:

- **Governance and Leadership**: risk management shall be an essential part of the department's governance approach.
- **Integration**: risk management shall be an integral part of the department's activities and decision-making.
- **Collaboration**: risk management shall be collaborative across all three 'lines of defence' and across the department.
- **Structured risk management processes**: the department shall have in place clear processes for the identification, reporting, assessment, and treatment of risks.
- **Continual improvement**: the department shall seek to continually improve its approach to risk management through learning and experience.
- **Culture**: the department shall foster a risks-aware culture, which shall encompass both a 'no-blame' and a 'willingness to challenge' ethos.

The Department operates the ’three lines of defence‘ model, intended to manage risks holistically in an integrated and mutually supportive manner, with each of the lines of defence contributing to the overall assurance. The ‘three lines of defence’ making up the model are:

- **First line of defence**: Each business team has primary ownership, responsibility, and accountability for identifying, assessing and managing the risks relevant to their business activities.
- **Second line of defence**: consists of a ‘second opinion’/layer to monitor, challenge and facilitate the implementation of effective risk management and co-ordinate the reporting of risk information. The Group Risk team is a core part of the second line of defence.
- **Third line of defence**: consists of audit activity, which for the Department is undertaken by the GIAA.
- In addition, sitting outside of the Department’s own risk management framework and the ‘three lines of defence’ model, are a range of other sources of external assurance. This includes the Government Functional Standards and the National Audit Office (NAO).

Principal risks

DLUHC continues to operate within a complex and dynamic environment, often influenced by geo-political events and other external factors. We have moved the department to a better way of working, with improved

Executive Team and Audit and Risk Assurance Committee (ARAC) risk reporting and oversight of risks as well as further embedding internal audit into the risk management process. At a corporate level, there are currently a total of twelve principal risks. The principal risks have been significantly revised during 2021-22 to better align them to the cross-government ‘Orange Book’ suggested risk categories, and ongoing review and moderation will ensure they are reflective of the risks the department faces in delivering its strategic objectives. A programme of deep dives into each principal risk is in place for 2022-23. The principal risks, as of July 2022, are listed in the table below based on their overall risk rating (highest to lowest).

These risks are each owned by members of the department’s Executive Team who are responsible for putting in place and managing appropriate controls/ mitigating actions in line with our risk appetite. Project and programme risks are assigned to the principal risks to help each portfolio understand the makeup of its risk profile. All principal risks and associated controls/ mitigations have been reviewed and signed off by the Risk Sub-Committee, the Executive Team, and ARAC. The risks and challenges detailed in the performance report also draw on these risks.

Principle Risk	Sub-Categories
1. Local Government Delivery Risk	• Local tier capacity • Local tier funding • System of Stewardship • Lack of institutional reform
2. Project Delivery Risk	• Capacity & capability • Inadequate project planning & controls • Weak and/or accelerated project initiation
3. People Risk	• Capabilities • Capacity/unsustainability
4. Financial Risk	• Control total breach • Value for money • Investment risk • Credit risk
5. Resilience Risk	• Insufficient surge resource • Threats, hazards, risks & capabilities management • Inability to discharge Operation London Bridge responsibilities
6. Systems and Infrastructure Risk	• Investment & maintenance • Capability & capacity • Governance • ALBs • User Experience
7. Governance Risk	• Insufficient/inadequate Accounting Officer System Statement • Lack of adherence to procedures • Inadequate programme level controls • Inadequate oversight of local authority finance

Principle Risk	Sub-Categories
8. Security Risk	• Inadequate physical security • Security culture • Inadequate personnel security • Capacity & capability • Incident management
9. Legal Risk	• Risk of successful legal challenge • Insufficient legal resource • Exposure to risk via ALBs
10. Commercial Risk	• Non-compliant procurements • Short-notice procurements • Poor contract management • Conflicts of interest
11. Strategy Risk	• Significant legislative agenda • Levelling up • Place-based working
12. ALB Risk	• Internal system failure within ALB • Inadequate oversight of ALBs

Counter Fraud, Error and Whistleblowing

In September 2021 a self-assessment into the suitability and capability of the Counter Fraud Function identified several areas which required improvement. The self-assessment was concluded in October 2021, with the findings published through an internal audit report issued by the GIAA. This report identified several areas of limitations and/or vulnerabilities in the Counter Fraud Function within DLUHC. It was agreed that these issues should be addressed to ensure that DLUHC sufficiently met the obligation to adhere to the centrally issued Government Counter Fraud Functional Standards.

The department was judged to not meet the standard in the following areas: Counter Fraud Metrics, Pro-active Detection Activity, Fraud, Bribery and Awareness Training and Policy, and Registers for Gifts and Hospitality and Conflicts of Interest. To address these areas a Counter Fraud Action Plan was developed and agreed between the department, GIAA and the Counter Fraud Centre of Expertise (Cabinet Office). This approach and prioritisation of actions was subsequently approved by the Risk Sub Committee in February 2022.

To meet these requirements the Counter Fraud Team has undertaken a review of current documentation, including the Counter Fraud and Bribery Strategies, Whistleblowing and Conflicts of Interest guidance, with revised versions due in summer 2022. It has been agreed that initial drafts will be presented to the Risk Sub Committee to be held in July 2022, with a deadline for publication and circulation to staff to take place in summer 2022. Alterations made to the documentation will reflect the challenges and changes posed by the Covid-19 pandemic and reflect the new priorities of the department following the full adoption of the Levelling Up agenda. During the financial year 2021-2022 the external whistleblower policy was implemented eight times with regard to allegations reported for projects directly administered by the department.

The design and implementation of DLUHC Covid-19 support schemes were agreed based on the delivery mechanisms of local authorities. Consequently, this has led to difficulties in producing any accurate estimate of the level of fraud experienced on support schemes by DLUHC teams. Potential fraud risks on these schemes were identified through discussion with internal policy and delivery teams and local authority staff. Fraud risks were further developed through Initial Fraud Impact Assessments and more detailed Fraud Risk Assessments, which programme teams reviewed at regular intervals as a live document, with outcomes built into the guidance provided to local authorities. Key risks were highlighted, with the Fraud Risk Assessments made available and local authorities encouraged to develop their own assessments. More complex and novel grant schemes were required to attend the Complex Grants Advisory Panel (CGAP), which provided wider challenge and recommendations on any potential risks (including fraud). The CGAP panel is formed from expertise drawn from across government with schemes required to implement any recommendations or provide justification for alternate action. Covid-19 schemes were required to provide post-payment assurance through successive Cabinet Office led Post-Event Assurance commissions. This included provision and discussion of the Fraud Risk Assessment, specific review of any particularly high-risk areas, and the assurance measures that the department had introduced.

DLUHC has continued to increase collaboration with teams situated in Cabinet Office, the Centre of Expertise (for Counter Fraud) and the Government Grants Management Function. This has resulted in further adoption of detailed fraud risk assessments more widely on programmes across the department which are properly reviewed and assessed in line with Cabinet Office requirements. The Counter Fraud Function presented its approach to Post-Event Assurance and Testing on Covid-19 schemes to Cabinet Office, with the feedback used to inform measures around fast-paced deliveries including the Council Tax Rebate and Homes for Ukraine Schemes.

The Grants Centre of Excellence has been established within the Cities and Local Growth Unit, in response to the addition of the Levelling Up agenda. This is inclusive of roles in Counter Fraud, with the expectation that this will provide more first line support to grant schemes within the department. This addition will allow the department to retain knowledge, encourage best practice and improve fraud awareness and consideration in DLUHC programmes.

Through DLUHC reporting routes, staff are enabled to report concerns about wrongdoings either to their line manager or via a DLUHC nominated officer. DLUHC nominated officers have been specifically trained to respond to concerns raised under the Civil Service Code with a central point of contact published on the DLUHC Intranet. All reports are treated confidentially.

Alternatively, a fully independent whistleblowing line is available to staff through the DLUHC Employee Assistance Partner, Health Assured. Should staff wish to raise a concern specific to Counter Fraud they are able to do so by contacting the Counter Fraud Team via the Counter Fraud Mailbox, with all communications treated as confidential. In the year 2021-2022, the Counter Fraud Team received seven concerns raised by internal staff.

For external whistleblowers there are a variety of routes. Concerns relating to Covid-19 expenditure can be directed to the Crimestoppers helpline, with reports directed anonymously to the Cabinet Office Intelligence Unit. Delegated local authorities also maintain their own fraud hotlines. For schemes managed by the department, programmes are responsible for ensuring that whistleblower concerns are escalated to the relevant authority, either within the programme's formalised escalation routes or through the Risk Management Counter Fraud Team.

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 2021-22 there were no data breaches for DLUHC and its ALBs that met the threshold for reporting to the Information Commissioner's Office (ICO).

The Digital Directorate continue to raise awareness of cyber security and provide advice and guidance to staff about how to stay secure online and in both a personal and professional context. Risk Management in respect of cyber security has improved significantly and is maturing. The majority of the GIAA's cyber security review 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. The remaining few are still in progress.

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 2021-22 year, DLUHC received BAR applications from 13 individuals, and all were approved. Details of any applications and the outcome are published on the DLUHC website[24] for staff at SCS Pay Band 1 and 2 level and Special Advisers of equivalent level, and on the ACOBA website[25] for SCS Pay Band 3 or above and Ministers. BAR applications and outcomes are reported

24 https://www.gov.uk/government/publications/dclg-business-appointment-rules-advice

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

to the Audit and Risk Assurance Committee on a quarterly basis.

Internal Audit Opinion

A key source of independent assurance for DLUHC is the internal audit function provided by the 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 continued focus on the response to the pandemic, the exit planning of which the GCIA recognised to be strong. He also acknowledged the department's strengths in policy development & delivery, and programme delivery.

The GCIA recognised that the Department has taken action to address developments highlighted in the 2020-21 opinion. He acknowledged the steps taken in the DDAT environment to ensure governance and controls are consummate to the risk environment which, because of the MOG changes and strategies that come with it, will need to be a continued focus. The GCIA recognised that the Levelling Up Agenda, and the creation of new accountabilities in DLUHC, will require changes in governance, risk management, and internal control, and will be a new focus for GIAA going forward. He highlighted that the Department also needs to focus on:

- continued development and implementing of progress made for embedding 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 and,
- continued development of a grant management framework, with proportionate counter fraud controls, that will meet the Department's responsibilities of governance for Levelling Up and new domestic grants, that will arise following EU Exit.

External Scrutiny

The department's work was the subject of five NAO reports and six Public Accounts Committee (PAC) evidence sessions in 2021-22, all of which are summarised below from the published reports.

NAO Reports

Supporting local economic growth: Between 2011 and 2020, government committed some £18 billion of domestic funding to policies designed to stimulate local economic growth in England. This includes £12 billion through the Local Growth Fund, and £3.2 billion through the Regional Growth Fund. A further £10.3 billion was directed to the UK through EU structural funding committed between 2014 and 2020. However, the UK remains less productive than its main competitors and it shows regional disparities in economic performance that are among the largest in the Organisation for Economic Co-operation and Development. The Department, working with other government departments, is responsible for “raising productivity and empowering places so that everyone across the country can benefit from levelling up.”

The report concluded that the Department has not consistently undertaken formal evaluations of the impacts of its past interventions. As a result, although it has now committed both effort and money to evaluate new interventions from the start, its evidence base for effective interventions is limited. The Department therefore lacks evidence on whether the billions of pounds of public funding it has awarded to local bodies in the past for supporting local growth have had the impact intended. And it has wasted opportunities to learn which initiatives and interventions are most effective. Also, NAO had not seen the evidence expected on the options that had been considered for achieving ministerial aims when government is spending such a large amount of money. This reduces confidence that the interventions will have the best possible chance of delivering value for money. In view of this, it is even more important that the

Department should follow through rapidly on its recent commitments to improve measurement and evaluation in local growth.

Regulation of private renting: There are an estimated 4.4 million privately rented households in England. While most tenants have a good experience of renting, those who do not may find it contributes to serious illness, financial issues, or homelessness. The Department aims to ensure the rented sector is fair for tenants, and to protect them from such harms. It legislates and creates policies used to regulate the sector. While the Department sets the overall policy and regulatory framework, local authorities are responsible for regulating the sector and ensuring landlords comply with legal obligations. The proportion of households in England living in privately rented accommodation has approximately doubled in the past 20 years. The Department recognises that challenges within the sector affect how it should be regulated, and it is planning large-scale reforms to help address these issues. It has committed to publishing a white paper in 2022, which will provide further details on the proposed reforms.

The report concluded that there is evidence that a concerning proportion of private renters live in unsafe or insecure conditions with limited ability to exercise their rights. In recent years, the Department has made various regulatory changes aimed at improving experiences for renters, including banning letting fees and introducing temporary protections during the Covid-19 pandemic.

However, the way that private renting is regulated means that these changes are not effective in ensuring the sector is consistently fair for renters. There are differences in the extent to which landlords comply with the law in different regions, and tenants from certain demographic groups experience worse property conditions or treatment. The Department is not proactive in supporting local authorities to regulate effectively. Furthermore, it does not yet have a plan to improve the significant gaps in data that prevent it from identifying where problems are occurring, which regulatory approaches work well at a local level, or the impact of regulation on the vulnerable. The Department is developing potential reforms to the sector and plans to publish a white paper. As part of this work, it will need a clear vision for what it is trying to achieve and an overarching strategy for how to address the challenges raised in this report, working across central and local government where necessary, if it is to meet its overall aim to provide a better deal for renters.

The local government finance system in England: overview and challenges: Local authorities in England provide a broad range of universal services, with targeted services for the most vulnerable in society. They have also been pivotal in the local response to the Covid-19 pandemic. Local authorities are funded through multiple funding streams, including government grants, taxes, and charges for services. The Department is responsible for a framework that provides assurance on the financial health of local government and allows for intervention in individual cases and in response to system-wide risks.

Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities: A summary of the Department for Levelling Up, Housing and Communities' spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

Local government and net zero in England: In June 2019, the UK government passed legislation committing it to achieving 'net zero' greenhouse gas emissions by 2050. This is significantly more challenging than government's previous target to reduce net emissions by 80% compared with 1990 levels by 2050. Achieving net zero will require changes that are unprecedented in their scale and scope, including changes to the way electricity is generated, how people travel, how land is used and how buildings are heated. In its December 2020 report, achieving net zero, the NAO highlighted that local authorities would have a critical part to play. There are 333 principal local authorities and 10 combined authorities (as well as the Greater London Authority) in England, between them providing a range of services to people in their areas which impact on net zero, such as transport planning, social housing and recycling and waste services. The services provided by individual local authorities vary with their powers and functions.

The report concluded that while the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government's approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities' overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly. DLUHC, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the Covid-19 pandemic, but there is now great urgency to the development of a more coherent approach.

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:

1. Adult social care market (19/04/21)
2. Timeliness of local auditor reporting on local government in England (20/05/21)
3. DLUHC recall: Homelessness and housing (01/11/21)
4. Local government finance system: overview and challenges (29/11/21)
5. Regulation of private renting (31/01/22)
6. Supporting local economic growth (02/03/22)

Details of the PAC reports are on the PAC website at https://committees.parliament.uk/committee/127/public-accounts-committee. 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.

LUHC Select Committee

The LUHC Select Committee have nine current inquiries, as follows:

- Supporting our high streets after Covid-19, opened 08/07/2020, report published 10/12/21, government response published 29/03/21
- The future of planning system in England, opened 08/10/2020, report published 10/06/21
- Cladding remediation, opened 25/02/21, report published 29/04/21

- Long term funding of adult social care, opened 04/03/21
- Permitted development rights, opened 23/03/21, report published 22/07/21
- The regulation of social housing, opened 10/11/21
- Council tax collection, opened 15/11/21
- Exempt accommodation, opened 07/12/21
- Building safety: remediation and funding, opened 19/01/22, report published 11/03/22

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

The department currently has one executive agency and thirteen other arm's length bodies (ALBs). 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[26] with senior officials within the department providing oversight of the performance and the direction of the ALBs. Additional specialists provide 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 or equivalent 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 register, risk appetite statement and risk management framework in respect of risks relevant to the activities and exposures of Homes England. 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

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26 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

working with the department including the provision for open communication between the Chief Risk Officers of Homes England and the department to discuss and share information on risk matters. The department is currently working with all ALBs, including Homes England, to review their risks every six months, with the intention to move towards a quarterly review cycle.

Further assurance is provided through:

- An annual risk-based Relationship and Assurance 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 department 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 new Review Programme to be introduced by the Cabinet Office in 2022.

Entities within the Departmental Boundary

The department has one Executive Agency and 13 designated bodies. All bodies apart from the Architects Registration Board, Ebbsfleet Development Corporation and Queen Elizabeth II Conference Centre are consolidated into the departmental accounts.

Executive Agency	**Planning Inspectorate**
Advisory Non-Departmental Public Body (NDPB)	**Building Regulations Advisory Committee** **Boundary Commission for England** **Boundary Commission for Wales**
Tribunal (NDPB)	**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**
Other Body (not classified as NDPB)	**Ebbsfleet Development Corporation** **Local Government and Social Care Ombudsman**
Public Non-Financial Corporation	**Architects Registration Board** **Queen Elizabeth II Conference Centre**

In 2020-21, the Office for National Statistics' Public Sector Classification Guide reclassified Ebbsfleet Development Corporation to the local government sector, effective from 20 April 2015. Consequently, from an administrative perspective, this body no longer falls within the departmental accounting boundary as an ALB that is technically covered by Cabinet Office ALB controls.

However, from a governance perspective, we are continuing to oversee the policy and operation of the Ebbsfleet Development Corporation and it continues to be accountable to DLUHC.

Homes England

The largest of our ALBs is Homes England, which is governed by a Board that provides strategic leadership to ensure that the objectives agreed with the department under the Agency’s Strategic Plan (and Framework Document) are met. Homes England is 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.

The Board normally meets monthly and gains assurance through the monitoring of performance against Key Performance Indicators (KPIs), reports on performance by the Executive Directors and trend analysis of reports such as the Market Overview report and Early Warning Indicator report. The Board also receives reports from the Chairs of the Board’s sub-committees.

The Board recently conducted a review of its skills and structures with an external consultant. In November 2021, the Board approved new sub-committee structures to meet the new strategic objectives proposed by the department and agreed relevant terms of reference for the new sub-committees. The Board agreed to appoint external technical advisers to support sub-committees with specialist skills and experience where appropriate to support its decision making about the strategic plan objectives. The department and the Board have agreed to clarify accountabilities between Board and Policy Sponsorship to enable effective joint working and regular reporting on programme delivery.

The sub-committees of the Board are:

- the Audit, Assurance, and Enterprise Risk Committee (AAERC), which advises the Board on risk control, governance, financial control, the annual report and accounts and statutory reporting.
- the Investment Committee, which scrutinises new project and programme business cases, considers financial guarantees on behalf of DLUHC and monitors material changes in project and programme performance.
- the Nominations and Remuneration Committee, which advises on overall pay and rewards including Executive Directors.
- the Change Committee, which receives assurance reports from the executive on overall change programmes deliverables and makes decisions on acceleration or reprioritisation of the Agency's transformational change programme.

- the Cross-cutting Committee, which advises the Board in relation to the implementation of Homes England's cross-cutting 'quality' objectives, as defined by the Agency's Strategic Plan.
- the Homes Ownership Committee, which scrutinises the performance and assurance of home ownership programmes delivered by the Agency.

In 2021-22, Pat Ritchie CBE, Lesley-Ann Nash, Mark Henderson, and Lord Ian Austin of Dudley were appointed to the Homes England Board as non-executive directors. Olivia Scanlon left the Board in March 2022 and Simon Dudley left the Board in October 2021.

At an executive level, Peter Denton was appointed in August 2021 as the Chief Executive and Accounting Officer of Homes England. There were also other Executive appointments during the year; Harry Swales as the Chief Investment Officer, Mike Palin – interim Executive Director for Market, Partners and Places, and Barry Cummins as the Interim Chief Land and Development Officer.

In line with the department's ALB Sponsorship model, a Senior Sponsor has been appointed who is responsible for chairing Shareholder meetings, providing effective scrutiny and challenge to hold the Agency to account. The Senior Sponsor is also responsible for formally, delegating budgets to the Agency's Accounting Officer, and approving any revisions to the Framework Document, which documents the governance arrangements between the Agency and the department. The Senior Sponsor will also undertake the Chair's annual appraisal, approving the Agency's annual Business Plan and Corporate Plan, ensuring these reflect ministerial priorities.

The Senior Sponsor will chair assessment panels for new Board appointments and proactively generate candidate fields to ensure as far as practicable that the Board has a diverse membership and the right mix of skills. The Senior Sponsor will be responsible for contributing to the annual Impact Analysis exercise and subsequently approve the appropriate level of sponsorship for the Agency. Where applicable, they will agree performance objectives for the Chief Executive, as set by the Chair, and approve the SCS-equivalent pay proposals, including any performance related pay proposals for the Chief Executive. The Director General for Housing and Planning, Tracey Waltho, served as the Senior Sponsor for Homes England in 2021-2022. Following the departmental reorganisation in March 2022, the Director General for Regeneration, Emran Mian, became the Senior Sponsor for Homes England.

To support the Senior Sponsor, the department has appointed a Policy Sponsor and has a Shareholder member on the Homes England Board. The role of the Policy Sponsor is to ensure that the right policy outcomes are being delivered and providing assurance to the Senior Sponsor and Ministers. Emma Fraser and Melanie Montanari, DLUHC's Directors for Housing Markets and

Strategy, serve as Policy Sponsor. The role of Shareholder Member is to help inform discussion at the Board and thereby strengthen communication and relations at a senior level. It also allows DLUHC to benefit from an increased level of scrutiny of Homes England's executive and a more timely and nuanced understanding of the developments within Homes England. The role of Shareholder member has been filled by DLUHC's Commercial Director, Andy Hobart, since April 2020. To support the overall sponsorship of Homes England, the department has a dedicated sponsorship team within the Housing Performance Division to provide support to the Senior Sponsor, Policy Sponsor and Shareholder member in fulfilling their roles effectively, and oversight of delivery and financial performance and corporate health of the agency.

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 Policy Sponsor from the department together with the Chair, Chief Executive and other representatives from Homes England and HMT.
- Policy and performance issues are discussed at a monthly Policy Sponsor meeting comprising the Policy Sponsor and other relevant officials from the

department together with the executive directors and senior responsible officers from Homes England and representatives of HMT.

My Conclusion

I have reviewed the evidence provided through the Governance Assurance Panel exercise, the Internal Audit opinion, NAO, and PAC reports. While internal checks during the year detected a serious control failing in relation to the payment of funds in advance of need to the GLA for the Affordable Homes Programme, as detailed above, I am satisfied that overall the department continues to embed a sound system of governance, assurance, and internal control across the department. The department has also continued to develop and strengthen its approach to risk and financial management during the year, as well as enhancing the effectiveness of the Investment Sub-Committee.

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 2020-21 or 2021-22.

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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
The Rt Hon Michael Gove MP Appoinyed 15 September 2021	36,753	–	67,505	–	11,000	–	48,000	–
The Rt Hon Christopher Pincher MP Appointed 1 March 2020	27,154	31,680	31,680	–	7,000	8,000	34,000	40,000
Lord Stephen Greenhalgh Appointed 18 March 2020	-	–	–	–	–	–	–	–
Kemi Badenoch MP Appointed 16 September 2021	17,610	–	31,680	–	5,000	–	22,000	–
Eddie Hughes MP Appointed 18 January 2021	22,375	3,729	–	22,375	6,000	1,000	28,000	5,000
Victoria Atkins MP(2) Appointed 16 September 2021	-	–	–	–	–	–	–	–
Neil O'Brien MP Appointed 16 September 2021	12,120	–	22,375	–	3,000	–	15,000	–
Stuart Andrew MP Appointed 9 February 2022	4,620	–	31,680	–	1,000	–	6,000	–
Lord Richard Harrington Appointed 8 March 2022	-	–	–	–	–	–	–	–

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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
The Rt Hon Robert Jenrick MP Appointed 01 March 2020	30,752	67,505	67,505	–	7,000	17,000	37,000	85,000
Luke Hall MP Appointed 01 August 2019	14,432	27,622	31,680	31,680	3,000	7,000	18,000	35,000

(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.

(2) Salary paid by Ministry of Justice.

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	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Jeremy Pocklington Permanent Secretary	160-165	160-165	-	-	-	15-20	-	-	34,000	198,000	195-200	375-380
Sue Gray Second Permanent Secretary, Union and Constitution	80–85	–	150–155	–	–	–	–	–	107,000	–	185–190	–
Matt Thurstan Director General, Chief FInancial Officer and Corporate	160-165	100-105	-	160-165	0-5	0-5	-	-	124,000	122,000	285-290	220-225
Emran Mian Director General, Regeneration	125-130	125-130	-	-	15-20	0-5	-	-	42,000	84,000	185-190	215-220
Catherine Frances Director General, Local Government, Resilience and Communities	125–130	125–130	–	-	15–20	0–5	–	–	38,000	56,000	180–185	185–190
Richard Goodman Director General Safer & Greener Buildings	120–125	40–45	–	120–125	0–5	0–5	–	–	47,000	17,000	165–170	56–60
Will Garton Director General, Levelling Up Appointed 28 March 2022	0–5	–	120-125	–	–	–	–	–	0	–	0–5	–
Simon Claydon Director People, Capability and Change Appointed 2 June 2021)	80–85	–	100–105	-	-	–	–	–	15,000	–	95–100	–

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	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Kay Withers Director for Strategy From 31 January 2022	15–20	–	95–100	–	–	–	–	–	12,000	–	25–30	–
Ruth Bailey Director People, Capability and Change Left 21 June 2021	25–30	100–105	100–105	-	5–10	5–10	–	–	6,000	46,000	35–40	160–165
Lise-Anne Boissiere Director for Strategy (Board member until 31 January 2022)	95–100	95–100	-	-	10–15	15–20	–	–	33,000	52,000	140–145	160–165
Tracey Waltho Director General Housing and Building Safety	125–130	125–130	–	-	–	0–5	–	–	29,000	97,000	155–160	225–230

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.

Simon Ridley is a Second Permanent Secretary but was not paid by DLUHC for this role in 21-22

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 (£)	
	2021-22	2020-21
Michael Jary (Lead)	20,000	20,000
Mary Ney	15,000	24,600(1)
Pam Chesters	17,500	17,500
Alison Nimmo	14,497	–
Jeffrey Dodds	14,497	–
Gary Porter	12,195	–
(1) In 2020-21 Mary Ney carried out a review in Leicestershire following the local lockdown in 2020 for which an additional fee was paid of £9,600. The full year entitlement was £15,000		

Michael Jary was the lead NED until 31 March 2022 when he was replaced by Alison Nimmo.

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 2020-21 or 2021-22.

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 2021-22 relate to performance in 2020-21 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 Chief Financial Officer, in the financial year 2021-22 was £160,000 – £165,000 (2020-21: Interim Chief Financial

Officer, £180,000-£185,000). This was 4.0 times (2020-21: 4.3 times; restated 4.4 times) the median remuneration of the workforce, which was £41,098 (2020-21: £42,130; restated £40,983). It was 4.9 times the pay and benefits figure relating to the employee whose pay and benefits were on the 25th percentile of pay, which was £33,210 and 3.0 times the pay and benefits figure relating to the employee whose pay and benefits were on the 75th percentile which was £54,674.

	2021-22	2020-21	2020-21 Restated
Band of highest paid board member's total remuneration (£000)	160–165	180–185	180–185
Median remuneration (£)	41,098	42,130	40,983
Ratio	4.0	4.3	4.4
25th percentile remuneration (£)	33,210	–	–
Ratio	4.9	–	–
75th percentile remuneration (£)	54,674	–	–
Ratio	3.0	–	–

The movement in the median pay ratio is in line with the broader pay, reward and progression policies of the department, as explained in the following paragraphs.

The salary of the highest paid director fell between 2020-21 and 2021-22 by 10.6%. The bonus of the highest paid board member in 2021-22 increased by £3,000 – the highest paid board member in 2020-21 did not receive a bonus. By comparison, the average change in salary for employees as a whole was a decrease of 0.6%, with the average bonus paid falling by 12.6%.

The banded remuneration of the highest paid board member in the department decreased because the Interim Chief Financial Officer (the 2020-21 highest paid board member) was paid on Government Commercial Organisation terms where pension benefits are significantly reduced which offsets headline base pay.

In 2021-22, one (2020-21, nil) employees received remuneration in excess of the highest-paid board member.

Remuneration of employees ranged from £15,000 – £20,000 to £190,000 to £195,000 (2020-21: £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 2021-22 has increased by £115 compared to the 2020-21 restated median salary. The median salary for those staff excluding Cabinet Office staff who were transferred in as a result of the Machinery of Government change fell by £1,142. This was a result of the expansion of headcount with the majority of employees appointed at the minimum of the pay range; more appointments in regional offices than London and finally a pay freeze.

Compensation for loss of office (subject to audit)

No ministers or officials received compensation for loss of office in 2021-22.

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 2021-22 reporting year:

	Accrued pension at age 65 as at 31/03/22	Real increase in pension at age 65	CETV(1) at 31/03/22	CETV(1) at 31/03/21	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Michael Gove MP	15–20	0–2.5	256	241	6
The Rt Hon Christopher Pincher MP	0–5	0–2.5	39	31	3
Lord Stephen Greenhalgh	–	–	–	–	–
Kemi Badenoch MP	0–5	0–2.5	12	9	2
Eddie Hughes MP	0–5	0–2.5	11	5	3
Victoria Atkins MP	–	–	–	–	–
Neil O'Brien MP	0–5	0–2.5	2	–	1
Stuart Andrew MP	0–5	0–2.5	25	24	1
Lord Richard Harrington MP	–	–	–	–	–
The Rt Hon Robert Jenrick MP	0–5	0–2.5	31	26	1
Luke Hall MP	0–5	0–2.5	9	7	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[27].

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

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

2013 have transitional protection to remain in the previous final salary pension scheme.

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Officials' Pension Benefits (subject to audit)

The table below shows the PCSPS and CSOPS pension benefits accrued by officials who have served as board members of the department during the 2021-22 reporting year.

Officials	Accrued pension at pension age as at 31/03/22 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/22	CETV at 31/03/22	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Jeremy Pocklington	65-70 plus a lump sum of 30-35	0-2.5 plus a lump sum of 0	999	934	8
Sue Gray	80-85 plus a lump sum of 250-255	2.5-5 plus a lump sum of 12.5-15	1802	1668	101
Matt Thurstan	45-50	22.5-25	592	318	69
Emran Mian	25-30	2.5-5	340	300	15
Catherine Frances	35-40	0-2.5	484	440	15
Richard Goodman	10-15	2.5-5	128	101	15
Will Garton	25-30	0-2.5	331	331	0
Simon Claydon	45-50 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0	784	740	2
Ruth Bailey	25-30 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0	435	431	2
Kay Withers	15-20	0-2.5	171	164	5
Lise-Anne Boissiere	30-35	0-2.5	392	358	10
Tracey Waltho	45-50 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0	769	719	7

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 http://www.civilservicepensionscheme.org.uk.

Staff Report

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

Creating a new Department

During 2021-22 our people responded flexibly and positively to our new role as the Department for Levelling Up, Housing and Communities (DLUHC). Our people supported Ministers to refine and progress their vision and ambitions for Levelling Up and our other new responsibilities. The principal people challenges were to manage an immediate short-term growth in the size of our workforce. This included a Second Permanent Secretary and additional staff transferred into the Department as a result of a Machinery of Government process to deliver new responsibilities. We began work on a departmental change programme to drive the thinking on DLUHC's future operating model, which will continue in 2022-23.

Resourcing

During the year the department's remit expanded to include the delivery phase of new funding programmes such as the UK Shared Prosperity Fund and the

Community Outcome Fund. We also took on new responsibilities for Housing and Building Safety. Overall we had to grow the department by about 500 roles and fill another 500 roles to cover turnover in the year. We made excellent progress in managing this resourcing challenge and achieved our departmental targets in Q3. Overall, we recruited over 1,000 people. In the final quarter of the year we grew further, taking on additional responsibilities, and the related movement of around 250 colleagues from elsewhere in Government, for the Union and Devolution, Elections and the Boundary Commission and our new lead role across Government for Levelling Up.

Later in the year to achieve planned efficiencies in the SR21 period up to 2025 we introduced controls to manage our recruitment. We continued to flexibly use our resources across the department and during the year completed the reintegration of remaining Covid resource into other on-going activity such as our Safer, Greener Buildings teams and teams delivering our new programme funding work whilst flexing to resource the Ukraine response. Looking forward, the recent announcement of planned reduction in the size of the Civil Service (the programme will be called Civil Service 2025), will be challenging but our new controls for planned SR21 efficiencies will form the to manage and contribute to the requirements of Civil Service 2025.

Capabilities

In 2021-22 we made the long-term strategic decision to invest in the skills, capabilities, and resilience of our people and build the capability of DLUHC. This investment was positively reflected in our 2021 People Survey result which increased by 5% in respect of Learning and Development, amongst the highest scoring departments on this issue. Our approach was informed by a detailed assessment of the capabilities we need to deliver on our commitments. In May 2021 we launched our new Capabilities Plan with the aim of being an inclusive learning organisation where we achieve great results through people and offer progressive careers. Our plan will enable us to increase in-house expertise whilst also reducing use of consultants. The first year of the work focused on:

- developing professional skills including programme and project management.
- building a greater understanding of local government and the places and people we deliver for.
- improving key corporate skills e.g. managing risk; and
- continuing to develop leadership and line management expertise.

We developed an agreed set of qualitative and quantitative metrics to assess progress and impact against the plan and worked closely with the Government Skills and Curriculum Unit (GSCU) to ensure that our plan was aligned with the Declaration of Government Reform to grow and increase skills in the Civil Service.

In 2021 we launched a new online Learning Hub, increased our investment in external accreditation, including and especially for our Senior Reporting Officers and Senior Civil Servants, offered a range of project delivery and project management training for all colleagues, re-invested in our early talent pipeline via a successful apprenticeship recruitment campaign. We also worked with Local Government partners to develop learning to improve understanding of that sector and prepared for greater use of both inward and outward secondments. Our Capability Plan was recognised by Alex Chisholm as a brilliant initiative in his 2021 Civil Service People Survey launch message.

Places for Growth

We progressed well against our plans to have more roles, including senior roles, based across the UK, outside London, closer to more of the communities we serve. By March 2022, we had increased the number of people outside London by over 500, up 100% from the baseline point of March 2020. Colleagues based outside London increased to a third of all departmental employees. In the same period the number of Senior Civil Servants outside London more than tripled from 7 to 26. Considering this, we increased our ambition during the year and committed to have a minimum of 917 more DLUHC Group roles (including our Arms' Length Bodies) outside London by

2025. We remained committed to have 50% of Senior Civil Servant roles outside London by 2030, with three quarters of that target achieved by 2025.

In moving roles out of London, we made a deliberate choice to support and contribute substantively to Levelling Up, exemplified by our permanent new second HQ in Wolverhampton which we opened on time and under budget. Working with partners like the University of Wolverhampton we made excellent progress in recruiting great people into high quality roles in our new second HQ in the city, including middle and senior leaders in the department. By the end of the year, we had over 230 people working in Wolverhampton.

Our growth outside London also supported the Union. We opened new offices in Edinburgh and Cardiff (an office in Northern Ireland will open in 2022-23). We also continued to be a leading department in the Darlington Economic Campus, working collaboratively with other departments in the Campus and local stakeholders in the region, leading on engaging the local authority sector.

Enabling a return to offices and supporting smarter working

During the year we worked to ensure our plans for returning to the office were robust and met business needs. By March 2022, all DLUHC offices were open at full capacity. In doing so, safety for our people remained our priority through suitable and proportionate safety mitigations such as enhanced ventilation in some offices and the provision of sanitary wipes and hand gels, informed by regular consultation with our recognised Trades Unions. Attendance at offices increased steadily in the final quarter of 2021-22.

Smarter working was established as a new concept for the whole Civil Service in 2021-22. The core of our approach to Smarter Working was the Government ‘four Cs’ principles: Connection and community, Collaboration, Creativity, and Caring. We considered what our people told us about how they work best and placed a strong emphasis on supporting colleagues through change. We continued to explore and share best practice with other departments and embedding this way of working will remain a firm priority for 2022-23.

Diversity & Inclusion

Diversity and inclusion continued to be a priority for the department. We remained focused on three strategic aims which were to bring in diverse talent, to bring on and develop diverse talent and to build a fully inclusive culture. We launched a refreshed Diversity and Inclusion Strategy in July 2021 formulated around these aims. Alongside a pledge to be connected to the places that we serve, to improve our systems and delivery mechanisms, to be agile and innovative and to be inclusive. We adopted a broader and more outward looking view of diversity (such as socioeconomic, work experience and geographic backgrounds etc) recognising that geographical diversity and place were of central importance to a department that operates on the need to understand and draw from the communities we serve.

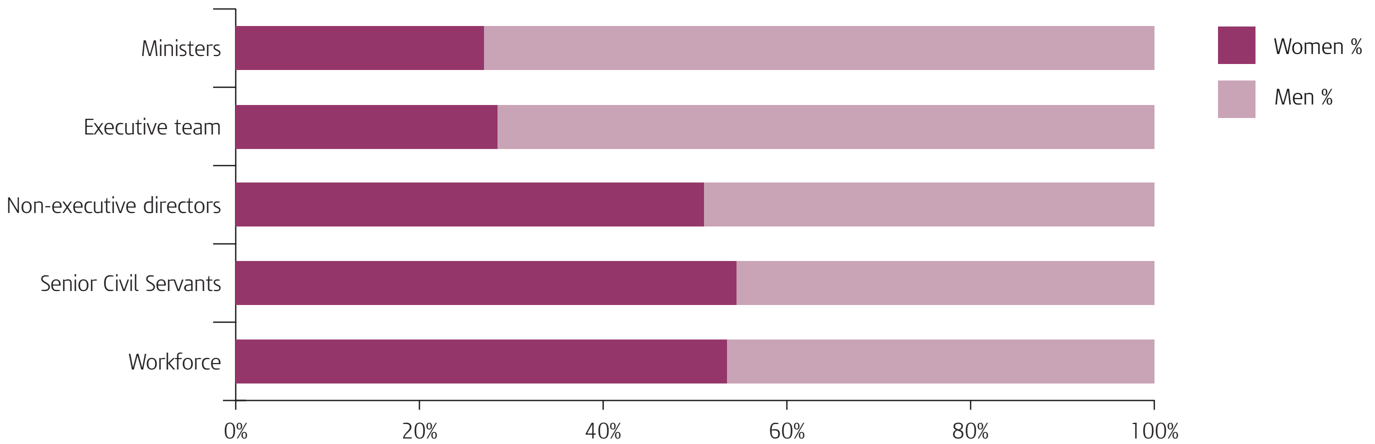
Notable achievements and progress during the year included remaining one of the Civil Service high performers for Inclusion and Fair Treatment in the 2021 People Survey, having overall representation of women in our workforce of 53%, being ranked 16th of 200+ employers in the Social Mobility Employer 2021 Index and a top 30 place in the list of the top family-friendly employers in the UK. Diversity was a key theme in our recruitment for our new second HQ in Wolverhampton and we saw representation levels across a key range of protected categories (female, disabled, ethnic minority, LGBT) which was higher than the Department averages and higher than our London office average, previously our most diverse location. Wolverhampton was also our most diverse location in terms of representation at a lower socio-economic background. We continued to promote our ‘We are for everyone’ brand using internal role models as an ‘attraction vehicle’ in our external recruitment campaigns and in our outreach activities.

Staff Data

Gender Diversity

The department’s gender diversity statistics are shown in the graph below. In January 2022 we published data on our gender pay gap in line with other employers[28]. The DLUHC Group gender pay gap data for 31 March 2022 will be published in January 2023 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 31st March 2022



Health and Safety Management

The Department's safety performance has remained consistent during 2021-22. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2021-22 (none in 2020-21), while a total of 2 accidents were reported by employees in 2021-22 against 0 in 2020-21. Working with facilities management colleagues, mitigations have now been put in place for the 2 accidents.

28 https://www.gov.uk/government/publications/dluhc-gender-pay-gap-report-and-data-2021/dluhcs-gender-pay-gap-report-2021#:~:text=biases%20in%20recruitment.-,Gender%20pay%20gap%20for%20the%20DLUHC%20Group,the%20median%20gap%20was%207.7%25.

The most significant health and safety challenge the Department faced was our continued response to the Covid pandemic. The Department established Covid safety arrangements which met the recommendations of the Government's working safely during Coronavirus guidance and met the standards set by the Health and Safety Executive.

The Department completed Covid risk assessments for all the buildings of its estate and established appropriate mitigations. Key physical mitigations were provision of enhanced ventilation, a desk-booking system allowing for a track-and-trace functionality, hand-gels and wipes as well as enhanced cleaning regimes. The physical mitigations sat in the wider context of the HR framework to support staff and ensure their wellbeing during the period, including special provision for staff who are clinically vulnerable.

Towards the end of 2021-22, the Government issued revised guidance looking towards living with Covid. The Department completed revised risk assessments as a result will retain key safety measures such as improved ventilation and enhanced cleaning allowing a full return for staff to its offices.

Average Working Days Lost		
	Jan – Dec 2021	Jan – Dec 2020 (AWDL)(1, 2)
Civil Service	**TBC**	6.1
Core Department	3.6	3.4
Executive Agency	4.0	3.8
(1) AWDL: Average working days lost.		
(2) Civil Service AWDL is based on April 2020 – March 2021 data		

Staff with no sickness absence		
	Jan-Dec 2021	Jan-Dec 2020
Core Department	76%	76%
Executive Agency	74%	74%

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 2021 – 31 March 2022	Full-time equivalent employee number
	40

Percentage of time spent on facility time	
Percentage of time	Number of employees
0%	22
1-50%	18
51%-99%	–
100%	–

Percentage of pay bill spent on facility time	
	Figures
Total cost of facility time	£147,067
Total pay bill	£244,067,000
Percentage of the total pay bill spent on facility time	0.06%

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.

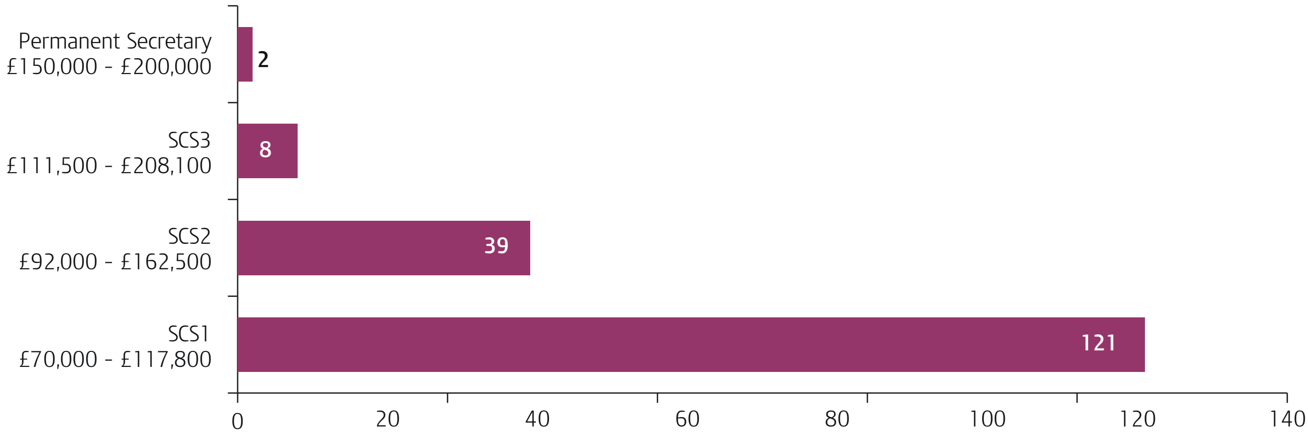
Staff Turnover Percentage

Staff turnover for the department for 2021-22 was 16.3% (2020-21: 18.9%). 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 2022 there were 170 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 2022



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

					£'000
				2021-22	2020-21 restated
	Permanently Employed Staff	Others	Ministers	Total	Total
Wages & Salaries	244,551	24,990	161	269,702	252,546
Social Security Costs	31,664	–	19	31,683	27,382
Pension Costs	94,260	–	–	94,260	73,511
Other	–	–	–	-	2,194
Total Costs	370,475	24,990	180	395,645	355,633
Less Recoveries in respect of outward secondments	(2,592)	–	–	(2,592)	(1,809)
Total Net Costs	367,883	24,990	180	393,052	353,824
Of which:					
Core Department	187,469	10,972	180	198,621	168,236
Agency	44,880	566	–	45,446	48,436
Designated Bodies	138,126	13,452	–	151,578	138,961

Average number of full-time equivalent persons employed

					2021-22	2020-21 restated
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	2,566	353	6	6	2,931	2,628
Agency	752	8	–	–	760	759
Designated Bodies	1,751	263	–	–	2,014	1,761
Total	5,069	624	6	6	5,705	5,148

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	1	1	2
Executive/Higher Executive Officers	74	34	108
Senior Executive Officers	12	12	24
Grade 7/6	73	36	109
Senior Civil Service	12	0	12

Number of staff	Inward (Hosted)	Outward (Loaned)	Total
Total secondments	172	83	255

Average duration (months)	Inward (Hosted)	Outward (Loaned)	Total
Administrative Officers	5	23	14
Executive/Higher Executive Officers	10	13	11
Senior Executive Officers	9	11	10
Grade 7/6	12	12	12
Senior Civil Service	8		8
All grades	11	13	11

Civil Service Pension Schemes

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 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2021-22, employers' contributions of £34,595,036 (2020-21: £28,202,446) 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 2021-22 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 2021-22, employers' contributions of £156,988 (2020-21: £140,200) 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 2021-22, 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 £15,270 (2020-21: £11,539). Contributions prepaid at that date were nil.

Two members of staff (2020-21: two) retired early on ill-health grounds, the additional accrued pension liabilities in the year amounted to £632 (2020-21: £15,469).

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.

			2021-22	2020-21 restated			2021-22	2020-21 restated
			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	–	–	–	–	–	–	–	–
£10,000 – £25,000	–	–	–	–	–	–	–	–
£25,000 – £50,000	–	1	1	–	–	1	1	–
£50,000 – £100,000	–	–	–	1	–	–	–	1
£100,000 – £150,000	–	–	–	–	–	–	–	–
£150,000 – £200,000	–	–	–	–	–	–	–	–
£200,001 onwards	–	–	–	–	–	–	–	–
Total number of exit packages	–	1	1	1	–	1	1	1
			£'000	£'000			£'000	£'000
Total cost	–	28	28	95	–	28	28	95

Expenditure on Consultancy and Temporary Staff

	£000			
	2021-22	2020-21	2019-20	2018-19
	£000	£000	£000	£000
Cost of Contingent Labour				
Core Department	7,702	4,991	5,992	5,180
Executive Agency	1,872	1,659	2,476	3,091
NDPBs	16,113	16,106	7,302	5,105
Total	25,687	22,756	15,771	13,376
Cost of Consultancy				
Core Department	15,270	19,544	4,898	2,763
Executive Agency	–	–	106	60
NDPBs	1,483	604	225	430
Total	16,753	20,148	5,229	3,253
Overall Total	42,440	42,904	20,999	16,629
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.				

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 has seen an increase due to critical expertise required in areas such as Building Safety, SAP finance, Digital, and the Holocaust Memorial teams, requiring the specialist skills not readily available across the Department or Civil Service. These skills include building standards expertise and knowledge, expertise of SAP finance systems, as well as digital architect, software and developer skills. There has been difficulty recruiting to long enduring roles permanently due to the limited supply and high demand for these skillsets within the current labour market.

Agency numbers refer to off-payroll engagements in the Planning Inspectorate. Engagements include the services of Non-salaried Inspectors, providing necessary flexibility in the Inspector workforce. The remainder of the engagements supported requirements as part of organisational transformation.

ALB figures refer to Homes England using off-payroll arrangements for specialist or technical contractors and consultants to address urgent scarce skills gaps.

Off-payroll engagements as of 31 March 2022, for more than £245 per day and that last for longer than six months			
	Main Department	**Agency**	**ALBs**
No. of existing engagements as of 31 March 2022	66	**97**	77
of which have existed for:			
less than one year at time of reporting	45	19	38
between one and two years at time of reporting	6	1	27
between two and three years at time of reporting	3	10	8
between three and four years at time of reporting	3	67	1
Four years or more at time of reporting	1	0	3

All temporary off-payroll appointments engaged at any point during the year ended 31 March 2022 and earning at least £245 per day			
	Main Department	**Agency**	**ALBs**
No. of off-payroll workers engaged during the year ended 31 March 2022	115	130	166
Of which:			
No. determined as in-scope of IR35	96	130	163
No. determined as out-of-scope of IR35	19	0	3
No. of engagements reassessed for compliance or assurance purposes during the year	70	102	0
Of which:			
No. of engagements that saw a change to IR35 status following review	0	0	0

All temporary off-payroll appointments engaged at any point during the year ended 31 March 2022 and earning at least £245 per day			
	Main Department	**Agency**	**ALBs**
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

All temporary off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022			
	Main Department	**Agency**	**ALBs**
No. of off-payroll workers engaged during the year ended 31 March 2022	0	0	0
Of which:			
No. determined as in-scope of IR35	0	0	0
No. determined as out-of-scope IR35	0	0	0
No. of engagements reassessed for compliance or assurance purposes during the year	0	0	0
Of which:			
No. of engagements that saw a change to IR35 status following review	0	0	0
No. of engagements where the status was disputed under provisions in the off-payroll legislation	0	0	0

All temporary off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022			
	Main Department	Agency	ALBs
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 2021 and 31 March 2022			
	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or senior official with significant financial responsibility, during the financial year	0	0	0
Total no. of individuals both on and off-payroll hat have been deemed "board members and/or senior officials with significant financial during responsibility" during the financial year	12	9	60

Parliamentary Accountability and Audit Report

Introduction

The Parliamentary Accountability and Audit Report includes three sections: the Statement of Outturn against 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.

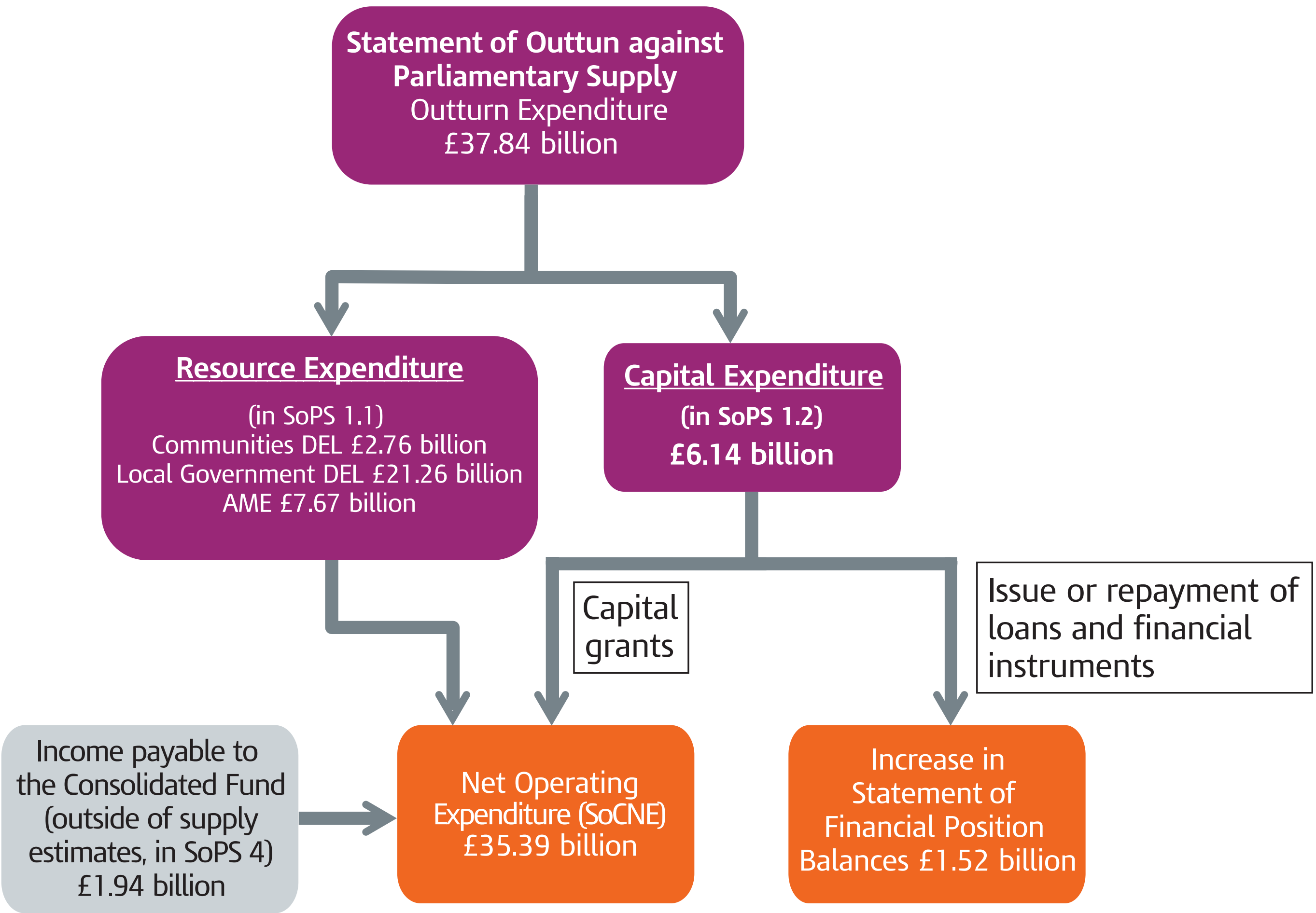
The **Parliamentary Accountability and Audit Report** presents the department's spend against the budgets set by Parliament in Supply Estimates. The final budgets for the year were set in the Supplementary Estimates[29].

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.

29 https://www.gov.uk/government/publications/supplementary-estimates-2021-22

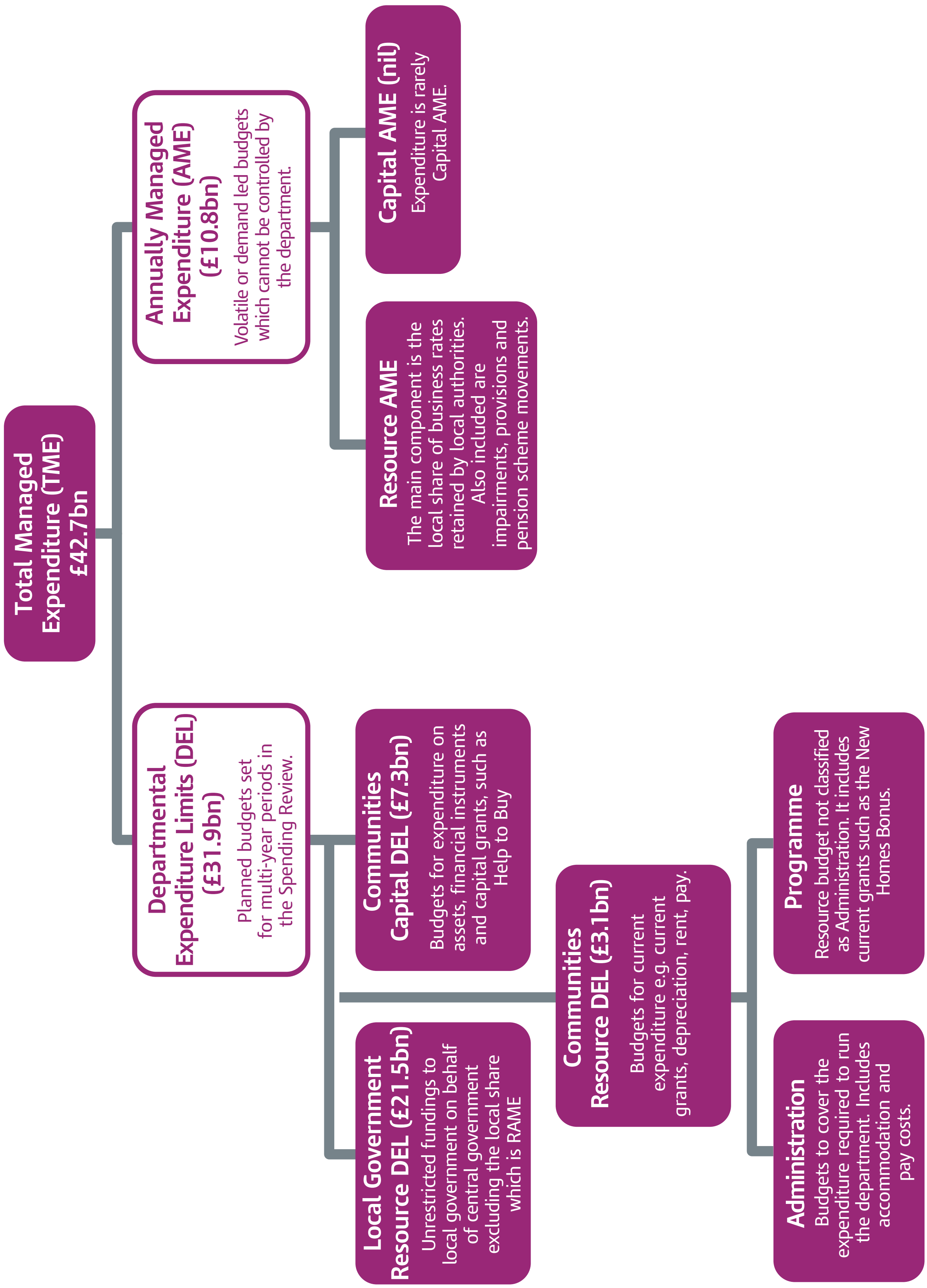
The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

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 Outturn against 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.



Total Managed Expenditure (TME) £42.7bn
Annually Managed Expenditure (AME) (£10.8bn)
Volatile or demand led budgets which cannot be controlled by the department.
Capital AME (nil)
Expenditure is rarely Capital AME.
Resource AME
The main component is the local share of business rates retained by local authorities. Also included are impairments, provisions and pension scheme movements.
Departmental Expenditure Limits (DEL) (£31.9bn)
Planned budgets set for multi-year periods in the Spending Review.
Communities Capital DEL (£7.3bn)
Budgets for expenditure on assets, financial instruments and capital grants, such as Help to Buy
Communities Resource DEL (£3.1bn)
Budgets for current expenditure e.g. current grants, depreciation, rent, pay.
Local Government Resource DEL (£21.5bn)
Unrestricted fundings to local government on behalf of central government excluding the local share which is RAME
Programme
Resource budget not classified as Administration. It includes current grants such as the New Homes Bonus.
Administration
Budgets to cover the expenditure required to run the department. Includes accommodation and pay costs.

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 269 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

Estimate Row	Main Expenditure Streams
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: DLUHC 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.

Estimate Row	Main Expenditure Streams
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
I: Elections	• Expenditure to Returning Officers for elections costs
Local Government DEL Estimate Rows	
J: Revenue Support Grant	• Revenue support grant – central government funding provided to support local government services
K: 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
L: Business Rates Retention	• Payments to local authorities whose income from business rates is below a baseline level

Estimate Row	Main Expenditure Streams
AME Estimate Rows	
M: Other Grants and Payments	• Recovery of Business Rate Relief support grants
N: Local Government and Public Services	• Grenfell Site provision
O: Housing & Planning	• Impairments of non-current and financial assets
U: Housing & Planning (ALB)	• Impairments and revaluations
P: Decentralisation and Local Growth	• Impairments and revaluations
Q: Research, Data and Trading Funds	• Unrealised exchange rate losses and gains
R: DLUHC Staff, Building and Infrastructure Costs	• Expenditure by the core department on creation and release/utilisation of provisions
S: Non-Domestic Rates Outturn Adjustment	• Expenditure relating to year-end adjustments for business rates retention outturn
T: Local Government & Public Services (ALB) (Net)	• Expenditure on pensions by the VTS and the CLAE
V: 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 DLUHC 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 243, in the Our Expenditure section of the performance report on page 115 and on page 245 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[30].

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 115, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

30 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022

Summary of Resource and Capital Outturn 2021-22

£'000

		2021-22								2020-21 restated
		Outturn			Estimate			Outturn compared with Estimate: saving/ (excess)		Prior year
Type of Spend	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total
Departmental Expenditure Limit (DEL) DLUHC Housing and Communities										
Resource	SoPS1.1	**2,709,571**	**54,929**	2,764,500	**2,995,984**	**90,900**	3,086,884	**286,413**	322,384	2,687,000
Capital	SoPS1.2	**6,142,371**	**–**	6,142,371	**7,351,582**	**–**	7,351,582	**1,209,211**	1,209,211	9,096,418
Total		**8,851,942**	**54,929**	**8,906,871**	**10,347,566**	**90,900**	**10,438,466**	**1,495,624**	**1,531,595**	**11,783,418**
Departmental Expenditure Limit (DEL) DLUHC Local Government										
Resource	SoPS1.1	**21,262,114**	**–**	21,262,114	**21,453,546**	**–**	21,453,546	**191,432**	191,432	20,906,596
Capital	SoPS1.2	**–**	**–**	–	**–**	**–**	–	**–**	–	–
Total		**21,262,114**	**–**	**21,262,114**	**21,453,546**	**–**	**21,453,546**	**191,432**	**191,432**	**20,906,596**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**7,666,661**	**–**	7,666,661	**10,845,070**	**–**	10,845,070	**3,178,409**	3,178,409	16,648,350
Capital	SoPS1.2	**–**	**–**	–	**–**	**–**	–	**–**	–	–
Total		**7,666,661**	**–**	**7,666,661**	**10,845,070**	**–**	**10,845,070**	**3,178,409**	**3,372,262**	**16,648,350**
Total Budget										
Resource	SoPS1.1	**31,638,346**	**54,929**	31,693,275	**35,294,600**	**90,900**	35,385,500	**3,656,254**	3,692,225	40,241,946
Capital	SoPS1.2	**6,142,371**	**–**	6,142,371	**7,351,582**	**–**	7,351,582	**1,209,211**	1,209,211	9,096,418
Total Budget Expenditure		**37,780,717**	**54,929**	**37,835,646**	**42,646,182**	**90,900**	**42,737,082**	**4,865,465**	**4,901,436**	**49,338,364**
Total Budget and Non-Budget		**37,780,717**	**54,929**	**37,835,646**	**42,646,182**	**90,900**	**42,737,082**	**4,865,465**	**4,901,436**	**49,338,364**

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 2021-22

					£'000
				2021-22	2020-21
Item	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/ (excess)	Prior Year Outturn
Net Cash Requirement	3	31,070,890	39,280,774	8,209,884	32,265,900

Administration Costs 2021-22

					£'000
				2021-22	2020-21 restated
Type of spend	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/ (excess)	Prior Year Outturn
Administration Costs	1.1	274,090	346,217	72,127	263,333

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

											2021-22	2020-21
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements(2)		
Spending in Departmental Expenditure Limits (RDEL) – DLUHC Housing and Communities												
Voted expenditure												
A Local Government & Public Services	–	–	–	184,797	(932)	183,865	183,865	170,679	13,186	183,865	–	129,730
B Housing and Planning	–	–	–	1,751,292	(14,075)	1,737,217	1,737,217	1,774,431	(16,710)	1,757,721	20,504	1,764,860
C Decentralisation & Local Growth	–	–	–	653,104	(288,043)	365,061	365,061	361,560	3,501	365,061	–	413,799
D Troubled Families	–	–	–	168,278	–	168,278	168,278	168,255	23	168,278	–	159,929
E Research, Data and Trading Funds	–	–	–	(24,809)	(1,000)	(25,809)	(25,809)	11,993	–	11,993	37,802	3,874
F DLUHC Staff, Building and Infrastructure Costs	260,817	(11,920)	248,897	19,975	(1,189)	18,786	267,683	276,004	–	276,004	8,321	225,572
G Local Government & Public Services (ALB) (Net)(1)	17,925	–	17,925	–	–	–	17,925	17,995	–	17,995	70	17,975
H Housing and Planning (ALB) (Net)(1)	7,268	–	7,268	(11,917)	–	(11,917)	(4,649)	215,067	–	215,067	219,716	(25,486)
Total Voted DEL	**286,010**	**(11,920)**	**274,090**	**2,740,720**	**(305,239)**	**2,435,481**	**2,709,571**	**2,995,984**	**–**	**2,995,984**	**286,413**	**2,690,253**
Returning Officers' expenses England, Wales and Scotland												
I Elections												
Non Voted Expenditure	**–**	**–**	**–**	**54,929**	**–**	**54,929**	**54,929**	**90,900**		**90,900**	**35,971**	**(3,253)**
Total spending in RDEL – DLUHC Housing and Communities	**–**	**–**	**–**	**54,929**	**–**	**54,929**	**54,929**	**90,900**	**–**	**90,900**	**35,971**	**(3,253)**
	286,010	**(11,920)**	**274,090**	**2,795,649**	**(305,239)**	**2,490,410**	**2,764,500**	**3,086,884**	**–**	**3,086,884**	**322,384**	**2,687,000**

(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'.

(3) A breakdown of Returning Officers expense under "Elections" is provided in Annex C, from page 431.

£'000

Type of spend (Resource)	Resource Outturn							Estimate			2021-22	2020-21
	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 RDEL – DLUHC Local Government												
Voted expenditure												
J Revenue Support Grant	–	–	–	1,621,557	–	1,621,557	1,621,557	1,621,562	–	1,621,562	5	1,612,632
K Other Grants and Payments	–	–	–	19,605,740	(2,065)	19,603,675	19,603,675	19,795,102	–	19,795,102	191,427	19,290,611
L Business Rates Retention	–	–	–	36,882	–	36,882	36,882	36,882	–	36,882	–	3,353
Total Spending in RDEL – DLUHC Local Government	**–**	**–**	**–**	**21,264,179**	**(2,065)**	**21,262,114**	**21,262,114**	**21,453,546**	**–**	**21,453,546**	**191,432**	**20,906,596**
Total spending in RDEL	**286,010**	**(11,920)**	**274,090**	**24,059,828**	**(307,304)**	**23,726,374**	**24,026,614**	**24,540,430**	**–**	**24,540,430**	**513,816**	**23,593,596**

(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

	2021-22												2020-21
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)		Outturn
	Administration			Programme									
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements(2)			Total
Spending in Annually Managed Expenditure (RAME)													
Voted expenditure													
M Other Grants and Payments				(17,941)	(5,624,692)	(5,642,633)	(5,642,633)	(4,109,631)	(1,433,320)	(5,542,951)	99,862		–
N Local Government and public services	–	–	–	49,077	–	49,077	49,077	(18,976)	68,053	49,077	–		10,971
O Housing and Planning	–	–	–	(8,028)	–	(8,028)	(8,028)	194,285	(68,053)	126,232	134,260		3,867
P Decentralisation & Local Growth	–	–	–	7,313	(272)	7,041	7,041	11,000	–	11,000	3,959		(7,312)
Q Research, Data & Trading Funds	–	–	–	–	–	–	–	2,000	–	2,000	2,000		–
R DLUHC Staff, building and infrastructure costs	–	–	–	(10,567)	–	(10,567)	(10,567)	1,154	–	1,154	11,721		(1,100)
S Non-Domestic Rates Outturn Adjustment	–	–	–	–	–	–	–	350,000	–	350,000	350,000		9,520
T Local Government & Public Services (ALB) (Net) (1)	–	–	–	4,462	–	4,462	4,462	4,599	–	4,599	137		2,568
U Housing & Planning(ALB) (Net)1	–	–	–	(139,736)	(761,495)	(901,232)	(901,232)	1,675,418	–	1,675,418	2,765,549		(64,989)
V Business Rates Retention	–	–	–	17,228,301	(3,059,760)	14,168,541	14,168,541	12,735,221	1,433,320	14,168,541	–		16,694,825
Total spending in RAME	**–**	**–**	**–**	**17,112,881**	**(9,446,220)**	**7,666,661**	**7,666,661**	**10,845,070**	**–**	**10,845,070**	**3,178,409**		**16,648,350**
Total resource	**286,010**	**(11,920)**	**274,090**	**41,172,709**	**(9,753,524)**	**31,419,185**	**31,693,275**	**35,385,500**	**–**	**35,385,500**	**3,692,225**		**40,241,946**

(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

	2021-22							2020-21
	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) – DLUHC Housing and Communities								
Voted expenditure								
A Local Government & Public Services	107,321	(21,651)	85,670	76,354	9,316	85,670	–	65,726
B Housing and Planning	1,513,324	(572,572)	940,752	948,530	–	948,530	7,778	1,067,484
C Decentralisation and Local Growth	1,565,731	(309,050)	1,256,681	1,560,858	(9,316)	1,551,542	294,861	2,131,729
D Troubled Families	(69)	–	(69)	–	–	–	69	546
E Research, Data & Trading Funds	7,112	(768)	6,344	9,508	–	9,508	3,164	3,158
F DLUHC Staff, building and infrastructure costs	18,354	(172)	18,182	21,418	–	21,418	3,236	7,121
G Local Government & Public Services (ALB) (Net)[1]	189	–	189	303	–	303	114	125
H Housing and Planning (ALB) (Net)[1]	3,834,622	–	3,834,622	4,734,611	–	4,734,611	899,989	5,820,529
Total spending in CDEL – DHLUC Housing and Communities	**7,046,584**	**(904,213)**	**6,142,371**	**7,351,582**	**–**	**7,351,582**	**1,209,211**	**9,096,418**

(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.[31]

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

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	2021-22	2020-21
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	31,693,275	40,245,199
Add:	Capital grants		3,730,446	4,745,221
	Capital budget adjustments[1]		10,708	30,291
	Asset transfers		–	1,039
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(48,155)	(180,827)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			35,386,274	44,840,923

(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.

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. £3.7 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.

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

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

				£'000
				2021-22
	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
Total Resource Outturn	1.1	31,693,275	35,385,500	3,692,225
Total Capital Outturn	1.2	6,142,371	7,351,582	1,209,211
Adjustments to remove non-cash items:				
Depreciation and amortisation		(12,984)	(216,037)	(203,053)
New provisions and adjustments to previous provisions		(60,455)	(10,335)	50,120
Other non-cash items		(5,583,724)	(7,507,355)	(1,923,631)
Adjustments for ALBs:				
Remove voted resource and capital		(2,951,317)	(6,647,993)	(3,696,676)
Add cash grant-in-aid		2,065,136	2,966,934	901,798
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		20,012	–	(20,012)
Increase/(decrease) in receivables		229,926	–	(229,926)
(Increase)/decrease in payables		(447,553)	8,021,629	8,469,182
Use of provisions and pension fund adjustments		26,178	27,749	1,571
Other Adjustments		4,954	–	(4,954)
Removal of non-voted budget items:				
Consolidated Fund Standing Services		(54,929)	(90,900)	(35,971)
Net cash requirement		31,070,890	39,280,774	8,209,884

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 2021-22		Outturn 2020-21	
	Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate(1)	48,155	*48,155*	180,827	*180,827*
Other amounts collectable on behalf of the Consolidated Fund(2)	1,901,730	*1,901,730*	1,068,492	*1,068,492*
Returning Officers' Expenses England, Wales and Scotland				
Forefeited Desposits Receivable			4	16
2019 UK Parliamentary election				
Excess cash surrenderable to the Consolidated Fund				
Total amount payable to the Consolidated Fund	1,949,885	**1,949,885**	1,249,323	**1,249,335**

(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 393.

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 251 shows our 2021-22 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				
E	Research, Data & Trading Funds	(26)	12	-315%	Variance is primarily due to £45m received from the EU in relation to the ERDF 2007-2013 programme.
H	Housing and Planning (ALB) (Net)	(5)	215	-102%	Income from the Greater London Authority relating to a legacy loan programme was lower than budgeted, and this was partially offset by lower spend on the Rough Sleeping accommodation programmes.
I	Elections	55	91	-40%	The underspend consists of non-voted spend being lower than estimated by £32.4m due to fewer elections/by-elections held than aniticipated.
	Resource Spending in Annually Managed Expenditure (RAME)				

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
M	Other Grants and Payments	(5,643)	(4,110)	37%	The OSCAR budget reflects the net position of both the £5.6 billion income and the £1.5 billion payments included in the Business Rates Retention Section Estimate Row V below.
N	Local Government and public services	49	(19)	-359%	Variance relates to the increase in provision for the Grenfell Tower.
O	Housing and Planning	(8)	194	-104%	These budgets are held to manage expected losses on the Department's guarantee programmes. Deterioration in credit quality was less than expected.
P	Decentralisation & Local Growth	7	11	-36%	Revaluation of the ERDF Euro balance sheet position and Greenwich Peninsula land asset value at year-end.
R	DLUHC Staff, building and infrastructure costs	(11)	1	-1016%	There was an upward revaluation of investment properties and therefore it was negative in AME (positive as increasing the value with the assets).
S	Non-Domestic Rates Outturn Adjustment	–	350	-100%	This is a year end contingency for movements in business rate outturns agreed at the Supplementary Estimate.
V	Business Rates Retention	14,169	12,735	11%	This is the corresponding £1.5 billion expenditure for the item under section Estimate Row M above, plus £100m contingency pending a Ministerial decision on the 21-22 levy surplus position.
	Capital Spending in Departmental Expenditure Limit (CDEL) – DLUHC Communities				
A	Local Government & Public Services	86	76	12%	Income from the Greater London Authority relating to a legacy loan programme was lower than budgeted, and this was partially offset by lower spend on the Rough Sleeping accommodation programmes.

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
C	Decentralisation and Local Growth	1,257	1,561	-19%	The majority of the variance was due to slippage on Towns Fund, Levelling Up Fund and Brownfield Land Release Fund. Key information from Local Authorities only available in last quarter and budget set using Local Authority forecasts from earlier in year proving to be optimistic.
F	DLUHC Staff, building and infrastructure costs	18	21	-15%	Variance relates to data infrastructure projects, which underspent due to the pandemic and inhibited ability to dedicate capacity to deliver on technical commissions.
H	Housing and Planning (ALB) (Net)	3,835	4,735	-19%	Help to Buy is a demand led programme, so changes in demand create variances against budget. Less spending than forecast on the Affordable Homes Programme due to reprofiling of payments to reflect recent delivery pressures, including building materials supply chain issues, causing some projects to be delayed or fall through.

Core Tables – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department's expenditure outturn for 2021-22 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							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Restated Outturn	Restated Outturn	Restated Outturn	Restated Outturn	Outturn	Plan	Plan	Plan
Spending in DEL – DLUHC Communities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Voted expenditure								
Of which:								
A: Local Government & Public Services	163,198	197,895	194,445	146,809	183,865	182,105	179,791	191,187
B: Housing and Planning	1,765,527	1,573,280	1,630,755	1,764,814	1,737,217	1,646,596	1,169,911	1,165,329
C: Decentralisation & Local Growth	113,313	178,143	215,151	413,796	365,061	560,014	218,930	198,908
D: Troubled Families	213,618	174,369	155,027	159,926	168,278	208,900	165,000	165,000
E: Research, Data and Trading Funds	1,535	2,927	12,239	3,875	(25,809)	7,200	12,161	11,926
F: DLUHC Staff, Building and Infrastructure Costs	138,723	167,770	210,633	233,356	267,683	259,373	249,928	250,373
G: Local Government & Public Services (ALB) (net)	19,110	17,756	18,948	17,956	17,925	18,241	18,227	18,229
H: Housing and Planning (ALB) (net)	(14,975)	41,788	72,780	(25,489)	(4,649)	210,124	174,541	158,874
Total Voted	**2,400,049**	**2,353,928**	**2,509,978**	**2,715,043**	**2,709,571**	**3,092,553**	**2,188,489**	**2,159,826**
Non Voted Expenditure								
Housing and Planning – Contingency Fund Advance								
Returning Officers' expenses England, Wales and Scotland								
I: Elections	234,025	(462)	289,896	(5,485)	54,929	7,700	–	–

								Departmental Resource Spending
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Restated Outturn	Restated Outturn	Restated Outturn	Restated Outturn	Outturn	Plan	Plan	Plan
Spending in DEL – DLUHC Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Non Voted	**234,025**	**(462)**	**289,896**	**(5,485)**	**54,929**	**7,700**	**–**	**–**
Departmental Expenditure Limit (DEL) – DLUHC Housing and Communities	**2,634,074**	**2,353,466**	**2,799,874**	**2,709,558**	**2,764,500**	**3,100,253**	**2,188,489**	**2,159,826**
Voted expenditure								
Of which:								
J: Revenue Support Grant	3,799,502	1,378,997	653,058	1,612,634	1,621,557	1,672,058	–	–
K: Other grants and payments	2,904,792	3,450,911	7,918,506	19,290,610	19,603,675	10,006,342	12,103,480	12,756,923
L: Business Rate Retention	9,252	3,928	212	3,352	36,882	87,470	–	–
Total Spending in DEL – DLUHC Local Govt	**6,713,546**	**4,833,836**	**8,571,776**	**20,906,596**	**21,262,114**	**11,765,870**	**12,103,480**	**12,756,923**
Total Resource DEL	**9,347,620**	**7,187,302**	**11,371,650**	**23,616,154**	**24,026,614**	**14,866,123**	**14,291,969**	**14,916,749**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure								
Of which:								
M:Other grants and payments	–	–	–	–	(5,642,633)	–	–	–
N: Local Government & Public Services	33,466	7,903	53,671	(9,360)	49,077	(19,254)	(23,962)	(16,073)
O: Housing and Planning	11,902	6,166	8,262	3,867	(8,028)	106,367	–	–
P: Decentralisation & Local Growth	1	5,802	(2,256)	(7,312)	7,041	5,000	–	–
Q: Research, Data and Trading Funds	(12,262)	(74)	–	–	–	–	–	–

Departmental Resource Spending								
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Restated Outturn	Restated Outturn	Restated Outturn	Restated Outturn	Outturn	Plan	Plan	Plan
Spending in DEL – DLUHC Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R: DLUHC Staff, Building and Infrastructure Costs	6,171	1,267	(4,117)	(1,099)	(10,567)	(168)	(168)	(168)
S: Non-Domestic Rates Outturn Adjustment	30,167	(10,818)	2,586	9,520	–	350,000	–	–
T: Local Government & Public Services (ALB)(Net)	803	2,354	2,550	2,569	4,462	(1,716)	(1,716)	(1,716)
U: Housing and Planning (ALB) (Net)	143,962	174,887	(234,400)	(64,990)	(901,232)	1,477,926	(27,021)	(28,801)
V: Business Rate Retention	15,721,960	21,199,022	18,367,167	16,694,832	14,168,541	13,179,820	–	–
Total Resource AME	**15,936,170**	**21,386,509**	**18,193,463**	**16,628,027**	**7,666,661**	**15,097,975**	**(52,867)**	**(46,758)**
Total Resource	**25,283,790**	**28,573,811**	**29,565,113**	**40,244,181**	**31,693,275**	**29,964,098**	**14,239,102**	**14,869,991**

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

	Departmental Capital Spending							
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
	Restated Outturn	**Restated Outturn**	**Restated Outturn**	**Restated Outturn**	**Outturn**	**Plan**	**Plan**	**Plan**
Spending in DEL – MHCLG Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure								
Of which:								
A: Local Government & Public Services	771,574	885,336	14,782	65,666	85,670	131,433	35,037	34,666
B: Housing and Planning	78,556	454,754	1,823,678	1,067,484	940,752	1,999,741	1,765,475	2,034,618
C: Decentralisation & Local Growth	1,455,050	1,190,461	928,834	2,131,731	1,256,681	1,059,249	861,228	689,645
D: Troubled Families	532	697	749	545	(69)	750	1,000	1,250
E: Research, Data and Trading Funds	2,210	3,072	4,509	3,160	6,344	9,300	9,000	9,000
F: DLUHC Staff, Building and Infrastructure Costs	6,545	13,923	6,967	7,125	18,182	13,444	8,661	6,000
G: Local Government & Public Services (ALB)(Net)	448	494	250	125	189	1,869	360	360
H: Housing and Planning (ALB)(Net)	4,318,690	4,875,032	5,493,446	5,820,532	3,834,622	6,368,067	4,174,961	3,976,707
Total Spending in DEL – DLUHC Communities	**6,633,605**	**7,423,769**	**8,273,215**	**9,096,368**	**6,142,371**	**9,583,853**	**6,855,722**	**6,752,246**

Table 2: Administration budgets

	Administration budgets							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Restated Outturn	Restated Outturn	Restated Outturn	Restated Outturn	Outturn	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
B: Housing and Planning	36,963	36,022	–	–	–	–	–	–
F: DLUHC Staff, Building & Infrastructure Costs	137,288	163,196	204,491	221,784	248,897	257,314	249,104	249,549
G: Local Government & Public Services (ALB)(Net)	19,110	17,756	18,940	17,954	17,925	18,241	18,227	18,229
H: Housing and Planning (ALB)(Net)	32,222	39,485	26,433	31,351	7,268	67,680	66,849	56,991
Total Voted	**225,583**	**256,459**	**249,864**	**271,089**	**274,090**	**343,235**	**334,180**	**324,769**
Total Administration expenditure	**225,583**	**256,459**	**249,864**	**271,089**	**274,090**	**343,235**	**334,180**	**324,769**

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 – The increase in outturn between 2020-21 and 2021-22 mainly relates to the introduction of costs for the Homes for Ukraine programme which started in March 2022.
- B: Housing and Planning – This covers funding for a large number of programmes at different stages in their lifecycles, that naturally have different requirements year-on-year, with the biggest driver of reduced outturn in 2021-22 being due to no new legacy payments on the New Homes Bonus.
- C: Decentralisation and Local Growth – The difference in 2020-21 and 2021-22 is mainly due to £175m

allocated to Shielding in 2020-21 only, partially offset by new programme funding in 2021-22 to support the levelling up agenda.

- 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 2022-23 has been allocated to match with expected delivery.
- E: Research Data and Trading Funds – The difference between 2020-21 and 2021-22 is due to £45m income received after closing the 2007-13 European Regional Development Fund (ERDF) Programme.
- F: DLUHC Staff, Building and Infrastructure – The increase in our resource administration spend supported the employment of additional resources to deliver expanded programmes.
- G: Local Government and Public Services (ALB) (net) – The row records resource costs of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE), which have remained consistent over time.
- H: Housing and Planning (ALB) (net) – The increase in expenditure was driven by new programmes and work undertaken to build the pipeline for projects in future years. In addition, there was a reduction in income from the land programmes compared to the previous year, but overall income continued to exceed

expenditure. Income budgets for future years have not yet been set, and will reduce the net budget.

- I: Elections – This is non-voted funding required to run elections, which naturally varies from year to year depending on the number and scale of elections held. This year fewer elections/by-elections were held than budgeted for.

Resource DEL – Local Government

- J: Revenue Support Grant – Part of the department's remit is to manage and provide funding to local government on behalf of central government. Revenue Support Grant forms part of this funding and can be spent by local authorities on any service. The 2022-23 value is consistent with recent years.
- K: Other Grants and Payments – In both 2020-21 and 2021-22 as result of the COVID-19 pandemic significant additional funding was made available to local government. For 2021-22 this included £10.6 billion of grants through LG DEL, largely for business rate relief measure (£7.3 billion). Other measures included £1.6 billion for Covid expenditure pressures, £0.8 billion for Tax Income losses, £0.7 billion for Council Tax Support and £0.2 billion for Sales, Fees and Charges lost income.
- L: 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

- M: Other Grants and Payments – To help local authorities manage the financial impact of Covid 19 on business rates, the on account additional business rate relief grant payments to them in 2020-21 were deliberately inflated to help with shortfalls resulting from the announcement of additional reliefs in year. A total of £10.6 billion was paid to local authorities. This led to significant adjustments after year end reconciliations with the return of £5.6 billion from local authorities in 2021-22.
- N: 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. Variance represents the increase in provision of the Grenfell Tower.
- O: Housing and Planning – These budgets are held to cover potential losses on the Departments housing guarantee programmes. The reduction is due to applications not proceeding as planned for 2021-22 financial year.
- P: Decentralisation and Local Growth – Variance shows the change from the annual revaluation of the Greenwich Peninsula land asset and for write offs and

exchange rate losses that may be incurred on the European Regional Development Fund (ERDF) programmes.

- R: DLUHC Staff, Building and Infrastructure – The row provides budget for the creation and release of the core department's provisions. Variance is due to annual revaluation of the Department's estate. Note 15 provides more detail.
- S: 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.
- T: 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).
- U: Housing and Planning (ALB) (net) – The row records revaluations of housing market related assets owned by Homes England which change the valuation of the Help to Buy portfolio. The change is driven by the movement in house prices between the years.
- V: 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 2021-22 is £11.4 billion.

Capital DEL – Communities

- A: Local Government & Public Services – Variance between 2020-21 and 2021-22 is due to lower income from the Greater London Authority relating to a legacy loan programme, partially offset by lower spend on the Rough Sleeping accommodation programmes in 2021-22.
- B: Housing and Planning – This covers funding for a large number of programmes at different stages in their lifecycles, that naturally have different requirements year-on-year. The biggest driver of reduced outturn in 2021-22 was the biggest driver of reduced outturn in 2021-22 was to align the Department's grant payments to payments made to housing providers under the Affordable Homes Programme (see Governance statement for further details).
- C: Decentralisation and Local Growth – Variance mainly due to reprioritisation and streamlining of the local funding landscape and winding down of the Local Growth Fund.
- D: Troubled Families – The decrease in outturn between 2020-21 and 2021-22 is mainly due to planned research not being commissioned before the

year-end due to team staffing pressures and delays in procurement processes.

- E: Research, Data and Trading Funds – The row records other capital expenditure on research and development.
- F: DLUHC 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, as well as costs associated with delivering the Beyond Whitehall agenda and the Places for Growth programme.
- 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) – The variance between 2020-21 and 2021-22 is primarily driven by the introduction of changes to the Help to Buy programme, which limited eligibility and so reduced demand.

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.

	2021-22				2020-21			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	20	10	102	52	9	4	12	6
Exchange rate losses	3	8,850	3	8,850	1	2,221	1	2,221
Claims abandoned	–	–	25	17,573	72	1,962	93	5,455
Fruitless payments	1	103	2	1,217	1	2	1	2
Constructive losses	–	–	–	–	–	–	–	–

	2021-22				2020-21			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	45	1,072	45	1,072	88	1,510	81	1,572

Losses

Cases over £300,000	£'000
DLUHC: three ERDF batches subject to exchange rate losses	8,850
Homes England: five cases of loans written off or impaired	17,070
Homes England: one fruitless payment	1,114

The department manages funding claims on behalf of the European Regional Development Fund. The claims are measured in the financial statements at the pound sterling equivalent of the expected funding to be received from the fund in Euros. The timing of the claim being paid by the department and the reimbursement from the central fund can lead to losses for the department due to changes in the exchange rate. In 2021-22, the department recorded losses on three funding batches totalling £8.85 million (one batch totalling £2.21 million).

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 2021-22 there were five cases of loan losses recognised where the amount written-off or impaired for accounting purposes was in excess of £300,000, totalling £17.1 million. More detailed information on these losses can be found in Homes England's 2021-22 Annual Report and Accounts.

Homes England additionally recorded a loss due to a fruitless payment made to HMRC arising from incorrect application of IR35 guidelines. The loss was recognised in the 2021-22 financial statements in the amount of £1.1 million.

Special Payments

There were no special payments recorded over £300,000.

Gifts

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 2021-22 (2020-21: nil).

Fees and Charges (subject to audit)

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

						£'000
	2021-22			2020-21 restated		
Objectives	Full Cost	Income	Surplus/ (Deficit)	Full Cost	Income	Surplus/ (Deficit)
DLUHC – Energy Performance Certificate Fees	(2,410)	3,143	733	(1,833)	5,556	3,723
Planning Inspectorate – Local Plans	(9,518)	3,549	(5,969)	(7,712)	2,635	(5,077)
Planning Inspectorate – National Infrastructure	(11,426)	5,304	(6,122)	(11,669)	4,749	(6,920)
Planning Inspectorate – Other Major Specialist Casework	(3,986)	1,556	(2,430)	(3,687)	1,109	(2,578)
THO - Membership of Housing Ombudsman scheme	(10,376)	10,376	-	(10,353)	10,353	-
RSH – The Regulator of Social Housing	(12,472)	12,472	–	(12,451)	12,451	–
Total	(50,188)	36,400	(13,788)	(47,705)	36,853	(10,852)

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 157.

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 two guarantee schemes for the affordable housing sector (AHGS). The AHGS 2013 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, with £3.2 billion drawn down. A financial guarantee against the 2013 scheme has been recognised in the Statement of Financial Position with a value of £28.2 million. A second scheme was launched in 2020, guaranteeing debt of no more that £3 billion. At the accounting date

£320 million of borrowing had been approved, with £285 million drawn down. The financial guarantee in the Statement of Financial Position had a value of £2.1 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 £78.3 million.
- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. At the accounting date, £176 million 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 £5.8 million.
- The guarantee schemes are designed to encourage investment in the housing market by guaranteeing to repay money borrowed in the event a borrower defaults. As at the reporting date there have been no calls on the guarantee.

- 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 2022, the department had loaned the trading fund £4,579,000.

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 but the department continues to be responsible for governance arrangements and the letter of comfort continues to be in place.

Following the Machinery of Government transfer of functions from Cabinet Office in December 2021, the department has also taken on contingent liabilities associated with the reimbursement to Returning Officers for the cost of holding elections:

- An indemnity to Returning Officers for UK Parliamentary elections. For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The indemnity is to cover the costs of any claims against them, which are not covered under the existing insurance policies that Returning Officers hold. The indemnity will cover costs arising in relation to UK Parliamentary elections including by-elections, where the date of the poll is on or before the 1 May 2024.

- An indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner elections held on 6 May 2021. For the purposes of Police and Crime Commissioner elections, Police Area Returning Officers and Local Returning Officers throughout England and Wales are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The indemnity is to cover the costs of any claims against them, which are not covered under any existing insurance policies that Police Area Returning Officers and Local Returning Officers hold. The Department will also certificate the Returning Officers under The Employers' Liability (Compulsory Insurance)

Regulations 1998 in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Police Area Returning Officers and Local Returning Officers for any by-elections that are held prior to the next scheduled Police and Crime Commissioner elections on 2 May 2024.

- An indemnity to Petition Officers for any Recall Petition that may be held between the date the indemnity came into force, 8 June 2016, and 6 May 2020. For the purposes of Recall Petitions, Petition Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at signing locations to recall petition complaints, challenging the outcome of a petition and associated legal costs. The Cabinet Office has not provided an indemnity for Petition Officers previously as the Recall Petition legislation came into effect only in 2015. This follows the same process where the Cabinet Office has provided an indemnity to Returning Officers for the UK Parliamentary elections in May 2015, as well as all other recent electoral events. The indemnity is to cover the costs of any claims against Petition Officers, which are not otherwise recoverable under the charges provisions contained in paragraph 3 of Schedule 1 to the Recall of MPs Act 2015.

The previous three indemnities were omitted in error from the departments disclosure of contingent liabilities within the Supplementary Estimate 2021-22.

Jeremy Pocklington CB **15 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 Department for Levelling Up, Housing and Communities and of its Departmental Group for the year ended 31 March 2022 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 2021. The financial statements comprise the Department's and the Departmental Group's:

- Statements of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2022 and its 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 2022 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK) 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 Department for Levelling Up, Housing and Communities in accordance with the ethical requirements that are relevant to my audit and 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 Department and its Group'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 Department or its Group'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 Department for Levelling Up, Housing and Communities 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 Business Rates Retention and Non-Domestic Rates Trust Statements and Financial Statements, nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements

Matters on which I report by exception

In the light of the knowledge and understanding of the Department for Levelling Up, Housing and Communities and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Department 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or the parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records; and
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable; and
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department and its Group'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 the Department and its Group 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies and performance indicators.
- Inquiring of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group'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 Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the

Supply and Appropriation (Main Estimates) Act 2021, and establishing legislation for bodies within the Departmental Group.

- discussing among the engagement team including significant component audit teams regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department and Group's framework of authority as well as other legal and regulatory frameworks in which the Department and Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2021, establishing legislation for bodies within the Departmental

Group, the Local Government Act 2003, the UK Internal Market Act 2020, employment law and tax legislation.

In addition, I considered the nature of the control environment of the Department for Levelling Up, Housing and Communities, its business performance and performance targets, and performed risk-based sampling of manual journals to identify those presenting higher risk of fraud, informed by a planning risk assessment and a review of the Statement of Outturn against Parliamentary Supply.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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 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.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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 **18 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 2022

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.

The 2020-21 financial year comparatives are restated with reference to the published financial statements for that year. The restatement is a result of the transfer of functions from Cabinet Office on the establishment of the Department for Levelling Up, Housing and Communities. A breakdown of the movements is included in Annex A.

					£'000
		2021-22			2020-21 restated
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	244,067	395,645	216,672	355,633
Operating Expenditure	4	44,522,037	45,969,026	46,468,915	48,390,099
Operating Income	5	(9,919,623)	(10,978,397)	(3,218,196)	(3,904,797)
Grant-in-aid to ALBs		2,065,136	–	4,770,372	–
Net Operating Expenditure for the year ended 31 March		**36,911,617**	**35,386,274**	**48,237,763**	**44,840,935**
Total Expenditure		46,831,240	46,364,671	51,455,959	48,745,732
Total Income		(9,919,623)	(10,978,397)	(3,218,196)	(3,904,797)
Net Operating Expenditure for the year ended 31 March		**36,911,617**	**35,386,274**	**48,237,763**	**44,840,935**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					
Net (Gain)/Loss on:					
Pension Schemes	16	(153,984)	(256,074)	132,063	132,020
Revaluation of property, plant and equipment		(430)	(430)	–	–
Income tax on items in other comprehensive expenditure		–	16,006	–	4,932
Total comprehensive expenditure for the year ended 31 March		**36,757,203**	**35,145,776**	**48,369,826**	**44,977,887**

The Notes on pages 321 to 392 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2022

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 2022		31 March 2021 restated		1 April 2020 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-current assets							
Property, plant and equipment		22,671	27,866	19,488	26,643	24,005	35,782
Intangible assets		26,534	33,478	17,328	20,485	12,129	15,495
Investments in associates and joint ventures	6	5,000	60,123	5,000	50,732	5,000	75,936
Financial assets at fair value	7	121,905	19,682,334	145,762	18,035,588	148,675	14,976,942
Financial assets at amortised cost	9	206,655	1,133,193	280,327	1,304,456	278,386	1,103,780
Investment properties		71,000	71,000	66,800	66,800	67,656	67,656
Trade and other receivables	12	205,910	293,227	184,279	376,461	118,517	195,781
Total non-current assets		**659,675**	**21,301,221**	**718,984**	**19,881,165**	**654,368**	**16,471,372**
Current assets							
Inventories	11	343,159	1,511,816	323,147	1,434,033	177,594	1,175,666
Assets held for sale		–	2,450	–	2,250	–	–
Financial assets at fair value	8	6,226	90,246	4,319	233,327	–	183,954
Financial assets at amortised cost	10	104,062	589,131	50,997	536,065	114,000	664,946
Trade and other receivables	12	539,120	675,957	339,385	492,194	370,799	429,099
Cash and cash equivalents	13	3,630,224	3,849,067	4,988,685	5,272,515	–	–
Total current assets		**4,622,791**	**6,718,667**	**5,706,533**	**7,970,384**	**662,393**	**2,453,665**
Total Assets		**5,282,466**	**28,019,888**	**6,425,517**	**27,851,549**	**1,316,761**	**18,925,037**
Current liabilities							
Cash and cash equivalents	13	–	–	–	–	2,801,930	2,564,992
Trade and other payables	14	5,854,640	6,267,546	6,751,978	7,301,718	967,719	1,405,482
Provisions	15	20,549	26,022	33,267	34,749	30,429	30,753
Total current liabilities		**5,875,189**	**6,293,568**	**6,785,245**	**7,336,467**	**3,800,078**	**4,001,227**

							£'000
		31 March 2022		31 March 2021 restated		1 April 2020 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-current assets plus/less net current assets/liabilities		**(592,723)**	**21,726,320**	**(359,728)**	**20,515,082**	**(2,483,318)**	**14,923,810**
Non-current liabilities							
Trade and other payables	14	304,195	419,307	337,032	528,177	260,650	376,478
Provisions	15	103,974	114,328	56,977	76,247	72,279	84,734
Pensions	16	62,532	(64,010)	209,429	165,228	74,325	36,503
Financial guarantees		112,398	112,398	117,388	117,388	94,804	94,804
Total Non-current liabilities		**583,099**	**582,023**	**720,826**	**887,040**	**502,058**	**592,519**
Assets less liabilities		**(1,175,822)**	**21,144,297**	**(1,080,554)**	**19,628,042**	**(2,985,376)**	**14,331,291**
Taxpayers' equity							
General fund		(1,144,549)	21,024,737	(894,867)	19,762,254	(2,931,650)	14,334,146
Revaluation reserve		728	728	298	298	196	196
Pension reserve		(32,001)	118,832	(185,985)	(134,509)	(53,922)	(3,051)
Total taxpayers' equity		**(1,175,822)**	**21,144,297**	**(1,080,554)**	**19,628,043**	**(2,985,376)**	**14,331,291**

Jeremy Pocklington CB **15 July 2022**
Accounting Officer
Department for Levelling Up, Housing and Communities

The Notes on pages 321 to 392 form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

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
		2021-22		2020-21 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(36,911,617)	(35,386,274)	(48,237,763)	(44,840,935)
Adjusted for:					
Finance costs	4,5	14,708	(836,879)	(3,018)	(515,695)
(Profit)/loss on disposal of non-current assets	4,5	-	(25,163)	-	7,010
Depreciation and amortisation	4	12,984	17,770	9,898	14,446

					£'000
		2021-22		2020-21 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Revaluation of non-current assets passing through the SoCNE	4	(4,200)	(4,200)	856	856
Impairment of non-current assets	4	6,631	(159,620)	(5,012)	262,007
Other non cash transaction	4,5	217	16,669	2,877	6,081
(Increase)/decrease in inventories	11	(20,012)	(77,783)	(145,553)	(258,367)
(Increase)/decrease in trade & other receivables		(229,926)	(134,413)	(22,068)	(222,693)
Increase/(decrease) in trade & other payables		447,553	234,686	943,737	1,124,889
Movement in provisions	4	60,455	56,643	9,656	17,803
Utilisation of provision	15	(26,178)	(27,291)	(22,117)	(22,291)
Pension fund adjustments	16	-	20,885	81	(838)
Local share (business rates retained by local authorities)	4	7,482,007	7,482,007	16,345,279	16,345,279
Adjustments for Corporation Tax		-	(16,006)	-	1,303
Adjustments for net operating (gains)/losses – asset transfers	4,5	-	-	1,039	1,039
Other adjustments – operating activities		–	-	23,814	23,814
Net Cash outflow from operating activities		**(29,167,378)**	**(28,838,989)**	**(31,098,294)**	**(28,056,292)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(10,995)	(12,680)	(2,972)	(6,010)
Purchase of intangible assets		(15,391)	(21,308)	(8,616)	(10,405)
Financial assets issued		-	(3,057,822)	-	(4,689,697)
Proceeds from disposal of joint ventures		-	2,699	-	30,987
Proceeds on disposal of financial assets		-	2,076,809	834	1,275,033

					£'000
		2021-22		2020-21 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Proceeds from disposal of property, plant and equipment			2,250		
Repayment of financial assets	7,8,9,10	35,256	538,842	66,331	399,523
Interest received	5	(1,125)	59,500	5,655	70,612
Other adjustments – investing activities		-	26,481	13	(3,587)
Net Cash inflow/ (outflow) from investing activities		**7,745**	**(385,229)**	**61,245**	**(2,933,523)**

	Note	£'000			
		2021-22		2020-21 restated	
		Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) – current year		29,750,000	29,750,000	37,189,488	37,189,488
From the consolidated fund (non-supply) – current year		58,616	58,616	20,500	20,500
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		(4,954)	(4,954)	(4,705)	(4,705)
Interest paid	4	(4,897)	(5,299)	(5,146)	(5,488)
Foreign Exchange movements		(8,863)	(8,863)	2,053	2,053
Net Cash inflow/(outflow) from financing activities		**29,789,902**	**29,789,500**	**40,070,086**	**40,069,744**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**630,269**	**565,282**	**9,033,037**	**9,079,937**
Payments due to the Consolidated Fund		(1,988,730)	(1,988,730)	(1,242,422)	(1,242,422)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(1,358,461)**	**(1,423,448)**	**7,790,615**	**7,837,507**

		£'000			
		2021-22		2020-21 restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash and cash equivalents at the beginning of the period	**13**	**4,988,685**	**5,272,515**	**(2,801,930)**	**(2,564,992)**
Cash and cash equivalents at the end of the period	**13**	**3,630,224**	**3,849,067**	**4,988,685**	**5,272,515**

The Notes on pages 321 to 392 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 31 March 2020		**14,362,872**	**196**	**(3,661)**	**14,359,407**
Machinery of Government Change restatement		**(4,242)**	**-**	**-**	**(4,242)**
Balance at 31 March 2020		**14,358,630**	**196**	**(3,661)**	**14,355,165**
Comprehensive Net Expenditure (restated)	SOCNE	(44,845,867)	-	(132,020)	(44,977,887)
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)	93	-	83
Transfers between reserves		(1,181)	9	1,172	-
Total recognised income and expenses for 2020-21		**(28,501,354)**	**102**	**(130,848)**	**(28,632,100)**
Net Parliamentary Funding - drawn down		37,189,488	-	-	37,189,488
Net Parliamentary Funding - excess vote		2,867,896	-	-	2,867,896

					£’000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Consolidated Fund Standing Services -non supply - drawn down:		20,500	-	-	20,500
Supply (payable)/receivable		(4,923,587)	-	-	(4,923,587)
CFERs payable to the Consolidated Fund (restated)	SoPS4.1	(1,249,319)	-	-	(1,249,319)
Sub Total		**33,904,978**	**-**	**-**	**33,904,978**
Balance at 1 April 2021		**19,762,254**	**298**	**(134,509)**	**19,628,043**
Comprehensive Net Expenditure	SOCNE	(35,402,280)	-	256,074	(35,146,206)
Non cash charges – auditor's remuneration	4	460	-	-	460
Local share (business rates retained by local authorities)	4	7,482,007	-	-	7,482,007
Other adjustments to reserves		(59)	430	-	371
Transfers between reserves		2,733	-	(2,733)	–
Total recognised income and expenses for 2021-22		**(27,917,139)**	**430**	**253,341**	**(27,663,368)**
Net Parliamentary Funding - drawn down		29,750,000	-	-	29,750,000
Net Parliamentary Funding - deemed supply		4,923,588	-	-	4,923,588
Consolidated Fund Standing Services -non supply - drawn down:		58,616	-	-	58,616
Supply (payable)/receivable		(3,602,697)	-	-	(3,602,697)
CFERs payable to the consolidated fund	SoPS4.1	(1,949,885)	-	-	(1,949,885)
Sub Total of Net Parliamentary Funding and CFERs payable		**29,179,622**	**-**	**-**	**29,179,622**
Balance at 31 March 2022		**21,024,737**	**728**	**118,832**	**21,144,297**

The Notes on pages 321 to 392 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

					£'000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2020		**(2,903,534)**	**257**	**(53,922)**	**(2,957,199)**
Machinery of Government Change restatement		(4,242)	-	-	(4,242)
Balance at 1 April 2020		**(2,907,776)**	**257**	**(53,922)**	**(2,961,441)**
Comprehensive Net Expenditure (restated)	SOCNE	(48,237,763)	-	(132,063)	(48,369,826)
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		(10)	41	-	31
Total recognised income and expenses for 2020-21		**(31,892,069)**	**41**	**(132,063)**	**(32,024,091)**
Net Parlimentary Funding - drawn down		37,189,488	-	-	37,189,488
Net Parliamentary Funding - excess vote		2,867,896	-	-	2,867,896
Consolidated Fund Standing Services -non supply - drawn down:		20,500	-	-	20,500
Supply (payable)/receivable		(4,923,588)	-	-	(4,923,588)
CFERs payable to the Consolidated Fund (restated)	SoPS4.1	(1,249,319)	-	-	(1,249,319)
Sub Total		**33,904,977**	**-**	**-**	**33,904,977**
Balance at 1 April 2021		**(894,868)**	**298**	**(185,985)**	**(1,080,555)**
Comprehensive Net Expenditure	SOCNE	(36,911,617)	-	153,984	(36,757,633)
Non cash charges – auditor's remuneration		460	–	–	460
Local share (business rates retained by local authorities)	4	7,482,007	–	–	7,482,007

					£’000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Other adjustments to reserves		(153)	430	–	277
Total recognised income and expenses for 2021-22		**(29,429,303)**	**430**	**153,984**	**(29,274,889)**
Net Parliamentary Funding - drawn down		29,750,000	-	-	29,750,000
Net Parliamentary Funding - deemed supply		4,923,588	-	-	4,923,588
Consolidated Fund Standing Services -non supply - drawn down:		58,616	-	-	58,616
Supply (payable)/receivable		(3,602,697)	-	-	(3,602,697)
CFERs payable to the consolidated fund	SoPS4.1	(1,949,885)	-	-	(1,949,885)
Sub Total		**29,179,622**	**-**	**-**	**29,179,622**
Balance at 31 March 2022		**(1,144,549)**	**728**	**(32,001)**	**(1,175,822)**

The Notes on pages 321 to 392 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 2021-22 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

Department for Levelling Up, Housing and Communities 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 2022. 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 has been 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 value of the Right of Use Asset on transition to IFRS16 is estimated to be £65m, resulting in depreciation for the financial year of £7m. A financial liability of the same value as the right of use assets will also be recognised.

- 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 to departments for how to apply the standard is expected in December 2022.

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.

Expected Credit Losses

International Financial Reporting Standard 9: Financial Instruments (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 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. 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.

Changes in assumptions can have a significant impact on the Expected Credit Loss Allowance calculation. A sensitivity analysis demonstrating how changes in assumption change the allowance is included in Note 17.

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.

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 than other balances disclosed in the Financial Statements. Of the £2.5 billion employer assets at 31 March 2022 disclosed in Note 16, only £176.8 million was investment in property and is subject to the uncertainty outlined above in relation to the land and property assets.

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 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 2021 and at 31 March 2022 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 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.

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 adapted by the FReM for taxation revenue. 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, such as milestones within the grant agreement being reached. Unringfenced grants are recognised on the occurrence of such other event giving rise to entitlement, such as a signed agreement creating an unconditional expectation to the grant funding.

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. Grants to Local Authorities may be paid out under section 31 of the Local Government Act 2003, and are generally unringfenced. Unringfenced grants are provided for a specific programme, but can be used against other Local Authority spending if required. Where ringfenced for a specific purpose, unspent funding will be subject to clawback. Local Authorities are provided with a Grant Determination letter, outlining the amounts due, when they should be spent by, whether they are intended for resource or capital projects, and whether subject to any clawback.

Grants to charities and voluntary organisations can be paid under section 70 of the Charities Act 2006. Details of grants paid under these powers are included in Annex C. Grants to other organisations must be directly applied for, and evidence provided to demonstrate that they meet the programme eligibility. New grant schemes are developed in accordance with Cabinet Office framework on grants.

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. Local Authorities provide a declaration of the non-domestic business rates collected, signed by the Officer responsible for proper administration under section 151 of the Local Government Act 1972. The submission of returns enables calculation of the business rate top-up grants, and the local share. 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. This notional expenditure is reversed by a credit to General Fund.

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 E.

13. Going concern

The financial statements of the department have been prepared on the basis that the department is a going concern. Financial provision for its activities is included in the 2021 Spending Review which set out budgets for 2022-25 and parliament has authorised spending for

2022-23 in the Central Government Main Supply Estimates 2022-23.

Legislation requires that election expenses of Returning Officers are met directly from HM Treasury's Consolidated Fund as a Consolidated Fund Standing Service without the need for further annual authorisation from parliament.

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 'DLUHC 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
		2021-22					2020-21 restated				
	Note	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total
Gross Expenditure	SoPS1.1	38,817,336	168,209	4,686,745	2,218,835	45,891,125	39,729,120	160,475	5,318,080	3,113,874	48,321,549
Income	SoPS1.1	(8,687,449)		(1,478,576)	(582,819)	(10,748,844)	(1,843,555)		(1,176,479)	(567,512)	(3,587,546)
Net Expenditure		**30,129,887**	**168,209**	**3,208,169**	**1,636,016**	**35,142,281**	**37,885,565**	**160,475**	**4,141,601**	**2,546,362**	**44,734,003**

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	2021-22 Total	2020-21 Total
Total net expenditure reported for operating segments	2	**35,142,281**	**44,734,003**
Reconciling items:			
Income		(229,553)	(317,251)
Expenditure		233,048	561,135
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**35,145,776**	**44,977,887**

Note 3. Staff Costs

					£'000
		2021-22		2020-21 restated	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		244,067	395,645	216,672	355,633

The Staff Report, page 221, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

					£'000
		2021-22		2020-21 restated	
	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
Depreciation and amortisation		12,984	17,770	9,898	14,446
Impairment/(revaluation) of Property, Plant and Equipment		–	(1,460)	126	2,968
Impairment/(revaluation) of other financial assets		6,631	(158,160)	(5,138)	259,039
Impairment of inventory		–	18,985	–	67,013
Impairment/(revaluation) of assets[1]		(4,200)	(4,200)	856	856
ERDF write-offs and disallowances		(4)	(4)	1,148	1,148
Auditors remuneration		460	460	425	425
Increase/Decrease in provisions (Provisions provided for in year less any release)	15	60,455	56,643	9,656	17,803
Write-off of bad debt		(239)	16,213	1,304	4,516
Net interest on pension scheme liabilities	16	4,112	2,726	1,685	(4,098)

					£'000
		2021-22		2020-21 restated	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Admin charge on pension assets	16	2,975	3,246	1,275	1,545
Share of Loss of Joint Ventures and Associates	6	–	–	–	1,673
Notional costs		146	146	132	132
Local share (business rates retained by local authorities)		7,482,007	7,482,007	16,345,279	16,345,279
Other non cash costs		(6,992)	(6,992)	3,896	3,896
Total Non Cash Items		**7,558,335**	**7,427,380**	**16,371,581**	**16,717,680**
Cash Items					
Rentals under operating leases		471	1,198	406	1,205
Accommodation including rentals under operating leases		16,462	24,771	8,529	18,106
Research and development		16,711	16,711	9,743	9,743
Legal and professional services		72,411	132,573	74,357	138,170
Consultancy		6,514	6,562	16,034	16,093
Marketing and communications		11,017	13,800	834	6,287
Training and development		3,807	4,989	2,145	3,301
Auditors remuneration[1]		52	797	47	739
IT expenditure		30,789	38,548	34,764	42,896
Travel and subsistence		1,817	3,210	699	1,253
Returning Officer Expenses[2]		54,930	54,930	(5,485)	(5,485)
ERDF exchange rate losses (realised)		8,863	8,863	–	–
Interest payable		4,897	5,299	5,146	5,488
Taxation		896	(3,333)	454	7,123
ERDF grants		540,626	540,626	564,724	564,724
Revenue support grant and PFI grant		1,831,617	1,831,617	1,822,692	1,822,692
Business rates retention (top ups)		3,072,370	3,072,370	1,834,559	1,834,559
Other capital grants to local authorities		2,844,454	3,252,294	3,863,978	4,199,449

					£'000
		2021-22		2020-21 restated	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Other current grants to local authorities[3]		28,386,472	28,391,164	21,806,955	21,807,573
Other grants		44,654	1,115,118	50,752	1,176,831
Other cash costs		13,872	29,539	6,001	21,672
Total Cash Items		**36,963,702**	**38,541,646**	**30,097,334**	**31,672,419**
Total		**44,522,037**	**45,969,026**	**46,468,915**	**48,390,099**

Footnotes"

1 The external auditors total group fees (notional and cash) for all statutory audit work were £1.10 million. Of the £0.79 million cash charge for auditor's remuneration, £0.64 million relates to external audit fees and the remaining relates to other assurance work not performed by external audit.

2 Returning Officer Expenditure is the reimbursement of costs incurred by Returning Officers in the course of organising and holding national elections. A breakdown of costs by election is in Annex C.

3 Other current grants to local authorities include payments under the grants programmes in the table below.

Grant Programme	Amount
£000	
Expanded Retail Discount	5,827,605
Business Rate Collection Deficit funding	4,243,477
Council Tax Rebate Scheme	3,069,445
Better Care Fund contribution	1,979,389
Social Care Support Grant	1,710,000
Covid-19 Local Authority Expenditure support	1,550,000
Business Rate Relief Top up funding	1,535,309
Covid 19 Additional Relief Fund	1,500,000
Small Business Rate relief	917,229
National Non-Domestic Rate Collection Deficit funding	820,057
Covid 20-21 Tax Income Guarantee Scheme	799,627
Business Rate inflation cap	679,359
Covid Local Council Tax Support	670,000
New Homes Bonus	622,274
Homelessness Prevention Grant	374,943
Sales fees & charges support grant	208,539
Rough Sleeping Initiative	193,700
Independent Living Fund	160,600
Local Authority funding for statutory duties under Domestic Abuse	124,500
UK Community Renewal Fund	118,011
Fire Pensions Grant	115,000
Lower Tier Services Grant	111,000
Other current grants under £100m	1,061,100
Total other current grants to local authorities	**28,391,164**

Note 5. Operating Income

					£'000
		2021-22		2020-21 restated	
	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		–	109,366	–	97,397
Increase in fair value – FVTPL assets		–	790,020	2,368	446,590
ERDF exchange rate gains (unrealised)		272	272	4,944	4,944
Notional income		146	146	132	132
Share of profit of joint ventures and associates	6	-	229	-	-
Total Non Cash Items		**418**	**900,033**	**7,444**	**549,063**
Cash Items					
CFER income		48,155	48,155	180,827	180,827
Grant income		583,583	610,870	602,083	621,759
Business rate relief returns		5,624,692	5,624,692	–	–
ERDF grant income		582,171	582,171	574,418	574,418
Business rates retention (tariff)		3,059,760	3,059,760	1,822,292	1,822,292
Goods and services		4,816	4,871	5,715	5,742
Accommodation		19	4,280	(47)	4,398
Fees		13,760	26,266	14,155	26,657
ERDF exchange rate gains (realised)		-	-	2,053	2,053
Interest and dividends		(1,125)	59,500	5,655	70,612
Miscellaneous		3,374	57,789	3,601	46,976
Total Cash Items		**9,919,205**	**10,078,364**	**3,210,752**	**3,355,734**
Total		**9,919,623**	**10,978,397**	**3,218,196**	**3,904,797**

Note 6. Investments in associates and joint ventures

	£'000
	Investment in Associates & Joint Ventures
Opening balance at 1 April 2020	**75,936**
Additions	4,110
Revaluation	(30,987)
Profit/(loss) on JV or Associate	1,673
Balance at 31 March 2021	**50,732**
Additions	11,861
Disposal	(2,699)
Profit/(loss) on JV or Associate	229
Balance at 31 March 2022	**60,123**
Of which:	
Core Department	5,000
Agencies	–
Designated bodies	55,123

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 2022 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	**14,016,310**	**702,263**	**258,368**	**14,976,941**
Additions	4,059,942	149,343	29,977	4,239,262
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)	–	(51,446)
Transfers in/(out)	–	–	(4,319)	(4,319)
Balance at 31 March 2020	**17,053,545**	**696,761**	**285,283**	**18,035,589**
Additions	2,383,702	169,012	34,154	2,586,868
Write down/Impairments	144,308	19,283	(7,312)	156,279
Fair value gains/(losses)	707,565	70,066	–	777,631
Disposal	(1,860,919)	(204,334)	–	(2,065,253)
Transfers in/(out)	–	–	(669)	(669)
Transfer to receivables <1year	–	193,796	(1,907)	191,889
Balance at 31 March 2021	**18,428,201**	**944,584**	**309,549**	**19,682,334**
Of which:				
Core Department	–	2	121,903	121,905
Agencies	–	–	–	–
Designated bodies	18,428,201	944,582	187,646	19,560,429

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.

In 2021-22, the core department disposed of its investment in 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 (2021-22: £467.8 million, 2020-21: £434.4 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.

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 2022 in relation to these investments was £483.4 million.

Note 7.2 Financial Instruments – Recognised fair value measurements

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

				2021-22
£'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	-	18,428,201	-	18,428,201
Other property investments		-	1,254,133	1,254,133
Investments	60,123	-	-	60,123
Total financial assets	**60,123**	**18,428,201**	**1,254,133**	**19,742,457**
of which				
Core Department	5,000	-	121,905	126,905
Agencies	-	-	-	-
Designated bodies	55,123	18,428,201	1,132,228	19,615,552
Total financial assets	**60,123**	**18,428,201**	**1,254,133**	**19,742,457**
Financial liabilities at fair value through profit or loss				
Financial guarantees	-	-	(112,398)	(112,398)
Other financial liabilities	-	-	(6,763,193)	(6,763,193)
Total financial liabilities	**–**	**–**	**(6,875,591)**	**(6,875,591)**
of which				
Core Department	-	-	(6,458,288)	(6,458,288)
Agencies	-	-	-	-
Designated bodies	-	-	(417,303)	(417,303)
Total financial liabilities	**–**	**–**	**(6,875,591)**	**(6,875,591)**

				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

	2020-21			
£'000	**Level 1**	**Level 2**	**Level 3**	**Total**
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		–	(8,106,119)	(8,106,119)
Total financial liabilities	**–**	**–**	**(8,223,507)**	**(8,223,507)**
of which				
Core Department	–	–	(7,506,071)	(7,506,071)
Agencies	–	–	–	–
Designated bodies	–	–	(717,436)	(717,436)
Total financial liabilities	**–**	**–**	**(8,223,507)**	**(8,223,507)**

Changes in level 3 Instruments Financial assets £'000	**Other property investments**	
	2021-22	**2020-21**
Balance 1 April	**982,044**	**960,631**
Additions	203,166	179,320
Repayments/disposals	(204,334)	(100,167)
Reclassifications	191,220	(55,765)
Gains/losses recognised in SOCNE	82,037	(1,975)
Balance 31 March	**1,254,133**	**982,044**
of which		
Core Department	121,905	145,762
Agencies	–	–
Designated bodies	1,132,228	836,282
Balance 31 March	**1,254,133**	**982,044**

Changes in level 3 Instruments Financial assets £'000	Financial guarantees	
	2021-22	2020-21
Balance 1 April	**(117,388)**	**(94,804)**
Additions	4,990	(22,584)
Balance 31 March	**(112,398)**	**(117,388)**
of which		
Core Department	(112,398)	(117,388)
Agencies	–	–
Designated bodies	–	–
Balance 31 March	**(112,398)**	**(117,388)**

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	
	2021-22	2020-21
Balance 1 April	**233,327**	**183,954**
Reclassifications (to)/from >1 year	(143,081)	49,373
Balance 31 March	**90,246**	**233,327**
Of which:		
Core Department	6,226	4,319
Agencies	-	-
Designated bodies	84,020	229,008

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 2020	**818,677**	**284,282**	**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 1 April 2021	**1,018,946**	**284,689**	**821**	**1,304,456**
Additions	396,341	25,019	–	421,360
Write down/ Impairments	(15,829)	–	–	(15,829)
Expected loss allowance	464	1,044	–	1,508
Repayments	(501,142)	(24,095)	–	(525,237)
Transfer to receivables <1year	–	(53,065)	–	(53,065)
Balance at 31 March 2022	**898,780**	**233,582**	**821**	**1,133,193**
Of which:				
Core Department	–	205,834	821	206,655
Agencies	–	–	–	–
Designated bodies	898,780	27,758	–	926,538

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 (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 2022, 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 2020	**550,946**	**114,000**	**664,946**
Transfer from receivables > 1year	(65,878)	(63,003)	(128,881)
Balance at 1 April 2021	**485,068**	**50,997**	**536,065**
Transfer from receivables > 1year	–	53,065	53,065
Balance at 31 March 2022	**485,068**	**104,062**	**589,130**
Of which:			
Core Department	–	104,062	104,062
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
		2021-22		2020-21
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	**–**	**1,110,886**	**–**	**998,072**
Additions	–	230,174	–	317,730
Disposals	–	(153,418)	–	(137,903)
Transfers	–	–	–	–
Impairments	–	(18,985)	–	(67,013)
Closing balance Land and buildings as at 31 March	**–**	**1,168,657**	**–**	**1,110,886**
ERDF Work in Progress				
Opening balance as at 1 April	323,147	323,147	177,594	177,594
Payments to Projects	341,939	341,939	433,778	433,778
Disposals	(321,927)	(321,927)	(288,225)	(288,225)
Closing balance ERDF as at 31 March	**343,159**	**343,159**	**323,147**	**323,147**
Total inventory closing balance as at 31 March	**343,159**	**1,511,816**	**323,147**	**1,434,033**

Land and property assets had a combined net realisable value of £1,576m (2020/21 £1,419m). As described in Note 1 the estimated valuation at the reporting period of the portfolio of land and property assets is obtained in accordance with the current edition of RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors. The information provided to the valuers, and the assumptions and valuation models used by the valuers are reviewed internally in accordance with the Agency's ALVVE (Annual Land Validation and Valuation Exercise) guidance.

The valuation models used by the external valuers will vary depending on the Agency's objectives and conditions for each asset. However, they will typically include a mixture of the following:

- Residual method – the residual method is based on the concept that the value of land or property with development potential is derived from the value of the land or property after development minus the cost of undertaking that development, including a profit for the developer.
- Market approach – the market approach uses comparable evidence of similar assets, normally in a similar type of location or geographical area.
- Where disposal processes are well advanced e.g. bids received, preferred bidder identified or conditional agreements entered into, the valuer would be expected to have regard to these. The valuer will make a judgement as to the appropriate weight to apply on a case by case basis depending on how advanced the process is and the considered likelihood of the transaction completing as currently structured.

Note 12. Trade and other receivables

						£'000
	2021-22		2020-21 restated		1 April 2020 restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:						
Trade receivables	2,390	3,744	2,292	6,436	1,555	4,195
Deposits and advances	-	7	-	6	-	19
VAT receivables	2,680	2,721	3,195	3,240	2,981	3,027
Other receivables	254,010	388,850	46,013	193,862	111,781	166,548
ERDF accrued income	(5,014)	(5,014)	44,885	44,885	49,899	49,899
Prepayments and accrued income	177,431	178,026	159,714	160,479	43,064	43,064
Elections Advances	107,623	107,623	83,286	83,286	161,519	161,519
Sub Total	**539,120**	**675,957**	**339,385**	**492,194**	**370,799**	**428,271**
Amounts falling due after more than one year:						
Trade receivables	-	2,425	-	6,352	42,333	119,636
Other receivables	55,940	140,832	56,468	242,298	75,894	75,894
ERDF advances	149,657	149,657	127,530	127,530	-	-
Prepayments and accrued income	313	313	281	281	290	290
Sub Total	**205,910**	**293,227**	**184,279**	**376,461**	**118,517**	**195,820**
Total	**745,030**	**969,184**	**523,664**	**868,655**	**489,316**	**624,091**

Note 13. Cash and cash equivalents

				£'000
	2021-22		2020-21 Restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	4,988,685	5,272,515	(2,801,930)	(2,564,992)
Net change in cash and cash equivalent balances	(1,358,461)	(1,423,448)	7,790,615	7,837,507
Cash Balance at 31 March	**3,630,224**	**3,849,067**	**4,988,685**	**5,272,515**
The following balances at 31 March were held at:				
Other bank and cash	-	56,022	-	40,655
Commercial banks and cash in hand	-	9,591	-	8,774
Government Banking Service	3,603,397	3,756,627	4,963,130	5,197,531
Government Banking Service (Elections)	26,827	26,827	25,555	25,555
Balance at 31 March	**3,630,224**	**3,849,067**	**4,988,685**	**5,272,515**

Note 14. Trade and other payables

						£'000
	2021-22		2020-21 restated		1 April 2020 restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:						
Taxation and social security	5,231	8,613	4,162	9,069	3,613	17,575
Trade payables	(46)	377,602	418	514,710	1,372	394,343
Other payables	21,088	39,119	150,738	168,454	83,659	103,457
Accruals	1,413,168	1,416,230	948,370	951,338	260,917	264,104
Accruals – Elections	142,884	142,884	115,447	115,447	220,371	220,371
Finance lease	10,000	10,000	9,851	9,851	9,851	9,851
Deferred income	53,857	64,640	53,391	63,248	496	8,341
ERDF deferred income	605,061	605,061	506,468	506,468	239,049	239,049
Amount issued from the Consolidated Fund for supply but not spent	3,602,697	3,602,697	4,923,587	4,923,587	115,725	115,725
Consolidated fund extra receipts to be paid to the Consolidated Fund						
– received	700	700	39,546	39,546	32,666	32,666
Sub Total	**5,854,640**	**6,267,546**	**6,751,978**	**7,301,718**	**967,719**	**1,405,482**
Amounts falling due after more than one year:						
Finance lease	71,352	71,352	76,455	76,455	81,160	81,160
ERDF deposits held	231,438	231,438	258,817	258,817	177,730	177,730
Other payables	-	115,112	-	179,012	-	107,579
Deferred income	1,405	1,405	1,760	13,893	1,760	10,009
Sub Total	**304,195**	**419,307**	**337,032**	**528,177**	**260,650**	**376,478**
Total	**6,158,835**	**6,686,853**	**7,089,010**	**7,829,895**	**1,228,369**	**1,781,960**

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

Note 15. Provisions for liabilities and charges

				£'000
	2021-22		2020-21	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	90,244	110,996	102,708	115,487
Increase	68,285	68,285	12,340	20,295
Utilisation	(26,178)	(27,291)	(22,117)	(22,291)
Reversal	(7,923)	(11,784)	(2,687)	(2,687)
Unwinding of discount	-	49	-	192
Transfer	95	95	-	-
Balance at 31 March	**124,523**	**140,350**	**90,244**	**110,996**
Of which:				
Current liabilities	20,549	26,022	33,267	34,749
Non-current liabilities	103,974	114,328	56,977	76,247
Balance at 31 March	**124,523**	**140,350**	**90,244**	**110,996**

Core department provisions comprise:

(i) 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.

(ii) Other provisions

In the core department, these provisions include claims made by staff and third parties against the department. The provision is calculated based on general experience of 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
	Grenfell Tower Site	Other	Total
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**
Not later than one year	19,093	6,929	26,022
Later than one year and not later than five years	99,766	14,562	114,328
Later than five years	–	–	–
Balance at 31 March 2022	**118,859**	**21,491**	**140,350**

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
		2021-22		2020-21
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	1,441,029	2,609,466	1,187,725	2,141,702
Current service cost	–	45,381	–	31,770
Interest charges	27,809	51,299	26,385	47,965
Admin charge on pension liabilities	–	(92)	–	(66)

				£'000
		2021-22		2020-21
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Contribution by members	–	6,305	–	5,614
Remeasurement of (gains)/losses on liability	(86,916)	(163,249)	257,111	439,850
Past service cost/(gains)	–	–	90	263
Benefits paid				
Funded benefits paid	(29,890)	(53,386)	(30,273)	(56,978)
Unfunded benefits paid	–	(307)	(9)	(654)
Closing defined benefit obligation	**1,352,032**	**2,495,417**	**1,441,029**	**2,609,466**
Reconciliation of fair value of employer asset				
Opening balance	(1,231,600)	(2,444,238)	(1,113,400)	(2,105,199)
Interest income on scheme asset	(23,697)	(48,573)	(24,700)	(52,063)
Admin charge on pension assets	2,975	3,246	1,275	1,529
Contributions by members	–	(6,305)	–	(5,614)
Contributions by employer	–	(26,239)	–	(34,140)
Remeasurement of (gains)/losses on asset	(67,068)	(92,826)	(125,048)	(307,831)
(Losses)/gains on curtailment	–	2,028	–	2,005
Assets distributed on settlement	29,890	53,480	30,273	57,075
Closing fair value of employer asset	**(1,289,500)**	**(2,559,427)**	**(1,231,600)**	**(2,444,238)**
Closing net pension liability	**62,532**	**(64,010)**	**209,429**	**165,228**
of which:				
Funded	62,475	(67,999)	209,372	156,901
Unfunded	57	3,989	57	8,327

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 2022 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	**2021-22**	**2020-21**
Diversified Growth Funds	672	699
Liability Driven Investment	366	347
Infrastructure	102	95
Property	106	85
Cash	44	5
Total	**1,290**	**1,232**

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 2022. 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 2022 are shown in the table below.

	2022	2021	2020	2019	2018	2017
Principal assumptions	% pa	% pa	% pa	% pa	% pa	% pa
Rate of inflation	3.90	3.40	2.70	3.35	3.25	3.30
Rate of salary increase	n/a	n/a	n/a	n/a	n/a	n/a
Discount rate for liabilities	2.70	1.95	2.25	2.50	2.65	2.70
Rate of increase of pensions in payment	3.90	3.40	2.70	3.35	3.25	3.30
Rate of increase of deferred pensions	3.90	3.40	2.70	3.35	3.25	3.30

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2020-21: 28 years), for females retiring today, 30 years (2020-21: 30 years) and for males retiring in 20 years, 30 years (2020-21: 30 years), for females retiring in 20 years, 32 years (2020-21: 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%	162
Rate of inflation	Increase by 0.5%	Increase by 11%	149
Rate of mortality	Mortality table rated down by one year	Increase by 4%	54

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 E. The following table shows the balances held by the department as at 31 March 2022 that are subject to exchange rate risk. (Exchange rate at 31 March 2022 £1 = €1.1835[32]).

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

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2022	144,643	171,185
Total assets at 31 March 2021	172,416	202,399
Total liabilities at 31 March 2022	(231,438)	(273,907)
Total liabilities at 31 March 2021	(264,534)	(310,537)

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.

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 2022	Euro Rate at 31 March 2021	Impact of rate change to			
	£'000	Impact of rate change to	1:1.00	1:1.10	1:1.30	1:1.40
Assets	£144,643	1.1835	£27m gain	£11m gain	£13m loss	£22m loss
Liabilities	-£231,438	1.1835	£43m loss	£18m loss	£21m gain	£36m gain
Net gain/loss	-£86,795		£16m loss	£7m loss	£8m gain	£13m 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 2022, 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%	22,730.2	3,730.1	20.0%
10.0%	20,506.6	1,865.5	10.0%
0%	18,640.1	-	0.0%
-5%	17,705.2	(934.9)	-5.0%
-10.0%	16,741.2	(1,898.9)	-10.2%
-20.0%	14,362.8	(4,277.3)	-22.9%
-30.0%	11,023.40	(7,616.7)	-40.9%

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 2022, if development returns had been 10% higher 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 of £26.1 million from that stated. A 10% lower development return would have led to a decrease of £26.1 million.

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

Land portfolio – market risk

The table below shows the effect on net expenditure at 31 March 2022, before the effects of tax, if at 31 March 2022 average land and property prices had varied by the amounts shown and all other variables were held constant. This illustrates the lower of cost and net realisable value principle whereby impairments will only be recognised when an asset falls below its cost base and impairment reversals will only be recognised to the extent the asset has previously been impaired.

Modelled change in land and property values (%)	Estimated portfolio value (£m)	Incremental change in land and property impairments recognised in net expenditure (£m)	% Incremental change in land and property value (recognised in net expenditure)
20.0%	1,286.7	(118.0)	10.1%
10.0%	1,234.0	(65.3)	5.6%
0%	1,168.7	-	0.0%
-5%	1,129.3	39.4	-3.4%
-10.0%	1,088.6	80.1	-6.9%
-20.0%	995.4	173.3	-14.8%
-30.0%	899.0	269.7	-23.1%

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 375. 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.

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. 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. 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.

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 positive in 2021-22 because expected credit losses have increased compared to 2020-21 due to the model reflecting the current economic conditions.

		£'000
Expected Credit Loss Allowances	**2022**	**2021**
Opening balance	**46,013**	**72,404**
Net movements in Expected Credit Loss Allowances	1,508	(26,391)
Closing balance	**47,521**	**46,013**

		£'000
Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	**2022**	**2021**
Net movements in Expected Credit Loss Allowances	(1,508)	26,391
Amounts written-off loan balances as irrecoverable under IFRS 9	(15,829)	(2,686)
Total credit impairment loss charge	**(17,337)**	**23,705**

Total expected credit loss is calculated based on modelling assumptions linked to future economic scenarios and the weighting assumptions given to those scenarios. Three scenarios are used, taking the Office of Budget Responsibilities (OBR) outlook and upside and downside scenarios from Oxford Economics. Individual assets and asset holders are assessed for risk of default based on the scenarios. The outcome of expected losses are combined on a weighting basis, on a 75%/20%/5% base case/downside/upside.

The sensitivity to the different scenario weighting can be found in the table below.

Scenario weighting	Expected Credit Loss Allowance (£m)	Incremental change in ECLA (£m)	Incremental change in ECLA (%)
Weighting of 70% : 20% : 10% applied	46,200	(1,321)	-2.8%
Weighting of 80% : 15% : 5% applied	46,621	(900)	-1.9%
Base assumption of 75% : 20% : 5% applied	47,521	-	0%
Weighting of 60% : 30% : 10% applied	48,000	479	1.0%
Weighting of 70% : 25% : 5% applied	48,421	900	1.9%

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 2022, the department had approved £3.2 billion worth of debt finance raised by Affordable Housing Finance (2013 scheme) and £320 million (2020 scheme) on behalf of Private Registered Providers, of which all but £55 million of the 2020 scheme 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 2022 is £28.2 million for the 2013 scheme and £2.1 million for the 2020 scheme. 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 £8.7 million (5% LGD, Low PD) to £196 million (25% LGD, High PD). When liquidity reserves are accounted for in the sensitivity analysis, the valuation ranges from £4 million (5% LGD, Low PD) to £175 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 2022, 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 £78.3 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 £78.3 million and the top five counterparties represent 65% (based on guaranteed loan exposure). There are 14 counterparties for the 28 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 2022 accounted for £1.02 billion of the total exposure (53.1%). 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 86.4% of the £265.3 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 other 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 2021 and 31 March 2022. 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

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. Full details of the sensitivity analysis can be found in the Homes England Annual Report and Accounts.

Impact of assumptions

The significant assumptions in Help to Buy valuation are:

- assumptions for market adjustments, Homes England's assessment of house price inflation over time derived from the Office for National Statistics' House Price Index; and
- timing of redemption, being the earlier of the sale of the property or when the homeowner staircases the equity loan payment equivalent to Home England's share of the estimated value of the property.

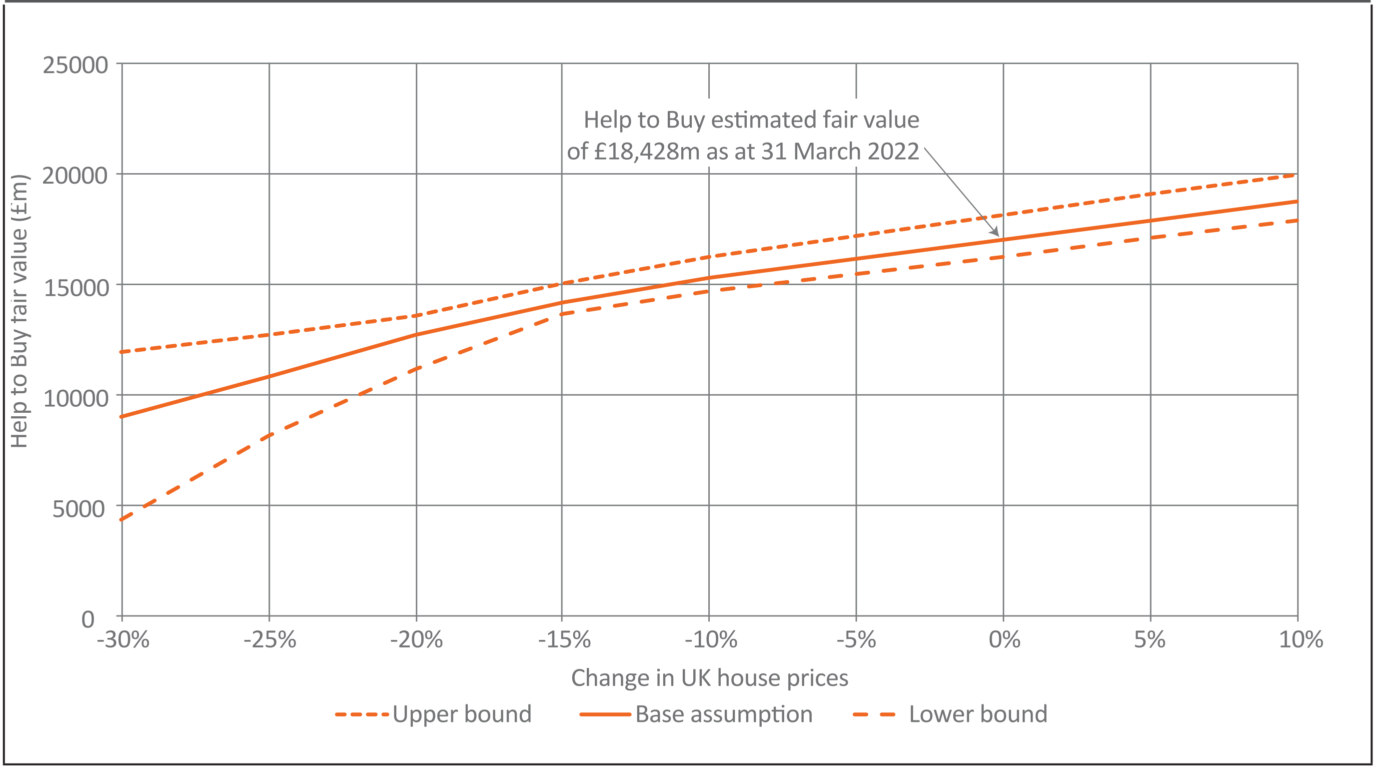
The assumptions interact with each other in different economic scenarios. For example, a 15% point fall in house prices might lead to both a 10% point increase in staircasing transactions (relative to sales) and a 7.5% increase in accounts in arrears (of which 1.5% might be an increase in accounts likely to be repossessed). In this situation Homes England would model a fair value of £15.16 billion: a reduction of £3.26 billion or 17.7% 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
- discounts on repossession between 15% lower and 15% higher than the base assumption

The combined impact of assumptions generates a spread in estimated fair value of £1.82 billion at current market prices. This spread would increase in a falling market, reaching approximately £5.4 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
Obligations under operating leases comprise:	2021-22		2020-21	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Buildings:				
Payment due within 1 year	7,567	8,572	15,675	16,441
Payment due after 1 year but not more than 5 years	28,114	28,710	60,599	61,223
Payment due thereafter	26,999	26,999	79,482	79,482
Total value of obligations	**62,680**	**64,281**	**155,756**	**157,146**
Other:				
Payment due within 1 year	–	7	–	9
Payment due after 1 year but not more than 5 years	–	–	–	4
Payment due thereafter	–	–	–	–
Total value of obligations	**–**	**7**	**–**	**13**

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 £4,328 million at 31 March 2022 (31 March 2021: £4,657 million).

Homes England has entered into financial commitments in relation to affordable housing grant programmes totalling £5,197 million at 31 March 2022 (31 March 2020: £751 million). The increase is due to the launch of the Affordable Homes 2021-26 programme.

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 2022 plus contractual commitments to third-party suppliers who administer individual transactions on behalf of Homes England was £993 million (31 March 2021: £1,083 million).

Homes England has entered into financial commitments in relation to land development and building leases totalling £262 million and £23 million respectively at 31 March 2022 (31 March 2021: £289million and £25 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
		2021-22	2020-21
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.	118	397
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 recove any ineligbile expenditure from individual projects in the 2014-20 programme	Unquantifiable	Unquantifiable
e	Commitment to fund potential shortfalls of land sale receipts of a Housing Association	Up to 4,000	Up to 4,000
f	Potential 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

			£'000
		2021-22	2020-21
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	64	70
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.	243	188
l	Following the European Commission audit of the European Regional Development Fund, one project in the sample has been identified as ineligible. Because of this, the process is to extrapolate the percentage level of error (100% in this case) to the full audit sample, estimated at £15.4m. Once the £15.4m is added to the ERDF programme error rate this will result in the Total Error rate being above 2%. This may result in a fine, but both whether the fine will arise, and its value, are not yet certain. To reduce the Total Error rate below the 2%, we may be able to make a "self-correction", estimated at £15.4m. Should this "self-correction" not be made in future years then the Department may need to recognise the cost of a fine.	15,400	0

Note 21. Contingent assets disclosed under IAS 37

			£'000
		2021-22	2020-21
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 13 designated bodies. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet (Note Advisory Bodies do not produce accounts) Development Corporation and the Architects Registration Board are consolidated into the departmental accounts.

Executive Agencies

Planning Inspectorate

Advisory Bodies

Building Regulations Advisory Committee
Parliamentary Boundary Commission for England
Parliamentary Boundary Commission for Wales

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

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 399. The auditor's notional fee of £20,500 (2020-21: £20,500) 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 Department for Levelling Up, Housing and Communities 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 150.

Jeremy Pocklington CB **15 July 2022**
Accounting Officer
Department for Levelling Up, Housing and Communities

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Business Rates Retention and Non-Domestic Rates Trust Statement's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK Adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Business Rates Retention and Non-Domestic Rates Trust Statement's affairs as at 31 March 2022 and its net revenue 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 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) 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 Department for Levelling Up, Housing and Communities in accordance with the ethical requirements that are relevant to my audit and 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 Business Rates Retention and Non-Domestic Rates 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 annual report but does not include the Business Rates Retention and Non-Domestic Rates Trust Statements and Financial Statements, the Remuneration and Staff Report nor my auditor’s certificates and reports. 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 Accountability Report and Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Business Rates Retention and Non-Domestic Rates Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability and Performance Report.

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

- I have not received all of the information and explanations I require for my audit; or
- 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
- 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 in respect of the Business Rates Retention and Non-Domestic Rates Trust Statement, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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 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 statements 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department for Levelling Up, Housing and Communities' accounting policies;
- Inquiring of management, the Department for Levelling Up, Housing and Communities' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department for Levelling Up, Housing and Communities' 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 Department for Levelling Up, Housing and Communities' controls relating to compliance with the Government Resources and Accounts Act 2000, Local Government Finance Act 1988 and Local Government Finance Act 2012;

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for Levelling Up, Housing and Communities in respect of the Business Rates Retention and Non-Domestic Rates Trust Statement for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Department for Levelling Up, Housing and Communities' Business Rates Retention and Non-Domestic Rates Trust Statement framework of authority as well as other legal and regulatory frameworks in which the Department for Levelling Up, Housing and Communities operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department for Levelling Up, Housing and Communities' Business Rates Retention and Non-Domestic Rates Trust Statement. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, the Local Government Finance Act 1988 and the Local Government Finance Act 2012.

In addition, I considered the nature of the control environment of the Department for Levelling Up, Housing and Communities, its business performance and performance targets.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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 and continuous risk assessment procedures performed relating to fraud, non-compliance with laws and regulation or irregularity as appropriate;
- 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.

Other auditor's responsibilities

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 **18 July 2022**
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 2022

			£'000
	Note	2021-22	2020-21
National Non-Domestic Rates		1,773,976	1,837,458
Business Rates Retention		18,060,944	27,231,753
Local Share			
Deduction of Local Share		(7,482,007)	(16,345,279)
Total Revenue after deduction of Local share	3	12,352,913	12,723,932
Net Revenue for the Consolidated Fund Account		12,352,913	12,723,932

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

The notes at pages 414 to 418 form part of this Statement

Statement of Financial Position

as at 31 March 2022

			£'000
	Note	2021-22	2020-21
Current Assets			
Accrued Revenue Receivable		160,004	112,540
Cash and Cash Equivalents	CfS	101,580	5,211
Total Current assets		**261,512**	**117,751**
Current Liabilities			
Accrued Revenue Payable		101,508	5,211
Total Current Liabilities		**101,508**	**5,211**
Total assets less current liabilities			
Balance on Consolidated Fund Account	2	**160,004**	**112,540**
		160,004	**112,540**

Jeremy Pocklington CB **15 July 2022**
Accounting Officer
Department for Levelling Up, Housing and Communities

The notes at pages 414 to 418 form part of this Statement

Statement of Cash Flows

for the period ended 31 March 2022

			£'000
	Note	2021-22	2020-21
Cash flows from operating activities		12,209,152	12,690,622
Cash paid to the Consolidated Fund		(12,305,449)	(12,699,885)
Increase/(decrease) in cash in this period		**(96,297)**	**(9,263)**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	12,352,913	12,723,932
(Increase)/Decrease in receivables		(47,464)	(24,047)
Increase/(Decrease) in payables		(96,297)	(9,263)
Net Cash Flow from Operating Activities		**12,209,152**	**12,690,622**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		96,297	(9,263)
Net funds at 1 April		5,211	14,474
Net Funds as 31 March		**101,508**	**5,211**

The notes at pages 414 to 418 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 2020-21).

Trust Statement Note 2 Balance on the Consolidated Fund

		£'000
Consolidated Fund	**2021-22**	**2020-21**
Balance on Consolidated Fund Account as at 1 April	112,541	88,494
Net Revenue of the Consolidated Fund	12,352,913	12,723,932
Less amount paid to the Consolidated Fund	(12,305,450)	(12,699,885)
Balance on Consolidated Fund Account as at 31 March	**160,004**	**112,541**

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

		£'000
Revenue	**2021-22**	**2020-21**
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,773,976	1,837,458
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	10,578,937	10,886,474
Balance on Consolidated Fund Account as at 31 March	**12,352,913**	**12,723,932**

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 Impact of Covid-19 on Business Rates Transactions

The introduction of additional business rate reliefs in 2020-21 in response to the Covid pandemic, which was made after local authorities had submitted their estimate of non-domestic rating income for the year, had a significant impact on the collection of business rates at a local level.

That is because 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. At year end this resulted in local authorities reporting large deficits in their business rates collection funds (£4,243 million in 2021-22).

To help local authorities manage the financial impact, the on account additional business rate relief grant payments to them were deliberately inflated to help with shortfalls resulting from the announcement of additional reliefs in year. A total of £10.7 billion was paid to local authorities. This led to significant adjustments at year end with the return of £5.6 billion from local authorities and additional payments of over £1.5 billion, mainly major precepting authorities. These transactions pass through the department's resource accounts, not through these accounts. At 31st March 2022, £5.3 billion of the £5.6 billion total had been returned to the Exchequer.

Going forward we expect the loss of business rates income collected in 2021-22 to be reflected in another large deficit on local authority collection funds. This is due to the extension of the additional business rates reliefs in response to the Covid pandemic for 2021-22 again being announced following the submission of local authority NNDR1 forms. In total, local authorities received over £5.8 billion in additional business rate relief grant payments in 2021-22. As part of the NNDR1 process for 2022-23, local authorities have estimated the latest deficit on collection to be in the region of £1.8 billion. Government will make "on account" payments to local authorities for this amount during the course of 2022-23 which will be presented in the 2022-23 Main Rating accounts and adjusted once the outturn position is established.

Trust Statement Note 6 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.

Accounts Direction Given by HM Treasury

This direction applies to the Department for Levelling Up, Housing and Communities 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: Restatement of Prior Year Balances

During the 2021-22 financial year a Machinery of Government transfer saw functions previously carried out under the Cabinet Office transferred to the department. These included the Union and Constitution Units as well as advisory bodies Parliamentary Boundary Commission for England and Parliamentary Boundary Commission for Wales. Responsibility for processing expenditure claims by Returning Officers for the cost of holding national elections also transferred to the department.

As a transfer between two central Government Departments, there is a requirement to treat these activities as if they were always performed by the Department for Levelling Up, Housing and Communities. Consequently, the prior year financial statements have been restated to reflect these activities. The change compared to the 2020-21 published Annual Report and Accounts is shown in the tables below.

Statement of Comprehensive Net Expenditure

Departmental Group for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
Staff Costs	344,663	10,970	355,633
Operating Expenditure	48,383,303	6,796	48,390,099
Operating Income	(3,904,824)	27	(3,904,797)
Grant-in-aid to ALBs	–	–	–
Net Operating Expenditure for the year ended 31 March	**44,823,142**	**17,793**	**44,840,935**
Total Expenditure	48,727,966	17,766	48,745,732
Total Income	(3,904,824)	27	(3,904,797)
Net Operating Expenditure for the year ended 31 March	**44,823,142**	**17,793**	**44,840,935**
Other Comprehensive Net Expenditure:			
Items that will not be reclassified to net operating expenditure:			
Net (Gain)/Loss on:			
Pension Schemes	132,020	–	132,020
Revaluation of property, plant and equipment	–	–	–
Revaluation of intangibles	–	–	–
Revaluation of inventories	–	–	–
Income tax on items in other comprehensive expenditure	4,932	–	4,932
Total comprehensive expenditure for the year ended 31 March	**44,960,094**	**17,793**	**44,977,887**

Core & Agency for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
Staff Costs	205,702	10,970	216,672
Operating Expenditure	46,462,119	6,796	46,468,915
Operating Income	(3,218,223)	27	(3,218,196)
Grant-in-aid to ALBs	4,770,372	–	4,770,372
			–
Net Operating Expenditure for the year ended 31 March	**48,219,970**	**17,793**	**48,237,763**
Total Expenditure	51,438,193	17,766	51,455,959
Total Income	(3,218,223)	27	(3,218,196)
Net Operating Expenditure for the year ended 31 March	**48,219,970**	**17,793**	**48,237,763**
Other Comprehensive Net Expenditure:			**–**
Items that will not be reclassified to net operating expenditure:			**–**
Net (Gain)/Loss on:		–	–
Pension Schemes	132,063	–	132,063
Revaluation of property, plant and equipment	–	–	–
Revaluation of intangibles	–	–	–
Revaluation of inventories	–	–	–
Income tax on items in other comprehensive expenditure	–	–	–
Total comprehensive expenditure for the year ended 31 March	**48,352,033**	**17,793**	**48,369,826**

Statement of Financial Position

Departmental Group for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
Non-current assets			–
Property, plant and equipment	26,643	–	26,643
Intangible assets	19,042	1,443	20,485
Investments in associates and joint ventures	50,732	–	50,732
Financial assets at fair value	18,035,589	–	18,035,589
Financial assets at amortised cost	1,304,456	–	1,304,456
Investment properties	66,800	–	66,800
Trade and other receivables	376,461	–	376,461
Total non-current assets	**19,879,723**	**1,443**	**19,881,166**
Current assets			
Inventories	1,434,033	–	1,434,033
Assets held for sale	2,250	–	2,250
Financial assets at fair value	233,327	–	233,327
Financial assets at amortised cost	536,065	–	536,065
Trade and other receivables	408,910	83,284	492,194
Cash and cash equivalents	5,246,960	25,555	5,272,515
Total current assets	**7,861,545**	**108,839**	**7,970,384**
Total Assets	**27,741,268**	**110,282**	**27,851,550**
Current liabilities			
Cash and cash equivalents	–	–	–
Trade and other payables	7,189,933	111,785	7,301,718
Provisions	34,749	–	34,749
Total current liabilities	**7,224,682**	**111,785**	**7,336,467**
			–
Non-current assets plus/less net current assets/ liabilities	20,516,586	**(1,503)**	**20,515,083**
			–
Non-current liabilities			–
Trade and other payables	528,177	–	528,177
Provisions	76,247	–	76,247
Pensions	165,228	–	165,228
Financial guarantees	117,388	–	117,388
Total Non-current liabilities	887,040	**–**	**887,040**

Departmental Group for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
			–
			–
Assets less liabilities	19,629,546	**(1,503)**	**19,628,043**
			–
Taxpayers' equity			–
General fund	19,763,798	(1,544)	19,762,254
Revaluation reserve	257	41	298
Pension reserve	(134,509)	–	(134,509)
Total taxpayers' equity	19,629,546	**(1,503)**	**19,628,043**

Departmental Core and Agency for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
Non-current assets			
Property, plant and equipment	19,488	–	19,488
Intangible assets	15,885	1,443	17,328
Investments in associates and joint ventures	5,000	–	5,000
Financial assets at fair value	145,762	–	145,762
Financial assets at amortised cost	280,327	–	280,327
Investment properties	66,800	–	66,800
Trade and other receivables	184,279	–	184,279
Total non-current assets	**717,541**	**1,443**	**718,984**
Current assets			
Inventories	323,147	–	323,147
Assets held for sale	–	–	–
Financial assets at fair value	4,319	–	4,319
Financial assets at amortised cost	50,997	–	50,997
Trade and other receivables	256,101	83,284	339,385
Cash and cash equivalents	4,963,130	25,555	4,988,685
Total current assets	**5,597,694**	**108,839**	**5,706,533**
Total Assets	**6,315,235**	**110,282**	**6,425,517**
Current liabilities			
Cash and cash equivalents	–	–	–
Trade and other payables	6,640,193	111,785	6,751,978
Provisions	33,267	–	33,267
Total current liabilities	**6,673,460**	**111,785**	**6,785,245**
			–
Non-current assets plus/less net current assets/ liabilities	**(358,225)**	**(1,503)**	**(359,728)**
			–
Non-current liabilities			–
Trade and other payables	337,032	–	337,032
Provisions	56,977	–	56,977
Pensions	209,429	–	209,429
Financial guarantees	117,388	–	117,388
Total Non-current liabilities	**720,826**	**–**	**720,826**
			–
			–

Departmental Core and Agency for the year ended 31 March 2021	2020-21 Published Accounts	MOG	2020-21 Restated Accounts
Assets less liabilities	**(1,079,051)**	**(1,503)**	**(1,080,554)**
			–
Taxpayers' equity			–
General fund	(893,323)	(1,544)	(894,867)
Revaluation reserve	257	41	298
Pension reserve	(185,985)	–	(185,985)
Total taxpayers' equity	**(1,079,051)**	**(1,503)**	**(1,080,554)**

Annex B: 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	
Arms' Length Body[1]	Total Operating Income £000	Total Operating Expenditure £000	Total Net Expenditure £000	Number employed	Cost £000	Number employed	Cost £000
Core Department	(9,906,966)	44,705,372	34,798,406	2,566	187,469	353	10,972
Commission for Local Administration in England	(56)	16,439	16,383	188	9,119	–	2
Homes England	(1,035,524)	1,543,021	507,497	1,203	60,347	224	12,271
Leasehold Advisory Services	(62)	1,689	1,627	16	1,249	7	–
Planning Inspectorate	(12,657)	60,732	48,075	752	44,880	8	566
Regulator of Social Housing	(12,527)	20,116	7,589	181	12,003	6	–
The Housing Ombudsman	(10,376)	11,069	693	104	5,529	26	1,164
Valuation Tribunal Service	–	6,004	6,004	59	2,552	–	15
Departmental Group[2]	**(10,978,168)**	**46,364,442**	**35,386,274**	**5,069**	**323,148**	**624**	**24,990**

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 ALBs. 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 306 and in the table of Average Number of Persons Employed on page 233

Annex C: Returning Officer expenditure

The following tables provide further detail on the breakdown by election of the impact on the financial statements and disclosures of reimbursing Returning Officer costs of holding national elections.

SoPS 1.1 Election Expenditure

								£'000
							2021-22	2020-21 restated
			Outturn			Estimates		Outturn
Type of spend (Capital)	Gross	Income	Net Total	Net Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
Spending in Departmental Expenditure Limit (RDEL) – DLUHC Housing and Communities								
Non-voted expenditure								
Returning Officers' expenses England, Wales and Scotland								
Elections	54,929	-	54,929	90,900	-	90,900	35,971	(5,485)
- 2019 UK Parliamentary General Election	(536)	-	(536)	-	-	-	536	(7,387)
- 2017 UK Parliamentary General Election	-	-	-	-	-	-	-	(64)
- UK Parliamentary by-election	-	-	-	-	-	-	-	(7)
- Petition to recall an MP	(4)	-	(4)	750	-	750	754	(6)
- 2019 European Parliamentary election	-	-	-	-	-	-	-	(1,337)
- Police and Crime Commissioner by elections	(20)	-	(20)	-	-	-	20	(105)
- 2020 Postponed Police and Crime Commissioner elections	(1,025)	-	(1,025)	-	-	-	1,025	3,420
2021 UK Parliamentary by-election	2,438	-	2,438	2,750	-	2,750	312	
2021 Police and Crime Commission by-election	2,908	-	2,908	7,500	-	7,500	4,592	
2021 Police and Crime Commissioner Election	51,168	-	51,168	79,900	-	79,900	28,732	
- Elections bank charges						-	-	1
Total non-voted	54,929	-	54,929	90,900	-	90,900	35,971	(5,485)

SOPS 3

Removal of non-voted budget items:

	£'000		
	2021-22		
SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
Returning Officers' expenses, England, Wales and Scotland	54,929	90,900	35,971
- 2019 UK Parliamentary General Election	(536)	–	536
-2017 UK Parliamentary General Election	–	–	–
- UK Parliamentary by-election	–	–	–
- Petition to recall an MP	(4)	750	754
- 2019 European Parliamentary election	–	–	–
- Police and Crime Commissioner by elections	(20)	–	20
- 2020 Postponed Police and Crime Commissioner elections	(1,025)	–	1,025
2021 UK Parliamentary by-election	2,438	2,750	312
2021 Police and Crime Commission by-election	2,908	7,500	4,592
2021 Police and Crime Commission Election	51,168	79,900	28,732
- Elections bank charges	–	–	–

Statement of changes in taxpayers' equity

			£'000
	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2020			
Returning Officers' expenses England, Wales and Scotland			
Consolidated Fund Standing Services – non supply – drawn down:			
- 2019 UK Parliamentary General Election	25,000		25,000
- 2017 UK Parliamentary General Election	(3,200)		(3,200)
2019 European Parliamentary elections	(1,300)		(1,300)
Balance at 31 March 2021			
Returning Officers' expenses England, Wales and Scotland			

			£’000
	General Fund	Revaluation Reserve	Total Reserves
Consolidated Fund Standing Services – non supply – drawn down:			
2021 UK Pariliamentary by-election	(1,811)		(1,811)
2020 Postponed Police and Crime Commissioner election	(2,495)		(2,495)
2021 Police and Crime Commissioner by-election	(2,692)		(2,692)
2021 Police and Crime Commissioner election	(51,618)		(51,618)

Note 4 expenditure

£’000		
	2021-22	2020-21 restated
	Core Department	Core Department
Returning Officers' expenses England, Wales and Scotland		
(includes conduct of the poll and Royal Mail costs)		
2019 UK Parliamentary general election	(536)	(7,387)
2017 UK Parliamentary general election	–	(64)
UK Parliamentary by-elections	–	–
Lewisham East	–	(2)
Brecon & Radnorshire	–	(5)
Petition to recall a member of Parliament	–	–
Brecon & Radnorshire	(4)	(6)
2019 European Parliamentary Election	–	(1,337)
Police and Crime Commissioner by-elections	(20)	(105)
2020 postponed Police and Crime Commissioner by elections election	–	3,420
2020 Postponed Police and Crime Commissioner elections	(1,025)	–
2021 UK Parliamentary by-election	2,438	–
2021 Police and Crime Commission by-election	2,908	–
2021 Police and Crime Commission Election	51,168	–
Elections bank charges		1

Annex D: 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
Antisemitism Policy Trust – Secretariat for the Independent Antisemitism Adviser	100	To provide independent advice to Government, drawing on perspectives from Jewish communities, academics and experts on antisemitism, to inform Government policy work and improve the public response to antisemitism
Big Ideas Community Interest Company – Foundation Stones	77	Foundation Stones supports engagement with the UK public with the UK Holocaust Memorial and Learning Centre
Church Urban Fund – Near Neighbour Initiative/ Windrush	1,500	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 – Holocaust Awareness Raising	40	Connect and Reflect – Personal Stories from Bergen Belsen. The project will engage with young people who will learn basic research skills and speak to survivors in the community, many of whom have never shared their stories
Cranfield University – Oxford-Cambridge Arc/ OxCam Spacial Framework	250	To support the Arc Universities Group that connects central and local government to key academic partners in the region
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

Institution	Payments (£'000)	Purpose
Harwich Kindertransport Memorial and Learning Trust Limited – Holocaust Awareness Raising	25	To mark the place where most of the 10,000 children came to Britain as part of the Kindertransport. The initiative has the support of the local council and the family of Sir Nicholas Winton (the key player in the Kindertransport)
Holocaust Educational Trust – Holocaust Memorial and Learning Centre/Lessons from Auschwitz Universities	148	Developing the Holocaust Memorial content
Holocaust Memorial Day Trust – Holocaust Memorial Day	900	Support for the UK's annual Holocaust Memorial Day
Holocaust Survivors' Friendship Association – Holocaust Awareness Raising	26	Memorial Gestures in the North of England – Huddersfield to develop new temporary content for the learning programme for schools
Institute Of Structural Engineers – Confidential Report On Structural Safety (CROSS) expansion phase 3&4	428	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	350	To promote understanding and cooperation between organisations and people of different faiths across the country
Learning from the Righteous – Holocaust Awareness Raising	40	A film to raise awareness of the Kitchener transport – a little-known part of Britain's response to the refugee crisis; the rescue from Germany of around 4,000 men, many of whom had been in Sachsenhausen, Dachau, and Buchenwald concentration camps
Muscular Dystrophy UK – Changing Places Toilets	273	To provide bespoke training sessions; dedicated advice and support; support with complex queries; registration of completed Changing Places toilets; promotion and publicity. This was a shared objective with DLUHC and aligned closely with Muscular Dystrophy UK's wider charitable aims to promote better access to society for disabled people.
National CLT Network – Community Housing Fund	4,000	Pre-development revenue grants to community groups to support local house building projects
National Custom & Self Build Association – Bacon Review	40	Support on Richard Bacon MP's review into scaling up self-build and custom housebuilding

Institution	Payments (£'000)	Purpose
National Holocaust Centre & Museum – Holocaust Awareness Raising	138	An exhibition to debunk potent, dangerous and persistent antisemitic myths. It will describe how anti-Jewish myths developed in England in medieval times and contributed to antisemitism in other parts of Europe, which in turn shaped the Nazi world view and contributed to the Holocaust
Newcastle United Foundation – Newcastle United Foundation	27	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 Centre – Gypsy Roma Traveller children	194	The Catch-up tutoring programme for Gypsy Roma Traveller children aims to support Gypsy, Roma and Traveller children and young people in education
Ostro Fayre Share Foundation – Strengthening Faith Institutions	700	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
Romani Cultural and Arts Company – Holocaust Awareness Raising	50	To create educational materials about the destruction of Roma and Sinti communities across occupied Europe, to address the lack of awareness about the 'forgotten Holocaust'
Spatial Economics Research Centre – Community Champions Evaluation and Training	150	Community Champions Evaluation and Training. To develop an online training package for Community Champions programme in partnership with the Royal Society of Public Health, and funding for a Spotlight evaluation of the impact of the programme in three funded areas
The Linking Network – Schools Linking	195	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 – Planning Reform: Design	10	To produce street tree planting technical guidance to support the Manual for Streets
Ummah Help – Remembering Srebrenica	250	To commemorate and raise awareness of what happened in the Bosnian genocide of 1995, and commit to using the lessons from Srebrenica to tackle hatred and intolerance in the UK
Vision Schools Scotland – Holocaust Awareness Raising	50	A partnership between the School of Education at the University of the West of Scotland and schools in Scotland. Vision Schools will engage students in exploring the contemporary relevance of the Holocaust

Institution	Payments (£'000)	Purpose
Wiener Library Holocaust – Researcher Wiener Library	96	To ensure the International Tracing Service (ITS) Arolsen Archive remains open to relatives of those murdered during the Holocaust to access information about family members
Women's Aid Federation – No Women Turned Away Project	387	To enable women experiencing gender-based violence to access safe accommodation, help and support and influence national and local policy
Woodland Trust – Ancient Woodland Inventory Update	15	To create an accurate record of ancient woodland and ancient wood pasture in England
TOTAL	**11,300**	

Annex E: 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) currently for the 2014-2020 programme and previously for the 2000-06 and 2007-13 programmes. In London, 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 2022: £343 million, 31 March 2021: £323 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 2022: £0, March 2021: £0) or as deferred income within current payables (31 March 2022: £605 million, 31 March 2021: £501 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.

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 in the first half of 2025. The department has been provided with an initial advance which is held as a payable until utilised (31 March 2022 £86 million, 31 March 2021 £87 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 programme 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 2022: £150 million, 31 Mar 2021: £128 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.

From December 2020 the Department made a decision to take up the EC regulation changes to the way Technical Assistance (TA) is calculated and has, from the December 2020 EC payment application , been calculating TA using 4% of eligible expenditure where appropriate. For the December 2020 EC payment application this has resulted in 100% of the TA amount being re-imbursed under the changes to regulations implemented due to COVID-19 pandemic mentioned above.

The Audit Authority function (the designated UK body that audits the ERDF), which is delivered by the Government Internal Audit Agency, tested the validity of 48 claims and finalised results for all claims, despite the challenges faced as a result of the COVID 19 pandemic. The Audit Authority examined €345 million out of total declared expenditure of €945 million were audited. This statistically representative sample revealed 90% of claims contained less than 2% of error (2% is the EC's materiality threshold). Most claims (67%) 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 2020-21 accounting period was confirmed at 1.08%, below the EC's 2% materiality threshold. In their February 2022 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 2020-21 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 DLUHC functions properly.

The EC accepted the Audit Authority's annual report on 24 March 2022, and they accepted the departments accounts for ERDF accounting year 2020-21 on 06 May 2022.

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 all ten programmes. During the end of March 2022 the programmes were finally closed on SAP and it was agreed to pay over the remaining intervention balance of £39 million, and the £6 million balance relating to the interest gained on the interest bearing bank account held during the programme, to HM Treasury. The final programme, SW Convergence, was finally closed on SAP, during 2021-22. 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.

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