Department for Levelling Up, Housing & Communities

Annual Report and Accounts 2022-23

HC 1478

Department for Levelling Up, Housing and Communities

Annual Report and Accounts 2022-23

(For the year ended 31 March 2023)

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This is part of a series of Departmental publications which, along with the Main Estimates 2022-23 and the document Public Expenditure: Statistical Analyses 2022, present the government's outturn for 2022-23 and planned expenditure for 2023-24.

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Foreword from the Secretary of State

It was a great honour to return to the Department for Levelling Up, Housing and Communities as Secretary of State in October 2022 and again head up one of the most critical missions in government.

The United Kingdom is an unparalleled success story – a multi-cultural, multi-national, multi-ethnic state with world-leading scientific, tech, arts and service sectors. Yet while talent exists in every part of the UK, opportunities do not. Our priority is to put that right. Where geographical areas have previously been overlooked, DLUHC's job is to help them thrive so that dynamism and innovation drive growth throughout the country, bringing more jobs and opportunities for all.

I am also proud to lead the vital work of upholding the Union which is so significant to the lives of people across the UK, including Scotland, Wales and Northern Ireland. With my ministerial and departmental colleagues, I look forward to building on the work of my predecessors, Greg Clark and Sir Simon Clarke, and thank them for their leadership during the period covered by this report.

Levelling Up

In 2022-2023, DLUHC has distributed government money to transform areas most in need, including £2.1 billion through the second round of the Levelling Up Fund, £818 million via the Towns Fund and the first payments awarded under the £2.6 billion UK Shared Prosperity Fund.

Our commitment to hand over more power to local leaders saw flagship devolution deals signed with Greater Manchester and West Midlands. These give the two mayors – respectively Andy Burnham and Andy Street – greater control over budgets for transport, employment, housing, innovation and net zero, and the ability to spend money according to local need.

Elsewhere, we have moved ahead with incentives to power economic growth, generate private investment, create jobs and boost productivity. Our Levelling Up Partnerships will provide bespoke, place-based regeneration in 20 areas. We also committed to deliver 12 Investment Zones over the next five years, offering tax and customs incentives for each area to the tune of £80 million. Finally, we opened all English Freeports and – in a boost to our partners in the Devolved Administrations – announced four further freeports, two each in Wales and Scotland.

The Union

We continue to work with the Devolved Administrations (DAs) to deliver on the priorities of people in every part of the UK. In September 2022, representatives from the DAs joined ministers and council leaders in Orkney for the inaugural meeting of the Islands Forum – created to hear the voices of island communities and collaborate on shared opportunities and levelling up challenges. In November, the Prime Minister became the first in 15 years to attend the British-Irish Council, in Blackpool.

Housing

As well as transforming communities the government remains committed to delivering 300,000 new homes per year. DLUHC is also focused on improving the quality and safety of individual homes, recognising the danger of poor living conditions. During the year, the inquest was held into the tragic death in 2020 of two-year-old Awaab Ishak, who contracted a lethal respiratory condition due to damp and mould in his social housing flat. This should never have happened: Awaab and his family were unforgivably and inexcusably let down. We are pushing ahead with 'Awaab's Law' to introduce a legal requirement for social landlords to tackle damp and mould – part of a range of measures in the Social Housing Regulation Bill.

As well as social tenants, private renters can struggle to persuade landlords to fix problems and to seek redress from them. During the year we committed to introduce the Renters (Reform) Bill, which will abolish no-fault evictions and create a new Ombudsman to help settle disputes, while supporting the many landlords who supply decent homes to evict tenants who exhibit antisocial behaviour.

I have also been delighted to see progress in remediating unsafe buildings. The decision of top mortgage lenders to start offering mortgages to those living in homes with cladding from January 2023 eased financial worries for many. We have ensured that most developers have now agreed to pay over £2 billion to fix building defects identified after the devastating Grenfell Tower fire. I will continue to hold them to account for their responsibilities to leaseholders.

Working across government

Levelling Up is not delivered by DLUHC alone. We work with other departments to transform the lives of citizens: notably in education and transport; in productivity and other ways that benefit society – including our new Anti-Social Behaviour (ASB) Plan.

This will ensure that perpetrators face swift justice, increased fines, and enhanced drug testing. Stamping out ASB is central to levelling-up: you cannot restore pride to places if people do not feel safe there. We will deliver the hotspot enforcement and immediate justice 'trailblazer' elements as soon as possible: new police and enforcement patrols in areas with the highest ASB rates, and offenders ordered to pick up litter or remove graffiti while wearing high-viz vests.

In the coming year, housing remains a priority: ensuring that more people have safe, decent, affordable homes. As Minister for Intergovernmental Relations as well as Secretary of State for Housing, Communities and Local Government, I am committed to driving progress for UK citizens everywhere – levelling up, maintaining the Union, and ensuring everyone has a place they are proud to call home.

The Rt Hon Michael Gove MP
Secretary of State
Department for Levelling Up, Housing and Communities

Foreword from the Permanent Secretary

I'm delighted to have joined DLUHC, a Department that makes a genuine difference to people's lives right across the United Kingdom – supporting the Government's central mission of levelling up and getting homes built. The Department has seen significant change over the past year across our wider ministerial team, senior officials and our Non-Executive Directors, including Dame Alison Nimmo's appointment as Lead Non-Executive Director. I want to pay tribute to my predecessor Jeremy Pocklington and his contribution to the Department over 5 years first as a DG and then as Permanent Secretary since 2020. I look forward to building on this in our work on housing, local government, levelling up and the Union.

Our teams have continued to provide government funding to areas most in need: £2.1 billion through the second round of the Levelling Up Fund, £818 million through the Towns Fund, and awarding the first payments of the multi-year £2.6 billion UK Shared Prosperity Fund. The Anti-social Behaviour Action Plan was also published this year, a milestone in stamping out anti-social behaviour and restoring the right of people to feel safe in, and proud of, their local area. We are working hard to deliver our commitments to benefit people all around the country – launching the new Islands Forum, as well as ensuring that our Freeports policy reaches the whole of the UK, including Firth of Forth and Cromarty and Inverness.

We have continued to devolve power to local leaders across England, including through two trailblazer devolution deals in Greater Manchester and West Midlands. Our work is directly supporting local communities, creating jobs and opportunities, as well as ensuring people can be proud of where they live.

We secured an increase of £5.1 billion in core spending power for local government in 2023-24, recognising significant pressures they face in delivering essential public services. Establishing a new Office for Local Government will provide accessible data and analysis about the performance of local government, and support improvement.

We are implementing the Building Safety Act, a significant part of our response to the Grenfell Tower fire. By March 2023, 46 developers had agreed to pay over £2 billion to fix building defects. We have been focused on delivering decent, as well as safe housing, introducing the Social Housing Regulation Bill to ensure social housing landlords are tackling poor housing conditions.

We also launched our cross-government strategy to set out how we will end rough sleeping for good, which included a commitment to invest £2 billion over three years. Working closely with Home Office, colleagues continue to deliver a pioneering cross-government programme, providing homes to individuals and families fleeing the conflict in Ukraine, and have supported over 100 000 Ukrainians since March 2022.

None of these achievements would have been possible without the work of colleagues across DLUHC. I am proud that we have continued to strengthen our presence throughout the country, with 48 colleagues working from the Darlington Economic Campus, which pioneers cross government working, and with over 200 colleagues working from the Wolverhampton office, which has topped the government office experience survey. Our digital, data and technology function was rated as the highest scoring in the annual functions survey run by the Cabinet Office, and we will continue to drive a data driven approach across our policies.

We have much to do in the coming year and I look forward to continuing to support our Ministers, working with colleagues across the whole Department.

Sarah Healey CB CVO
Permanent Secretary
Department for Levelling Up, Housing and Communities

Lead Non-Executive Director's Report

The department has had another busy and successful year, demonstrating commitment and resilience, during a time of extraordinary change, to Levelling Up our country, providing high quality homes and supporting our communities.

In October we welcomed back our current Secretary of State, and our new Permanent Secretary joined in February. We also welcomed a whole new ministerial team. In terms of the Non-Executive team, we marked the departure of Dame Mary Ney DBE and thank her for her deeply valuable contribution over her six-year term. Tom Taylor joined us, bringing extensive experience and accounting knowledge to bolster the Non-Executive team generally and our Audit & Risk Committee specifically.

Colleagues from across the department have made progress in delivering on many core government priorities, with a major legislative programme, including The Building Safety Act and deeper devolution; and significant funding to support high streets, Levelling Up, housing delivery and tackling homelessness. DLUHC has also been right at the heart of the Government's response to the war in Ukraine, working closely with local government, Devolved Administrations, and the charitable sector to deliver on the Homes for Ukraine scheme which launched in March 2022.

The Ministerial Board held two formal meetings, one in London and one in Wolverhampton, during the reporting year. The Board discussed several issues, including the department’s priorities for the term ahead, lessons learned from the department’s response to the war in Ukraine and our legislative programme. The Board also received updates from the Secretary of State, Permanent Secretary and Non-Executive Directors on departmental issues.

The Non-Ministerial Board met four times this year. As with previous years, this provided the opportunity for the Non-Executive Directors to challenge, scrutinise and support a very engaged and open leadership team. The department’s delivery performance has been scrutinised and assurance provided to the permanent secretary with a focus on the Outcome Delivery Plan, monthly Departmental Performance Report and a structured programme of Governance Assurance Panels, programme deep dives and reviews – all chaired by a Non-Executive.

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.

The Non-Executive Directors will continue to utilise their experience to scrutinise, support, challenge and help shape the department to ensure confidence in the management of the DLUHC and the delivery of its programmes.

Dame Alison Nimmo
Lead Non-Executive

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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 2022-23 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 the impact of significant events on the delivery of these priorities such as economic challenges and the invasion of Ukraine.

Our role and purpose

The Department for Levelling Up, Housing and Communities (DLUHC) is at the forefront of supporting people, places and communities. We deliver a fairer housing market, level up and spread opportunity and prosperity equally across country, bind the four parts of our United Kingdom closer together and give more power to local people to shape their areas. We strive to ensure people have access to affordable, high-quality housing, boost opportunities for jobs and growth in all parts of the UK, build strong communities, support effective local government and create opportunity for everyone, regardless of where they live.

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 Accounting Officer, supported by the Executive Team. During the year, DLUHC also had two second permanent secretaries reporting to the Accounting Officer until the start of March 2023.

Our non-executive directors provide an important external perspective to the department but do not have decision-making or spending powers. For further details please go to the Governance Statement on page 111, which sets out the department's governance structures in more detail.

Our 2022-23 Priority Outcomes

Our Priority Outcomes

The department had five priority outcomes which set the context for our delivery in 2022-23, supported by our strategic enablers.

1. Levelling Up the United Kingdom

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 facilitating stronger, more empowered local leadership.

2. Regenerate and Level Up communities to improve places and ensure everyone has a high quality, secure and affordable home

We are delivering a wide-ranging programme of activity to create, fund and drive a market that delivers good quality, sustainable homes, and empowers local areas to create communities where people want to live, work and do business.

3. Ensure that buildings are safe and system interventions are proportionate

We are driving the biggest changes in building safety for a generation – undertaking an expansive programme of work to reform the buildings system, remediate problems in the existing buildings stock and make lasting and meaningful change through stewardship.

4. Strengthen the Union to ensure that its benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens

We are driving the delivery of government's priorities to strengthen the Union and improve the quality of intergovernmental engagement.

5. Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services, and improve integration in communities

We are delivering a sustainable funding settlement 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; and working to successfully deliver elections.

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 2022-23

Levelling Up the United Kingdom

- Agreed trailblazer devolution deals with Greater Manchester and West Midlands combined authorities, transferring more power over levers for growth and level up infrastructure, alongside single funding settlements from the next Spending Review.
- Allocated £3.8 billion in Levelling Up funding through 216 successful bids for projects to boost town centres, transport and cultural heritage. This is supported by a £65 million package to help local authorities with the resources for delivery.
- Approved all UK Shared Prosperity Fund Investment Plans in December 2022, with investment payments made to all 256 places in England, Scotland and Wales, in addition to the core Northern Ireland allocation.

Regenerate and Level Up communities to improve places and ensure everyone has a high quality, secure and affordable home

- 232,820 net additions to the housing stock.
- Launched the £500 million Local Authority Housing Fund in December 2022 to fund over 3,000 homes in response to local housing pressures arising from the

conflicts in Afghanistan and Ukraine, with a further £250 million announced in March 2023.

- 240,000 new homes to rent and buy started since 2015 through the 2015-23 Affordable Homes Programme, including 123,000 outside London. 2022-23 data will be available later this year.
- Amended the Social Housing Regulation Bill to empower the regulator to hold landlords to account and introduce professional qualifications to improve sector standards and tackle unsafe housing conditions. Introduced a 7% cap on social housing rent increases for 2023-24 to protect social housing tenants.

Safer buildings and system interventions are proportionate

- Re-opened the Building Safety Fund against a new risk methodology - PAS 9980 - in July 2022.
- £1.85 billion allocated for the remediation of non-Aluminium Composite Material (ACM) cladding in high-rise residential buildings, as of 31 March 2023.
- 46 developers signed developer remediation contracts, legally committing them to fix defects in the buildings they were involved in developing. These works are estimated to cost over £2 billion.
- Brought in the interim uplift to Part L (conservation of fuel and power) of the Building Regulations in June

2022, so homes are now expected to deliver around 30% less carbon emissions than those built to previous standards.

A stronger Union ensuring benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens

- UK Government hosted the 38th Summit of the British Irish Council in November 2022, a key forum for intergovernmental relations established by the Belfast/Good Friday Agreement.
- Worked across government and with the Office of National Statistics to improve the availability of coherent UK-wide data and evidence, reflecting commitments set out in the UK Concordat on Statistics.
- Established two Green Freeports in Firth of Forth and Cromarty and Inverness in Scotland in January 2023. Announced the Celtic and Anglesey Freeports in Wales in March 2023, and working on options for a Freeport in Northern Ireland.

Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services and improve integration in communities

- Delivered a Local Government Finance Settlement for 2023-24 that makes available up to £59.7 billion for local government in England, an increase in Core Spending Power of up to £5.1 billion or 9.4% in cash terms on 2022-23. This included £2 billion in additional grant for social care.
- Helped 63,000 families in 2022-23 through the Supporting Families programme, improving outcomes and building stronger communities.
- Made 14 pieces of secondary legislation to implement the Elections Act, which received Royal Assent in April 2022, and launched the Voter Authority Certificate digital service ready for the first elections requiring Photo ID in May 2023.

Strategic Enablers

- Launched a digital service to support the Homes for Ukraine Scheme within two weeks and developed this to support safeguarding and funding.
- Implemented the first phase of our Delivery Improvement Plan developed with the Infrastructure and Project Authority (IPA), including launching a new

Project Delivery Hub, strengthening internal assurance over major programmes and continued investment in our project delivery capability.

- Successfully secured funding through our Budget 2023 work with HMT, resulting in substantial new investments in Levelling Up and Social Housing in particular.
- Rated the highest scoring department for Digital, Data and Technology in the Cabinet Office led annual functions survey.

2. Performance Analysis

Overview

This section sets out the department's performance against its five priority outcomes and its strategic enablers in 2022-23. The significant events and challenges that had an impact on delivery activity and outcomes are also specified where applicable.

Delivering in a Changing Environment

Over the last year, the department made huge progress on its priority outcomes, all whilst responding to significant external events. This includes playing a central role in finding homes in the UK for Ukrainians fleeing the war, dealing with the impact of inflation on our Housing and Levelling Up programmes and navigating the leadership changes at the top of Government, including three Prime Ministers. The outlook for 2023/24 remains challenging, so we continue to be alert and responsive to risks affecting our priority outcomes, both within the department and our work with delivery partners.

Current Economic Challenges

During the year, we faced challenges across our work resulting from a tough economic climate, such as the steep rises in interest rates, inflation and disruption within supply chains. In local government, this created pressure on sector pay, increased demand for some services (including homelessness) and raised the cost of delivery in areas such as adult social care. In housing and infrastructure, rising material costs initially had most impact on the risk appetite of SMEs and contractors, with the resulting delays exacerbated by global supply chain disruption and rising mortgage rates and private rents hitting new housing delivery as the year progressed. We worked proactively to mitigate these challenges, and where possible, maximise impact within existing budgets and timescales.

In our key local growth investments, we have made good progress in developing mitigations for individual programmes. On the Levelling Up Fund (LUF) for example, oversight systems were established to increase confidence in delivery after the monitoring and evaluation strategy was published on 31 March 2022. Our locally based teams continued to gain invaluable insight on delivery progress on the ground and £65 million was provided to help build local capacity and capability to support projects. For both the Towns Fund and LUF, we introduced Project Adjustment Request (PAR) processes that gave places more flexibility to quickly deal with immediate impacts and changes required.

In the housing market, the challenging environment impacted the building of new housing, and a housing market downturn is still predicted. This is despite a more positive economic outlook in the Office for Budget

Responsibility (OBR) March 2023 forecasts following the Spring Budget than predicted around the time of the November 2022 Autumn Statement. As such, our focus was on delivery of our programmes and monitoring the state of the market closely. We worked closely with Homes England and engaged with developers and Registered Providers to understand and mitigate challenges, as well as continuing efforts to increase supply. For example, we announced funding in the Spring Budget for high quality nutrient mitigation schemes to support sustainable development and housing delivery. We have also taken steps to bolster the delivery of social housing and will bring forward a new discounted borrowing rate through the Public Works Loan Board (PWLB) to support local authorities build new council housing.

For our building safety remediation work, sustained high rates of inflation drove up costs and impacted both pace and quality of delivery. Aluminium prices increased by 37% over 2021-22, with 24% for other cladding products and broad-based rises of up to 20% during the same period. This led to delays in tendering and funding approval processes as suppliers were unable to hold their prices. Despite this, government commitment to funding is capped at £5.1 billion, with the remaining cost being met by industry.

High inflation also placed pressure on local authority budgets and exacerbated workforce challenges. In recognition of this, the 2023-24 Local Government

Finance Settlement offered additional resources to put the sector on a more sustainable financial footing. This included £2 billion in additional grant for social care. We continued to monitor emerging pressures and speak with individual authorities who had concerns over their finances, intervening where necessary. Meanwhile, the Exceptional Financial Support Framework remained available for councils requiring long-term financial support.

The economic conditions led to capital underspends emerging in the year, in particular in relation to the Affordable Homes Programme and demand for the Help to Buy scheme. Capital funding of £2.4bn was returned in the supplementary estimates, with £0.7bn of this reprofiled into future years to reflect revised delivery profiles.

Resettlement

We continued to support councils to deliver the Homes for Ukraine scheme. This included committing to provide £1.1 billion through a tariff for each arrival in their area to support guests and sponsors and therefore mitigate increased pressures on homelessness services. We announced on 14 December 2022 that all sponsors would be able to receive an increased ‘thank you’ payment of £500 a month for guests who have been in the country for over a year. We will also be providing £150 million additional funding in 2023-24 for local authorities across the UK to help support Ukrainian guests move into their own accommodation and reduce the risk of homelessness. Where guests leaving their initial sponsorship arrangement are unable to be rematched with a new sponsor or seek accommodation in the private rented sector, statutory homelessness duties will apply.

The £500 million Local Authority Housing Fund (LAHF) was launched in December 2022 to support local authorities whose residents have welcomed Ukrainians fleeing war, to obtain over 3,000 homes by March 2024. LAHF addresses both immediate humanitarian needs and long-term housing needs. Homes will be used initially by Ukrainian guests on sponsorship schemes and Afghans currently in unsuitable and expensive bridging hotels before becoming part of wider affordable and social housing stock.

In March 2023, we announced a £250 million expansion of LAHF to both house Afghans currently in bridging hotels and to ease homelessness pressures. This was over a short time frame due to the urgency of the humanitarian situation, so we streamlined the funding process and gave local authorities more freedom and flexibility on how they deliver. Options include converting existing office space, renovating buildings and using Modern Methods of Construction. Local authorities can also partner with housing associations to assist with their experience in this area.

Climate Change, Net Zero and Energy

As a department, we are a key player in the government's net zero goals and initiatives. This includes decarbonising new buildings and heating, working with the Department of Energy Security and Net Zero (DESNZ), oversight and reform of the energy performance of buildings systems and improving the Energy Performance of Buildings digital service. It also includes contribution to the third National Adaptation Programme (NAP3) being led by the Department for Environment, Food and Rural Affairs (DEFRA), which outlines government's response to the risks posed by a changing climate. We own or contribute to mitigating risks in areas such as overheating, building fabric and the viability of coastal communities.

We worked with DESNZ on the 'Powering Up Britain' plan to ensure alignment with our priorities and to reflect responses to the Climate Change Committee and the Independent Review of Net Zero. We also collaborated on support schemes such as the Home Upgrade Grant, Social Housing Decarbonisation Fund and Energy Company Obligation Scheme.

Our uplift to the energy efficiency standards for new homes came into force in June 2022. Homes are now expected to deliver around 30% less carbon emissions than those built to previous standards. Our new requirements from June 2022 also mean that new residential buildings must be designed to reduce overheating.

We are reviewing the planning barriers that households face when installing energy efficiency measures; in particular, in conservation areas and listed buildings. We consulted on proposed changes to the National Planning Policy Framework, which would include renewable energy measures and adding a new clause stressing the importance of energy efficiency measures and building adaptation.

We also worked with the DESNZ (and its predecessor) on help with rising heating bills, providing direct support to households through the Energy Bills Support Scheme and for households using alternative fuels or heat sources.

1. Levelling Up the United Kingdom

The Levelling Up group oversees and co-ordinates delivery of Levelling Up across government, using data and evidence to monitor progress against the twelve Levelling Up missions outlined in the White Paper. The group also manages numerous funding schemes and place-based interventions to generate local economic growth, boost pride in place, and improve quality of life in the places that need it the most. Strong progress has been made against our missions and White Paper commitments.

What we achieved in 2022-23

- Began work on the **20 Levelling Up Partnerships announced at the Spring Budget**, providing bespoke place-based regeneration across the regions of England. We have also committed to establishing **12 Investment Zones across the UK** – offering each area a **total funding envelope of £80 million over five years**.

- Continued to drive forward and co-ordinate the Levelling Up agenda across government through a new Levelling Up Inter-ministerial Group, chaired by the Secretary of State.
- Agreed **trailblazer devolution deals with Greater Manchester and West Midlands Combined Authorities**, giving local leaders power and influence over levers to unlock the economic growth potential of communities, alongside single funding settlements at the next Spending Review.
- Signed **devolution deals** with York and North Yorkshire, East Midlands, Norfolk, Suffolk and an expanded North East area which, once implemented, will mean over half of England's population will be living in an area with a devolution deal and directly elected mayor.
- Established a **Spatial Data Unit to support place-based decision-making** and delivery of our Levelling Up objectives through better local data, new data tools, insights and innovative modelling.

- Allocated a further **£2.1 billion through LUF Round 2** to 111 successful places across the UK, building on LUF Round 1. Funding includes:
  - £7 million to help restore and upgrade Newcastle's historic Grainger Market;
  - £18.6 million to transform one of the largest urban Brownfield sites into a waterfront development in Doncaster; and
  - £3.3 million to promote green travel and upgrade the electric vehicle charging network across Northern Ireland.
- Provided c.£240 million funding in 2022-23 as part of LUF Round 1. The first two LUF projects Nine Elms in Wandsworth and Portrush Recreation Grounds in Northern Ireland, were completed during the last year. Also agreed a £65 million local authority support package to support places' capacity and capability to deliver projects.
- Approved all **UKSPF Investment Plans** in December 2022, with **payments made to all 256 places in England, Scotland and Wales**. Recognising the different roles Local Authorities play in Northern Ireland, its core allocation was made at Northern Ireland level.
- Made payments totalling **£818 million in 2022-23 through the Towns Fund**; **£253 million for Future High Streets Fund and £565 million for Town**

Deals. Total spend across both funds to March 2023 is now £1.3 billion. Funding includes £25 million to support new jobs in Hartlepool, £19.5 million to upgrade Swindon and £24.3 million to drive economic growth in Morley.

- Committed **over £30 million** from the £150 million **Community Ownership Fund to save 98 valued community assets** across the UK from closing. This includes £115,000 to upgrade the changing facilities at Falkirk Rugby and Football club, £300,000 to re-open Hartcliffe Farm in Bristol and £185,000 to make major improvements to Clayton Community Centre in Accrington.
- **Opened all English Freeports** for business. These places will receive **up to £25 million of seed funding** over the coming years. Two Green Freeports in Scotland and two Freeports in Wales were announced in early 2023. Freeports benefit from incentives relating to customs, tax, planning, regeneration, infrastructure and innovation.
- **Supported DESNZ to allocate £1.4 billion of government funding to upgrade the energy efficiency and heating systems of low-income households** under Social Housing Decarbonisation Fund Wave 2.1 and Home Upgrade Grant 2 over the next two years.

Figure 1: English Mayoral Devolution Deals:

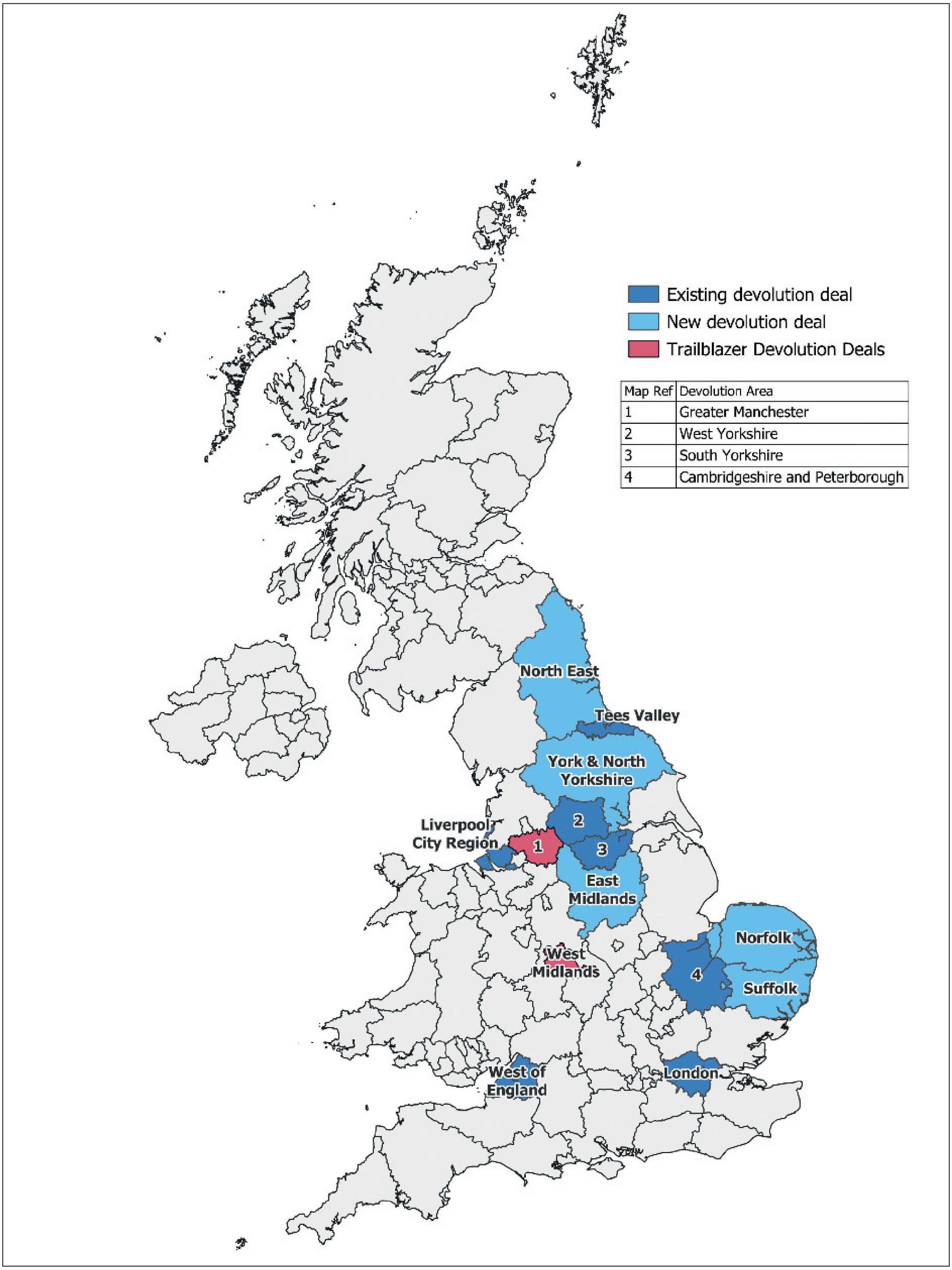
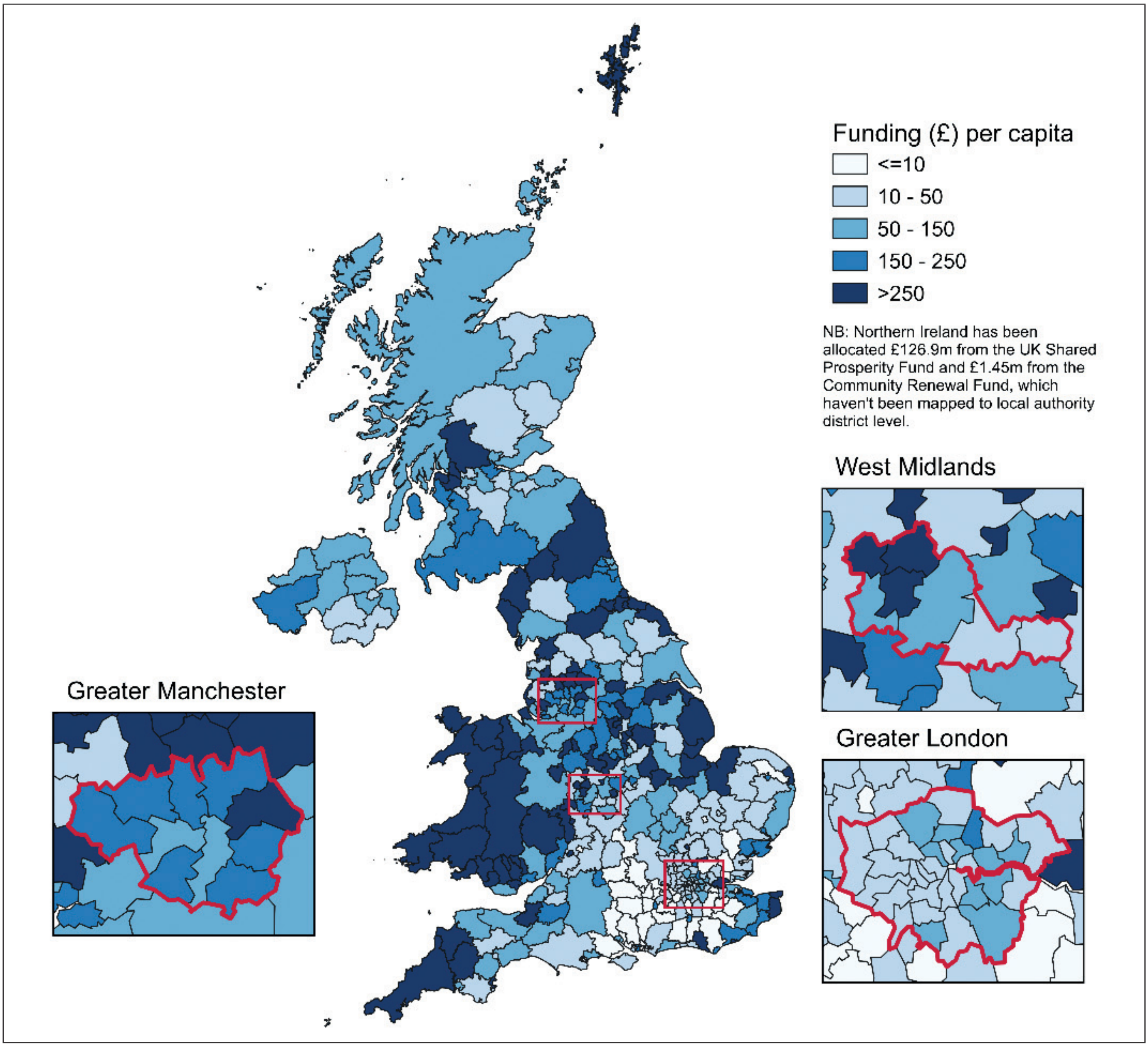


Figure 2: Local Growth Programme Spend:



Programmes included:

- Grants for 16 town regeneration projects
- Community Renewal Fund
- UK Shared Prosperity Fund
- Towns Fund / Future High Streets Fund
- Levelling Up Fund Rounds 1 and 2

- Levelling Up Parks Fund
- Community Ownership Fund
- Levelling Up Capital Projects and Capital Regeneration Projects announced at Budget 2023

Risks faced in delivering the priority outcome

External economic factors

External economic factors, principally inflation, have an impact on our ability to deliver programmes within budget and timescales. We are developing ways to mitigate this risk on our key local growth programmes, including introducing Project Adjustment Request (PAR) processes on the Levelling Up Fund and Towns Fund to offer flexibility to deal with immediate impacts. On the Levelling Up Fund, we also agreed funding of £65 million to help local authorities with the capacity and capability to deliver projects and we continued to offer further, targeted support.

Complex funding landscape across Levelling Up

The current approach to distributing funding across multiple pots with varied application requirements has the potential to be too onerous for some councils to navigate, impacting the delivery of levelling up outcomes. We are taking steps to address this and have committed to publishing a plan to streamline the landscape, reducing inefficiency and bureaucracy, and giving local government the flexibility it needs to deliver for local economies.

2. Regenerate and Level Up communities to improve places and ensure everyone has a high quality, secure and affordable home

The Regeneration Group is central to the government's ambition to level up the country by empowering locally-led regeneration, and ensuring universal access to high quality, secure and affordable housing. Homeownership is still out of reach for many young people, millions endure poor-quality rented housing, and we need to boost housing supply – especially social housing. This includes support for migrants arriving via humanitarian and resettlement routes.

We are increasing the supply of affordable housing through our Affordable Housing Programmes in response to significant economic and inflationary pressures, and supporting the creation of new homes through our Housing Infrastructure and Brownfield, Infrastructure and Land Funds. We launched two new funds this year – our Levelling Up Homebuilding Fund (LUHBF) and Local

Authority Housing Fund (LAHF) to provide even more help and support to local housing schemes.

Our home ownership and home building ambitions are supported by the Digital Planning Programme, which has collaborated with local planning authorities and industry partners across a range of interventions to modernise the planning system.

Through proactive legislative reform in the rental sectors, we made progress across several complex and significant pieces of legislation. The Ground Rent Act is now in force, the Levelling Up and Regeneration Bill is at the Lords Committee stage, and ‘Awaab’s Law’ has been drafted into the Social Housing Regulation Bill. The rent cap on social housing rents that we introduced for 2023-24 will help support people facing a rise in the cost of living.

Our key delivery partner is Homes England, and we made good progress on enhancing the agency’s governance framework and delivery strategy. This includes the new Policy Delivery Partnership linking operational delivery more closely with policy making to enable better outcomes.

What we achieved in 2022-23

Capital Programmes

- **Helped 14,565 more people buy their own homes** through the **Help to Buy Scheme with £1.2 billion of loan support** (April to September 2022 data) and helped over 350,000 people buy their own homes to date.
- **Brought our successful 2016-23 Affordable Housing Programme (AHP) to a close** having secured delivery of affordable housing in the face of significant economic and inflationary pressures, and worked with the social housing sector and other partners to secure continued delivery through our 2021-26 Programme.
- Launched new funds, such as the **£500 million Local Authority Housing Fund** set up in response to housing challenges arising from the conflicts in Afghanistan and Ukraine delivering over 3,000 homes by March 2024, and **the Levelling Up Home Building Fund** to support the development of **over 16,800 homes**. Announced a £250 million expansion of the LAHF to both house Afghans currently in bridging hotels and to ease homelessness pressures. The £1.5 billion Brownfield, Infrastructure and Land fund will be launched in 2023-34 to help unlock around 75,600 additional homes.

- Responded effectively to global economic pressures by **actively managing our funds to help mitigate delivery challenges**; our capital funds in particular having been impacted primarily by materials shortages and price inflation. We have reviewed our funds and made changes to how we deliver to ensure we meet our objectives over the coming year and beyond.

Figure 3: Our performance: Net additional dwellings per annum

Annual housing supply in England amounted to 232,820 net additional dwellings in 2021- 22, up 10% on 2020-21.

The annual housing supply resulted from 210,070 new build homes, 22,770 gains from change of use between non-domestic and residential, 4,870 from conversions between houses and flats and 780 other gains (caravans, house boats etc.), offset by 5,680 demolitions.

Year	Net additional dwellings
2021-22	232,820
2020-21	211,870
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 4 Our performance: Gross supply of affordable housing completions.

There were 59,175 **affordable homes delivered (completions) in England in 2021-22, an increase of 14% compared to the previous year and similar to 2019-20 (less than 0.5% higher)**. Since 2013-14, affordable rent has become the most common tenure type for affordable homes delivery, and in 2021-22 **65% of new affordable housing completions were for rent (including social, affordable and intermediate rent), the same as the previous two years.**

Year	Gross supply of affordable housing completions
2021-22	59,175
2020-21	52,100
2019-20	58,900
2018-19	57,175
2017-18	47,069
2016-17	42,195

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

Reform Programmes

- **Published plans for tenancy reform**, to improve quality and security in the private rental sector by scrapping 'no fault' evictions to protect tenants, **revising and extending the Decent Homes Standard**, creating an **Ombudsman** and launching a **rental Property Portal.**
- Amended the **Social Housing Regulation Bill** to tackle unsafe housing conditions, empower the Regulator to hold landlords to account and introduce professional qualifications to lift standards across the sector.

- Brought the **Leasehold Reform (Ground Rent) Act** into force, making home ownership fairer and more transparent for thousands of future leaseholders.
- **Three new digital planning services**, co-designed by a pioneering group of local councils went live on the websites of **Buckinghamshire, Lambeth and Southwark councils**.

Policy and Stewardship

- Launched the **Older People's Housing Taskforce** to support the provision of sufficient, high-quality housing for older people across the country.
- Introduced a **7% cap (with certain exceptions) on social housing rent increases for 2023-24** to protect social housing tenants. Tenants could save up to £200 on average in 2023-24 under a 7% cap, compared to if rents were allowed to increase by CPI+1% (rate as at September 2022).

Homes for Ukraine

- Supported the **welcome, resettlement and integration of people seeking safety in the UK through protected routes.** This includes:
  - the Homes for Ukraine Scheme which has seen over 121,000 individuals arrive in the UK;
  - the British National Overseas Welcome Programme which has seen over 154,400 visas

granted to those leaving Hong Kong since 1 January 2021; and

- support for those on the Home Office-led Afghan resettlement scheme into settled accommodation.

Risks faced in delivering the priority outcome

Financial risks

The change in economic context, with price inflation, a tight labour market and material shortages has posed and continues to pose a major risk to the successful delivery of our housing funds.

We actively manage our risk profile through our governance structures at both programme and portfolio level. The portfolio includes a mix of interventions, from capital grant funds to legislative-led reforms. We aim to ensure a balanced risk appetite across the interventions in order to best achieve our strategic objectives.

We actively work with Homes England and our wider delivery partners to agree and implement flexible methods of delivery whilst ensuring value for money. Where necessary this includes resetting fund objectives to reflect the changed delivery context.

People risks

We are implementing an ambitious package of interventions in a challenging economic context.

Maintaining delivery in this context requires us to ensure we have the right capacity and capabilities within the Regeneration Group and elsewhere. This will remain a challenge given the tight labour market conditions.

To build resilience, we are strengthening oversight of programme progress, taking particular care to ensure we commit to what is realistic and achievable, while at the same challenging ourselves to push the boundaries of what we can achieve.

Resettlement and humanitarian schemes

A strong approach to risk management has been built into the running of the Homes for Ukraine sponsorship scheme, working closely with other government departments and local government to identify and mitigate risks. Mitigations include ensuring appropriate safeguarding protections are in place alongside swift access to safety in the UK, and ensuring integration, access to employment and accommodation options. More broadly across the resettlement and humanitarian schemes, we take a cautious approach to risk management, tolerating a limited degree of risk, whilst recognising that we alone do not hold all the levers to mitigate risks fully, and so work closely with wider partners.

3. Ensure that buildings are safe and system interventions are proportionate

The tragedy at Grenfell Tower made clear the terrible consequences that can arise from poor industry practice, insufficient oversight and a lack of development of the regulatory system. We are undertaking an expansive programme of work to reform the buildings system, remediate problems in the existing buildings stock and deliver on our commitment to the Grenfell Tower Public Inquiry to make lasting and meaningful change.

In 2022-23, we made significant progress in making sure that those responsible pay for the cost of remediation. 46 developers signed remediation contracts, meaning they are now legally responsible for an estimated £2 billion of works. In tandem, we continued to drive progress through our government-led remediation programme: the ACM remediation fund (408 buildings completed remediation works as end March 2023); Building Safety Fund (116 building completed remediation works as end March 2023); and the Cladding Safety Scheme (which opened a pilot phase in November 2022).

We are also establishing a new regulatory regime – enabled through the passing of the Building Safety Act, which established the Building Safety Regulator and National Regulator for Construction Products.

Finally, we continue to support the Grenfell Tower Inquiry in our role as a core participant. Evidence sessions have now concluded and we await the final report.

What we achieved in 2022-23

- The **Building Safety Act received Royal Assent in April 2022**, bringing into law the seeds of a new regulatory regime and delivering protections for qualifying leaseholders from the costs associated with remediating historical building safety defects. The Act also established **three new bodies**: the **Building Safety Regulator**, the **National Regulator of Construction Products** and the **New Homes Ombudsman**.
- Progressed the remediation of unsafe Aluminium Composite Material (ACM) cladding. 408 (83%) of all identified high-rise residential and public owned buildings in England have completed remediation work as at the end of March 2023.
- The **Building Safety Fund** re-opened against a new risk methodology – PAS 9980 – in July 2022. As of the end of March 2023, **£1.85 billion had been allocated for the remediation of non-ACM cladding in high-rise residential buildings**.
- Opened a pilot scheme in November 2022 to remediate or mitigate unsafe external wall systems of buildings between 11-18m in height. The wider rollout of this scheme will commence in 2023/24.

- As of the end of March 2023, 46 developers (of 49 who signed a pledge in 2022) had signed **developer remediation contracts**, legally committing them to fix relevant defects in buildings they had a hand in developing. The **estimated cost of these works is in excess of £2 billion**.
- Top lenders opened the mortgage market for cladding affected properties, following new Royal Institute of Chartered Surveyors (RICS) guidance published on 9 January 2023.
- **Continued to support the Grenfell Community and the Grenfell Memorial Commission**, who published their first report in May 2022 setting out ideas for a future memorial. Alongside this, we continued to keep the Grenfell Tower safe and secure until a decision is made about its future.
- Continued to fulfil our obligations as a Core Participant to the Grenfell Tower Inquiry. Evidence sessions have now concluded and we await the Inquiry's final report.
- In June 2022, an **interim uplift to Part L (conservation of fuel and power) of the Building Regulations** came into force, meaning new homes will be expected to deliver 30% fewer carbon emissions compared to previous standards.
- Improved energy efficiency standards in building regulations, supported by a decarbonising electricity

grid, are resulting in a downward trend in CO_2 emissions from new dwellings.

Figure 5: CO_2 emissions per m2 in new dwellings by year

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
KG/CO_2/per sqm.	21	20	19	17	17	17	17	16	16	16	16	16	15

Risks faced in delivering the priority outcome

The buildings system is complex, requiring the co-ordination of many different actors and where incentive structures are not always aligned and we do not control everything. Our principal risks are set out below.

Potential of a further fatal building safety incident

We are addressing this through overseeing remediation of unsafe cladding defects in existing high-rise buildings through our ACM remediation programme and Building Safety Fund, and have launched a pilot for medium-rise buildings. We work closely with partners to drive pace of remediation, providing enhanced support to applicants and taking action against building owners who are failing to act. We are also working with developers and Registered Providers to monitor progress on self-remediation.

Building safety regulations failing to address critical safety issues

We have established the Building Safety Regulator (BSR) to provide a more stringent regulatory regime for high-rise and high-risk buildings and mitigate structural building failure, heightened risk of fire, and/or harm to the occupants of buildings. Alongside this, the Building Safety Act places requirements on Accountable Persons to improve safety management in high-rise buildings.

External changes threatening the safety and resilience of our building stock

We are undertaking further work to build our evidence base on overheating risk in residential properties and are beginning to establish the longer-term approach and structures that we will need to become effective stewards of the built environment.

4. A stronger Union and ensuring its benefits for citizens in all parts of the UK are clear and visible

We continue to lead the delivery of the government's priority to ensure the benefits of the Union are clear, visible and in the interest of all citizens. This includes strengthening collaboration between the government and the devolved administrations, or intergovernmental relations , and engaging all levels of government, business and civic society together in the interests for citizens across the UK.

There are many examples of successful collaboration this year. We have continued to work with devolved administrations to run the Homes for Ukraine Scheme to help thousands of Ukrainians fleeing conflict to find accommodation across the UK.

As set out in earlier sections, we have continued to level up communities across the UK, announcing the locations of Freeports in Firth of Forth and Cromarty and Inverness in Scotland and Celtic and Anglesey in Wales, and delivering £2.6 billion of levelling up funding across the UK through the UK Shared Prosperity Fund.

To tackle rising global inflation in March 2023, the government announced measures to help people across the UK deal with rising living costs, worth over £22 billion in total for 2022-23 to support families. This included cutting fuel duty, raising National Insurance thresholds, and doubling the Household Support Fund – £79 million of which was specifically for the devolved administrations.

What we achieved in 2022-23

- **Strengthened intergovernmental relations arrangements** over the course of the year, with 277 Ministerial meetings held in the 2022 calendar year.

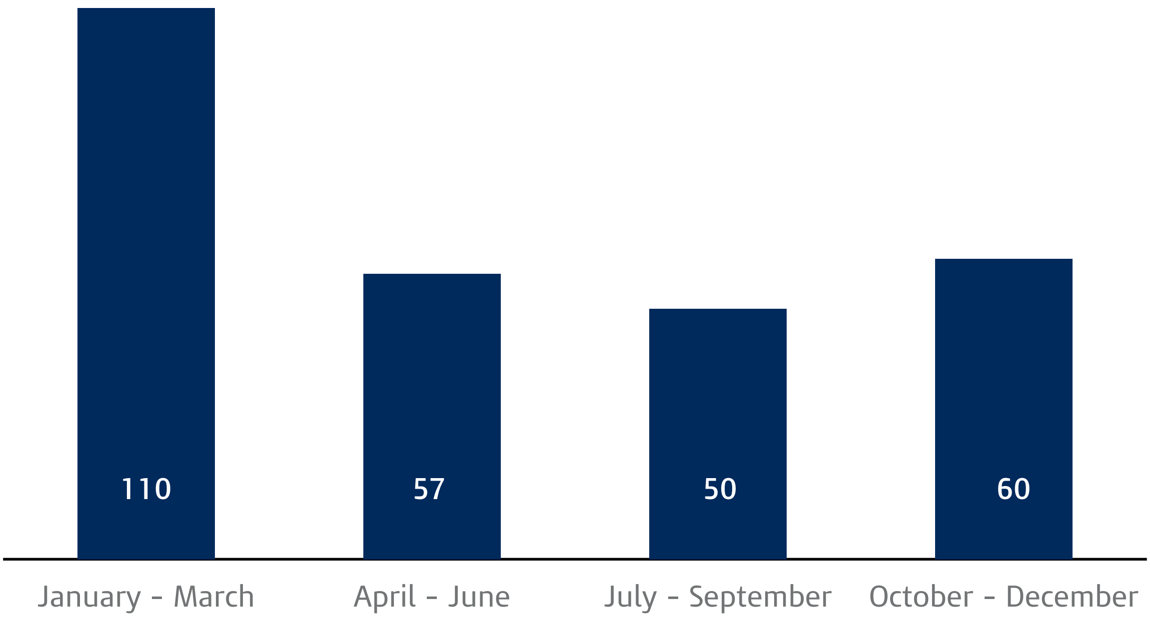
- **Hosted the 38th Summit of the British Irish Council** in November. This is a key forum for intergovernmental relations established by the Belfast/ Good Friday Agreement with Rt Hon Rishi Sunak MP being the first Prime Minister to attend in 15 years.

- Held the **inaugural meeting of the Islands Forum in Orkney** in September 2022. The forum was established to bring together island communities from across the UK to tackle common challenges and share best practice.
- Delivered an ambitious **devolution capability programme for civil servants in collaboration with devolved governments and government departments** with 17,302 civil servants attending training in the 2022 calendar year..
- **Improved the availability of coherent UK-wide data and evidence**, through work across government and with the Office of National Statistics. This reflected our commitments set out in the UK Concordat on Statistics.
- Made further progress on the common frameworks with the **Resources and Waste and Emissions Trading Scheme Common Frameworks published** on gov.uk.
- **With DESNZ, delivered the Energy Bills Support Scheme UK wide**, including bespoke support for Northern Ireland, working with the Northern Ireland Civil Service.

- **Established two Scottish Green Freeports** in Firth of Forth and Cromarty and Inverness in January 2023. In March 2023, the **Celtic and Anglesey Freeports were announced in Wales**, with work underway on options for a Freeport in Northern Ireland.
- Continued to work with the devolved administrations to deliver **four Investment Zones across Scotland, Wales and Northern Ireland**, and to **extend Levelling Up Partnerships UK wide**. **£2.6 billion has been allocated for investment in local communities through the UK Shared Prosperity Fund.**

Figure 6: There were a total of 277 intergovernmental ministerial meetings in 2022

Number of meetings between the UK Government and the Northern Ireland Executive, Scottish Government and Welsh Government in 2022



Topics of intergovernmental meeting between ministers in 2022

Note: Approximate numbers (rounded) based on reported data by departments. Ministerial meetings were categorised independently by multiple individuals by consensus where agenda or meeting content was included (89% of all meetings). Each meeting could cover multiple topics so the totals will not sum. In addition to these selected topics, other topics will have been covered in meetings.

5. Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services, and improve integration in communities

Our stewardship of the local government sector continues to support authorities in delivering quality public services and driving economic growth in their local areas. Over the last year, the sector has managed external risks including inflationary pressures and increased service demands – from social care to resettlement. We have supported councils in meeting such challenges with additional funding through the Autumn Statement and Local Government Finance Settlement.

We have continued to strengthen accountability, progressing work on the Office for Local Government to improve transparency of local government performance, strengthening aspects of the local government audit framework, and responding to a number of governance and financial failures in councils.

On homelessness and rough sleeping, a new Rough Sleeping Strategy and targeted programmes are supporting authorities responding to pressures from the cost of living, asylum and resettlement, and housing availability.

Elsewhere, good progress has been made across a number of programmes, from introducing the requirement for Voter ID at the local elections, to Supporting Families and Changing Futures programmes which support those facing multiple disadvantages. Our vital work on resilience has continued through a number of emergencies and significant events, including flooding, the pandemic and the death of Her Late Majesty.

Finally, we have continued an ambitious legislative agenda with important Bills on the Holocaust Memorial and Business Rates Revaluation now in the House.

What we achieved in 2022-23

- Delivered a **Local Government Finance Settlement for 2023-24**. This makes up to **£59.7 billion** available for local government in England, an increase in Core Spending Power of up to £5.1 billion or 9.4% in cash terms on 2022-23 and an additional £2 billion for social care. This is in recognition of the vital role of local government in local economies and communities.
- Published a policy statement which provided certainty to the end of this Spending Review period enabling local authorities to plan ahead with confidence.

Figure 7: Our Performance: Final Local Government Finance Settlement 2023-24

£5.1 billion

Increase in Core Spending Power in England secured through the 2023-24 Local Government Finance Settlement.

- Established the **Office for Local Government** to promote accountability and give authoritative data on local government performance and appointed the Interim Chair. We also supported Public Sector Audit Appointments Ltd (PSAA) in their successful procurement of audit contracts for 2023-24 to 2027-28.

- Helped **63,000 vulnerable and disadvantaged families** with multiple and complex issues such as housing insecurity and substance misuse, through our **Supporting Families programme**.

- Unveiled the **National Windrush Monument** at London Waterloo Station, providing permanent place of reflection, fostering greater understanding and celebrating the talent, hard work and contribution of the Windrush generation.

- Delivered a **Faith New Deal pilot** fund to 15 projects to develop innovative interventions in tackling social issues affecting those in most need of support across England, working in partnership with councils, schools, police, health providers and voluntary groups.

Figure 8: Our Performance: Supporting Families

Local Authorities have been funded to achieve successful family outcomes with

574,777 families

Families where successful family outcomes were achieved

534,959 between 2015 and January 2023.

Source – Supporting Families annual report 2023

- Introduced the **Holocaust Memorial Bill** on 23 February 2023. This aims to remove the statutory obstacle to planning consent that previously prevented the building of a new memorial and learning centre in Victoria Tower Gardens in Westminster.
- **Published our strategy to 'End Rough Sleeping For Good'** in September 2022, setting out a clear vision for rough sleeping. We also announced three-year allocations for the **Rough Sleeping Initiative**, implemented a new formula for the **Homelessness Prevention Grant** and launched a new **Single Homelessness Accommodation Programme**.
- As of April 2023, our Rough Sleeping Accommodation Programme **delivered 4,920 homes for rough sleepers across England**, up from just over 3,200 in June 2022. We remain confident that the overall target of 6,000 homes will be achieved as we continue to

deliver government's mission to end rough sleeping for good.

Figure 9: **Our performance: Rough sleeping count for England**

The number of people estimated to be sleeping rough on a single night in Autumn 2022 was 3,069. This represents an increase of 626 people or 26% from 2021, but down 35% from 2017.

Year	Number of rough sleepers	% change from previous year
2022	3,069	+26
2021	2,440	-9
2020	2,688	-37
2019	4,266	-9
2018	4,677	-2
2017	4,751	15

Source: Rough Sleeping Statistics, Autumn 2022, England. Released annually in February

- Delivered our responsibilities as part of **Operation London Bridge**, ensuring the safe and successful commemoration of Her Late Majesty through local events that complemented the national programme.

- Made 14 pieces of secondary legislation to implement the **Elections Act**, which received Royal Assent in April 2022, and **launched the Voter Authority Certificate digital service** in January 2023**,** ready for the first elections requiring Photo ID in May 2023.

Risks faced in delivering the priority outcome

We continue to monitor and respond to pressures on local government including inflation and capability, particularly on areas such as social care or resettlement. Relationship management and system oversight play important parts in our efforts to mitigate these risks but our Local Government Finance Settlement making up to £59.7 billion available for 2023-24 – a 9.4% increase in cash terms on 2022-23 – has helped the sector become more sustainable.

Local council financial risks

Three Section 114 notices were issued in the financial year 2022-23 (Thurrock, Croydon and Northumberland). In September 2022, the former Secretary of State, Rt Hon Simon Clarke MP, announced that he was using his powers to intervene at Thurrock, due to concerns about the scale of the financial and commercial risk facing the council. In March 2023, the now Secretary of State, Rt Hon Michael Gove MP, announced that he was minded to put the non-statutory intervention in Croydon on to a statutory footing given evidence that the council is failing to comply with its Best Value Duty. In February 2023, government agreed to provide Slough, Croydon, Thurrock, Cumberland and Westmorland and Furness councils with in-principle exceptional financial support for 2023-24 and, in the cases of Croydon and Thurrock, to cover prior years.

External risks

The possibility of a national power outage, energy supply disruption, the emergence of a COVID-19 variant of concern, severe weather or public disorder is also closely monitored in case a cross-departmental response is required and may impact the delivery of our priorities.

6. Strategic Enablers

We have continued to strengthen our corporate centre, and building our capability and expertise, in line with Government Functional Standards.

Workforce, skills and location

Our **Places for Growth programme** continues to be a highlight, with **35% of colleagues based in offices outside London** as of March 2023. This compares to 23% in March 2020, our baseline position for this programme. A key area of focus within this work remains increasing the percentage of Senior Civil Servants (SCS) based outside London. We had **17% of SCS based outside of London** at the end of March 2023 and are aiming to reach 37.5% by March 2025. We continue to operate from offices across the UK, including from a new office in Belfast that was established in 2022/23.

Our Staff Engagement score has decreased, partly reflecting an uncertain period with several changes to our ministerial team as well as the government-wide Civil Service 2025 programme that aimed to significantly reduce headcount across the Civil Service but which has since been cancelled. Whilst survey completion rates remained high at 87%, our engagement score decreased by 6% to 60%, lower than the Civil Service benchmark of 65%. As one part of our response, a **programme of roadshows began to engage with colleagues across all our locations** on our priorities and how all our people contribute to achieving them.

Innovation, technology and data

We continue to focus on Digital, Data and Technology (DDaT) to ensure we get the best for our citizens, as well as ensuring we have an efficiently run department. **Cyber Security** continues to present a significant risk, but the Government Security Group (GSG) assessment in 22/23 concluded that **we met all of the required standards.** We continue to strengthen our controls, welcoming the introduction of the new GovAssure framework in 2023-24 to provide ongoing assurance and identify further recommendations. Our **DDaT function** was also **rated as the highest scoring in the annual functions survey** run by the Cabinet Office across all major departments. We also continue to score highly on how our functions work together.

We developed a new **modular digital funding service design**, which is **supporting cross government work on funding improvement**; ‘apply for funding’ is in beta and ‘monitoring and evaluation’ in alpha. We continued to iterate the digital service, which was developed in March

2022 in rapid response to support the **Homes for Ukraine scheme**. This completely novel resettlement model has evolved to become the basis of a cross government safeguarding system, a distinct service for unaccompanied children and minors and the reconciliation of council funding for the scheme.

We launched the **Open Digital Planning project website** and **three new live digital planning services**, which were **co-developed with local authorities**. We also **funded 19 local planning authorities to improve the technology** they use to receive and process planning applications. The DLUHC digital planning programme were gold winners for 'Best use of digital and technology' at the iESE Public Sector Digital Transformation Awards in March 2023, and with local planning authority partners won 'Digital Change Project of the Year' at the Government Project Delivery Profession Awards for collaborative work on planning software. Our **Local Digital Cyber Support programme** has continued to work in collaboration with local authorities to instil cyber best practice and principles. We continued activities to facilitate local government digital transformation with new software and services, which are cyber secure, efficient, and better meet the needs of citizens. Through the **Local Digital Fund**, we provided **£3.4 million to fund 17 new projects** and four existing projects. This is alongside **£6 million for the Future Councils pilot** of 8 councils undertaking a series of place-based reforms.

We have strengthened our data capability in the year and introduced improved governance. We **recruited our first Chief Data Officer**, established a **Spatial Data Unit** to better inform place-based decision making, and introduced a **new Data Board** as part of our governance structures. This will oversee the refresh of our data strategy which we aim to implement in the next financial year.

Delivery, evaluation and collaboration

We have implemented the first phase of our **Delivery Improvement Plan**, which we developed with the Infrastructure and Project Authority (IPA) following an assessment against the Government Functional Standard for Project Delivery (GovS 002). This included launching a new **Project Delivery Hub** that includes tools and guidance and outlines the governance, assurance and project delivery frameworks within the department. We also strengthened our **internal assurance over major programmes** and continued to **invest in our project delivery capability.** This is through supporting leaders onto various IPA led training programmes, as well as the **introduction of the Government Online Skills Tool (GOST)** to colleagues across the department.

Our Commercial teams enabled the delivery of **£8.4 million full year equivalent savings** (cashable savings £5.7 million, cost avoidance £2.7 million) on a contract portfolio that has grown at a compound annual growth rate of 42% for the past 3 years. Improving the department's **Contract Management capability** has been a key focus and we can report that **accreditation progress is on target** (100% of Gold and Silver Contract Managers accredited or active in gaining accreditation). Broader progress is evidenced by improved audit outcomes.

This was the first full year of expanding the commercial functional support to the department's grant funding programmes. We ended the year with an **established stewardship programme for the oversight of the department's portfolio of 54 Private Finance Initiative (PFI) projects** and an in -house commercial capability, contributing to the assessment and management of the department's grant funding programmes. Our **Local Government Commercial Capability Programme interventions reached 60 councils** that together represent 33% of the total sector spend. Of note is that **487 local government contract managers achieved foundation level accreditation**.

The Government Internal Audit Agency (GIAA) assessed the department as having made good progress on improving our risk maturity in 2022-23 through the implementation of our Risk Action Plan and risk business partners. We will continue to embed improvements in this area, including through a refreshed Risk Management Framework.

Counter fraud has been enhanced with the publication of a new framework and standards to support the delivery of departmental objectives and align to requirements set out by the Public Services Fraud Authority (PSFA). In relation to grants management, the department has developed a **Grants Fraud Strategy** and adopted the three lines of defence model. The GIAA awarded the department a **grading of 'Substantial' in relation to both Counter Fraud and Grants Management**. Improvements to the department's Contract Management performance have also been recognised by the GIAA.

We have discharged DLUHC's reporting responsibilities and **secured the resources needed to deliver** through our Annual Report and Accounts as well as our Estimate submissions agreed by Parliament. Our finance teams were at the heart of our Budget 2023 work with HMT, resulting in substantial new investments in Levelling Up and Social Housing in particular. The past year has seen a challenging economic outlook and fluctuations in market confidence. The construction industry has been significantly impacted with a commensurate effect on our large housing programmes. As a result, we have had further underspends against our Capital budgets. We have taken the opportunity to **revise our approach to project management and forecasting across all of our complex programmes** along with agreeing flexibilities that allow us to protect delivery whilst ensuring value for money. These measures have been enshrined in the aforementioned Delivery Improvement Plan and through updated business cases and are already helping to improve our performance.

As part of streamlining services across the Departmental Group, we have **onboarded the Regulator of Social Housing into our current shared transactional finance service**, which supports the Department, the Planning Inspectorate and the Valuation Tribunal Service. Longer term, we have been working with His Majesty's Revenue and Customs and the Department for Transport on the development of a **new shared transactional finance and HR service as part of the Unity Cluster**, which will improve our operational resilience and drive reduced service costs across government. We have **secured an initial £25 million of investment funding** from HMT towards our plans. The service is expected to launch in 2024, with DLUHC being onboarded during 2026-27.

We **published our Evaluation Strategy** during the year and we continue to ensure that we understand the impact of our policies and programmes. This sets out the evaluation plans across our work. We also **published our Areas of Research Interest document** to help further build relationships with research providers and other interested parties.

Contribution to Sustainable Development Goals

We contribute to the following Sustainable Development Goals (SDG) through the delivery of our priority outcomes:

- SDG1 – End poverty in all its forms everywhere.
- SDG3 – Ensure healthy lives and promote well-being for all at all ages.
- 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.

The main contributions are outlined below.

Levelling Up

- The £4.8 billion Levelling Up Fund is being delivered across multiple funding rounds, with at least £800 million set aside for Scotland, Wales and Northern Ireland. This confirms the scope of contribution towards SDG8, SDG10 and SDG11.
- The £2.6 billion UKSPF supports SDG8, SDG10 and SDG11 by promoting inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Our £3.6 billion Towns Fund is contributing to SDG10 and SDG11. Town Deals valuing £2.35 billion have been allocated across all 101 places, committing investment across c.700 projects nationwide. This is alongside the Future High Streets Funding in which £830 million has been allocated across 72 high streets, town centres and local communities in England.
- The Borderlands Inclusive Growth Deal was signed in 2021, committing investment of up to £265 million in the cross-border area of Scotland and England, contributing to SDG11.
- As hubs for investment, transport and innovation, Freeports will help make towns and cities inclusive, resilient and sustainable and will, in turn, reduce income inequality, contributing to SDG11 and SDG10.

Regeneration

- Our £1.5 billion Levelling Up Home Building Fund supports delivery of 42,400 homes, mainly outside London and the South East, and supports innovation such as modern methods of construction, contributing to SDG9.
- The Enable Build scheme has to date guaranteed £346 million and 2,971 homes have been supported. Affordable Homes Guarantee Scheme 2020 has to date guaranteed £648.5 million which is supporting the delivery of 5,062 new homes, contributing to SDG9.
- The Levelling Up and Regeneration Bill will make the planning process easier to navigate, faster and more predictable, reducing delays and costs for housebuilders, also contributing to SDG9.
- We support the SDG11 through our £11.5 billion Affordable Homes Programme, which delivers homes across all sectors, and our Help to Buy scheme which supports the development and sale of new homes.
- Social Housing reforms will contribute to the wider Levelling Up White Paper ambition for non-decent homes to be reduced by 50% by 2030, with further reforms delivering a fairer, more secure and higher quality homes in the private rented sector (PRS). Decency in rental housing will help make our cities

more attractive and sustainable, contributing to SDG11.

- To protect wildlife sites and promote sustainable development, with DEFRA we are providing up to £30 million for Natural England to deliver a Nutrient Mitigation Scheme to reduce nutrient pollution at source; SDG11.
- Homes sold through the Help to Buy scheme must meet building quality standards and must comply with the energy efficiency requirements of the Building Regulations, contributing to SDG13. Building Safety Charter may apply to large developments under the scheme.
- We will consult on improving energy efficiency within six months of the Social Housing (Regulation) Bill Receiving Royal Assent, contributing to SDG13.

Local Government

- A sustainable and resilient local government sector that delivers priority services and empowers communities priority outcome supports SDG1, SDG3, SDG8, SDG10, SDG11 and SDG16.
- In support of all these goals, the Local Government Finance Settlement made £59.7 billion available for 2023-24, a 9.4% increase in cash terms on 2022-23, enabling local governments to deliver quality public services, whilst playing a key role in their local economies and communities.

- We made available a £50 million top-up to the Homelessness Prevention Grant to local authorities in 2022-23. This additional funding supports local authorities to help prevent vulnerable households from becoming homeless and to manage local homelessness pressures, contributing to SDG1, SDG3, SDG10, SDG11 and SDG16.
- Over the past year, we have seen great change across the Supporting Families programme. This year, we now have a joint team with the Department for Education. This partnership has seen our funding expand, and our ambition with it. Over this Spending Review period we have received an increase of £200 million, bringing our overall funding for the programme to £695 million, contributing to SDG1 and SDG10.

Safer and Greener Buildings

- Ensure that buildings are safe and that system interventions are proportionate contributes to SDG9, SDG11 and SDG13.
- 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.
- The uplift to the Building Regulations, 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, contributing to SDG13

- 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, also contributing to SDG13.
- Our Part O guidance on overheating in buildings will also help to provide housing and infrastructure that is resilient to a changing climate and helps protect people from the impacts of extreme heat. This is one of the department's contributions to the third National Adaptation Programme, which will show how we intend to address some of the risks of a changing climate, again contributing to SDG13.

Our Expenditure and Financial Position

Group Budget

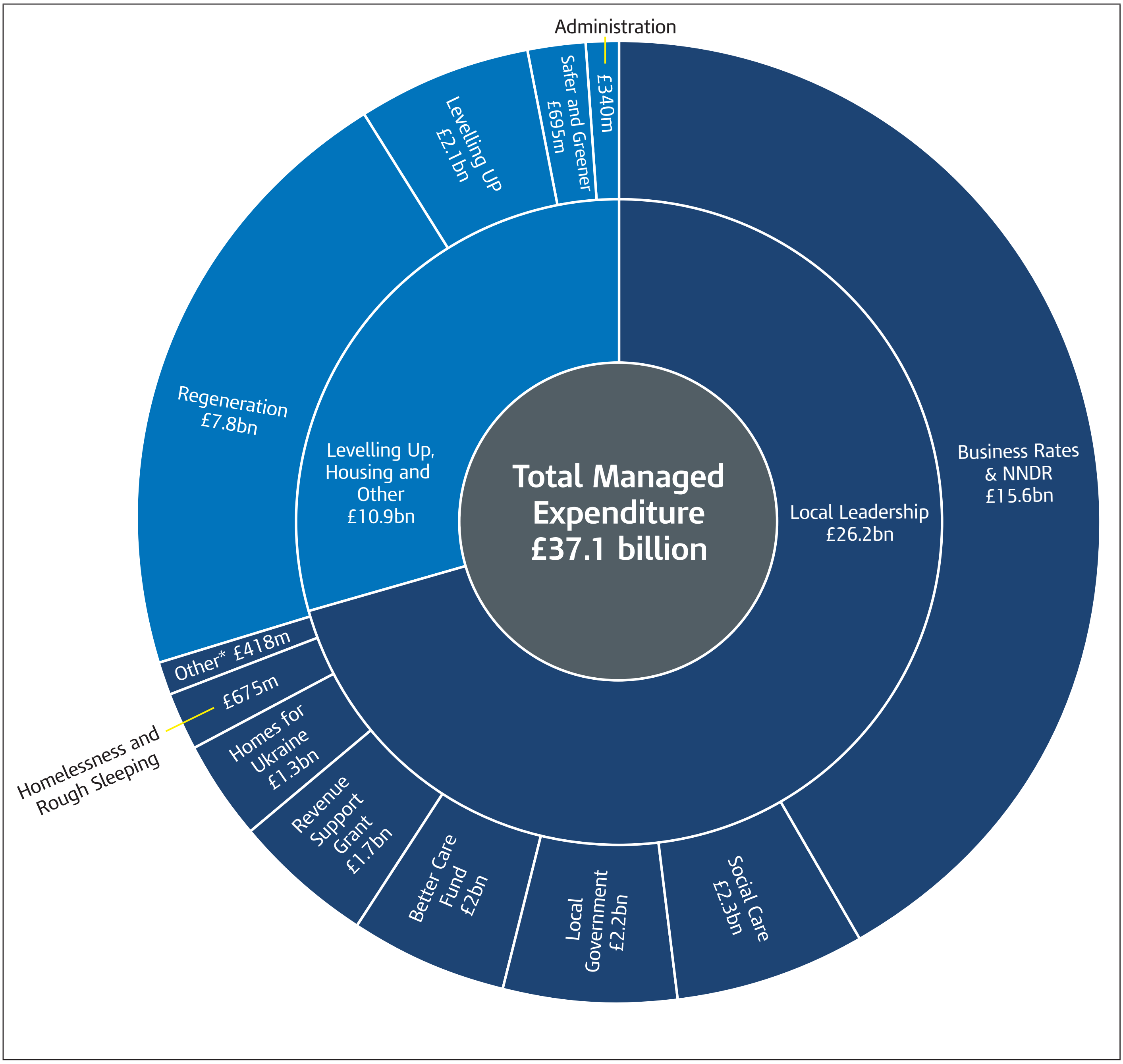
This section and the diagram below represent the 2022-23 Departmental Group budget. Actual expenditure compared to budget can be found on page 195. The Department's budget at the 2022-23 Supplementary Estimate was £5.6 billion lower than in 2021-22. This was mainly due to a reduction in the budget for COVID-19 measures and the Council Tax Rebate scheme, which was partly offset by new funding for the creation of the

Homes for Ukraine programme and an increase in business rates related budgets.

Our **total net expenditure budget of £37.1 billion**[1] is shown in the centre of the diagram. This is then split between two segments; local leadership (£26.2 billion) and other priority outcomes as shown on page (8 £10.9 billion). The outer circle shows the main components of spend within each segment. This chart is mapped against the priority outcomes on page 9 and is a different classification from that shown in the Statement of Outturn against Parliamentary Supply on page 193, which shows core and local government budgets as separate control totals rather than classifying by priority outcome.

1 https://www.gov.uk/government/publications/supplementary-estimates-2022-23

Figure 10: Net Expenditure Budget 2022-23



* Priority Outcome 4, Strengthen the Union, is too small to label on the chart. The total is £40 million.

Local Leadership (£26.2 billion) The largest part of our budget relates to Priority Outcome 5 – Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services, and improve integration in communities. We are delivering a sustainable funding settlement 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; and working to successfully deliver elections. Local government funding is provided to local authorities and the majority can be spent on any service[2]. The outer circle splits our Local Leadership budget into further detail:

- Business Rates and NNDR £15.6 billion
- Social Care Grants £2.3 billion
- Better Care Fund £2 billion
- Revenue Support Grant £1.7 billion
- Homes for Ukraine £1.3 billion
- Other Local Government Grants £2.2 billion
- Homelessness and Rough Sleeping £675 million
- Other £418 million includes council tax grants (£170m), Independent Living Fund (£160 million), the core department's communities spending (£67.6 million) and the core department's resilience spending (£19.1 million).

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

Levelling Up, Housing and Other (£10.9 billion) The Levelling Up, Housing and Other budget is used to fund the department's programmes and, in the diagram, has been split by priority outcomes.

- Priority Outcome 1 – Levelling Up the United Kingdom (£2.2 billion): 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 facilitating stronger, more empowered local leadership.
- Priority Outcome 2 – Regenerate and Level Up Communities to improve places and ensure everyone has a high quality, secure and affordable home (£7.8 billion): We are delivering a wide-ranging programme of activity to create, fund and drive a market that delivers good quality, sustainable homes, and empowers local areas to create communities where people want to live, work and do business.
- Priority Outcome 3 – Ensure that buildings are safe and system interventions are proportionate (£695 million): We are driving the biggest changes in building safety for a generation – undertaking an expansive programme of work to reform the buildings system, remediate problems in the existing buildings stock and make lasting and meaningful change through stewardship.

- Priority Outcome 4 – Strengthen the Union to ensure that its benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens (£40 million): We are driving the delivery of government's priorities to strengthen the Union and improve the quality of intergovernmental engagement.
- Administration (£340 million) 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.

Annually managed expenditure (AME) budgets are shown separately in the Statement of Outturn against Parliamentary Supply on page 193 but the diagram above includes AME budgets attributed to the strategic area that they relate to.

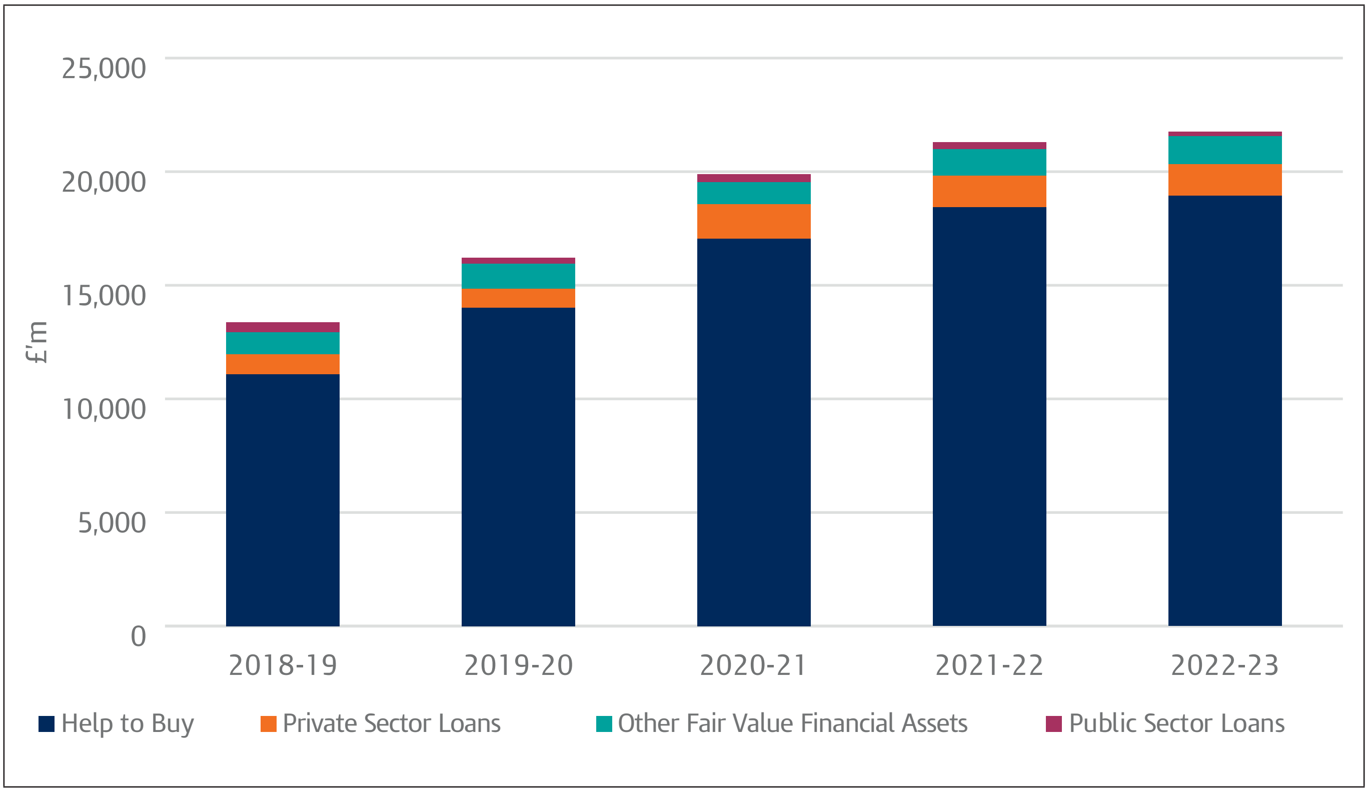
Group Loans, Investments and Returns

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 expected credit loss provisions are recorded as required. The department aims to lend in situations where commercial lending would be unavailable and as a result by their very nature our loans may be higher than average risk.

Help to Buy closed to new applications on 31 October 2022. Homebuyers were required to legally complete the purchase of their home by 31 May 2023 to be eligible for an equity loan. Whilst there were additions early in 2023-24 for equity loans that are already approved, we do not expect the size of Help to Buy to continue to grow at the same pace that it has in recent years. Once redemptions exceed additions, it's likely that the total value will reduce, although revaluation of the portfolio can go up or down.

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 11: DLUHC Financial Assets

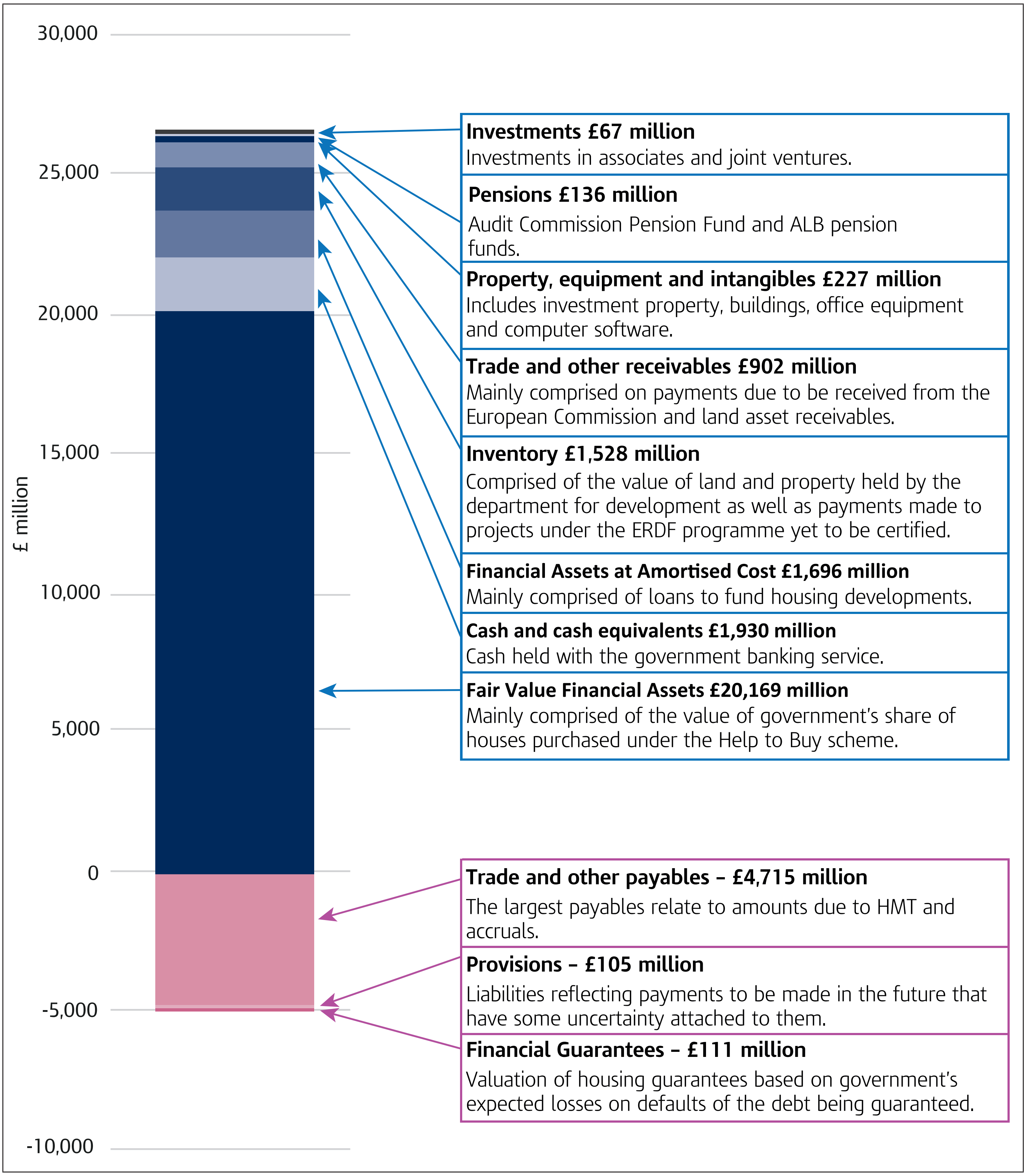


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2023 page 261 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 12: Department's Statement of Financial Position 31 March 2023



3. Sustainability Report

DLUHC's Property Team provides an intelligent client function which sets the department's estates strategy and plans for operational delivery. The Government Property Agency (GPA) is the department's delivery partner and responsible for managing the estate on a day-to-day basis. Under the direction of our Property Team, the GPA is responsible for delivery for actions which drive forward and support the department's work towards meeting the Government Greening Commitments (GGC).

This report covers the department and its Arms-Length Bodies (ALBs) Homes England and the Planning Inspectorate. The data includes the performance for the financial year 2022-23 against the 2017-18 baseline (unless otherwise stated[3]). When 'the department' is referred to in this report, it includes the data we have available from our ALBs, provided to us by the GPA. The data does not include the information from all our ALBs but we recognise the importance of collecting data going forwards.

The department is a minor tenant in all the buildings it occupies and generally shares with other government departments or departmental bodies. Performance

3 Environmental data is for a 12-month reporting period from January 2022 to December 2022. In accordance with annual reporting conventions across other UK Government departments, the Department's non-financial indicators are compiled using data from the final quarter of the previous reporting year plus the first three quarters of the current reporting year. 2021/22 non-financial indicators have been restated to include actual environmental performance for the 2021/22 financial year.

against sustainability targets is therefore a shared endeavour.

The department subscribes to several targets including the mandatory GGC for reducing energy, water, paper, reducing travel and managing waste. These targets were updated during 2022-23 with a new target period to 2025.

Our Overall GGC performance

In 2022-23, we met the GGC targets for Greenhouse Gas (GHG) reduction, water consumption, the overall waste reduction target, and the waste to landfill target. We have not yet met the recycling target although we made significant progress against the 2021-22 baseline.

Requirement	2017-18 baseline	2018-19 reduction	2019-20 reduction	2020-21 reduction	2021-22 reduction	2022-23 reduction
Reduce overall GHG emissions by 47%	10,057 tonnes of CO_2	32%	34%	56%	68%	71%
Reduce direct GHG emissions by 25%	1,964 tonnes of CO_2	12%	8%	23%	54%	56%

Summary of overall Greenhouse Gas Emissions performance

The department has decreased its total in-scope gross Greenhouse Gas (GHG) emissions by 71% since the 2017-18 baseline year, against the target of 47%. Direct GHG emissions have reduced by 56% over the same period, exceeding our target to reduce direct GHG emissions by 25%.

Sustainability Reporting

HM Treasury (HMT) has published the 2022/23 Sustainability Reporting Guidance which gives additional minimum reporting requirements for central reporting again Greening Governing Commitments (GGCs). HMT asks for reporting against three 'scopes'.

Scope 1 – Direct Greenhouse Gas Emissions

Scope 1 focuses on fuels for combustion, fugitive emissions and emissions from vehicles owned or leased, physical/chemical processing, and fugitive gas (gas emissions from refrigerators and air conditioning equipment). Our performance was as follows:

Combustion fuels

	2021-22	2022-23
Kilowatt hour (kWh) of the total estate (1000 watts)	4,760,310	5,536,687
Tonnes of CO_2	872	1,011

Overall Greenhouse Gas consumption has reduced since 2017-18 baseline of 10,057 tonnes of CO_2, illustrated in the table 'Summary of Overall Greenhouse Gas Emissions performance'.

We saw an increase in consumption of natural gas in 2022-23 compared against 2021-22. Consumption in 2021-22 was lower due to reduced usage of our offices during COVID-19. Office attendance increased in 2022-23, resulting in the higher consumption figures. In addition, the department occupied additional offices following a Machinery of Government change, and the Winter of 2022 was also particularly cold, which meant increased use of energy was used to maintain a safe and comfortable office temperature.

The department has no infrastructure to self-generate energy. Therefore, the departments emissions from renewable energy is zero for 2022-23, as it was for previous years. The department has never manufactured or processed chemicals or disposed of chemicals and has not produced any fugitive emissions.

Emissions from vehicles owned or leased by the department

The core department does not own or lease any vehicles for business travel. Instead, it uses a hire car system, where employees can book a hire car through our travel booking provider. The data here relates only to Homes England which maintains a fleet of cars.

Petrol cars

	2021-22	2022-23
Km travelled	171,886	258,593
Tonnes of CO_2 emitted	31.28	46.57

Diesel cars

	2021-22	2022-23
Km travelled	41,097	27,370
Tonnes of CO_2 emitted	6.85	4.54

In 2022-23, Homes England used more petrol and fewer diesel cars for business travel compared to 2021-22. The overall increase was due to an upturn in the numbers of site visits where the only realistic means of travel is by car. The previous year had less visits due to COVID-19 disruption.

Ultra-Low Emissions Vehicles (ULEVs)

	2021-22	2022-23
Km travelled	0	7,729
Tonnes of CO_2 emitted	0	0.53

Homes England decided to incorporate ULEV’s into their fleet in 2022-23. This was informed by the GGC target for departments car and van fleets to be fully zero emissions by 2027. Homes England’s fleet comprised of 66.5% ULEV’s in 2022-23.

Scope 2 Energy indirect GHG emissions

Scope 2 focuses on purchased electricity, heat, steam, and cooling.

	2021-22	2022-23
Mains standard grid electricity consumption (kWh)	339,956	535,345

	2021-22	2022-23
Mains Green Tariff Electricity purchased (kWh)	7,511,929	5,017,252

The same factors which underpin the increase in Greenhouse Gas emissions also explain the increase in Scope 2 indirect GHG emissions. We are currently investigating the decrease in the usage of Mains Green Tariff Electricity.

Scope 3 – Official business travel, the use of and water, and waste management

Scope 3 data regarding the use of public transport reflects the core department and Homes England business travel.

Rail travel

	2021-22	2022-23
Rail travel in kilometres (km)	4,116,722	7,794,513
Tonnes of CO_2 emitted	146.03	276.63

Taxi travel

	2021-22	2022-23
Taxi travel in kilometres (km)	10,196	12,312
Tonnes of CO_2 emitted	1.52	1.83

Bus travel

	2021-22	2022-23
Bus travel in kilometres (km)	148	843
Tonnes of CO_2 emitted	0.02	0.09

London underground travel

	2021-22	2022-23
London underground travel in kilometres (km)	1,916	1,971
Tonnes of CO_2 emitted	0.05	0.05

Domestic air travel

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23
CO_2 Emissions from Domestic flights	29	42	49	0	7	14

The GGC target aims for departments to reduce emissions from domestic flights by at least 30% from the

2017-18 baseline. We have met the target of 20.3 tonnes of CO_2 per financial year and have reduced our emissions significantly since the 2017-18 baseline.

International air travel

	2021-22	2022-23
International air travel in kilometres (km)	42,091	48,313
Tonnes of CO_2 emitted	3.42	3.82

Eurostar travel

	2021-22	2022-23
Eurostar travel in kilometres (km)	0	1,352
Tonnes of CO_2 emitted	0	0.01

Business travel via rail, bus and London underground increased in 2022-23 when compared to 2021-22. The increase reflects a return to more usual patterns of business after recovery from COVID-19 disruption.

Water Usage

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23
Total water consumption (m^3)	58,965	68,800	71,255	47,773	41,862	43,637

The department has reduced its water usage since 2017-18 well beyond the GGC target of 8% reduction. The department's water usage in 2022-23 represents a 26% reduction compared to our usage in 2017-28. Usage in 2022-23 was greater than in 2021-22 due to greater numbers of staff working from offices.

Waste minimisation and management

The figures exclude waste generated by disposal of ICT equipment which is now reported to DEFRA separately. All data below is in tonnes.

GGC target	2017-18 Baseline	2018-19 % reduction	2019-20 % reduction	2020-21 % reduction	2021-22 % reduction	2022-23 % reduction
Reduce the overall amount of waste generated by 15%	631 tonnes	(35%) *Increase*	(39%) *Increase*	63%	60%	15%
Reduce the amount of waste going to landfill to less than 5% of overall waste	2%	5%	3%	5%	9%	4%
Increase the proportion of waste which is recycled to at least 70% of overall waste	54%	76%	68%	71%	53%	77%

Paper purchased

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23
A4 reams of paper equivalent	8,883	11,603	16,881	2,866	13,075	10,651

The GGC target is for government departments to reduce the amount of paper purchased by at least 50% from the 2017-18 baseline. We are likely to miss this target. However, we have decreased the amount of paper purchased in 2022-23 when compared to 2021-22, due to a range of initiatives introduced.

Consumer Single Use Plastics (CSUP)

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23
Consumer Single-Use Plastics	No baseline recorded	No data	No data	No data	72,028	14,207

We have significantly reduced the amount of CSUPs since 2021-22. This is due to a more stringent procurement strategy regarding CSPUs, which is based on sustainable procurement policy.

Sustainable Procurement

Currently, the procurement team are creating a sustainable procurement policy that will seek to ensure that specifications and requirements are as sustainable as possible. The department adheres to the sustainable procurement guidance for goods and services and meets the minimum Government Buying Standards (GBS).

By incorporating sustainability into procurement, our objectives outlined in relevant policies and strategies can be supported, and the contract can be aligned accordingly.

The UK has implemented measures to increase sustainability and social value in the procurement of goods and services, such as the Public Services (Social Value) Act 2012, the UK Climate Change Act, Equality Act, and Modern Slavery Act. The department will, where relevant, utilise procurement to meet local and national priorities.

Reducing Environmental Impacts of ICT and Digital

Environmental impact is considered in all ICT procurements. For example, the recently let ICT hardware contract was awarded to a supplier who as committed to a carbon reduction plan, complying with the Procurement Policy Note 06/21: ‘Taking account of Carbon Reduction Plans in the procurement of major government contracts’.

Additionally, through the procurement process the supplier made demonstrable commitments against social value theme 3, Fighting Climate Changes.

Adapting to Climate Change

During 2022-23 the GPA has completed a preliminary Climate Change Adaptation Risk Assessment. The work has followed the Office for Government Property Framework. This is work in progress and will be continued during 2023-24 to consider what action plans may be needed as part of a wider Climate Change Adaptation Strategy.

Nature Recovery

The GPA are currently developing a Nature and Biodiversity annex to their Design Guide. This annex will include a range of initiatives to enhance biodiversity and nature recovery, particularly in new constructions and when refurbishing outdoor areas. The department will liaise with the GPA regarding projects within existing buildings that it occupies.

Focus for the coming year

The department has three areas of focus for improvement in the coming year. Firstly, it will develop a sustainability function within the department and put in place arrangements for collection, analysis, and reporting on sustainability data to underpin further future improvement. Secondly, we will draw up formal agreements with all our ALB's to set out how we work together in relation to sustainability. Thirdly, we will target a 10% reduction in our scope 1 emissions by reducing our office footprint.

Other Sustainability Commitments

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 total procurement spend made to SMEs will be published by Cabinet Office in a separate publication. 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.

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 (2023) 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 C sets out the financial assistance provided by the Secretary of State under this power for the year 2022-23, totalling £17.1 million (2021-22, £11.3 million).
- One complaint against the department was accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2022 to 31 March 2023.
- In 2022-23 the department processed 14,182 (2021-22 13,532) items of correspondence from members of the public that were answered by officials. Of these, 51% (2021-22 57%) of letters requiring a response were replied to within our target of twenty working days.

Sarah Healey CB CVO 14 July 2023
Accounting Officer
Department for Levelling Up, Housing and Communities

Accountability Report

Introduction

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

Corporate Governance Report

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

The Directors' Report - page 95
Details the members of the ministerial, non-executive and executive team who form the Departmental Board.

Statement of Accounting Officer's Responsibilities - page 107
Explains the responsibilities of the Permanent Secretary as the department's Accounting Officer.

Governance Statement - page 111
The Accounting Officer's statement and conclusions on the system of controls and governance framework in place at the department.

Remuneration & Staff Report

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

Remuneration Report - page 148
Details the remuneration and pension interests of the department's board members.

Staff Report - page 169
Details the cost and composition of the department's workforce and describes how the department is supporting the development and diversity of its people.

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Statement of Outturn against Parliamentary Supply - page 193
Reports the financial year's expenditure (based on HMT budgeting principles) set against the department's budget (estimate) as approved by Parliament.

Parliamentary Accountability Disclosures - page 207
Reports information as required by 'Managing Public Money' on regularity of expenditure and remote contingent liabilities

Certificate and Report of the Comptroller & Auditor General - page 234
Reports the conclusion of the Comptroller & Auditor General's audit of the financial statements and other information as marked in the Accountability Report as 'subject to audit'.

Corporate governance report

The Directors' Report

Our Departmental Board

During 2022-23 the department consisted of the core department and thirteen other arm's length bodies (ALBs). Note 23 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, and the Chief Financial Officer, met two times in the year rather than quarterly, owing to 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 four times in 2022-23. 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 2023[4]

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 25 October 2022

Attended 2 of 2 board meetings

Rachel Maclean MP

Minister of State for Housing and Planning

From 07 February 2023

Attended 1 of 2 board meetings[5]

4 Attendance records relate to Ministerial Board meetings.

5 Joined the department after the first Board meeting in 2022-23

Deheena Davison MP

Parliamentary Under Secretary of State for Levelling Up

From 07 September 2022[6]

Attended 1 of 2 board meetings

Felicity Buchan MP

Parliamentary Under Secretary of State for Housing and Homelessness

From 30 October 2022[8]

Attended 1 of 2 board meetings

Lee Rowley MP

Parliamentary Under Secretary of State for Local Government and Building Safety

From 07 September 2022[7]

Attended 1 of 2 board meetings

Baroness Scott of Bybrook OBE

Parliamentary Under Secretary of State for Faith and Communities (Lords)

From 20 September 2022[8]

Attended 1 of 2 board meetings

6 Joined the department after the first Board meeting in 2022-23

7 Joined the department after the first Board meeting in 2022-23

8 Joined the department after the first Board meeting in 2022-23

Our Non-Executive Directors

Dame Alison Nimmo DBE

Lead Non-Executive Director

From 31 March 2022

Attended 2 of 2 board meetings

Pam Chesters CBE

Non-Executive Director

Attended 2 of 2 board meetings

Jeffrey Dodds

Non-Executive Director

From 12 April 2021

Attended 1 of 2 board meetings

Thomas Taylor

Non-Executive Director8

Attended 1 of 2 board meetings

Lord Gary Porter CBE

Non-Executive Director

From 7 June 2021

Attended 2 of 2 board meetings

Our Executive Directors

Sarah Healey CB CVO[9]

Permanent Secretary

Attended 0 of 2 board meetings

Emran Mian CB OBE[10]

Director General, Regeneration

Matt Thurstan

Director General, Chief Financial Officer and Corporate

Attended 2 of 2 board meetings

Catherine Frances[11]

Director General, Local Government, Resilience and Communities

Attended 2 of 2 board meetings

Will Garton[12]

Director General, Levelling Up

Attended 1 of 2 board meetings

Richard Goodman[13]

Director General, Safer & Greener Buildings

Attended 0 of 2 board meetings

9 Joined the Department after both Board meetings in 2022-23

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

11 Was not a Departmental Board member until after both Board meetings in 2022-23

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

Brendan Threlfall[14]

Director General, Union and Devolution

Attended 0 of 2 board meetings

Jo Rodrigues[15]

Director, People, Capability and Change

Attended 0 of 2 board meetings

Kate O'Neill[16]

Director of Strategy

Attended 0 of 2 board meetings

Other Ministers who served in the department during 2022-23 were:

- MP Simon Clarke, Secretary of State for Housing, Communities, and Local Government, from 6 September 2022 to 25 October 2022. Attended no board meetings.
- MP Lucy Frazer, Minister of State for Housing and Planning at the Department for Levelling Up, Housing and Communities from 26 October 2022 to 7 February 2023. Attended one board meeting.
- MP Marcus Jones, Minister of State for Housing and Planning at the Department for Levelling Up, Housing

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

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

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

and Communities from 8 July 2022 to 7 September 2022. Attended no board meetings.

- MP Stuart Andrew, Minister of State for Housing and Planning at the Department for Levelling Up, Housing and Communities from 8 February 2022 to 6 July 2022. Attended one board meeting.
- MP Lia Nici, Parliamentary Under-Secretary of State for Levelling Up, The Union and Constitution at the Department for Levelling Up, Housing and Communities from 8 July 2022 to 20 September 2022. Attended no board meetings.
- MP Neil O'Brien, Parliamentary Under-Secretary of State for Levelling Up, The Union and Constitution at the Department for Levelling Up, Housing and Communities from 17 September 2021 to 6 July 2022. Attended one board meeting.
- MP Paul Scully, Minister of State for Local Government and Building Safety at the Department for Levelling Up, Housing and Communities from 8 July 2022 to 27 October 2022. Attended no board meetings.
- MP Kemi Badenoch, Minister of State at the Department for Levelling Up, Housing and Communities from 16 September 2021 to 6 July 2022. Attended one board meeting.
- MP Andrew Stephenson, Parliamentary Under-Secretary of State for Housing and Communities at

the Department for Levelling Up, Housing and Communities from 20 September 2022 to 27 October 2022. Attended no board meetings.

- MP Eddie Hughes, Parliamentary Under-Secretary of State for Housing and Rough Sleeping at the Department for Levelling Up, Housing and Communities from 16 January 2021 to 8 September 2022. Attended no board meetings.
- Stephen Greenhalgh, Minister of State for Building Safety and Fire at Department for Levelling Up, Housing and Communities from 18 March 2020 to 8 July 2022. Attended one board meeting.

Other Non-Executive Directors who served in the department during 2022-23 were:

- Dame Mary Ney DBE, Non-Executive Director from October 2016 to October 2022. Attended one board meeting.

Other Executive Directors who served in the department during 2022-23 were:

- Jeremy Pocklington, Permanent Secretary from 30 March 2020 7 February 2023. Attended two board meetings.
- Simon Claydon, Director of People, Capability and Change from 7 June 2021 to 1 May 2023. Attended no board meetings.

- Kay Withers, Director of Strategy from 31 January 2022 to 10 November 2022. Attended one board meeting.
- Simon Ridley, Second Permanent Secretary from 1 April 2022 to 18 April 2023. Attended one board meeting.
- Sue Gray, Second Permanent Secretary for Cabinet Office from 24 May 2021 to 2 March 2023. Attended one board meeting.

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 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. Any significant Related Party Transactions associated with the interests of Ministers or Board members, are shown in Note 21 – Related Party Transactions.

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 £1,357,000 of which £845,000 is a cash charge and £512,000 is a notional charge (2021-22: £1,100,000 of which £640,000 was a cash charge and £460,000 was a notional charge).

The audit fee for the core department is £375,000 (2021-22: £330,000), broken down as £350,000 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 requirements of new audit standards.

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: £43,000 (2021-22: £41,000)
- Levy Account: £9,000 (2021-22: £8,500)
- Trust Statement: £21,500 (2021-22: £20,500)

The National Audit Office performed other statutory audit work, including value for money studies and investigation work for Parliament, wider lesson learning and good practice guides and also products aimed at audit committees 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 135.

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 2022 number 1319 (together known as the 'Departmental Group', consisting of the department and bodies listed in Note 23 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.

HM Treasury has appointed me, Sarah Healey CB CVO, the Permanent Head of the department as Accounting Officer of the Department for Levelling Up, Housing and Communities. The majority of this report relates to a period when I was not the Accounting Officer. My predecessor, Jeremy Pocklington CB, left in February 2023 and I was appointed on 7 February 2023. I met with my predecessor and received appropriate assurances that the system of internal controls was sound and effective prior to my appointment as Accounting Officer. Therefore, I consider that I have sufficient knowledge to take responsibility for this statement.

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*[17] 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. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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

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

Governance Statement

Introduction

The Accounting Officer is responsible to Parliament for the stewardship of the resources given to DLUHC, including those allotted to our 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 our range of measures for 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[18] (AOSS) and the National Local Growth Assurance Framework[19] which gives details of arrangements for LEPs.

Details for individual ALBs are contained in the Governance Statements of their individual Annual Report and Accounts.

18 The latest version of DLUHC's AOSS can be found here: https://www.gov.uk/government/publications/dluhc-accounting-officer-system-statement-2023

19 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

Board Committees

The Departmental Board and Non-Ministerial Board

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 on the latest ARAC meetings.

The Departmental Board is chaired by the Secretary of State and comprises Ministers, Permanent Secretary, Chief Financial Officer and Non-Executive Directors, totalling 14 people at 31 March 2023 The Departmental Board met two times during 2022-23; this is less frequent than usual due to changes in the Ministerial Team. Full attendance records are provided in the Directors' Report. The Departmental Board discussed devolution, delivery of priority projects, third session legislation and our contribution to the response to the war in Ukraine.

The Non-Ministerial Board is chaired by the Lead Non-Executive Director and is comprised of the Non-Executive Directors and the Executive Team, which totalled 16 people at 31 March 2023. The Non-Ministerial Board met four times during 2022-23 and the Non-Executive Directors also met with members of the Executive Team throughout the year to provide challenge and support on a range of departmental priorities.

To ensure compliance with the corporate governance code of good practice[20], we undertake periodic evaluations of board effectiveness, manage conflicts of interest, and effectively manage and report risks.

The 2022-23 Board Effectiveness Evaluation was undertaken by our Lead Non-Executive Director, who submitted their report at the end of March 2023. The evaluation included several recommendations such as meeting quarterly, with meetings scheduled at the start of the year to coincide with key strategic periods, and meeting outside of London where possible.

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; these are published by the Government. We maintain a register of interests, covering all Executive and Non-Executive members, ensuring any potential or material conflicts of interest identified are sufficiently and appropriately managed.

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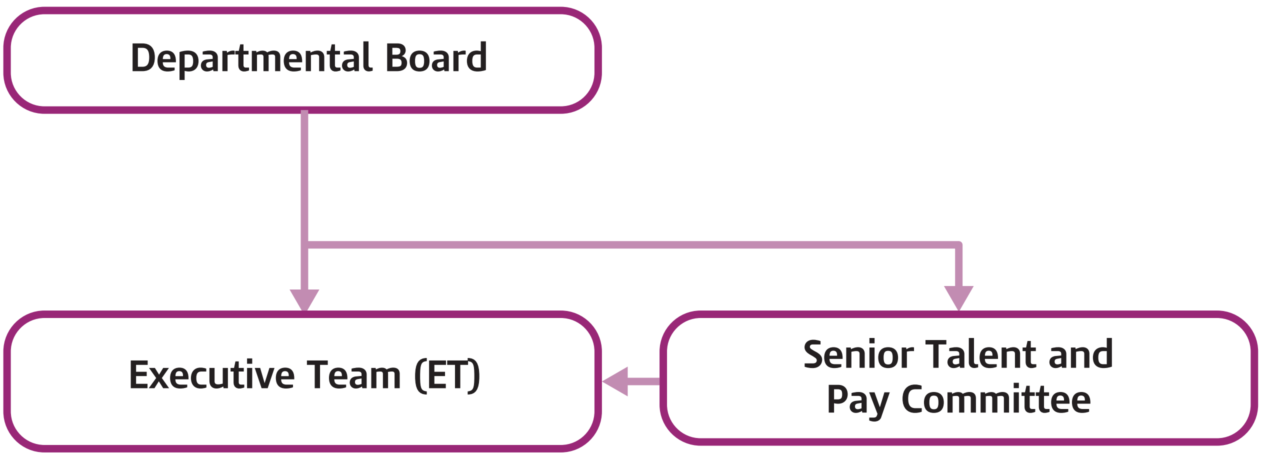
20 The Corporate governance in central government departments: code of good practice can be found here: https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

Audit and Risk Assurance Committee

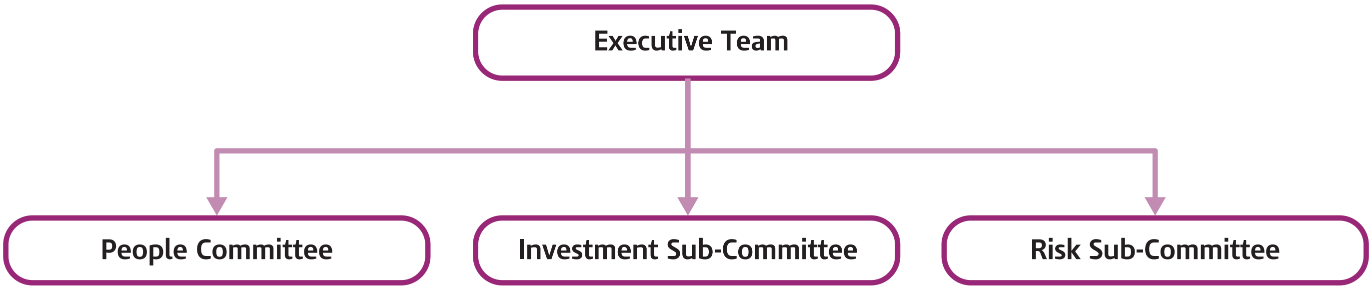
The Audit and Risk Assurance Committee (ARAC) is chaired by a Non-Executive Director, with members including other Non-Executive Directors and an independent member. During 2022-23, it was also attended by the Permanent Secretary, Chief Financial Officer, Financial Director, Chief Risk Officer and representatives from National Audit Office (NAO), Government Internal Audit Agency (GIAA) and Homes England. ARAC met five times throughout the year and review a range of topics including; risk management, internal and external audit programmes, local government finance and proposed improvements to financial forecasting. ARAC also reviewed the Annual Report and Accounts for 2021-22.

The Executive Team and its Sub-Committees

Executive Committees



Executive Sub-Committees



Executive Team

The Executive Team is chaired by the Permanent Secretary and comprised of 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 to consider corporate and policy issues and the strategic planning, performance, management and coordination of the department. This includes reviewing the Departmental Performance Report each month. A sub-group of the Executive Team also meet monthly as the Senior Talent and Pay Committee to consider senior civil service resourcing, talent and pay.

People Committee

The People Committee, chaired by the Director General for Local Government, Resilience and Communities, is a decision-making forum on people and workforce matters.

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 professions who scrutinise and approve investment proposals to ensure value for money and that Managing Public Money requirements are met.

Risk Sub-Committee

The Risk Sub-Committee (RSC) is chaired by the Chief Financial Officer and comprises the Chief Risk Officer, the Group Chief Internal Auditor, and directors from across the department. The RSC reviews corporate risk and oversees the risk framework.

Governance Assurance Exercise

At the end of each financial year, a governance assurance exercise takes place to reflect on the effectiveness of governance arrangements, internal controls and risk management implemented by Directors General and Directors in the discharge of their delegated authority and responsibilities.

During March 2023, a Governance Assurance Panel (GAP) was held for each Director General-led group:

- Levelling Up
- Safer and Greener Buildings
- Regeneration
- Local Government, Resilience and Communities
- Union and Elections

- Corporate Group

Each panel was chaired by a Non-Executive Director, supported by our internal auditors, Chief Risk Officer and observers from the NAO. Director Generals and their directors presented evidence to their respective panels and summarised challenges they faced during the financial year. All six panels were held in March 2023.

Overall, the 2022-23 GAP exercise concluded that good progress had been made in further strengthening our approach to delivery, embedding effective risk management arrangements and implementing a new governance framework which was launched in September 2022, with all groups now having portfolio boards. The exercise found this approach now needs to be fully embedded and that the department needs to and ensure we have there is appropriate capacity and capability to deliver our priorities. The GAP exercise provided assurance that plans and adequate governance arrangements were in place to drive this forward.

Ministerial Directions

There was one ministerial direction in 2022-23.

On 23 February 2023, the Secretary of State gave a ministerial direction to the Permanent Secretary as Accounting Officer of the department to continue to approve expenditure, ahead of Royal Assent, as required in line with the objective of completing the Holocaust Memorial as soon as possible and achieving value for money for the tax payer. The letters providing the rationale and authorisation can be read here: https://www.gov.uk/government/publications/uk-holocaust-memorial-and-learning-centre-ministerial-direction

Locally Devolved Budgets

We are responsible for the Local Government Accountability Framework for local authorities and the award of the Local Growth Fund to LEPs. This is set out in detail within our Accounting Officer System Statement. This section summarises the key controls that provide the assurance that devolved budgets meet the requirements of Managing Public Money.

Local Government Accountability Framework

Assurance advice is provided to the Accounting Officer on whether the core accountability framework for local authorities has remained robust. This takes account of published reports on local audit, accounts and governance, covering a range of issues including regularity propriety and achieving value for money locally. It also includes research from the sector, work we have produced and specific advice on whether the framework may need amending.

For 2022-23, this has included:

- Strengthening the capital finance system in response to changes in patterns in local authority behaviour – a minority of authorities are taking risk through excessive debt, over-reliance on commercial income or the pursuit of novel and risky investments. Details of the actions being taken were set out in the policy document *Local authority capital finance framework: planned improvements*[21] (July 2021).

- Continuing to understand any short-term pressures on local authorities, linking our ongoing work on stewardship with wider work across government on other concurrent pressures.
- Continuing to deliver our response to the Redmond Review, implementing the December 2021 package of measures to improve delays to local audit. This has included the appointment of the first Financial Reporting Council (FRC) director, for the local audit unit, and memorandum of understanding with the FRC setting out roles and responsibilities and how we expect the system leader role to work when shadow arrangements start in 2023-24. We also worked with Public Audit Appointments on their procurement strategy, provided a further £15 million to local bodies to help strengthen local financial reporting, laid a statutory instrument to resolve issues relating to valuation of infrastructure assets in local authority accounts issues and continued to work with the sector to develop a longer-term solution.

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

During 2022-23, Commissioners were in place in Liverpool City Council, Slough Borough Council, Sandwell Metropolitan Borough Council and Thurrock Council to support and challenge the authorities and to provide assurance on progress to the Secretary of State.

- Liverpool: Commissioners were appointed in June 2021 following a best value inspection that found failings in highways, regeneration and property management. The Secretary of State expanded this intervention in November 2022 to give Commissioners wider powers over governance, finance and HR, and appointed an additional Finance Commissioner, following further evidence of failure as detailed in the Commissioners second report and consideration of other representations.
- Slough: Commissioners were appointed in December 2021 in Slough following an external assurance review that found significant governance and financial failings. The Local Government Minister announced expansion of the intervention on 1 September 2022 to give Commissioners additional powers over recruitment following the Commissioners first report and consideration of other representations.
- Sandwell: Commissioners were appointed in Sandwell in March 2022 following a value for money governance review conducted by the council's external auditors that highlighted mismanagement,

with ineffective scrutiny and accountability arrangements.

- Thurrock: In September 2022, a best value intervention was announced, with Essex County Council appointed as both Commissioner and best value inspector, following concerns the council's exceptional level of financial risk and debt.

Improvement and assurance arrangements were put in place at Nottingham City Council and the London Borough of Croydon following non-statutory reviews in November 2020 that found significant failings.

- Nottingham: In November 2022, the Secretary of State announced that Nottingham Board was to be put on a statutory footing following evidence of historic unlawful Housing Revenue Account (HRA) expenditure.
- Croydon: On 16 March 2023, Ministers announced they are 'minded to' intervene and put the existing Panel on a statutory footing. Representations on the proposed intervention package were received from interested parties by 30 March and a final decision will be made in due course.

Four councils have issued Section 114 notices since March 2020; Slough Borough Council, the London Borough of Croydon, Nottingham City Council and Northumberland County Council. In February 2023, government agreed to provide Slough, Croydon, Thurrock, Cumberland and Westmorland and Furness councils with in-principle exceptional financial support for 2023-24 and, in the cases of Croydon and Thurrock, to cover prior years.

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 our Local Government Finance Directorate to understand specific financial pressures and the special grant funding and exceptional financial support arrangements to support the sector where needed.

In the Levelling Up White Paper, we announced our ambition to set up a new Office for Local Government (Oflog). Oflog aims to improve the transparency of local government performance through the provision of targeted data and analysis to its three main audiences of the citizen, local government and central government. By fostering accountability through increased transparency, Oflog will form a part of the Local Government Accountability Framework (LGAF) and help drive the improvement of local government performance.

Levelling Up and Domestic Grants

The Levelling Up White Paper also set the context for a range of domestic funding programmes targeting the regeneration of towns and cities, including the UK wide £4.8 billion Levelling Up Fund (LUF) and £3.6 billion

Towns Fund (TF) which includes Town Deals and the Future High Streets Fund for England only.

In response to the Government Functional Standard for Grants (GovS 015) and Managing Public Money, the DLUHC Domestic Grant Assurance and Compliance Team established the Levelling Up Funds Local Authority Assurance Framework (LUFLAAF) describes lines of defence to secure and assure propriety, regularity and value for money in the delivery of the three funds, based on:

- Local authority Chief Finance Officer secures the first line of defence assurance at an operational management level within the local authority in receipt of funds
- Annual assurance provided to the Accounting Officer by the Chief Finance Officer of the LA / Accountable Body via a Statement of Grant Usage
- 'Deep dive' reviews, based on risk and a 5% sample, focussing on governance, counter fraud, subsidy control / State Aid and testing of procurements

Payment recommendations have been made reflecting financial and delivery performance in tandem with assurance secured via Statements of Grant Usage and assurance statements.

During the 2022-23 assurance cycle, all 190 assurance statements were provided and 15 deep dives were undertaken, made up of 9 on LUF and 6 on the Towns

Fund. The deep dives identified the need for more proactive procurement and subsidy control guidance to local authorities. Remedial action is planned for two local authorities where transparency of governance and decision making could not be secured for one and grant management concerns remain for the second. Actions to secure confidence from the local authorities have been agreed via assurance decision making groups, of which fund delivery teams are joint members.

GIAA completed a formal audit of both funding programmes in 2022-23, finding the assurance to be 'Substantial' for LUF and Towns Fund, securing the highest grading available.

For non-local authority LUF grant recipients in Northern Ireland, assurance in the first instance is secured by the Delivery Team through the claims checking process ahead of payments, the second line assurance cycle is due to start in 2023-24 delivered by the Assurance and Compliance Team

The £220 million Community Renewal Fund (CRF) and the £150 million Community Ownership Fund (COF) also have Assurance Frameworks reflecting their UK wide nature and different types of grant recipients and payment cycles.

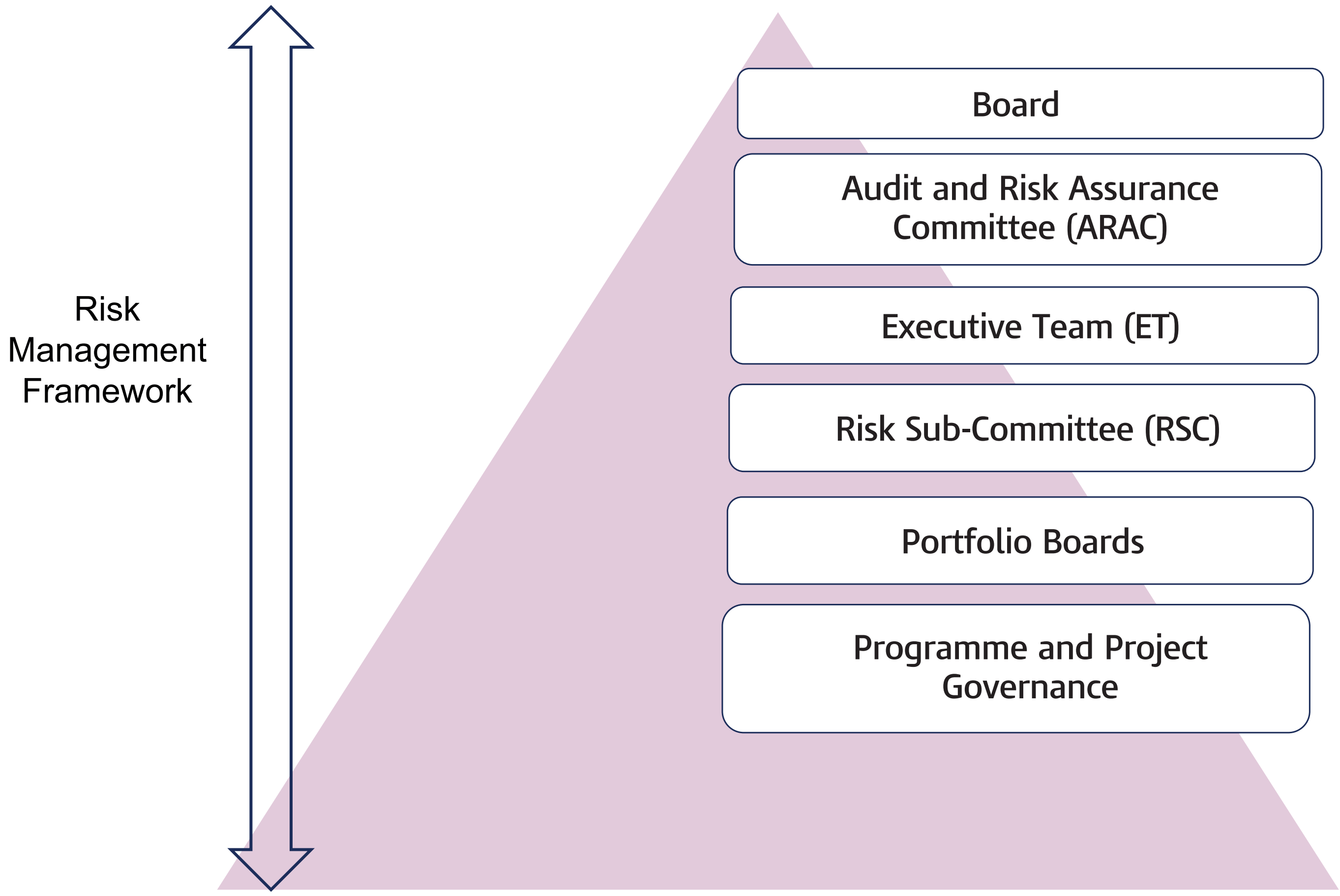
For CRF, as a 2022-23 revenue programme the assurance cycle, which has now concluded, was proportionate based on the nature of grant recipients, including UK local authorities and non-local authorities in Northern Ireland. It included:

- Statement of Grant Usage secured from the Chief Finance Officer of the local authority
- For non-local authorities in Northern Ireland, we provided the first line of defence assurance through 2% claims checks to inform payments
- 12 local authority assurance reviews, equating to 11.9% of the programme – no issues for six and only minor deficiencies identified for the remaining six, all now resolved.
- Non-local authorities spot checks completed on 7 claims (9%) – no issues identified, and
- GIAA informal reviews to confirm active delivery of the CRF Framework.

COF assurance cycle was newly composed for 2022-23, reflecting the capital funding is directly awarded to community organisations. Assurance is active, engaging with projects based on their payments and progress, to include proof of existence checks.

Our Risk Management Framework

Our Risk Management Framework is designed to support effective decision making, enabling the department to achieve its strategic and operational objectives.



Our approach aligns with the methodology set out by 'The Orange Book'. The Framework reinforces the importance of managing risk proactively, empowering our teams and people to take responsibility and fostering a culture where consideration of risk is integral to delivery of the department's activities.

The principles underlying the Risk Management Framework are:

- **Governance and Leadership**: risk management shall be an essential part of our governance approach.
- **Integration**: risk management shall be an integral part of our activities and decision-making.

- **Collaboration**: risk management shall be collaborative across the three ‘lines of defence’ (see detail below) and the department.
- **Structured risk management processes**: we will have clear processes for the identification, reporting, assessment and treatment of risks.
- **Continual improvement**: we will seek to continually improve our approach to risk management through learning and experience.
- **Culture**: we will foster a ‘no-blame’ and ‘challenge’ culture in our risk management approach and promote an ethos under which all staff take responsibility for risk.

We operate the “three lines of defence” model to manage risks holistically in an integrated and mutually supportive manner, with each of the lines of defence contributing to the overall assurance.

- **First line of defence**: each 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 effective risk management and co-ordinate the reporting of risk information. Our Group Risk team is a core part of the second line of defence.

- **Third line of defence**: consists of audit activity, which for us is undertaken by the GIAA.

We also draw on sources of external assurance, including the Government Functional Standards and the National Audit Office (NAO).

Principal risks

We continue to operate within a complex and dynamic environment, often influenced by geo-political events and other external factors. We have made good progress in improving our risk maturity through our Risk Action Plan and risk business partners; we continue to embed the improvements.

As of May 2023, there were thirteen principal risks at a corporate level which are aligned to the cross-government ‘Orange Book’ suggested risk categories – these are listed in the table below, ordered by their current overall risk rating (highest to lowest).

Each principal risk is sponsored by a member of the Executive Team, with a lead Director responsible for managing appropriate controls and mitigating actions in line with our risk appetite. All principal risks and associated controls and mitigations have been reviewed and signed off by the Risk Sub-Committee, the Executive Team and ARAC. This includes a programme of ‘deep dives’ into each principal risk throughout the year. Project and programme level risks are categorised by principal risks to help each portfolio understand the makeup of its risk profile and reflected within the Departmental Performance Report. Ongoing review and moderation will ensure they are reflective of the risks the department faces in delivering its strategic objectives.

Principal Risk	Sub-Categories
1. Financial Risk	• Control total breach • Value for money • Investment risk • Credit risk
2. Local Government Delivery Risk	• Local tier funding, capacity and capability • Increased pressures on homelessness system
3. Strategy Risk	• Significant legislative agenda • Levelling up • Place-based working
4. People Risk	• Capacity & Capability • Agility • Culture and inclusion • Engagement and wellbeing
5. Project Delivery Risk	• Capacity and capability • Inadequate project planning and controls • Weak and/or accelerated project initiation
6. Resilience Risk	• Surge resourcing • Threats, hazards, risks and capabilities management
7. Systems and Infrastructure Risk	• Investment & maintenance • Capability and capacity • Governance • User experience
8. Governance Risk	• Compliance with procedures • Robustness of programme level controls
9. Legal Risk	• Risk of successful legal challenge • Capacity • Exposure to risk via ALBs

Principal Risk	Sub-Categories
10. Information and Data	• Data systems, use and capability to support delivery • Wider evidence, engagement and analysis • Research and evaluation
11. Commercial Risk	• Non-compliant procurements • Short-notice procurements • Process for contract management • Conflicts of interest
12. ALB Risk	• Internal system failure • Inadequate oversight
13. Security Risk	• Physical and Personnel security • Security culture • Capacity and capability • Incident management

Counter Fraud, Error and Whistleblowing

Counter fraud has been enhanced with the publication of a new framework and standards to support the delivery of departmental objectives and align to requirements set out by the Public Services Fraud Authority (PSFA). This is reflected in the most recent GIAA audit report on counter fraud which awarded us a grading of ‘Substantial’. This reflected GIAA’s conclusion that recommendations from previous reviews have been addressed, progress on the implementation of a revised Counter Fraud Strategy and Framework and the action plan in place to ensure comprehensive oversight of fraud risk management in the department. This includes updated procedures for error and fraud loss recovery and reporting, fraud risk assessment standards, business case support and a Counter Fraud learning offer. Documentation for whistleblowing, gifts and hospitality and conflicts of interest have been updated to reflect new Cabinet Office guidance, and returns are monitored and reviewed. The Counter Fraud Team will continue to further strengthen our work in this area.

We have an organised response plan for fraud and error recovery aligned to the Civil Service Code and the Three Lines of Defence model. It set out how we how we handle fraud allegations, roles and responsibilities of programmes and escalation routes, including when cases may be referred to the GIAA for additional investigation support.

On fraud prevention, a new Fraud Risk Assessment Policy has been published, supported by training and guidance. This is now embedded and contributes to the regular development of a departmental fraud risk assessment, highlighting the key fraud risks against our activity.

All programmes valued over £5 million must maintain a full fraud risk assessment and high profile or projects currently within the Government Major Projects Portfolio (GMPP) are required to undertake an Initial Fraud Impact Assessment to highlight key fraud threats. On the Ukraine Response, the team have completed a reconciliation exercise on discretionary payments made to local authorities to support the resettlement and placement of refugees. This has driven a requirement to update the fraud risk assessment for the programme.

The Counter Fraud Team has maintained a preventative approach to fraud risk management, influenced from lessons learned from the COVID-19 pandemic. It achieves this through early engagement with policy and design teams, throughout business case development and ensuring that standardised practice is shared and effectively implemented across the department. The establishment of the Grants Centre of Excellence has strengthened the level of support we are able to provide to grant schemes within the department, specifically funds related to Levelling Up, from scheme design to counter fraud. The most recent GIAA internal audit report awarded the department a grading of ‘Substantial’ in this area. Counter fraud resource has also been embedded within the building remediation team to provide additional support on the Building Safety Fund – this has included a full revision of the programme fraud risk assessment.

Fraud measurement and assurance exercises were paused during the pandemic but will resume in 2023 for core department activity.

We will continue to support local authorities by sharing best practice and highlighting measures they can take to strengthen resilience to fraud and error. During the pandemic, this included fraud risk management guidance for the COVID Response Fund which provided funding to ensure that councils could maintain pre-pandemic service levels and delivery. Payments captured by these funds were made directly to local authorities who then administered the funds, taking ownership of the associated fraud risks, highlighted by collaborative fraud risk management exercises undertaken between local government and our policy teams.

In 2022-23, a review of our whistleblowing documentation confirmed that our policies remain in line with the most recent recommendations from Cabinet Office. Colleagues can report concerns through a variety of routes, including line managers or nominated officers who have been specifically trained to respond to concerns raised under the Civil Service Code. All reports are treated confidentially. Alternatively, colleagues can access a fully independent whistleblowing line via our Employee Assistance Partner, Health Assured. Should colleagues wish to raise a concern specific to Counter Fraud they are able to do so by contacting the Counter Fraud Team, again all communication is treated as confidential.

There are also a variety of routes for external whistleblowers. Local authorities maintain their own fraud hotlines and are responsible for responding to concerns related to delegated programmes. For larger schemes, people have access to specific reporting platforms on gov.uk, which allows us to triage requests to the appropriate local authority. For schemes we manage directly, individual 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 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. We manage a range of data relating to staff and citizens, most of which is used to support our policy work and does not allow the identification of individuals.

In 2022-23 there were no data breaches for the department. There was one breach by an ALB which met the threshold for reporting to the Information Commissioner's Office (ICO). This occurred in the Planning Inspectorate when sensitive personal information was inadvertently released as part of a response to an Environmental Information Request. The sensitive personal information was subsequently deleted and no further action was required by the ICO.

The Digital Directorate continue to raise awareness of cyber security and provide advice and guidance to colleagues about how to stay secure online, in both personal and professional context. Cyber security risk management has improved significantly and we are one of the highest rated departments in the cross government departmental security health check, with 100% of requirements met in 2022-23.

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 2022-23, we received BAR applications from 18 individuals; all were approved. Details of any applications and the outcome are published on our website[22] for staff at Senior Civil Service (SCS) Pay Band 1 and 2 level and Special Advisers of equivalent level, and on the Advisory Committee on Business Appointments website[23] for SCS Pay Band 3 or above and Ministers. BAR applications and outcomes are reported to the Audit and Risk Assurance Committee on a quarterly basis.

Internal Audit Opinion

The internal audit function provided by the GIAA, which complies with the Public Sector Internal Audit Standards, is a key source of independent assurance for us. The annual internal audit programme is closely linked to our key risks, and those of our ALBs. Arrangements are in place to ensure 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' which means that some improvements are required to enhance adequacy and effectiveness. The opinion took into consideration our operating context over the year, including turbulent

22 DLUHC: business appointment rules advice – GOV.UK (www.gov.uk)

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

economic, leadership and strategic landscape. It acknowledged:

- Our developing policy, balanced with accountability for the delivery of defined outcomes, now underpins our portfolio management strategy and structure. This continues to drive performance, whilst managing the financial, capacity and capability risks;
- Good progress against areas that required further development, as highlighted in the 2021-22 opinion;
- The significant strengthening of the control framework underpinning grants management and the counter fraud arrangements, including identified future efficiencies with the elections claims processes, in conjunction with the development of an electronic system controlling this.

The GCIA did not identify any significant weaknesses that impacted the delivery of key priorities. Going forward, the GCIA highlighted the need for:

- Continued focus on driving delivery, including via ALBs and delivery partners underpinned by robust forecasting and performance data, recognising the strengthening relationship with Homes England.
- Focus on the impacts of new and changing government strategies, including Net Zero and funding simplication.

External Scrutiny

In 2022-23, our work was the subject of four NAO reports and four Public Accounts Committee (PAC) evidence sessions, all of which are summarised below from the published reports.

NAO Reports

Timeliness of local auditor reporting on local government in England: This report provides a factual update on local auditor reporting since our March 2021 report. It sets out:

- An up-to-date position on the timeliness of audit opinions issued on local government bodies in England (local authorities, local police bodies, local fire bodies) and other bodies (combined authorities, functional bodies, local transport, national parks authorities, pensions authorities and waste disposal authorities)
- An assessment of the impact of delays to local government audit opinions
- The steps government and others have taken to address concerns reflected in PAC's 2021 and 2022 recommendations. These concerns covered the need to: support the local audit market; increase the supply of qualified auditors; and reform the local audit system

The report concluded that delays to local government audit opinions continue to have impacts elsewhere in the public audit system. In turn, delays in one sector disrupt audit firms' planning and delivery for the other sectors.

Affordable Homes Programme since 2015: The Affordable Homes Programme provides grant funding to housing providers in England to support the costs of delivering affordable homes. The programme has iterations based on funding periods or policy changes. This report assesses how effectively we discharge our responsibilities for the programme and oversee Homes England and the GLA. It also examines Homes England's management of its part of the Programme.

The report concluded that since 2015, we have identified and implemented improvements to the governance and oversight of the Programme, and we will continue to improve our programme management. We demonstrated that the 2021 programme provides economic benefits. However, we no longer expect the programme to fully deliver its original targets. Since the report we have worked with our delivery agencies to confirm the programme's capacity to deliver. This review will complete very soon and will enable us to update our delivery forecasts.

Holocaust Memorial and Learning Centre: We are responsible for delivering the Government's commitment to construct a striking new Holocaust Memorial at Victoria Tower Gardens, Westminster.

Construction of the Memorial and Learning Centre had not begun at the time of fieldwork, but the NAO concluded that there were risks and uncertainties emerging which were likely to increase costs and cause delays. This investigation set out NAO's findings in relation to how we are set up to manage the programme, maximising the impact of the programme and emerging risks to cost and schedule.

We welcomed the report, noting that the NAO investigation confirmed our assessment of the risks and challenges associated with this important and complex project.

Departmental Overview 2021-22: Department for Levelling Up, Housing and Communities: This summarises the key information and insights that can be gained from NAO's examinations of us as a department and our ALBs in the sector in England, and our Annual Report and Accounts.

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. Housing recall (6 July 2022)
2. The Affordable Homes Programme since 2015 (22 September 2022)
3. DLUHC: Homes data, local economic growth, local government funding settlement (23 January 2023)
4. Timeliness of local auditor reporting (16 March 2023)

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

The PAC makes recommendations which we respond 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 12 current inquiries, as follows:

- The finances and sustainability of the social housing sector, opened 23 March 2023
- Financial reporting and audit in local authorities, opened 3 March 2023
- Reforms to national planning policy, opened 2 February 2023
- Electoral registration, opened 15 December 2022
- Funding for Levelling Up, opened 20 October 2022
- Draft strategy and policy statement for the Electoral Commission, opened 30 August 2022, report published 1 December 2022
- Reforming the private rented sector, opened 21 July 2022, report published 9 February 2023
- Exempt accommodation, opened 7 December 2021, report published 27 October 2022

- Council tax collection, opened 15 November 2021
- The regulation of social housing, opened 10 November 2021, report published 20 July 2022
- Permitted development rights, opened 23 March 2021, report published 22 July 2021
- Long-term funding of adult social care, opened 4 March 2021, report published 4 August 2022

Delegated Authority Levels

On 1 February 2023, the Chief Secretary to the Treasury reduced our delegated authority limits for all new CDEL programmes and projects to £nil (from £30 million). No changes were made to our DALs for other spend categories or in relation to our existing CDEL programmes.

Our ALBs and the role of the Senior Sponsors and Boards

We sponsor fourteen ALBs. We have one Executive Agency and 13 designated bodies. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation and the Architects Registration Board are consolidated into our 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**

Note: Sponsorship for His Majesty's Land Registry was transferred to us from the Department for Business and Trade with effect from 1 June 2023.

Each ALB maintains its own governance structures and processes, appropriate to their business and scale. Each have their own Accounting Officer with delegated authority from the Principal Accounting Officer to oversee the operation and delivery of their objectives. Homes England is currently our largest ALB, details of their governance arrangements and activity during 2022-23 are set out within their Annual Report and Accounts.

We have embedded the Cabinet Office's 'Senior Sponsor' partnership model[24], with senior officials within the department providing oversight of the performance and the direction of the ALBs. We are also applying the 'Arm's Length Bodies Sponsorship Code of Good Practice'[25], published for 'use in trial' in May 2022.

A framework agreement, or equivalent, is in place with each ALB, including their priorities and strategic aims, lines of accountability and governance arrangements. ALB boards ensure effective arrangements are in place to provide assurance on risk management, governance and internal control.

Our central ALB Governance team provides additional advice and assurance to the Chief Financial Officer and Principal Accounting Officer. Further assurance is provided through:

- An annual risk-based review to ensure the level of sponsorship and Accounting Officer engagement is proportionate – in 2022-23, this was incorporated into our departmental governance assurance exercise.
- A bi-annual meeting for ALB Audit and Risk Assurance Committee chairs;

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24 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

25 Arm's Length Bodies Sponsorship Code of Good Practice https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1077984/alb-sponsorship-code-of-practice.pdf

- Key performance indicators for each ALB to enable effective performance assessments; and
- A consistent approach to ALB Board effectiveness with annual appraisal reviews, including for chairs.

The three-year Public Bodies Review Programme[26] was launched by Cabinet Office in 2022. In 2022-23, we prioritised:

- Homes England – proceeding to a full review at the start of 2023-24 following a self-assessment
- Housing Ombudsman Service – self-assessment currently being concluded.
- Local Government and Social Care Ombudsman – self-assessment currently being concluded.

Building Safety Levy

We will be responsible for collecting revenues related to the Building Safety Act 2022 when the regulations have been passed by Parliament. This includes the Building Safety Levy, grant recoveries collected from developers under Developer Remediation Contracts and a related Responsible Actors Scheme for residential developers, These revenues will contribute to the costs of the Building Safety Programme. While expenditure for the programme is incurred within Departmental Resource Accounts, the revenue collected from the Building Safety Levy and grant recoveries e Accounts will be published in a

26 https://www.gov.uk/government/publications/public-bodies-review-programme

separate Trust Statement. The statement will however include a disclosure note on expenditure incurred. The statement for 2022-23 will be published in autumn. The Levy commences in 2023-24.

My Conclusion

I have reviewed the evidence provided through the Governance Assurance Panel exercise, the Internal Audit opinion, NAO, and PAC reports. 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 improvements to governance and portfolio management.

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.

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 Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances, and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: www.ome.uk.com

Remuneration (Including Salary) and Pension Entitlements

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 2022-23 or 2022-23.

Single total figure of remuneration (subject to audit)

Ministers	Salary £		Full year Equivalent Salary if different £		Pension benefits(1) £ (to nearest £1,000)		Severance Pay £		Total remuneration £ (to nearest £1,000)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
The Rt Hon Michael Gove MP Appointed 15 September 2021, Re-Appointed 25 October 2022(2)	46,274	36,753	67,505	67,505	11,000	11,000	16,876	–	74,000	48,000
Lord Stephen Greenhalgh Appointed 18 March 2020	–	–	–	–	–	–	–	–	–	–
Dehenna Davison MP Appointed 08 September 2022, left 8 July 2022(2)	12,617	–	22,375	–	3,000	–	–	–	16,000	–
Felicity Buchan MP Appointed 30 October 2022	9,323	–	22,375	–	2,000	–	–	–	11,000	–
Baroness Jane Scott Appointed 20 September 2022	53,831	–	107,335	–	9,000	–	–	–	63,000	–
Lee Rowley MP Appointed 08 September 2022	12,617	–	22,375	–	3,000	–	–	–	16,000	–
Rachel Maclean MP Appointed 07 February 2023	4,714	–	31,680	–	1,000	–	–	–	6,000	–
The Rt Hon Greg Clark MP Appointed 07 July 2022	11,100	–	67,505	–	2,000	–	16,876	–	30,000	–
The Rt Hon Simon Clarke MP Appointed 06 September 2022, left 25 October 2022	6,843	–	67,505	–	2,000	–	16,876	–	26,000	–
Lord Richard Harrington Appointed 8 March 2022(2)	–	–	–	–	–	–	–	–	–	–
Kemi Badenoch MP Appointed 16 September 2021, left 6 July 2022	8,431	17,610	31,680	31,680	2,000	5,000	7,920	–	18,000	23,000

Ministers	Salary £		Full year Equivalent Salary if different £		Pension benefits(1) £ (to nearest £1,000)		Severance Pay £		Total remuneration £ (to nearest £1,000)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Stuart Andrew MP Appointed 9 February 2022, left 6 July 2022	10,560	4,620	31,680	31,680	2,000	1,000	–	–	13,000	6,000
Eddie Hughes MP Appointed 18 January 2021, left 8 September 2022	9,758	22,375	22,375	–	3,000	6,000	5,593	–	18,000	28,000
Neil O'Brien MP Appointed 16 September 2021, left 6 July 2022	5,955	12,120	22,375	22,375	1,000	3,000	5,593	–	13,000	15,000
Andrew Stephenson MP Appointed 20 September 2022, left 27 October 2022	2,548	–	22,375	–	1,000	–	–	–	4,000	–
Lia Nici-Townend MP Appointed 08 July 2022, left 20 September 2022	5,173	–	22,375	–	1,000		–	–	6,000	–
Marcus Jones MP Appointed 07 July 2022, left 7 September 2022	4,181	–	31,680	–	1,000		7,920	–	13,000	–
Paul Scully MP Appointed 07 July 2022, left 27 October 2022	11,185	–	31,680	–	3,000		–	–	14,000	–
Lucy Frazer MP Appointed 26 October 2022 , left 7 February 2023	10,560	–	31,680	–	2,000		–	–	13,000	–

(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) Lord Harrington and Lord Greehalgh drew no salary from the department during FY 22-23.

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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Sarah Healey Permanent Secretary (appointed 07 February 2023)(2)	10-15	–	170-175	–		–	–	–	11,000	–	25-30	0
Kate O'Neill Director, Strategy and Private Offices (appointed 09 November 2022)	35-40	–	95-100	–	0-5	–	–	–	5,000	–	45-50	0
Matt Thurstan Director General, Chief Financial Officer and Corporate	160-165	160-165	–	–	0-5	0-5	–	–	27,000	124,000	190-195	285-290
Emran Mian Director General, Regeneration	130-135	125-130	–	–	10-15	15-20	–	–	33,000	42,000	175-180	185-190
Catherine Frances Director General, Local Government, Resilience and Communities	130-135	125-130	–	–	0-5	15-20	–	–	25,000	38,000	155-160	180-185
Richard Goodman Director General Safer & Greener Buildings	125-130	120-125	–	–	10-15	0-5	–	–	49,000	47,000	185-190	165-170
Will Garton Director General, Levelling Up	125-130	0-5	–	120-125	0-5	–	–	–	104,000	0	230-235	0-5

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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Simon Claydon Director People, Capability and Change	100-105	80-85	–	100-105	0-5	–	–	–	(15,000)	15,000	90-95	95-100
Kay Withers Director for Strategy (Left 08 November 2022)	50-55	15-20	90-95	95-100	0-5	–	–	–	23,000	12,000	80-85	25-30
Jeremy Pocklington Permanent Secretary (Left 06 February 2023)	140-145	160-165	165-170	–	–	–	–	–	4,000	34,000	145-150	195-200
Sue Gray Second Permanent Secretary, Union and Constitution (Left 2 March 2023)	140-145	80-85	150-155	150-155	–	–	–	–	(29,000)	107,000	110-115	185-190

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

(1) This column only shows pension benefits for the Principal Civil Service Pension Scheme ('PCSPS') and Civil Servants and Other Pension Scheme ('CSOPS'). The value of PCSPS and CSOPS pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. This is a different basis to the way CETV in the Officials' Pension Benefits table is calculated.

(2) Sarah Healey was paid by DCMS, her previous department, during the first month of her employment at DLUHC (February 2023).

The non-executive directors (NEDs) now receive their fees through the payroll in their capacity as Board Members in 2022-23 and details of fees paid to them during the year are shown below (subject to audit):

Non-Executive Directors	Fees (£) 2022-23	2021-22
Alison Nimmo (lead)	20,000	14,497
Gary Porter	15,000	12,195
Pam Chesters	17,500	17,500
Jeffrey Dodds	15,000	14,497
Tom Taylor (joined 24 January 2023)	2,750	–
Mary Ney (left 10 October 2022)	7,500	15,000
Michael Jary (left 31 March 2022)	–	20,000

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; 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. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument.

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 in which they become payable to the individual. The bonuses reported in 2022-23 relate to performance in 2021-22 and the comparative bonuses reported for 2021-22 relate to the performance in 2020-2021.

Fair Pay Disclosure (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 Permanent Secretary, in the financial year 2022-23 was £170,000 – £175,000 (2021-22: Permanent Secretary, £160,000-£165,000), a percentage change of 6% year on year. This was 3.7 times (2021-22: 4.0 times) the median remuneration of the workforce, which was £46,727 (2021-

22: £41,098). By comparison, the average change in salary for employees as a whole was an increase of 14%, with the average bonus paid increasing by 4%.

Remuneration of employees ranged from £15,000 – £20,000 to £190,000 to £195,000 (2021-22: £15,000 – £20,000 to £165,000 – £170,000). 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 2022-23 has increased by £5,629 compared to the 2021-22 median salary, a percentage change of 14% year on year.

Non-Executive Directors	2022-23	2021-22
Band of highest paid board member's total remuneration	170-175	160-165
Median remuneration of the workforce	46,727	41,098
Ratio	3.7	4.0
75% Percentile Remuneration	58,076	54,674
Ratio	3.0	3.0
25% Percentile Remuneration	35,064	33,210
Ratio	4.9	4.9
Lowest paid individual	18,304	18,200

The movement in the median pay ratio for this financial year is in line with the broader pay, reward and progression policies of the department, as explained in the following sentences:

The banded salary of the Department's highest paid board member increased slightly on last year owing to the appointment of a new Permanent Secretary during 2022-23. The increase in the median remuneration of the workforce is influenced by a number of factors, most notably the expansion of the Department's workforce to meet new Levelling Up priorities and a marginal increase in the annual pay remit for staff at delegated grades compared with previous years.

In 2022-23, no employees (2021-22, one) received remuneration in excess of the highest-paid board member.

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 2022-23 reporting year:

	Accrued pension at age 65 as at 31/03/23	Real increase in pension at age 65	CETV(1) at 31/03/23	CETV(1) at 31/03/22	Real increase in CETV
	£’000	£’000	£’000	£’000	£’000
The Rt Hon Michael Gove MP	35-40	0-2.5	300	256	6
Lord Stephen Greenhalgh	–	–	–	–	–
Dehenna Davison MP	0-5	0-2.5	2	0	1
Felicity Buchan MP	0-5	0-2.5	3	1	1
Baroness Jane Scott	0-5	0-2.5	56	45	5
Lee Rowley MP	0-5	0-2.5	5	3	1
Rachel Maclean MP	0-5	0-2.5	19	17	1
The Rt Hon Greg Clark MP	10-15	0-2.5	177	167	2
The Rt Hon Simon Clarke MP	0-5	0-2.5	13	11	1
Lord Richard Harrington	–	–	–	–	–
Kemi Badenoch MP	0-5	0-2.5	14	12	1
Stuart Andrew MP	0-5	0-2.5	28	25	1
Eddie Hughes MP	0-5	0-2.5	14	11	1
Neil O'Brien MP	0-5	0-2.5	3	2	–
Andrew Stephenson MP	0-5	0-2.5	27	26	–
Lia Nici-Townend MP	0-5	0-2.5	1	0	1
Marcus Jones MP	0-5	0-2.5	29	27	1
Paul Scully MP	0-5	0-2.5	17	14	2
Lucy Frazer MP	0-5	0-2.5	42	39	1
(1) CETV stands for Cash Equivalent Transfer Value					

Ministerial pensions

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

Those Ministers who are Members of Parliament 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 MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's 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.

CETV Figures

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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 2022-23 reporting year.

Officials	Accrued pension at pension age as at 31/03/23 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/23	CETV at 31/03/22	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sarah Healey	50 - 55 plus a lump sum of 75 - 80	0 - 2.5 plus a lump sum of 0	792	768	1
Kate O'Neill Director, Strategy and Private Offices (appointed 09 November 2022)	30-35	0-2.5	359	339	-1
Matt Thurstan	50-55	0-2.5	659	592	-1
Emran Mian	30 - 35	0 - 2.5	394	344	8
Catherine Frances	35-40	0-2.5	545	484	4
Richard Goodman	15-20	2.5-5	160	128	17
Will Garton	35-40	5-7.5	431	333	57
Simon Claydon	45 - 50 plus a lump sum of 90 - 95	0 plus a lump sum of 0	850	784	-26
Kay Withers	20-25	0-2.5	232	207	9
Jeremy Pocklington	70 - 75 plus a lump sum of 30 - 35	0 - 2.5 plus a lump sum of 0	1,091	999	-14
Sue Gray	85 - 90 plus a lump sum of 255 - 260	0 plus a lump sum of 0	1,879	1,781	-29

Some prior year CETVs have been adjusted for retrospective changes to pension data.

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

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Compensation for loss of office (subject to audit)

No Ministers or Board members received compensation for loss of office in the year.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a Special Adviser’s appointment automatically ends when their appointing Minister leaves office. Special Advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months’ salary. If a Special Adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for Special Advisers are reported in the Cabinet Office Annual Report and Accounts

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.

	2022-23			2021-22	2022-23			2021-22
	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	1	1
£50,000 - £100,000	-	1	1	-	-	1	1	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-	-	-
£200,001 onwards	-	-	-	-	-	-	-	-
Total number of exit packages	**-**	**2**	**2**	**1**	**-**	**2**	**2**	**1**
			£'000	£'000			£'000	£'000
Total cost	**-**	**142**	**142**	**28**	**–**	**142**	**142**	**28**

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

Following DLUHC's creation in 2021, our focus in 2022-23 was on developing our vision and ambition for how we work as a department, and on ensuring that we had an effective and efficient internal set-up. The new DLUHC vision was launched in December 2022; we engaged our workforce on how they connect and contribute to it. Over the year we also worked to ensure our organisational design was fit for purpose and aligned with our vision. As we look ahead to the next year, we will be working to maintain the organisational health of DLUHC, making sure we are resilient and agile, able to respond to new priorities and deliver in an efficient manner. In 2023-24 we will launch a new People Strategy which will align with our vision and our related Capabilities, Diversity and Inclusion, Places for Growth and Workforce plans.

Resourcing

The department filled over 600 roles during 2022-23 in support of new priorities (and to replace roles lost through natural turnover). The department grew by around 200 full-time equivalent (FTE) staff in Q1 and Q2. This growth facilitated the delivery of the Homes for Ukraine programme, helped build our Investment Zones Team to support our levelling-up mission, and aided delivery of our Electoral Integrity and Safer & Greener Buildings Programmes. Our recruitment efforts continued to support our wider levelling-up work across the UK as set out in the Levelling-Up White Paper.

The department focused on implementing efficiencies later in the year in accordance with our SR21 settlement agreement, without compromising our ambitious delivery agenda. Through the effective use of recruitment controls we were able to stabilise and reduce the size of the department by approximately 6% (200 roles) by the end of the year. During this period, we retained the flexibility to bring in skills that we needed to deliver our priorities. Looking ahead, we will continue to recruit the skills required to support delivery and in a way which supports our Places for Growth ambitions.

Capabilities

Our 2022-23 (“Year Two”) Capability Delivery Plan committed to building upon the foundational activity in 2021-22, maturing our learning culture and ensuring that our activity enabled delivery of the Declaration on Government Reform.

We focused on the following areas ; strengthening our professions, senior leadership development, digital capability improvement and increasing secondments and interchange. An SCS specific development plan will be delivered in 2023-24.

Professional capability was built through a range of initiatives, and our senior leadership development was strengthened through a bespoke Leadership Development Offer to our SCS cadre.

Progress on digital capability included a coaching and mentoring portal and improved capture of professions data. Other improvements included significant upgrades to the DLUHC Learning Hub and publication of online management information (MI) dashboards for Learning Participation and Spend and Performance and Development. DLUHC also introduced the Digital, Data and Technology (DDaT) Pay Framework in August 2022. This framework enabled the Department to make adjustments to pay linked to an agreed formal capability assessment process, strengthening the ability of the Department to attract and retain key digital skills.

A stretching cross-government commitment to grow secondments to 10% of SCS and 5% of G6-7 workforce was achieved in Q3 2022-23, two months ahead of target.

Other achievements during the year included:

a. DLUHC's first Learning Festival in May 2022;

b. New products in 2022-23 included our Advanced personal effectiveness offer and a new Team Learning Charter;

c. A refreshed Apprenticeships Strategy saw apprenticeship numbers rise to 2.8% of workforce (exceeding our 2.5% target) at March 2023.

d. Face-to- face learning was reintroduced, focussing on events in London, Wolverhampton and Birmingham.

Places for Growth

We progressed well against our plans to have more roles based across the UK, outside London, closer to more of the communities we serve. By March 2023, we had 1,146 staff based outside London, which equates to 35% of our workforce, an increase of over 600, up c.120%, from the baseline of March 2020. Colleagues based outside London now make up over 1 in 3 of all employees compared to less than 1 in 4 in 2020. In the same period the number of Senior Civil Servants outside London more than quadrupled, from 7 to 30 which equates to 15% of our senior roles. We remained committed to have at least 1,250 employees based outside London, including 37.5% of our Senior Civil Servants by 2025, rising to 50%, by 2030.

In moving roles out of London, we made a deliberate choice to support and contribute substantively to levelling up, exemplified by our second headquarters in Wolverhampton, and our participation in the Darlington Economic Campus where, across both sites, we now have c.300 roles in place. Our offices in Edinburgh, Cardiff and Belfast enable and support our lead role for the Union.

Smarter Working

Smarter Working has remained a priority for DLUHC through 2022-23, with a continued focus on improving our workspaces, technology and building office communities. In August 2022 DLUHC was formally recognised by Cabinet Office as having achieved the highest level of Smarter Working Maturity. We developed the Smarter Working Labs concept to support colleagues to make their space work better and to help build their capability and have successfully delivered it in two of our offices. Our London office refurbishment commenced and will be completed in 2023.

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, bring on and develop diverse talent and on building a fully inclusive culture.

A representative workforce remains one of our priorities. Representation of staff is benchmarked to the UK economically active population (those aged 16-64 who were either working or looking for work).

We improved the overall representation of women in DLUHC to 53%, significantly above the 50% gender parity value and the rate in the economically active population (48%). We also improved representation in the Senior Civil Service of females, disabled and ethnic minority colleagues over the year and maintained or improved representation in the overall workforce in these measures too.

Our ambition remained to sustain these rates of representation at or above the UK economically active population and lift those that are below. Of these we are currently 1 percentage point below the rate of disabled people in the economically active population and 6 percentage points above the rate of ethnic minority people in the economically active population.

We also sought to improve the rates of employees from a lower socio-economic background, focused on parental occupation as recommended by the Social Mobility Commission. We maintained a clear commitment to reducing bullying, harassment, and discrimination and to improve our fair treatment scores as measured in the annual Civil Service People Survey. DLUHC has a modest gender pay gap compared to other Whitehall departments. The latest report showed that the pay gap for the DLUHC group reduced since the previous reporting period. We remain committed to reducing this gap further. A copy of the latest report can be accessed here – https://www.gov.uk/government/publications/dluhc-gender-pay-gap-report-and-data-2022/dluhcs-gender-pay-gap-report-2022.

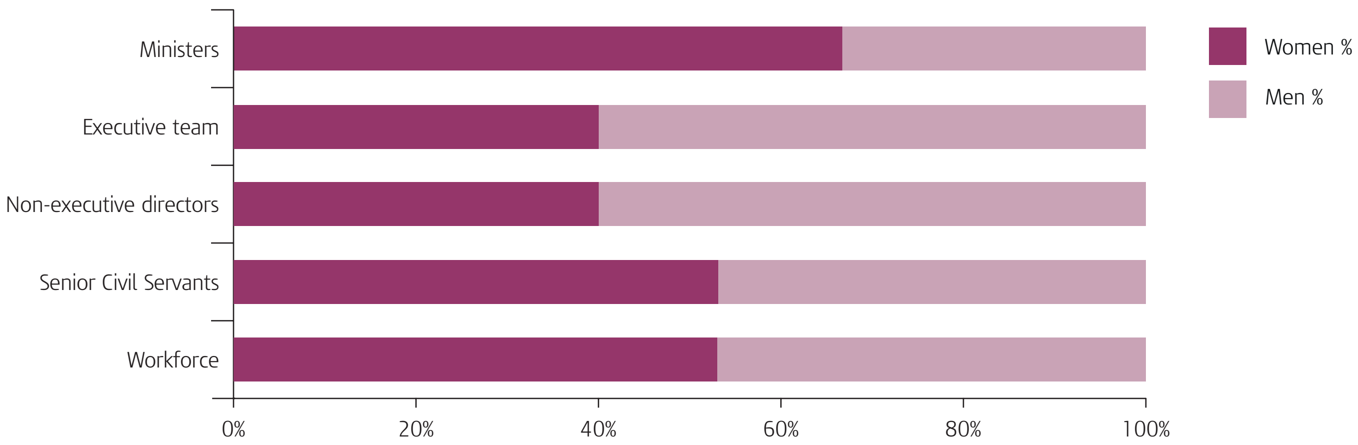
Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In November 2022 we published data on our gender pay gap in line with other employers[27]. The DLUHC Group gender pay gap data for 31 March 2023 will be published in November 2023 as part of a co-ordinated publication exercise across all Whitehall departments. The chart only includes staff that are on the departmental payroll.

27 DLUHC's gender pay gap report 2022 – GOV.UK (www.gov.uk)

Staff Diversity by Gender - Core Department as at 31st March 2023



Health and Safety Management

The Department's safety performance has remained consistent and diligent during 2022-23. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2022-23 (none in 2021-22), while a total of three accidents were reported by employees in 2022-23 against two in 2021-22. Working with facilities management colleagues, mitigations have now been put in place for the three reported accidents.

Average Working Days Lost		
	Jan-Dec 2022	Jan-Dec 2021 (AWDL)(1, 2)
Civil Service	**TBC**	7.9
Core Department	4.0	3.6
Executive Agency	4.5	4.0
(1) AWDL: Average working days lost.		
(2) Civil Service AWDL is based on April 2021 – March 2022 data		

Staff with no sickness absence		
	Jan-Dec 2022	Jan-Dec 2021
Core Department	67%	76%
Executive Agency	64%	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 2022 – 31 March 2023	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	£276,010,000
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.

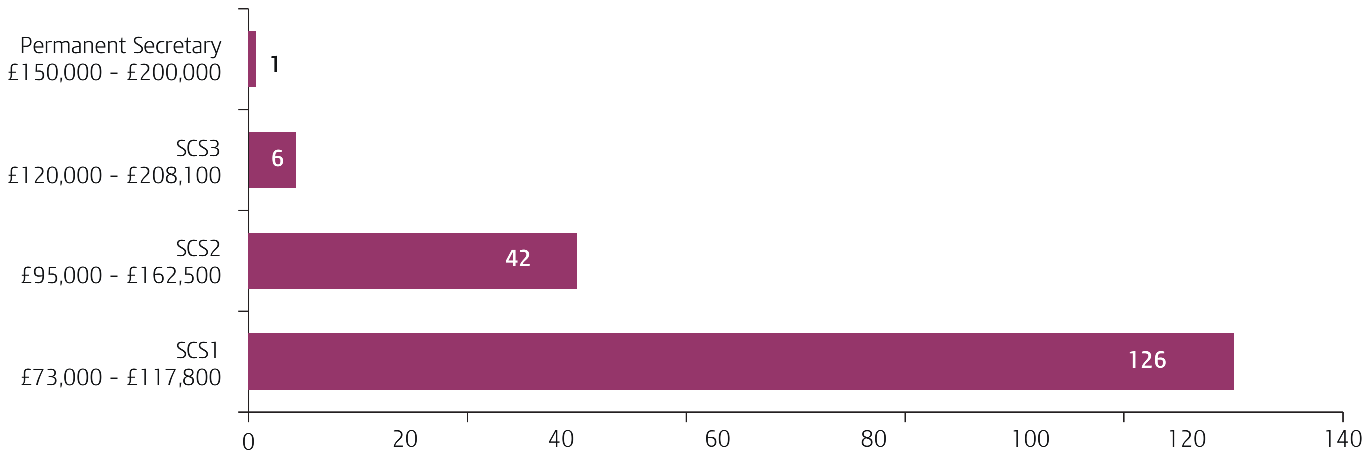
Staff Turnover Percentage

Staff turnover for the department for 2022-23 was 21.4% (2021-22: 16.3%), 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 2023 there were 175 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 2023



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
				2022-23	2021-22
	Permanently Employed Staff	Others	Ministers	Total	Total
Wages & Salaries	270,643	35,368	229	306,240	269,702
Social Security Costs	35,441	–	25	35,466	31,683
Pension Costs	95,985	–	–	95,985	94,260
Other	–	–	–	–	–
Total Costs	**402,069**	**35,368**	**254**	**437,691**	**395,645**
Less Recoveries in respect of outward secondments	(3,023)	–	–	(3,023)	(2,592)
Total Net Costs	**399,046**	**35,368**	**254**	**434,668**	**393,053**
Of which:				–	
Core Department	216,606	9,640	254	226,500	198,621
Agency	47,771	1,739	–	49,510	45,446
Designated Bodies	137,692	23,989	–	161,681	151,578

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore all Special Adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective Department of their appointing Minister.

Average number of full-time equivalent persons employed

					2022-23	2021-22
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	2,929	424	7	5	3,365	2,931
Agency	763	20	–	–	783	760
Designated Bodies	1,965	189	–	–	2,154	2,014
Total	**5,657**	**633**	**7**	**5**	**6,302**	**5,705**

This is the annual average based on month end full time equivalent staff numbers, except for Special Advisors where we have been instructed to report the total at 31 March 2023 to ensure consistency of reporting with other government departments. The average number of Special Advisors was 6.

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	0	0	0
Executive/Higher Executive Officers	1	0	1
Senior Executive Officers	2	0	2
Grade 7/6	3	0	3
Senior Civil Service	0	0	0
Total secondments	**6**	**0**	**6**

Average duration (months)	Inward (Hosted)	Outward (Loaned)	Total
Administrative Officers	0	0	0
Executive/Higher Executive Officers	3	0	3
Senior Executive Officers	4	0	4
Grade 7/6	12	0	12
Senior Civil Service	0	0	0
All grades	**8**	**0**	**8**

Expenditure on Consultancy and Temporary Staff

				£000
	2022-23	2021-22	2020-21	2019-20
	£000	£000	£000	£000
Cost of Contingent Labour				
Core Department	8,024	7,702	4,991	5,992
Executive Agency	3,303	1,872	1,659	2,476
NDPBs	21,335	16,113	16,106	7,302
Total	**32,661**	**25,687**	**22,756**	**15,771**
Cost of Consultancy				
Core Department	13,722	15,270	19,544	4,898
Executive Agency	10	–	–	106
NDPBs	923	1,483	604	225
Total	14,655	16,753	20,148	5,229
Overall Total	**47,316**	**42,440**	**42,904**	**20,999**
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”.				
Consultancy staff – This is the provision to management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited.				
Consultancy services supplied to the Department supported programmes including the Building Safety programme and Levelling Up and other areas where specialist knowledge not held within the Department is required. The majority of contingent labour related to Digital, Analysis and Data and Communications.				

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 2023, 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 2023	**57**	**17**	**176**
of which have existed for:			
less than one year at time of reporting	16	15	142
between one and two years at time of reporting	32	1	17
between two and three years at time of reporting	4	1	13
between three and four years at time of reporting	0	0	4
four years or more at time of reporting	5	0	0

All temporary off-payroll appointments engaged at any point during the year ended 31 March 2023 and earning at least £245 per day			
	Main Department	**Agency**	**ALBs**
No. of off-payroll workers engaged during the year ended 31 March 2023	**91**	**131**	**261**
Of which:			
No. determined as in-scope of IR35	75	49	261
No. determined as out-of-scope of IR35	16	82	0
No. of engagements reassessed for compliance or assurance purposes during the year	91	131	0
Of which:			
No. of engagements reassessed for consistency/assurance purposes during the year.	41	104	0
No. of engagements that saw a change to IR35 status following the consistency review.	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 2022 and 31 March 2023			
	Main Department	**Agency**	**ALBs**
No. of off-payroll workers engaged during the year ended 31 March 2023	0	0	1
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 reassessed for consistency/assurance purposes during the year.	0	0	0
No. of engagements that saw a change to IR35 status following the consistency review.	0	0	0
Of which:			
No. of engagements that saw a change to IR35 status following review	0	0	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023			
	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	1
Total no. of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year	12	0	20

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 Outturn against 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.

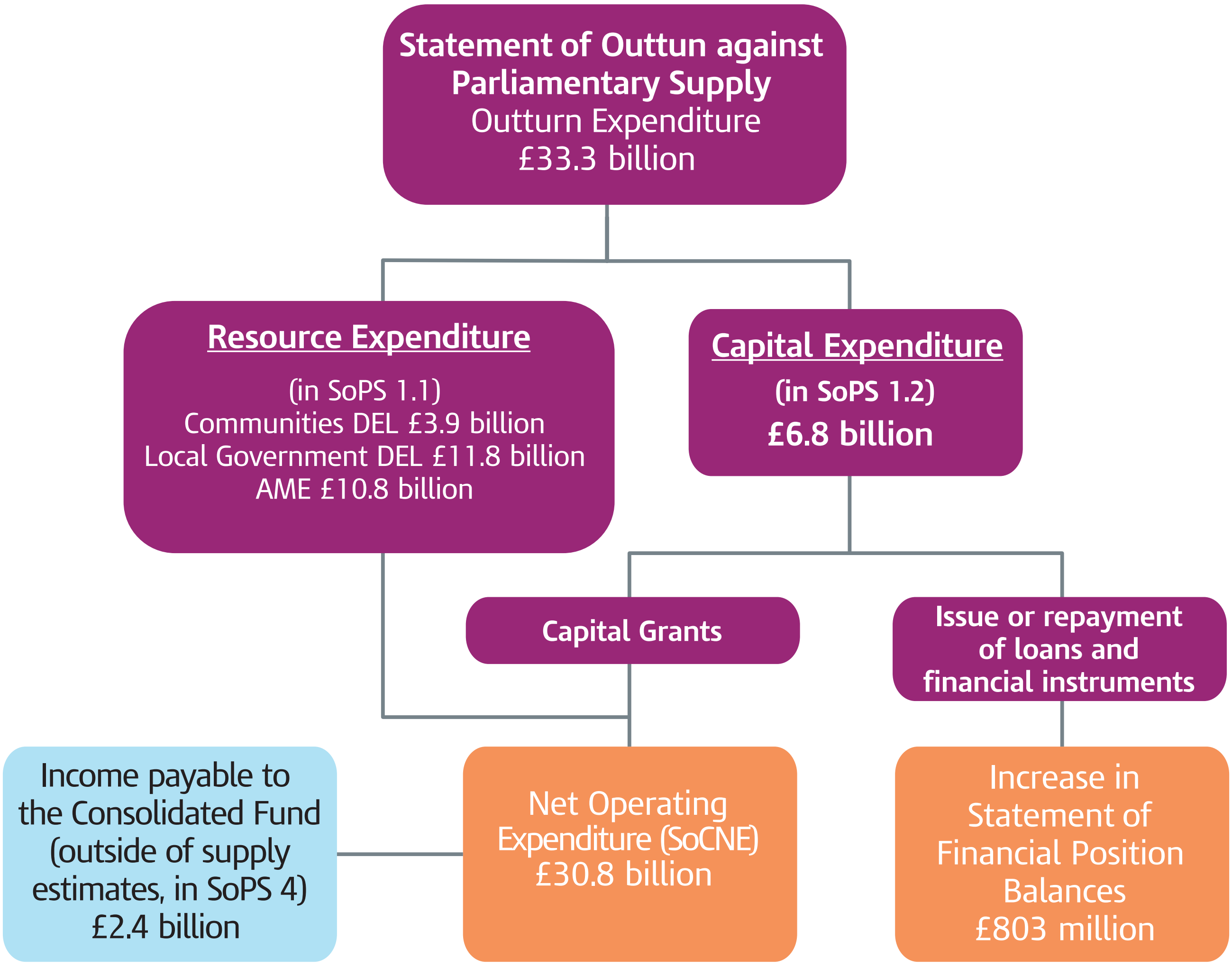
The **Parliamentary Accountability and Audit Report** presents the department's spend against the budgets set by Parliament in Supply Estimates. The final budgets for the year were set in the Supplementary Estimates[28].

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.

28 https://www.gov.uk/government/publications/supplementary-estimates-2022-23

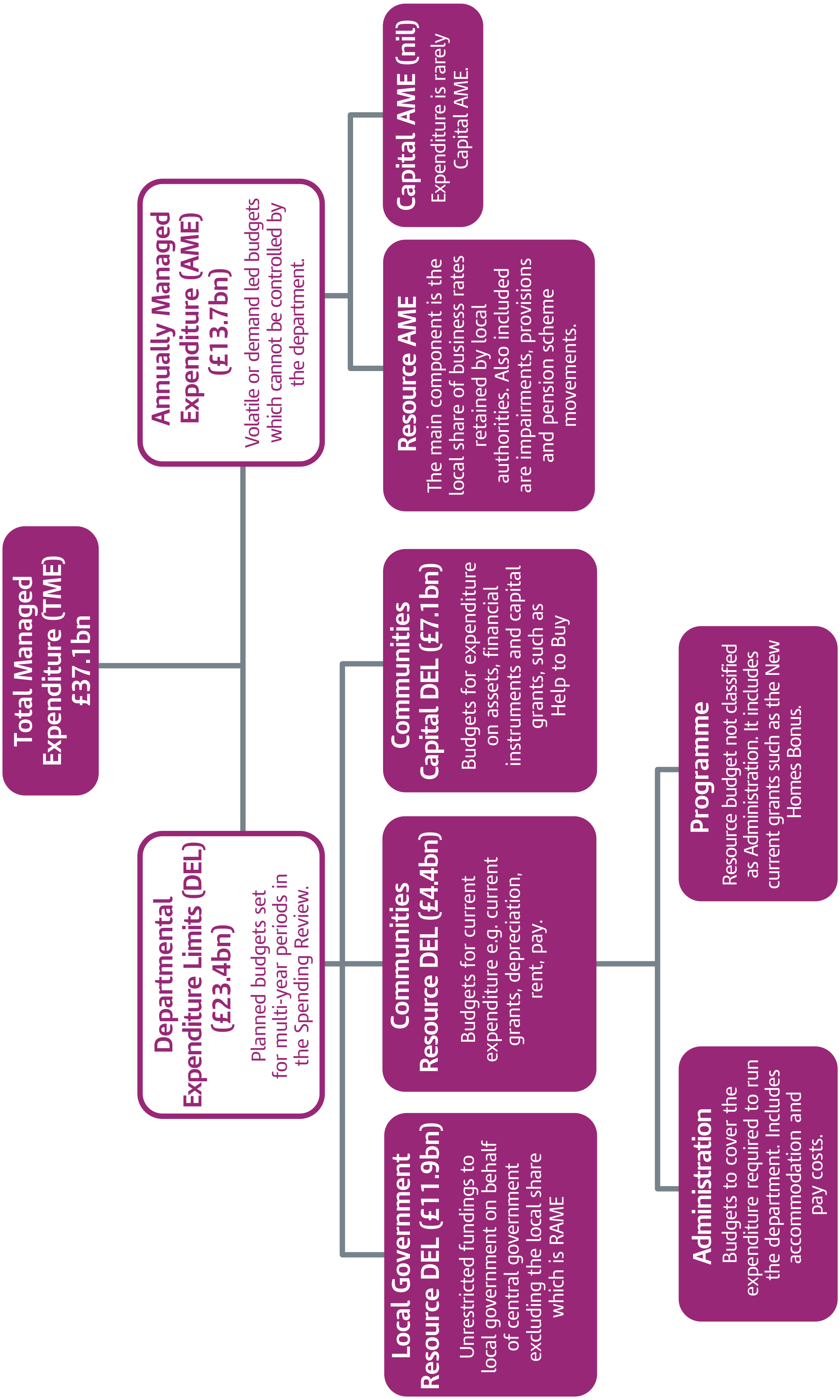
The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

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) £37.1bn
Annually Managed Expenditure (AME) (£13.7bn)
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) (£23.4bn)
Planned budgets set for multi-year periods in the Spending Review.
Communities Capital DEL (£7.1bn)
Budgets for expenditure on assets, financial instruments and capital grants, such as Help to Buy
Communities Resource DEL (£4.4bn)
Budgets for current expenditure e.g. current grants, depreciation, rent, pay.
Local Government Resource DEL (£11.9bn)
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 210 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 four 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	• Homes for Ukraine
	• Rough Sleeping Accommodation
	• Changing Futures
	• London Settlement • Grenfell Site & Programme • Integration
B: Housing and Planning	• Remediation Delivery
	• New Homes Bonus
	• Homelessness Prevention Grant
	• PFI Housing Grants • Rough Sleeping Initiative • Housing Infrastructure Fund
	• Expenditure of the Planning Inspectorate
C: Local Growth and Devolution	• Towns Fund/Future High Streets
	• Devolution Deals • UK Shared Prosperity Fund • Levelling Up Fund
	• Brownfield Land Release Fund • Freeports
D: Elections, Union and Constitution	• Electoral Integrity Programme
E: Supporting Families	• Supporting Families
F: Research, Data and Trading Funds	• Research & Development • Communications
	• ERDF Foreign Exchange Rate (Gains)/Losses
G: DLUHC Staff, Building and Infrastructure Costs	• The majority is classified as administration expenditure:
	• Staff Pay
	• Estates costs e.g. rent, rates, utilities
H: 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
I: 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
J: Elections	• Expenditure to Returning Officers for elections costs
Local Government DEL Estimate Rows	
K: Revenue Support Grant	• Revenue support grant – central government funding provided to support local government services
L: Other Grants and Payments	• Business rates and council tax reliefs and support
	• Social Care grants (including improved Better Care Fund)
M: Business Rates Retention	• Payments to local authorities whose income from business rates is below a baseline level
AME Estimate Rows	
N: Local Government and Public Services	• Grenfell Site provision • Audit Commission Pension
O: Housing & Planning; and	• Impairments of non-current and financial assets
T: Housing & Planning (ALB)	• Impairments and revaluations
P: Local Growth and Devolution	• Impairments and revaluations
Q: DLUHC Staff, Building and Infrastructure Costs	• Expenditure by the core department on creation and release/utilisation of provisions
R: Non-Domestic Rates Outturn Adjustment	• Expenditure relating to year-end adjustments for business rates retention outturn
S: Local Government & Public Services (ALB)(Net)	• Expenditure on pensions by the VTS and the CLAE
U: 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 186 onwards and in the Our Expenditure section of the performance report on page 72. Further information on the Public Spending Framework and the reasons why budgeting rules are different from IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk[29].

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

29 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2022-2023

Summary of Resource and Capital Outturn

										£'000
									2021-22	2021-22
		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 Outturn
Departmental Expenditure Limit (DEL) DLUHC Housing and Communities										
Resource	SoPS1.1	**3,863,640**	**(82)**	3,863,558	**4,379,018**	**7,700**	4,386,718	**515,378**	523,160	2,764,500
Capital	SoPS1.2	**6,817,765**	**-**	6,817,765	**7,155,093**	**-**	7,155,093	**337,328**	337,328	6,142,371
Total		**10,681,405**	**(82)**	**10,681,323**	**11,534,111**	**7,700**	**11,541,811**	**852,706**	**860,488**	**8,906,871**
Departmental Expenditure Limit (DEL) DLUHC Local Government										
Resource	SoPS1.1	**11,772,149**	**-**	11,772,149	**11,851,896**	**-**	11,851,896	**79,747**	79,747	21,262,114
Capital	SoPS1.2	**-**	**-**	-	**-**	**-**	-	**-**	-	-
Total		**11,772,149**	**-**	**11,772,149**	**11,851,896**	**-**	**11,851,896**	**79,747**	**79,747**	**21,262,114**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**10,801,365**	**-**	10,801,365	**13,723,410**	**-**	13,723,410	**2,922,045**	2,922,045	7,666,661
Capital	SoPS1.2	**-**	**-**	-	**-**	**-**	-	**-**	-	-
Total		**10,801,365**	**-**	**10,801,365**	**13,723,410**	**-**	**13,723,410**	**2,922,045**	**2,922,045**	**7,666,661**
Total Budget										
Resource	SoPS1.1	**26,437,154**	**(82)**	26,437,072	**29,954,324**	**7,700**	29,962,024	**3,517,170**	3,524,952	31,693,275
Capital	SoPS1.2	**6,817,765**	**-**	6,817,765	**7,155,093**	**-**	7,155,093	**337,328**	337,328	6,142,371
Total Budget Expenditure		**33,254,919**	**(82)**	**33,254,837**	**37,109,417**	**7,700**	**37,117,117**	**3,854,498**	**3,862,280**	**37,835,646**
Total Budget and Non-Budget		**33,254,919**	**(82)**	**33,254,837**	**37,109,417**	**7,700**	**37,117,117**	**3,854,498**	**3,862,280**	**37,835,646**

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

					£'000
				2022-23	2021-22
Item	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Prior Year Outturn
Net Cash Requirement	3	**22,034,024**	**27,787,674**	5,753,650	31,070,890

Administration Costs

					£'000
				2022-23	2021-22
Type of spend	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Prior Year Outturn
Administration Costs	1.1	**233,056**	**343,417**	110,361	274,090

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
											2022-23	2021-22
	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	Vire-ments	Total inc. virements(2)		
Spending in Departmental Expenditure Limits (RDEL) – DLUHC Housing and Communities												
Voted expenditure												
A Local Government & Public Services	–	–	–	1,284,734	(709)	1,284,025	1,284,025	1,412,065	(2,682)	1,409,383	125,358	183,865
B Housing and Planning	–	–	–	1,605,366	(25,952)	1,579,414	1,579,414	1,613,217	–	1,613,217	33,803	1,737,217
C Local Growth and Devolution	–	–	–	790,317	(269,378)	520,939	520,939	537,999	–	537,999	17,060	365,061
D Elections, Union and Constitution	–	–	–	34,735	(43)	34,692	34,692	32,010	2,682	34,692	-	–
E Supporting Families	–	–	–	206,828	–	206,828	206,828	207,465	–	207,465	637	168,278
F Research, Data and Trading Funds	–	–	–	9,237	(4,462)	4,775	4,775	16,530	–	16,530	11,755	(25,809)

												£'000
											2022-23	2021-22
	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	Vire-ments	Total inc. virements(2)		
G DLUHC Staff, Building and Infrastructure Costs	263,330	–	263,330	24,596	(2,663)	21,933	285,263	289,779	–	289,779	4,516	267,683
H Local Government & Public Services (ALB) (Net)(1)	17,763	–	17,763	–	–	–	17,763	17,959	-	17,959	196	17,925
I Housing and Planning (ALB) (Net)(1)	(48,037)	–	(48,037)	(22,022)	–	(22,022)	(70,059)	251,994	–	251,994	322,053	(4,649)
Total Voted DEL	**233,056**	**–**	**233,056**	**3,933,791**	**(303,207)**	**3,630,584**	**3,863,640**	**4,379,018**	**–**	**4,379,018**	**515,378**	**2,709,571**
Non-voted expenditure												
Returning Officers' expenses England, Wales and Scotland												
J Elections	–	–	–	(82)	–	(82)	(82)	7,700	–	7,700	7,782	54,929
Total non-voted DEL	**–**	**–**	**–**	**(82)**	**–**	**(82)**	**(82)**	**7,700**	**–**	**7,700**	**7,782**	**54,929**
Total spending in RDEL – DLUHC Housing and Communities	**233,056**	**–**	**233,056**	**3,933,709**	**(303,207)**	**3,630,502**	**3,863,558**	**4,386,718**	**–**	4,386,718	523,160	**2,764,500**

(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 B, from page 379.

												£'000
											2022-23	2021-22
	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	Vire-ments	Total inc. virements(2)		
Spending in RDEL – DLUHC Local Government												
Voted expenditure												
K Revenue Support Grant	–	–	–	1,672,058	–	1,672,058	1,672,058	1,672,058	–	1,672,058	–	1,621,557
L Other Grants and Payments	–	–	–	10,010,575	2,046	10,012,621	10,012,621	10,092,368	–	10,092,368	79,747	19,603,675
M Business Rates Retention	–	–	–	87,470	–	87,470	87,470	87,470	–	87,470	–	36,882
Total Spending in RDEL – DLUHC Local Government	**–**	**–**	**–**	**11,770,103**	**2,046**	**11,772,149**	**11,772,149**	**11,851,896**	**–**	**11,851,896**	**79,747**	**21,262,114**
Total spending in RDEL	**233,056**	**-**	**233,056**	**15,703,812**	**(301,161)**	**15,402,651**	**15,635,707**	**16,238,614**	**-**	16,238,614	602,907	**24,026,614**

(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
											2022-23	2021-22
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Vire-ments	Total inc. virements(2)		Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
N Local Government and Public Services	–	–	–	(36,220)	-	(36,220)	(36,220)	389,618	(14,443)	375,175	411,395	49,077
O Housing and Planning	–	–	–	3,674	(1,251)	2,423	2,423	121,878	-	121,878	119,455	(8,028)
P Local Growth and Devolution	–	–	–	4,192	(26,335)	(22,143)	(22,143)	15,000	-	15,000	37,143	7,041
Q DLUHC Staff, Building and Infrastructure Costs	–	–	–	12,776	-	12,776	12,776	(1,667)	14,443	12,776	–	(10,567)
R Non-Domestic Rates Outturn Adjustment	–	–	–	-	-	–	–	135,000	-	135,000	135,000	–
S Local Government & Public Services (ALB) (Net) (1)	–	–	–	3,832	-	3,832	3,832	5,091	-	5,091	1,259	4,462
T Housing & Planning (ALB) (Net)1	–	–	–	357,852	(618,015)	(260,163)	(260,163)	1,729,163	-	1,729,163	1,989,326	(901,232)
U Business Rates Retention	–	–	–	17,284,892	(6,184,032)	11,100,860	11,100,860	11,329,327	-	11,329,327	228,467	14,168,541
Other Grants and Payments	–	–	–	–	–	–	–	–	-	–	–	(5,642,633)
Total spending in RAME	**–**	**–**	**–**	**17,630,998**	**(6,829,633)**	**10,801,365**	**10,801,365**	**13,723,410**	**-**	13,723,410	2,922,045	**7,666,661**
Total resource	**233,056**	**–**	**233,056**	**33,334,810**	**(7,130,794)**	**26,204,016**	**26,437,072**	**29,962,024**	**-**	29,962,024	3,524,952	**31,693,275**
TOTAL	**233,056**	**–**	**233,056**	**33,334,810**	**(7,130,794)**	**26,204,016**	**26,437,072**	**29,962,024**	**-**	**29,962,024**	**3,524,952**	**31,693,275**

(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
							2022-23	2021-22
			Outturn			Estimates		Outturn
Type of spend (Capital)	Gross	Income	Net Total	Net Total	Virements[2]	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	110,253	(36,070)	74,183	109,935	(12)	109,923	35,740	85,670
B Housing and Planning	1,922,285	(596,043)	1,326,242	1,546,056	–	1,546,056	219,814	940,752
C Local Growth and Devolution	1,819,815	(247,556)	1,572,259	1,621,688		1,621,688	49,429	1,256,681
D Elections, Union and Constitution	6,610	–	6,610	9,800	–	9,800	3,190	–
E Supporting Families	140	–	140	340	–	340	200	(69)
F Research, Data & Trading Funds	8,210	(6,980)	1,230	10,535	–	10,535	9,305	6,344
G DLUHC Staff, Building and Infrastructure Costs	74,854	(54,693)	20,161	23,084	–	23,084	2,923	18,182
H Local Government and Public Services (ALB)(Net)[1]	869	–	869	857	12	869	–	189
I Housing and Planning (ALB)(Net)[1]	3,816,071	–	3,816,071	3,832,798	–	3,832,798	16,727	3,834,622
Total spending in CDEL – DHLUC Housing and Communities	**7,759,107**	**(941,342)**	**6,817,765**	**7,155,093**	**–**	**7,155,093**	**337,328**	**6,142,371**
							–	
Total CDEL & CAME	**7,759,107**	**(941,342)**	**6,817,765**	**7,155,093**	**–**	**7,155,093**	**337,328**	**6,142,371**

(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.[30]

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.

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

SoPS 2 Reconciliation of outturn to net operating expenditure

				£'000
		SoPS Note	**2022-23**	**2021-22**
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	26,437,072	31,693,275
Add:	Capital grants		4,616,317	3,730,446
	Capital budget adjustments[1]		**(152)**	**10,708**
	Asset transfers		**–**	**–**
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	**(186,712)**	**(48,155)**
	Prior Period Adjustment		**–**	**–**
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**30,866,525**	**35,386,274**

(1) The capital budget adjustment include profit on disposal of certain financial assets that are recoded in net operating expenditure in the financial statements but are 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 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 billion of capital grants were issued to local government for the purposes of funding capital spend by local authorities.

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
				2022-23
	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
Total Resource Outturn	1.1	26,437,072	29,962,024	3,524,952
Total Capital Outturn	1.2	6,817,765	7,155,093	337,328
Adjustments to remove non-cash items:				
Depreciation and amortisation		(26,449)	(147,661)	(121,212)
Local Share (local authorities)				
New provisions and adjustments to previous provisions		13,299	(415,921)	(429,220)
Other non-cash items		(9,455,610)	(11,829,960)	(2,374,350)
Adjustments for ALBs:				
Remove voted resource and capital		(3,508,313)	(5,837,862)	(2,329,549)
Add cash grant-in-aid		1,589,889	1,979,971	390,082
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		115,506	–	(115,506)
Increase/(decrease) in receivables		(115,101)	–	115,101
(Increase)/decrease in payables		132,832	6,917,568	6,936,244
Use of provisions and pension fund adjustments		14,962	12,122	(2,840)
Other Adjustments		18,090	–	(18,090)
Removal of non-voted budget items:				
Consolidated Fund Standing Services		82	(7,700)	(7,782)
Returning Officers’ Expenses England and Wales		–	–	–
Net cash requirement		**22,034,024**	**27,787,674**	**5,905,158**

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 2022-23		Outturn 2021-22	
	Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate[1]	186,712	*186,712*	48,155	*48,155*
Other amounts collectable on behalf of the Consolidated Fund[2]	2,210,130	*2,323,636*	1,901,730	*1,901,730*
Total amount payable to the Consolidated Fund	**2,396,842**	**2,510,348**	**1,949,885**	**1,949,885**

(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 Guarantee fees received from the ENABLE Build scheme.

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 348.

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 193 shows our 2022-23 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) – DLUHC Communities				
F	Research, Data & Trading Funds	5	17	-71%	Variance is primarily due to funding received from the EU in relation to European Regional Development Fund.
I	Housing and Planning (ALB) (Net)	(70)	252	-128%	Income from financial transactions was higher than budgeted, reducing the amount of funding required for land and housing programmes. In addition, an investment that had previously been written off has now been received.
J	Elections	(0)	8	-101%	Variance is due to lower by-election costs than expected this year.
	Resource Spending in Annually Managed Expenditure (RAME)				
N	Local Government and public services	(36)	390	-109%	Variance mainly relates to the Audit Commission Pension Scheme. The Supplementary Estimate budget was set based on a reasonable worst-case scenario, reflecting volatility in the scheme's liability driven instruments during the year. This exposure has since diminished. The variance was also due to a change in the provision for the Grenfell Tower.
O	Housing and Planning	2	122	-98%	These budgets are held to manage expected losses on the Department's guarantee programmes. Deterioration in credit quality was less than expected.
P	Local Growth and Devolution	(22)	15	-248%	Variance relates to a re-evaluation of the European Regional Development Fund balance sheet position, as well as Greenwich Peninsula land asset values at year end.
Q	DLUHC Staff, building and infrastructure costs	13	(2)	-866%	Variance is primarily due to a change in asset values following investment property revaluation.
R	Non-Domestic Rates Outturn Adjustment	-	135	-100%	This is a year-end contingency agreed at the Supplementary Estimate to cover any movements in business rate outturn.
T	Housing & Planning(ALB) (Net)	(260)	1,729	115%	Income from financial transactions was higher than budgeted, reducing the amount of funding required for land and housing programmes. In addition, an investment that had previously been written off has now been received.

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
	Capital Spending in Departmental Expenditure Limit (CDEL) – DLUHC Communities				
A	Local Government & Public Services	74	110	-33%	Variance primarily relates to Traveller Sites reflecting a change in the programme delivery plan.
B	Housing and Planning	1,326	1,546	14%	Variance is mainly due to re-baselining of the Housing Infrastructure and Affordable Housing Programme plans, partially offset by additional spend towards the new Local Authority Housing Fund which was introduced to support housing pressures, as well as for building remediation projects.
D	Elections, Union and Constitution	7	10	-33%	Variance is due to changes in the Electoral Integrity Programme timetable, which led to some IT delivery costs moving to the next financial year.
F	Research, Data & Trading Funds	1	11	88%	Variance is principally due to lower demand for analytical services to support the department's work, partially offset by an increase in write-offs of European Regional Development Fund receipts.
G	DLUHC Staff, building and infrastructure costs	20	23	-13%	Variance is driven by differences in spend in digital support programmes for Homes for Ukraine and Corporate Cyber resilience, as well as development of the Smarter Working programme.

Core Tables – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department's expenditure outturn for 2022-23 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		
	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23	2023-24
	Restated	Restated	Restated	Outturn	Outturn	Plan	Plan
Spending in DEL – DLUHC Communities	Outturn	Outturn	Outturn	£'000	£'000	£'000	£'000
Voted Expenditure							
A: Local Government & Public Services	**£'000**	**£'000**	**£'000**	**183,865**	**1,284,025**	**158,425**	**147,159**
B: Housing and Planning	1,573,280	1,630,755	1,764,814	1,737,217	1,579,414	1,420,699	952,639
C: Local Growth and Devolution	178,143	215,151	413,796	365,061	520,939	777,039	198,908
D: Elections, Union and Constitution				-	34,692	53,372	51,431
E: Supporting Families	174,369	155,027	159,926	168,278	206,828	235,000	165,000
F: Research, Data and Trading Funds	2,927	12,239	3,875	(25,809)	4,775	5,519	11,926
G: DLUHC Staff, Building and Infrastructure Costs	167,770	210,633	233,356	267,683	285,263	266,283	254,667
Departmental Unallocated Provision				-	-	-	212,690
H: Local Government & Public Services (ALB) (net)	17,756	18,948	17,956	17,925	17,763	17,738	19,159
I: Housing and Planning (ALB)(net)	41,788	72,780	(25,489)	(4,649)	(70,059)	96,754	159,054
Total Voted	2,353,928	2,509,978	2,715,043	2,709,571	3,863,640	3,030,829	2,172,633
I: Housing and Planning (ALB)(net)				(4,649)	(70,059)	96,754	159,054
Total Voted				**2,709,571**	**3,863,640**	**3,030,829**	**2,172,633**
Non Voted Expenditure							
J: Elections	(462)	289,896	(5,485)	54,929	(82)	7,700	-
Total Non Voted	**(462)**	**289,896**	**(5,485)**	**54,929**	**(82)**	**7,700**	**-**

Departmental Resource Spending							
	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23	2023-24
	Restated	Restated	Restated	Outturn	Outturn	Plan	Plan
Spending in DEL – DLUHC Communities	Outturn	Outturn	Outturn	£'000	£'000	£'000	£'000
Departmental Expenditure Limit (DEL) - DLUHC Housing and Communities	**2,353,466**	**2,799,874**	**2,709,558**	**2,764,500**	**3,863,558**	**#REF!**	**2,172,633**
Voted expenditure							
Of which:							
K: Revenue Support Grant	1,378,997	653,058	1,612,634	1,621,557	1,672,058	1,905,423	-
L: Other grants and payments	3,450,911	7,918,506	19,290,610	19,603,675	10,012,621	12,656,700	13,940,155
M: Business Rate Retention	3,928	212	3,352	36,882	87,470	62,515	-
Total Spending in DEL -DLUHC Local Govt	**4,833,836**	**8,571,776**	**20,906,596**	**21,262,114**	**11,772,149**	**14,624,638**	**13,940,155**
Total Resource DEL	**7,187,302**	**11,371,650**	**23,616,154**	**24,026,614**	**15,635,707**	**17,663,167**	**16,112,788**
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
Of which:							
Other grants and payments	-	-	-	(5,642,633)	-	-	-
N: Local Government & Public Services	7,903	53,671	(9,360)	49,077	(36,220)	49,601	(16,073)
O: Housing and Planning	6,166	8,262	3,867	(8,028)	2,423	102,113	-
P: Local Growth and Devolution	5,802	(2,256)	(7,312)	7,041	(22,143)	5,000	-
Q: DLUHC Staff, Building and Infrastructure Costs	1,267	(4,117)	(1,099)	(10,567)	12,776	(168)	(168)
R: Non-Domestic Rates Outturn Adjustment	(10,818)	2,586	9,520			350,000	350,000
S: Local Government & Public Services (ALB)(Net)	2,354	2,550	2,569	4,462	3,832	5,707	(1,716)
T: Housing and Planning (ALB)(Net)	174,887	(234,400)	(64,990)	(901,232)	(260,163)	2,632,237	(28,801)
U: Business Rate Retention	21,199,022	18,367,167	16,694,832	14,168,541	11,100,860	16,730,761	13,179,820
Total Resource AME	**21,386,509**	**18,193,463**	**16,628,027**	**7,666,661**	**10,801,365**	**19,875,251**	**13,483,062**
Total Resource	**28,573,811**	**29,565,113**	**40,244,181**	**31,693,275**	**26,437,072**	**37,538,418**	**29,595,850**

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

							Departmental Capital Spending
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan	Plan
Spending in DEL – DLUHC Communities	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure							
Of which:							
A: Local Government & Public Services	885,336	14,782	65,666	85,670	74,183	129,744	34,666
B: Housing and Planning	454,754	1,823,678	1,067,484	940,752	1,326,242	2,138,264	1,954,132
C: Local Growth and Devolution	1,190,461	928,834	2,131,731	1,256,681	1,572,259	1,349,631	689,645
D: Elections, Union and Constitution					6,610	18,037	-
E: Supporting Families	697	749	545	(69)	140	810	1,250
F: Research, Data and Trading Funds	3,072	4,509	3,160	6,344	1,230	9,161	9,000
G: DLUHC Staff, Building and Infrastructure Costs	13,923	6,967	7,125	18,182	20,161	35,065	6,737
Departmental Unallocated Provision						555,724	80,486
H: Local Government & Public Services (ALB)(Net)	494	250	125	189	869	500	994
I: Housing and Planning (ALB)(Net)	4,875,032	5,493,446	5,820,532	3,834,622	3,816,071	2,957,012	4,234,197
Total Spending in DEL - DLUHC Communities	**7,423,769**	**8,273,215**	**9,096,368**	**6,142,371**	**6,817,765**	**7,193,948**	**7,011,107**

Table 2: Administration budgets

	Administration budgets						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan	Plan
	£’000	£’000	£’000	£’000	£’000	£’000	£’000
B: Housing and Planning	36,022	–	–		–	–	–
F: DLUHC Staff, Building & Infrastructure Costs	163,196	204,491	221,784	248,897	263,330	263,864	253,843
G: Local Government & Public Services (ALB) (Net)	17,756	18,940	17,954	17,925	17,763	17,738	19,159
H: Housing and Planning (ALB)(Net)	39,485	26,433	31,351	7,268	(48,037)	55,123	57,171
Total Voted	**256,459**	**249,864**	**271,089**	**274,090**	**233,056**	**336,725**	**330,173**
Total Administration expenditure	**256,459**	**249,864**	**271,089**	**274,090**	**233,056**	**336,725**	**330,173**

Interpreting the Core Tables

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 in 2022-23 mainly relates to the introduction of the Homes for Ukraine programme which was launched in March 2022. Spend is planned to return to trend for 2023-24 and 2024-25.
- B: Housing and Planning – This covers funding for a large number of programmes at different stages in their lifecycles, which naturally have different requirements year-on-year. The biggest driver of reduced outturn in 2022-23 was due to no new legacy payments on the New Homes Bonus. The planned decrease in 2024-25 reflects the Spending Review allocations.

- C: Local Growth and Devolution – Spending has increased between 2021-22 and 2023-24 reflecting new programme funding to support the levelling up agenda. Funding for the UK Shared Prosperity in 2024-25 is not yet reflected in plans.
- D: Elections, Union and Constitution – This row records the Machinery of Government transfer of functions from the Cabinet Office in 2021-22.
- E: Supporting Families – Payments on this programme are demand-led, with payment made in accordance with the programme results achieved by local authorities. The budget for 2023-24 and 2023-24 has been allocated to match expected delivery.
- F: Research Data and Trading Funds – Outturn in 2022-23 is consistent with most prior years. The difference between 2020-21 and 2021-22 relates to £45m income received after closing the 2007-13 European Regional Development Fund (ERDF) Programme.
- G: DLUHC Staff, Building and Infrastructure Costs – The increase in our resource administration supported the employment of additional resources to deliver expanded programmes. Spend is expected to decrease in 2023-24 and 2024-25 in line with plans agreed through the 2021 Spending Round.
- H: 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.

- I: 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. Expenditure is planned to steadily increase for the remainder of the current Spending Review period.
- J: 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 had been budgeted for. Funding for 2024-25 will be established at the Main Estimate.
- Departmental Unallocated Provision – The budget in 2024-25 will be allocated to specific programmes at the Main Estimate.

Resource DEL – Local Government

- K: 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. There is an increase in 2023-24 to reflect inflationary increases and the rolling in of other grants. There is currently no comparable value or plans for 2024-25.

- L: Other Grants and Payments – This section is lower than in recent years due to a significant reduction in funding through LG DEL for COVID-19 measures.
- M: 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. For 2022-23 there was a higher take up of on account safety net payments. Claims from two London authorities (Westminster and the GLA) accounted for most of the increase. The take up for on account payments for 2023-24 are lower (the GLA has not requested an on account payment). From 2023-24 onwards it also includes funding of £12.5 million for the City of London Offset.
- Other Grants and Payments: To help local authorities manage the ongoing financial impact of the pandemic, in 2021-22 the on account additional business rate relief grant payments to them were again deliberately inflated as they had been in 2020-21 to help with temporary shortfalls resulting from the announcement of additional reliefs in year. A total of £7.5 billion was paid to local authorities. This led to significant adjustments at year end 2022-23 with the return of £3.6 billion from local authorities.
- 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 in

2022-23 represents a change in the provision for the Grenfell Tower.

- O: Housing and Planning – These budgets are held to cover potential losses on the Departments housing guarantee programmes. Deterioration in credit quality was less than expected. The budget for 2024-25 will be established at the Main Estimate.
- P: Local Growth and Devolution – Variance in the 2022-23 Outturn is due to 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. Any funding required for 2024-25 will be established at the Main Estimate.
- Q: DLUHC Staff, Building and Infrastructure Costs – The row provides budget for the creation and release of the core department's provisions. Year-on-year variances are due to annual revaluation of the Department's estate. Note 15 provides more detail for 2022-23.
- R: Non-Domestic Rates Outturn Adjustments – The row usually includes year end contingency against audit changes.
- S: Local Government and Public Services (ALB) (Net) – The row usually includes year end contingency against audit changes.

- T: 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 budget for 2024-25 will be set at the Main Estim
- U: 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 2022-23 is £11.8 billion.

Capital DEL – Communities

- A: Local Government & Public Services – Outturn in 2022-23 is consistent with previous years, excluding 2018-19 which included the final year of the London Settlement scheme. Budgets are set to increase next year reflecting additional funding for Homelessness and Rough Sleeping programmes.
- 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 increase in outturn in 2022-23 was primarily driven by additional spending on Building Remediation programmes and on the new Local Authority Housing Fund.

- C: Local Growth and Devolution – Increase in outturn in 2022-23 is primarily due to new programme funding to support the levelling up agenda, including Devolution Deals, Towns Fund and Levelling Up Fund. Funding for 2024-25 will be set for all programmes at the Main and Supplementary Estimates.
- D: Elections, Union and Constitution – This row records the Machinery of Government transfer of functions from the Cabinet Office in 2021-22.
- E: Supporting Families – Payments on this programme are demand-led, with payment made in accordance with the programme results achieved by local authorities. Expenditure is planned to increase over the coming years.
- F: Research, Data and Trading Funds – The row records other capital expenditure on research and development.
- G: DLUHC Staff, Building and Infrastructure Costs – 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. Funding for digital programmes in 2024-25 will be set at the Main Estimate.
- H: 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).

- I: Housing and Planning (ALB)(Net) – This row records funding for a large number of programmes at different stages in their lifecycles, that naturally have different requirements year-on-year. Budgets for 2023-24 and 2024-25 have been set in line with latest delivery plans.
- Departmental Unallocated Provision – The budget in 2023-24 relates to Capital Financial Transactions associated with various housing programmes. Budget will be allocated to specific programmes during the year.

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.

	2022-23				2021-22			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	24	12	95	46	20	10	102	52
Exchange rate losses	–	–	–	–	3	8,850	3	8,850
Claims abandoned	5	466	29	149,371	–	–	25	17,573
Fruitless payments	–	–	2	653	1	103	2	1,217
Constructive losses	–	–	–	–	–	–	–	–

	2022-23				2021-22			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	74	1,837	75	2,507	45	1,072	45	1,072

Losses

Cases over £300,000	£'000
Regional Growth Fund write-off: Earthly Energy Ltd	459
Homes England: Loans written off or impaired and fruitless payments	148,727

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 2022-23 there were six cases of loan losses recognised where the amount written-off or impaired for accounting purposes was in excess of £300,000, totalling £148.3 million. A fruitless payment of £400,000 was made. Homes England agreed to pay £400,000 to a third-party service provider in line with contractual mechanisms following delays to implementation of the services under the contract. More detailed information on these losses can be found in Homes England's Annual Report and Accounts

Special Payments

Cases over £300,000	£'000
Personal injury claim	326
Regulator of Social Housing: Housing association payments	670

There was one personal injury claim over £300,000.

The Regulator of Social Housing made special payments of £670,000 to support the financial position of a housing association.

A payment, approved by HM Treasury, contributing to the Grenfell Tower Alternative Dispute Resolution. The total settlement, of which the department's contribution was a part, was in total around £150 million. The settlement is in respect of a civil damages claim by survivors of the Grenfell Tower fire and bereaved family members. The contribution made by the department to this total is not disclosed in these accounts for confidentiality reasons, following legal advice.

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 2022-23 (2021-22: nil).

Fees and Charges (subject to audit)

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

						£'000
			2022-23			2021-22
Objectives	Full Cost	Income	Surplus/ (Deficit)	Full Cost	Income	Surplus/ (Deficit)
DLUHC – Energy Performance Certificate Fees	(1,661)	2,969	1,308	(2,410)	3,143	733
Planning Inspectorate – Local Plans	(7,291)	3,395	(3,896)	(9,518)	3,549	(5,969)
Planning Inspectorate – National Infrastructure	(12,443)	6,324	(6,119)	(11,426)	5,304	(6,122)
Planning Inspectorate – Other Major Specialist Casework	(4,242)	1,508	(2,734)	(3,986)	1,556	(2,430)
THO – Membership of Housing Ombudsman scheme	(18,089)	18,089	–	(10,376)	10,376	–
RSH – The Regulator of Social Housing	(12,385)	12,385	–	(12,472)	12,472	–
Total	**(56,111)**	**44,670**	**(11,441)**	**(50,188)**	**36,400**	**(13,788)**

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 117.

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 £29.1 million. A second scheme was launched in 2020, guaranteeing debt of no more that £3 billion. At the accounting date

£722.5 million of borrowing had been approved, with £648.5 million drawn down. The financial guarantee in the Statement of Financial Position had a value of nil.

- The department has provided a guarantee scheme for the private rented sector (PRS), 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 £76.1 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, £346 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 £50,000.
- 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 guarantees.
- 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 2023, the department had loaned the trading fund £2.6 million.

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.

- Professional Indemnity Insurance (PII) Scheme – The department provides state backing to an insurer who administers PII policies for qualified professionals to enable them to access the indemnity cover they need to undertake EWS1 assessments. The cost of the scheme, including the expected losses, was designed to be offset through premiums. The liability recognised on the balance sheet is nil. The contingent liability is unlimited because there is no theoretical cap on the size of claims that could be made. However, the risk is limited by the number of buildings, the number of

EWS1 assessments, insurance only being issued to qualified professionals and audit of the certificates.

- 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.

The department has 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.

Reconciliation between contingent liabilities reported in the Supply Estimate and the Annual Report and Accounts (ARA) (not subject to audit)

Quantifiable contingent liabilities

Description of contingent liability	Supply Estimate (£'000)	Amount disclosed in ARA (£'000)	Variance (Estimate – Amount disclosed in ARA), £'000)
Government Legal Department	118	237	(119)
Right to Buy	250 to 750	250 to 750	–
Planning inspectorate: litigation	64	96	(32)
Planning Inspectorate Ex-gratia	243	185	58
ERDF corrections	2,500	2,500	–
AHGS 2013 drawn down	3,200,000	3,200,000	–
AHGS 2020 scheme size	3,000,000	3,000,000	–
AHGS 2020 approved	448,500	723	447,778
AHGS 2020 drawn down	398,500	649	397,852
PRS scheme size	3,500,000	3,500,000	–
PRS approved borrowing	1,800,000	1,800,000	–
PRS drawn down	1,500,000	1,500,000	–
ENABLE Build scheme size	1,000,000	1,000,000	–
ENABLE Build drawn down	176,000	346,000	(170,000)
QEII Conference Centre	4,579	2,600	1,979

The reason for the variances between the Supply Estimates and the Annual Report and Accounts is that the Supply Estimates are prepared before year end using the latest available numbers whereas the Annual Report and Accounts shows the figures at 31 March 2023. The basis of calculation is the same.

Unquantifiable contingent liabilities

Description of contingent liability	Included in the Supply Estimate (Yes/No)	Disclosed in the ARA? (Yes/No)	Explanation of difference
European legislation	Yes	Yes	NA
ERDF 2014-20	Yes	Yes	NA
Grenfell Tower	Yes	Yes	NA
Homes England: Sunderland City Council	Yes	No	Reduction in assessment of probability and value.
Homes England: West Sussex Pension Scheme	Yes	Yes	NA
Homes England: miscellaneous claims	Yes	Yes	NA
Professional indemnity insurance	Yes	Yes	NA
Joint inspection team	Yes	Yes	NA
ALB letters of comfort	Yes	Yes	NA
Elections	Yes	Yes	NA

Government Functional Standards

UK Government Functional Standards set expectations for the management of functional work and the functional model across government. The department works towards ongoing compliance with these standards, where applicable.

Sarah Healey CB CVO 14 July 2023
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 Department for Levelling Up, Housing and Communities and of its Departmental Group for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its executive 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 2022. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2023;
- 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 2023 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 Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 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), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriations Act
HM Treasury and related authorities	Managing Public Money
Regulations issued under governing legislation	Primary and secondary legislation which specifies the circumstances in which a Minister of the Crown may provide financial assistance to a local authority, person or charitable institution.

The key audit matters were discussed with the Audit and Risk Committee.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around presumed risk of management override of controls, or the risk relating to the complete and accurate disclosure of financial commitments, areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee.

Key audit matter 1 – Help to Buy Equity Loans Portfolio
Description of risk Homes England provides equity loans to homeowners buying new build properties up to a value of £600k through its Help to Buy schemes. As at 31 March 2023, there were over 250,000 'live' Help to Buy accounts. The Help to Buy equity loans portfolio dominates the Departmental Group's statement of financial position, valued at £18.9 billion at 31 March 2023. Valuation of the portfolio is undertaken with reference to market conditions prevailing at the reporting date. The valuation is highly sensitive to changes in the underlying methodology and assumptions, in particular market prices, and is subject to long-term estimation uncertainty arising from economic circumstances and market conditions. There is a risk that the data, method and assumptions used are inappropriate and that estimation uncertainty disclosures are not sufficient or accurate. There are known quality issues over data feeding into the estimate, and risks associated with reliance on third parties as key delivery partners. The valuation of the Help to Buy equity loan portfolio is calculated over a number of models, with no automated interfaces between these. There is increased risk of error resulting from the need to manually maintain and update the models individually when new input data is received or assumptions change.

<table>
<tr>
<td>How the scope of my audit responded to the risk</td>
<td>
I undertook procedures to evaluate the reasonableness of management’s estimate of the Help to Buy valuation. This included:

Assessing the design and implementation of the following controls operated by management:-
• processes to verify the accuracy of underlying data
• quality review procedures over the Help to Buy models
• controls implemented to manage the three-way split of the Help to Buy models for reporting purposes
• governance arrangements for the valuation and models.

Performing the following substantive testing:-
• assessing the appropriateness of the Help to Buy valuation methodology, drawing upon NAO specialist analytical and statistical expertise
• calculating my own estimate of the valuation using Home England’s assumptions and portfolio data, drawing upon NAO specialist modelling expertise to do so
• assessing whether the valuation assumptions selected by management were reasonable and in line with my understanding of the nature of the scheme and wider market expectations
• evaluating whether assumptions have been consistently applied across the models and appropriately disclosed in the financial statements
• challenging whether indices used in the valuation model are appropriate including consideration of alternatives
• evaluating estimation uncertainty by using NAO modelling expertise to perform sensitivity analysis and considering the impact of alternative data inputs on the model output
• testing the accuracy of the data supporting the valuation, by agreeing a sample of data within the Help to Buy models to underlying equity loan contracts and other sales documentation, as well as a review of redemption documentation
• reviewing the sufficiency and accuracy of the disclosures in the financial statements regarding estimation uncertainty.

Key observations

The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.
</td>
</tr>
</table>

<table>
<tr><th colspan="2">Key audit matter 2 – Expected Credit Loss Allowance</th></tr>
<tr><td colspan="2">Description of risk

Homes England is required by accounting standards (IFRS 9 Financial Instruments) to consider how current and future economic conditions impact on the level of expected credit loss for certain financial assets, including loans held at amortised cost and trade receivables. This leads to recognition of an expected credit loss provision which, at 31 March 2023 was £69 million on a portfolio valued at £1,481 million.

Although the balance of the provision is small and has not moved significantly, the estimate requires a high degree of judgement across a range of factors, which must take into account both forward-looking information (including forecasts of future economic conditions), and information on past events and current conditions. Management is required to determine the level of credit risk associated with each asset, whether credit risk on each asset has increased significantly since initial recognition, the probability that borrowers will default and estimate amounts recoverable via securities held against loans in the event of a default. As such, the inherent uncertainty is significant, particularly given the highly material value of the underlying portfolio, and leads us to recognise a significant risk over the valuation of this accounting estimate.

The risk is that the method and assumptions used are not appropriate or in accordance with the financial reporting framework. There is also a risk that the estimation uncertainty disclosures are not sufficient or accurate.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>I undertook procedures to evaluate the reasonableness of management’s estimate of Expected Credit Losses. This included:

Assessing the design and implementation of the following controls operated by management:-
• processes to challenge the development of specific assumptions applied in making the estimate
• quality review procedures over the expected credit loss model

Performing the following substantive testing:-
• agreeing significant data inputs to underlying information
• considering the reasonableness and appropriateness of key assumptions applied in forming the expected credit loss provision, including the use of NAO specialist expertise to challenge the macro-economic forecasting feeding into the estimate
• challenging management judgements on the probability of default and credit risk ratings including whether there has been a significant increase in credit risk
• reviewing the model to confirm the logical integrity
• reviewing the method used to produce the estimate to confirm compliance with the financial reporting framework
• reviewing the accuracy and sufficiency of disclosures made in the financial statements regarding uncertainty in the estimate.

Key observations

The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.</td></tr>
</table>

<table>
<tr><th colspan="2">Key audit matter 3 – Level 3 Fair Value Assets</th></tr>
<tr><td colspan="2"> Description of risk
Homes England holds a portfolio of financial assets which are valued using unobservable inputs, primarily through predicting returns receivable from development and infrastructure projects, discounted to reflect the time value of money. Within the IFRS 13 Fair Value hierarchy, these are classified as ‘Level 3’. Level 3 fair value assets totalled £578 million at 31 March 2023. Asset valuations are based on risk adjusted future cashflows. Management are required to make a number of judgements in arriving at these cashflows, creating inherent estimation uncertainty. Management need to assess the future financial performance and viability of investees, and the underlying projects. This involves taking into account current evidence of performance and developing assumptions around market conditions.
There is a risk that the data, method and assumptions used in the calculation of fair value are inappropriate and not in accordance with the financial reporting framework. There is also the risk that estimation uncertainty disclosures are not sufficient or accurate. In addition there is a risk that assets are recognised inappropriately or classified incorrectly in the IFRS 13 hierarchy. </td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td> I undertook procedures to evaluate the reasonableness of management’s Valuation of Level 3 Fair Value Assets. This included:
Assessing the design and implementation of the following controls operated by management:-
processes to challenge the cash flow forecasts and related assumptions applied in making the estimate
quality review procedures over the valuation estimate
Performing the following substantive testing:-
agreeing a sample of individual level 3 fair value assets to underlying supporting documentation, considering specifically the valuation method, expected timing and amount of future cashflows
challenging key assumptions impacting the valuation including management judgements over future expected cash flows, in particular where investees are in financial difficulty and the cash flows may need to be risk adjusted to better reflect predicted returns
using experts to verify future cash flows that are based on land or property valuations
considering whether level 3 assets were recognised, presented and classified appropriately in accordance with the financial reporting framework
reviewing the model to confirm the logical integrity and data inputs
reviewing the sufficiency and accuracy of disclosures around estimation uncertainty in the valuation.
Key observations
The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work. </td></tr>
</table>

Key audit matter 4 – Grant Expenditure
Description of risk The majority of the Department's annual expenditure takes the form of grants paid to local authorities in England. There are also grant programmes which extend to local authorities within the devolved nations and grants paid to charities and other community organisations. In 2022-23 this amounted to over £24 billion of expenditure in total. Due to the magnitude of this expenditure there are risks of material misstatement if: • the recognition policy for grant expenditure does not comply with the HM Treasury Government Financial Reporting Manual; • grant expenditure is incorrectly classified, recorded inaccurately or did not occur; for example if grants are recognised as expenditure that do not reflect the substance of the underlying grant agreements with local authorities or other recipient; • grant expenditure has been recognised in the incorrect period; • grant expenditure is incomplete. There are also risks of material irregularity if: • grants are recognised which the Department does not have legal authority to award under relevant legislation; • a grant is not used by the local authority or other recipient in accordance with the terms and conditions set out in the grant agreement. • the risk of incomplete grant expenditure were to materialise, such that recording these commitments would result in a breach of parliamentary control totals.

How the scope of my audit responded to the risk	I undertook procedures to address the risk of misstatement and irregularity in grant expenditure. This included: Assessing the design and implementation of the following controls operated by management:- • processes to recognise and pay genuine grants in accordance with the underlying agreements and legislation; • processes to monitor grant usage to assess whether funding paid by the Department had been spent in accordance with the terms and conditions set out in the grant agreement. Performing the following substantive testing:- • reviewing the accounting policy for grant expenditure to assess whether it was compliant with the Financial Reporting Manual • testing a sample of grant expenditure to confirm it had been recognised in the financial statements and paid to the recipient in accordance with the underlying grant agreement, and that the grant has been awarded appropriately under the relevant legislation • testing a sample of grant payments close to the year-end and in the periods after the year end to assess if grant expenditure had been recognised in the correct period and was complete • assessing whether the Department had committed to any grant programmes before the year end that had not been recognised in the financial statements but would meet the recognition criteria for grant expenditure as set out in the Department's accounting policies. This included consideration of spending plans announced by the Department late in the financial year • testing a sample of grants to assess whether the terms and conditions had been complied with by the receiving local authority or other recipient. **Key observations** The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Application of materiality

Materiality

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

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

	Departmental group	Department (Parent)
Materiality	£324m	£323m
Basis for determining overall account materiality	1% of gross expenditure of £32,378m (2021/22 1% of £36,565m)	1% of gross expenditure of £32,349m (2021/22 1% of £36,549m)
Rationale for the benchmark applied	The Department is funded directly from the Consolidated Fund and primarily spends money on revenue and capital grants to local authorities and other bodies. The issue of grants is the main direct means financially by which the Department delivers its remit. Gross expenditure is the primary area of stakeholder interest in the parent financial statements. Most activities of the group relate to the parent department and therefore expenditure is also the primary area of interest in the group financial statements. As parent expenditure is greater than that of the group then gross expenditure is capped for the parent when determining materiality to produce a parent materiality that is lower than the group.	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2022-23 audit (2021-22: 75%). In determining performance materiality, I also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

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

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have decreased net expenditure and assets by £30.5m.

Audit scope

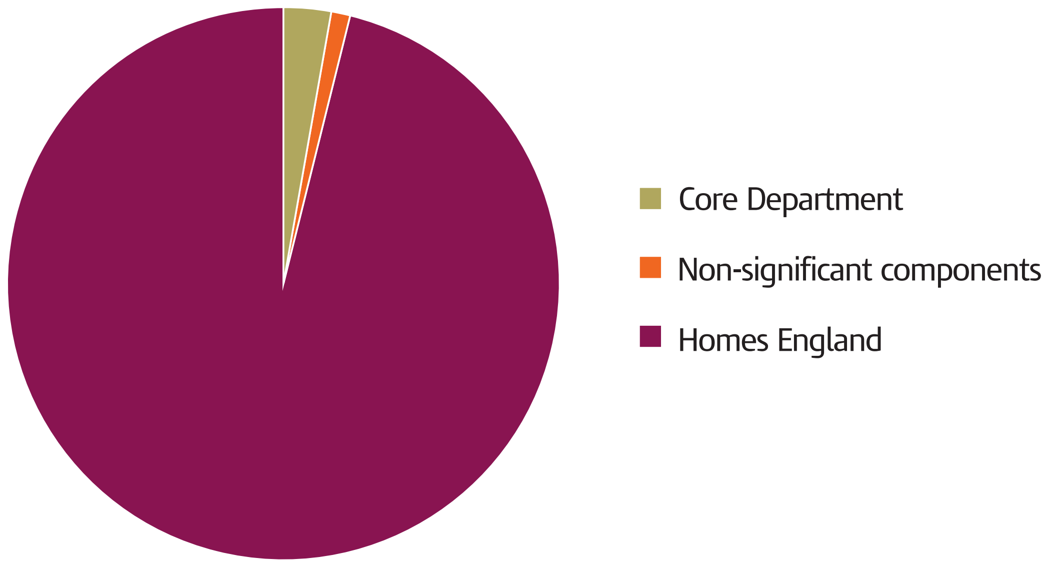
The scope of my Group audit was determined by obtaining an understanding of the Department, its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Departmental Group has total assets of 26.5bn. The group's only significant component is Homes England which holds the majority of the Group's assets which are within the Help to Buy portfolio, valued at £18.9bn.

I have audited the financial information of the Core Department, as well as the group consolidation. My audit of the significant component Homes England, which is overseen by the same engagement director, was complete at the time of my completion of the group audit. As group auditor, I have gained assurance from the auditors of the significant and material component and engaged regularly on the group significant risks such as the valuation of Help to Buy assets.

This work on the core Department and Homes England covered 99% of the Group's expenditure and 99% of the Group's asset, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Gross assets of individual components of the DLUHC Group (as at 31 March 2023)



Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor’s certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements 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, its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in

accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; 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 nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies:
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;

  - detecting and responding to the risks of 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 2022, primary and secondary legislation which specifies the circumstances in which a Minister of the Crown may provide financial assistance to a local authority, person or charitable institution,
  - and establishing legislation for bodies within the Departmental Group.
- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including the significant component audit 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 and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group’s framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused 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 Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, establishing legislation for bodies within the Departmental Group, Primary and secondary legislation which specifies the circumstances in which a Minister of the Crown may provide financial assistance to a local authority, person or charitable institution, employment law, pensions legislation and tax legislation.

In addition, I considered the nature of the control environment of the Departmentand its Group and its business performance, 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud, and

continuous risk assessment procedures were performed relating to fraud, non-compliance with laws and regulation or regularity.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and the significant component audit team 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 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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies 17 July 2023

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 2023

All activities are continuing

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

					£'000
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	276,010	437,691	244,067	395,645
Operating Expenditure	4	36,852,467	38,977,315	44,522,037	45,969,026
Operating Income	5	(7,557,130)	(8,548,481)	(9,919,623)	(10,978,397)
Grant-in-aid to ALBs		1,589,889	–	2,065,136	–
Net Operating Expenditure for the year ended 31 March		**31,161,236**	**30,866,525**	**36,911,617**	**35,386,274**
Total Expenditure		38,718,366	39,415,006	46,831,240	46,364,671
Total Income		(7,557,130)	(8,548,481)	(9,919,623)	(10,978,397)
Net Operating Expenditure for the year ended 31 March		**31,161,236**	**30,866,525**	**36,911,617**	**35,386,274**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					

					£'000
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Net (Gain) / Loss on:					
Pension Schemes	16	57,249	(92,003)	(153,984)	(256,074)
Revaluation of property, plant and equipment		–	–	(430)	(430)
Income tax on items in other comprehensive expenditure		–	15,942	–	16,006
Total comprehensive expenditure for the year ended 31 March		**31,218,485**	**30,790,464**	**36,757,203**	**35,145,776**

The Notes on pages 271 to 347 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2023

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 2023		31 March 2022	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-current assets					
Property, plant and equipment		22,840	26,843	22,671	27,866
Right of use assets		68,654	78,019	-	-
Intangible assets		46,317	57,061	26,534	33,478
Investments in associates and joint ventures	6	5,000	66,932	5,000	60,123
Financial assets at fair value	7	142,175	20,046,823	121,905	19,682,334
Financial assets at amortised cost	9	167,089	1,014,068	206,655	1,133,193
Investment properties		64,600	64,600	71,000	71,000
Trade and other receivables	12	154,977	170,820	205,910	293,227
Total non-current assets		**671,652**	**21,525,166**	**659,675**	**21,301,221**
Current assets					
Inventories	11	458,665	1,528,024	343,159	1,511,816
Assets held for sale		-	-	-	2,450
Financial assets at fair value	8	12,289	121,959	6,226	90,246
Financial assets at amortised cost	10	106,781	677,347	104,062	589,131
Trade and other receivables	12	482,521	731,611	539,120	675,957

					£'000
		31 March 2023		31 March 2022	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash and cash equivalents	13	1,682,114	1,929,965	3,630,224	3,849,067
Total current assets		**2,742,370**	**4,988,906**	**4,622,791**	**6,718,667**
Total Assets		**3,414,022**	**26,514,072**	**5,282,466**	**28,019,888**
Current liabilities					
Trade and other payables	14	3,743,041	4,320,555	5,854,640	6,267,546
Provisions	15	22,916	26,915	20,549	26,022
Total current liabilities		**3,765,957**	**4,347,470**	**5,875,189**	**6,293,568**
Non-current assets plus/ less net current assets/ liabilities		**(351,935)**	**22,166,602**	**(592,723)**	**21,726,320**
Non-current liabilities					
Trade and other payables	14	367,732	394,303	304,195	419,307
Provisions	15	73,357	78,178	103,974	114,328
Pensions	16	124,109	(135,831)	62,532	(64,010)
Financial guarantees		110,899	110,899	112,398	112,398
Total Non-current liabilities		**676,097**	**447,549**	**583,099**	**582,023**
Assets less liabilities		**(1,028,032)**	**21,719,053**	**(1,175,822)**	**21,144,297**
Taxpayers' equity					
General fund		(938,781)	21,518,085	(1,144,549)	21,024,737
Revaluation reserve		(1)	(1)	728	728
Pension reserve		(89,250)	200,969	(32,001)	118,832
Total taxpayers' equity		**(1,028,032)**	**21,719,053**	**(1,175,822)**	**21,144,297**

Sarah Healey CB CVO 14 July 2023
Accounting Officer
Department for Levelling Up, Housing and Communities

The Notes on pages 271 to 347 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

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
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(31,161,236)	(30,866,525)	(36,911,617)	(35,386,274)
Adjusted for:					
Finance (income)/costs	4,5	(29,944)	(779,216)	14,708	(836,879)
(Profit)/loss on disposal of non-current assets	4,5	3,917	(37,274)	–	(25,163)
Depreciation and amortisation	4	26,449	32,885	12,984	17,770

					£'000
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Revaluation of non-current assets passing through the SoCNE	4	6,400	6,400	(4,200)	(4,200)
Impairment of non-current assets	4	959	284,487	6,631	(159,620)
Other non cash transactions	4,5	1,256	(34,787)	217	16,669
(Increase) / decrease in inventories	11	(115,506)	(16,208)	(20,012)	(77,783)
(Increase) / decrease in trade & other receivables		115,101	41,301	(229,926)	(134,413)
Increase / (decrease) in trade & other payables		132,832	208,329	447,553	234,686
Adjustment to NNDR/ BRR payables		(114,156)	(114,156)		
Movement in provisions	4	(13,299)	(12,445)	60,455	56,643
Utilisation of provision	15	(14,951)	(22,811)	(26,178)	(27,291)
Pension fund adjustments	16	(11)	18,236	–	20,865
Local share (business rates retained by local authorities)	4	11,744,365	11,744,365	7,482,007	7,482,007
Adjustments for Corporation Tax		–	(15,942)	–	(16,006)
Net Cash outflow from operating activities		**(19,417,824)**	**(19,563,361)**	**(29,167,378)**	**(28,838,989)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(15,693)	(16,361)	(10,995)	(12,680)
Purchase of intangible assets		(26,755)	(32,361)	(15,391)	(21,308)
Financial assets issued		–	(2,799,279)	–	(3,057,822)
Proceeds of disposal of property, plant and equipment		9	2,459	–	2,250
Proceeds from disposal of joint ventures		–	6,905	–	2,699
Proceeds on disposal of financial assets		–	2,317,468	–	2,076,809

					£'000
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Repayment of financial assets	7,8,9,10	35,890	605,359	35,256	538,842
Interest received	5	11,521	108,625	(1,125)	59,500
Other adjustments – investing activities		(1,389)	(10,601)	–	26,481
Net Cash inflow/ (outflow) from investing activities		**3,583**	**182,214**	**7,745**	**(385,229)**
Cash Flows from Financing Activities					
From the consolidated fund (supply) – current year		20,090,500	20,090,500	29,750,000	29,750,000
From the consolidated fund (non-supply) – current year		980	980	58,616	58,616
Capital element of payments in respect of finance leases		(16,710)	(18,081)	(4,954)	(4,954)
Interest paid	4	(24)	(497)	(4,897)	(5,299)
Foreign exchange movements		4,390	4,390	(8,863)	(8,863)
Adjustments for changes in accounting policy (financing)		(102,802)	(105,044)	–	–
Net Cash inflow/ (outflow) from financing activities		**19,976,334**	**19,972,248**	**29,789,902**	**29,789,500**
Net increase/ (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**562,093**	**591,101**	**630,269**	**565,282**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**–**	**–**	**–**	**–**

					£’000
			2022-23		2021-22
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Payments due to the Consolidated Fund		(2,510,203)	(2,510,203)	(1,988,730)	(1,988,730)
Net increase/ (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(1,948,110)	(1,919,102)	(1,358,461)	(1,423,448)
Cash and cash equivalents at the beginning of the period	13	3,630,224	3,849,067	4,988,685	5,272,515
Cash and cash equivalents at the end of the period	13	1,682,114	1,929,965	3,630,224	3,849,067

*Adjustments for changing in accounting policy relates to adjustments to lease balances on the implementation of IFRS 16 Leases.

The Notes on pages 271 to 347 form part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

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 2021		**19,762,254**	**298**	**(134,509)**	**19,628,043**
Comprehensive Net Expenditure	SOCNE	(35,402,280)	430	256,074	(35,145,776)
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)	–	–	(59)
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 - excess vote		4,923,588	–	–	4,923,588

					£'000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
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		**21,024,737**	**728**	**118,832**	**21,144,297**
Change in Accounting Policy	SOCNE	(17,956)	–	–	(17,956)
Balance at 1 April 2022		**21,006,781**	**728**	**118,832**	**21,126,341**
Comprehensive Net Expenditure		(30,882,467)	–	92,003	(30,790,464)
Non cash charges – auditor's remuneration	4	512	–	–	512
Local share (business rates retained by local authorities)	4	11,744,365	–	–	11,744,365
Other adjustments to reserves		(49)	(160)	368	159
Transfers between reserves		10,781	(569)	(10,234)	(22)
Total recognised income and expenses for 2022-23		**(19,126,858)**	**(729)**	**82,137**	**(19,045,450)**
Net Parliamentary Funding – drawn down		20,090,500	–	–	20,090,500
Net Parliamentary Funding – deemed supply		3,602,697	–	–	3,602,697
Consolidated Fund Standing Services -non supply – drawn down:		980	–	–	980
Supply (payable)/receivable		(1,659,173)	–	–	(1,659,173)
CFERs payable to the consolidated fund	SoPS4.1	(2,396,842)	–	–	(2,396,842)
Sub Total of Net Parliamentary Funding and CFERs payable		**19,638,162**	**–**	**–**	**19,638,162**
Balance at 31 March 2023		**21,518,085**	**(1)**	**200,969**	**21,719,053**

*Change in Accounting Policy relates to adjustments to lease balances on the implementation of IFRS 16 Leases.

The Notes on pages 271 to 347 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

					£'000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2021		**(894,868)**	**298**	**(185,985)**	**(1,080,555)**
Comprehensive Net Expenditure (restated)	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
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 Parlimentary Funding – drawn down		29,750,000	–	–	29,750,000
Net Parliamentary Funding – excess vote		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)**
Change in Accounting Policy	SOCNE	(16,595)	–	–	(16,595)
Balance at 1 April 2022		**(1,161,144)**	**728**	**(32,001)**	**(1,192,417)**
Comprehensive Net Expenditure		(31,161,236)	–	(57,249)	(31,218,485)
Non cash charges – auditor's remuneration		512	–	–	512

					£'000
	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Local share (business rates retained by local authorities)	4	11,744,365	–	–	11,744,365
Other adjustments to reserves		(9)	(160)	–	(169)
Transfers between reserves		569	(569)	–	–
Total recognised income and expenses for 2022-23		**(19,415,799)**	**(729)**	**(57,249)**	**(19,473,777)**
Net Parliamentary Funding – drawn down		20,090,500	–	–	20,090,500
Net Parliamentary Funding – deemed supply		3,602,697	–	–	3,602,697
Consolidated Fund Standing Services -non supply – drawn down:		980	–	–	980
Supply (payable)/receivable		(1,659,173)	–	–	(1,659,173)
CFERs payable to the consolidated fund		(2,396,842)	–	–	(2,396,842)
Transfers between reserves	SoPS4.1	–	–	–	
Sub Total		**19,638,162**	**–**	**–**	**19,638,162**
Balance at 31 March 2023		**(938,781)**	**(1)**	**(89,250)**	**(1,028,032)**

*Change in Accounting Policy relates to adjustments to lease balances on the implementation of IFRS 16 Leases.

The Notes on pages 271 to 347 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 2022-23 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 23.

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 2023. 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:

- The International Accounting Standards Board (IASB) has issued International Financial Reporting Standards (IFRS): IFRS 17 Insurance Contracts, which replaces IFRS4 Insurance Contracts. IFRS 17 has an effective date of 1 January 2023 and has been approved for adoption in the UK by the UK

Endorsement Board. HM Treasury have agreed with the Financial Reporting Advisory Board (FRAB) to delay the implementation of IFRS 17 in central government by two years to 1 April 2025. The impact of this standard cannot yet be determined.

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.

Fair Value Financial Assets

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. Further information is provided in Note 17.

The majority of financial assets measured at fair value are investments in homes, such as those under the Help to Buy scheme, as analysed in Note 7 and 8. These assets are valued with reference to regional house price indices, supplemented by adjustments for experience of actual disposals since the inception of the schemes. Together, these provide a reasonable estimate of the fair value of these assets because house price indices alone cannot accurately predict the value of individual homes; and disposal proceeds to date, although a good indicator of market performance, may not occur at the same level in the future. As security over the Help to Buy investment is via a second charge over the property with the main mortgage provider holding the first charge, if the amount needed to settle the homeowner's main mortgage does not leave sufficient sale proceeds available to settle our original percentage share, then the Departmental Group will not receive its full percentage share of the proceeds. Instead, it will receive the available remaining cash after the first charge has been settled. In an economic scenario where there was a significant decrease in house prices, there is a risk that the Departmental Group may not recover the full amount of its equity loan balance due to this first charge effect.

The valuation of investments in homes (through equity-loan programmes such as Help to Buy) is highly sensitive to changes in assumptions about market prices. Investments in homes are also the most significant asset category so the judgement exercised by management, both in the application of indexation to the home equity portfolio and in the experience adjustments applied to this indexation, is a source of estimation uncertainty in the Financial Statements.

Analysis showing the sensitivity of the valuation of these assets to changes in market prices, and therefore to management's judgement in estimating this valuation, is shown in Note 17.

Other financial assets measured at fair value are generally valued with reference to cash flow forecasts, which are by their nature based on estimates. Exceptions to this are quoted values or net asset values.

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. 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 £770 million employer assets at 31 March 2023 disclosed in Note 16, only £96 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. 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 D.

7. Right of Use assets

The Departmental Group implemented IFRS 16 Leases in the current year. The impact of this standard is to show £77.9 million right of use assets on the balance sheet and an increase in the finance lease liabilities within trade and other payables.

8. 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 an area of estimation and judgement 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.

9. 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.

10. Reinsurance Liabilities

In September 2022, the Department launched the External Wall System Professional Indemnity Insurance scheme (EWS PII), which is accounted for under IFRS 4 Insurance. The Department is the reinsurer of the scheme. The contractual cost of an insurance liability is recognised when a policy is issued.

11. 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 an area of estimation and judgement within the accounts.

12. Principal Civil Service Pension Scheme and Other Pension Schemes

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.

13. 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.

14. 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 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 D.

15. 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 2023-24 in the Central Government Main Supply Estimates 2023-24.

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
		2022-23					2021-22				
	Note	Local Government and Public Services	Troubled Families	Housing and Planning	Decentral-isation and Growth	Total	Local Government and Public Services	Troubled Families	Housing and Planning	Decentral-isation and Growth	Total
Gross Expenditure	SoPS1.1	30,458,293	206,968	5,635,529	2,606,109	38,906,899	38,817,336	168,209	4,686,745	2,218,835	45,891,125
Income	SoPS1.1	(6,182,738)		(1,400,872)	(515,228)	(8,098,838)	(8,687,449)		(1,478,576)	(582,819)	(10,748,844)
Net Expenditure		**24,275,555**	**206,968**	**4,234,657**	**2,090,881**	**30,808,061**	**30,129,887**	**168,209**	**3,208,169**	**1,636,016**	**35,142,281**

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	2022-23 Total	2021-22 Total
Total net expenditure reported for operating segments	2	**30,808,061**	**35,142,281**
Reconciling items:			
Income		(449,643)	(229,553)
Expenditure		432,046	233,048
Prior period adjustment			
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**30,790,464**	**35,145,776**

Note 3. Staff Costs

					£'000
			2022-23		2021-22
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		276,010	437,691	244,067	395,645

The Staff Report, page 169, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

					£'000
			2022-23		2021-22
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-Cash Items					
Depreciation and amortisation		26,449	32,885	12,984	17,770
Impairment/(revaluation) of Property, Plant and Equipment		–	–	–	(1,460)
Impairment/(revaluation) of other financial assets		959	284,487	6,631	(158,160)
Impairment of inventory		–	106,924	–	18,985
Impairment/(revaluation) of assets		6,400	6,400	(4,200)	(4,200)
Loss on disposal of assets		1,054	1,054	–	–
ERDF write-offs and disallowances		–	–	(4)	(4)
ERDF exchange rate losses (unrealised)		4,192	4,192	–	–
Auditors remuneration[1]		512	512	460	460
Increase/Decrease in provisions (Provisions provided for in year less any release)	15	(13,299)	(12,445)	60,455	56,643
Write-off of bad debt		744	(35,299)	(239)	16,213

					£'000
		2022-23		2021-22	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Net interest on pension scheme liabilities	16	1,722	(554)	4,112	2,726
Admin charge on pension assets	16	2,617	2,769	2,975	3,246
Notional costs		176	176	146	146
Local share (business rates retained by local authorities)		11,744,365	11,744,365	7,482,007	7,482,007
Other non cash costs		3,747	3,747	(6,992)	(6,992)
Total Non Cash Items		**11,779,638**	**12,139,213**	**7,558,335**	**7,427,380**
Cash Items					
Rentals under leases		676	1,277	471	1,198
Accommodation including rentals under leases		4,372	9,427	16,462	24,771
Research and development		25,431	25,431	16,711	16,711
Legal and professional services		81,241	149,806	72,411	132,573
Consultancy		4,571	4,660	6,514	6,562
Marketing and communications		7,522	9,343	11,017	13,800
Training and development		3,910	5,648	3,807	4,989
Auditors remuneration[1]		61	972	52	797
IT expenditure		47,226	56,406	30,789	38,548
Travel and subsistence		3,692	6,675	1,817	3,210
Returning Officer Expenses[2]		111	111	54,930	54,930
ERDF exchange rate losses (realised)		–	–	8,863	8,863
Interest payable		24	497	4,897	5,299
Taxation		3,939	(3,687)	896	(3,333)
ERDF grants		450,058	450,058	540,626	540,626
Revenue support grant and PFI grant		1,870,117	1,870,117	1,831,617	1,831,617
Business rates retention (top ups)		2,643,270	2,643,270	3,072,370	3,072,370
Other capital grants to local authorities		3,565,431	3,946,816	2,844,454	3,252,294

					£'000
		2022-23		2021-22	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Other current grants to local authorities[3]		16,300,958	16,308,073	28,386,472	28,391,164
Other grants		49,601	1,334,314	44,654	1,115,118
Other cash costs		10,618	18,888	13,872	29,539
Total Cash Items		**25,072,829**	**26,838,102**	**36,963,702**	**38,541,646**
Total		**36,852,467**	**38,977,315**	**44,522,037**	**45,969,026**

Footnotes"

1 The external auditors total group fees (notional and cash) for all statutory audit work were £1.357 million. Of the £0.972 million cash charge for auditor's remuneration, £0.845 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 B.

3 A breakdown of significant grant programmes is provided below:.

Grant Programme	Amount
	£000
BRR – Local Share	11,744,365
Revenue Support Grant and PFI grant	1,870,117
Other current grants to local authorities:	
Social Care Support Grant	2,346,368
Better Care Fund	2,039,256
Deficit on collection	1,764,618
Expanded Retail Discount	1,732,872
Business Rates 2% Inflation Cap	1,265,998
Ukraine	1,170,026
Doubling of Small Business Rates	987,698
Business Rates Section 31 Grant Reconciliations	828,603
Services Grant	822,000
New Homes Bonus	556,003
Homelessness Prevention Grant	363,698
Other current grants to Local Authorities	2,423,821
ERDF Grants	450,058
Other current grants	49,600
Total current grants	**30,415,101**
Building Safety Fund non-ACM remediation	662,346
Disabled Facilities Grant	573,000
Towns Fund	539,553
Future High Streets Fund	253,217
Levelling Up Fund	249,885
Other capital grants to Local authorities	1,287,430
Total capital grants	**3,565,431**
Total grants	**33,980,532**

Note 5. Operating Income

					£’000
		2022-23		2021-22 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		–	126,324	–	109,366
Increase in fair value – FVTPL assets		26,334	673,542	–	790,020
ERDF exchange rate gains (unrealised)		1	1	272	272
Notional income		176	176	146	146
Share of profit of joint ventures and associates	6	–	3,309	–	229
Total Non Cash Items		**26,511**	**803,352**	**418**	**900,033**
Cash Items					
CFER income		186,712	186,712	48,155	48,155
Grant income		609,024	629,147	583,583	610,880
Business rate relief returns		3,555,606	3,555,606	5,624,692	5,624,692
ERDF grant income		514,480	514,480	582,171	582,171
Business rates retention (tariff)		2,625,096	2,625,096	3,059,760	3,059,760
Goods and services		4,669	4,717	4,816	4,871
Accommodation		(222)	4,594	19	4,280
Fees		14,416	26,821	13,760	26,266
ERDF exchange rate gains (realised)		4,390	4,390	–	–
Interest and dividends		11,521	108,625	(1,125)	59,500
Miscellaneous		4,927	84,941	3,374	57,789
Total Cash Items		**7,530,619**	**7,745,129**	**9,919,205**	**10,078,364**
Total		**7,557,130**	**8,548,481**	**9,919,623**	**10,978,397**

Note 6. Investments in associates and joint ventures

	£'000
	Investment in Associates & Joint Ventures
Opening balance at 1 April 2021	**50,732**
Additions	11,861
Revaluation	(2,699)
Profit/(loss) on JV or Associate	229
Balance at 31 March 2022	**60,123**
Additions	10,405
Disposal	(6,905)
Profit / (loss) on JV or Associate	3,309
Balance at 31 March 2023	**66,932**
Of which:	
Core Department	5,000
Agencies	–
Designated bodies	61,932

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 2023 include:

Name of undertaking	Share capital	Nature of business
English Cities Fund Limited Partnership	46%	Property development
Countryside Maritime Limited	50%	Development of land
Tilia 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
Newton Development Partners LLP	25%	Property development

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 2021	**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)
Transfer to receivables < 1year	–	–	(669)	(669)
Transfers in/(out)	–	193,796	(1,907)	191,889
Balance at 31 March 2022	**18,428,201**	**944,584**	**309,549**	**19,682,334**
Additions	2,224,473	80,023	–	2,304,496
Write down/ Impairments	(122,113)	(131,946)	–	(254,059)
Fair value gains/(losses)	615,230	26,767	26,334	668,331
Disposal	(2,211,609)	(121,262)	–	(2,332,871)
Transfers in/(out)	–	11,785	(27,131)	(15,346)
Transfer to receivables < 1year	–	–	(6,062)	(6,062)
Balance at 31 March 2023	**18,934,182**	**809,951**	**302,690**	**20,046,823**
Of which:				
Core Department	–	–	142,175	142,175
Agencies	–	–	–	–
Designated bodies	18,934,182	809,951	160,515	19,904,648

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.

The Coalfields Enterprise Fund closed in 2021-22, and the Coalfields Growth Fund closed in 2022-23. 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 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).

Note 7.2 Financial Instruments – Recognised fair value measurements

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

				2022-23
£'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	–	18,934,182	–	18,934,182
Other property investments		–	1,112,641	1,112,641
Investments	66,932	–	–	66,932
Total financial assets	**66,932**	**18,934,182**	**1,112,641**	**20,113,755**
of which				
Core Department	5,000	–	142,175	147,175
Agencies	–	–	–	–
Designated bodies	61,932	18,934,182	970,466	19,966,580
Total financial assets	**66,932**	**18,934,182**	**1,112,641**	**20,113,755**
Financial liabilities at fair value through profit or loss				
Financial guarantees	–	–	(110,899)	(110,899)
Other financial liabilities	–	–	(4,684,120)	(4,684,120)
Total financial liabilities	**–**	**–**	**(4,795,019)**	**(4,795,019)**
of which				
Core Department	–	–	(4,442,054)	(4,442,054)
Agencies	–	–	–	–
Designated bodies	–	–	(352,965)	(352,965)
Total financial liabilities	**–**	**–**	**(4,795,019)**	**(4,795,019)**

				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)**

Changes in level 3 Instruments Financial assets £'000	Other property investments	
	2022-23	**2021-22**
Balance 1 April	**1,254,133**	**982,044**
Additions	80,023	203,166
Repayments/disposals	(121,262)	(204,334)
Reclassifications	(21,408)	191,220
Gains/losses recognised in SOCNE	(78,845)	82,037
Balance 31 March	**1,112,641**	**1,254,133**
of which		
Core Department	142,175	121,905
Agencies	–	–
Designated bodies	970,466	1,132,228
Balance 31 March	**1,112,641**	**1,254,133**

Changes in level 3 Instruments Financial liabilities £'000	Financial guarantees	
	2022-23	**2021-22**
Balance 1 April	**(112,398)**	**(117,388)**
Additions	1,499	4,990
Balance 31 March	**(110,899)**	**(112,398)**
of which		
Core Department	(110,899)	(112,398)
Agencies	–	–
Designated bodies	–	–
Balance 31 March	**(110,899)**	**(112,398)**

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

	Current financial assets at fair value through profit or loss	
	2022-23	2021-22
Balance 1 April	**90,246**	**233,327**
Reclassifications (to)/from >1 year	31,713	(143,081)
Balance 31 March	**121,959**	**90,246**
Of which:		
Core Department	12,289	6,226
Agencies	–	–
Designated bodies	109,670	84,020

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 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 1 April 2022	**898,780**	**233,592**	**821**	**1,133,193**
Additions	446,943	–	–	446,943
Write down/ Impairments	36,361	–	–	36,361
Expected loss allowance	(28,684)	(1,327)	–	(30,011)
Repayments	(437,707)	(46,495)	–	(484,202)
Transfer to receivables <1year	–	(88,216)	–	(88,216)
Balance at 31 March 2023	**915,693**	**97,554**	**821**	**1,014,068**
Of which:				
Core Department	–	166,268	821	167,089
Agencies	–	–	–	–
Designated bodies	915,693	(68,714)	–	846,979

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 2023, 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 2021	**485,069**	**50,997**	**536,066**
Transfer from receivables > 1year	–	53,065	**53,065**
Balance at 1 April 2022	**485,069**	**104,062**	**589,131**
Transfer from receivables > 1year	85,497	2,719	**88,216**
Balance at 31 March 2023	**570,566**	**106,781**	**677,347**
Of which:			
Core Department	–	106,781	106,781
Agencies	–	–	–
Designated bodies	570,566	–	570,566

Note 11. Inventories

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

				£’000
		2022-23		2021-22
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April	**–**	**1,168,657**	**–**	**1,110,886**
Additions	–	182,429	–	230,174
Disposals	–	(174,803)	–	(153,418)
Impairments	–	(106,924)	–	(18,985)
Closing balance Land and buildings as at 31 March	**–**	**1,069,359**	**–**	**1,168,657**
ERDF Work in Progress				
Opening balance as at 1 April	343,159	343,159	323,147	323,147
Payments to Projects	494,579	494,579	341,939	341,939
Disposals	(379,073)	(379,073)	(321,927)	(321,927)
Closing balance ERDF as at 31 March	**458,665**	**458,665**	**343,159**	**343,159**
Total inventory closing balance as at 31 March	**458,665**	**1,528,024**	**343,159**	**1,511,816**

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 Homes England’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
		2022-23		2021-22
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:				
Trade receivables	2,407	9,741	2,390	3,744
Deposits and advances	–	5	–	7
VAT receivables	4,336	4,421	2,680	2,721
Other receivables	180,268	421,570	254,010	388,850
ERDF accrued income	(5,101)	(5,101)	(5,014)	(5,014)
Prepayments and accrued income	231,669	232,033	177,431	178,026
Elections Advances	68,942	68,942	107,623	107,623
Sub Total	**482,521**	**731,611**	**539,120**	**675,957**
Amounts falling due after more than one year:				
Trade receivables	–	1,138	–	2,053
Other receivables	35,147	49,852	55,940	141,204
ERDF advances	119,818	119,818	149,657	149,657
Prepayments and accrued income	12	12	313	313
Sub Total	**154,977**	**170,820**	**205,910**	**293,227**
Total	**637,498**	**902,431**	**745,030**	**969,184**

Note 13. Cash and cash equivalents

				£'000
		2022-23		2021-22
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	3,630,224	3,849,067	4,988,685	5,272,515
Net change in cash and cash equivalent balances	(1,948,110)	(1,919,102)	(1,358,461)	(1,423,448)
Cash Balance at 31 March	**1,682,114**	**1,929,965**	**3,630,224**	**3,849,067**
The following balances at 31 March were held at:				
Other bank and cash	–	62,573	–	56,022
Commercial banks and cash in hand	–	22,005	–	9,591
Government Banking Service	1,666,698	1,829,971	3,603,397	3,756,627
Government Banking Service (Elections)	15,416	15,416	26,827	26,827
Balance at 31 March	**1,682,114**	**1,929,965**	**3,630,224**	**3,849,067**

Note 14. Trade and other payables

				£'000
		2022-23		2021-22
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:				
Taxation and social security	5,426	17,069	5,231	8,613
Trade payables	(3,919)	511,733	(46)	377,602
Other payables	140,380	170,366	21,088	39,119
Accruals	1,121,531	1,125,404	1,413,168	1,416,230
Accruals – Elections	76,101	76,101	142,884	142,884
Leases	18,878	19,995	10,000	10,000
Deferred income	53,887	69,130	53,857	64,640
ERDF deferred income	664,709	664,709	605,061	605,061
Amount issued from the Consolidated Fund for supply but not spent	1,665,203	1,665,203	3,602,697	3,602,697
Consolidated fund extra receipts to be paid to the Consolidated Fund				
– received	845	845	700	700
Sub Total	**3,743,041**	**4,320,555**	**5,854,640**	**6,267,546**
Amounts falling due after more than one year:				
Leases	124,680	125,929	71,352	71,352
ERDF deposits held	241,174	241,174	231,438	231,438
Other payables	–	25,322	–	115,112
Deferred income	1,228	1,228	1,405	1,405
CFER Liability	650	650	–	–
Sub Total	**367,732**	**394,303**	**304,195**	**419,307**
Total	**4,110,773**	**4,714,858**	**6,158,835**	**6,686,853**

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
	2022-23		2021-22	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	124,523	140,350	90,244	110,996
Increase	17,012	17,012	68,285	68,285
Utilisation	(14,951)	(22,811)	(26,178)	(27,291)
Reversal	(30,311)	(28,646)	(7,923)	(11,784)
Unwinding of discount	–	(812)	–	49
Transfer	–	–	95	95
Balance at 31 March	**96,273**	**105,093**	**124,523**	**140,350**
Of which:				
Current liabilities	22,916	26,915	20,549	26,022
Non-current liabilities	73,357	78,178	103,974	114,328
Balance at 31 March	**96,273**	**105,093**	**124,523**	**140,350**

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 aim to publish their final report outlining their vision this autumn before running a design competition in 2024. 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	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**
Not later than one year	10,399	16,516	26,915
Later than one year and not later than five years	65,785	12,393	78,178
Later than five years	–	–	–
Balance at 31 March 2023	**76,184**	**28,909**	**105,093**

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
		2022-23		2021-22
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	1,352,032	2,495,417	1,441,029	2,609,466
Current service cost	-	42,502	-	45,381
Interest charges	36,072	66,769	27,809	51,299
Admin charge on pension liabilities	-	-	-	(92)
Contribution by members	-	6,361	-	6,305
Remeasurement of (gains) /losses on liability	(471,778)	(811,299)	(86,916)	(163,249)
Losses/(gains) on curtailment	-	(322)	-	-
Funded benefits paid	(32,151)	(67,490)	(29,890)	(53,386)
Unfunded benefits paid	(11)	(322)	-	(307)
Closing defined benefit obligation	**884,164**	**1,731,616**	**1,352,032**	**2,495,417**
Reconciliation of fair value of employer asset				
Opening balance	(1,289,500)	(2,559,427)	(1,231,600)	(2,444,238)
Interest income on scheme asset	(34,350)	(67,323)	(23,697)	(48,573)
Admin charge on pension assets	2,617	2,769	2,975	3,246
Contributions by members	-	(6,361)	-	(6,305)
Contributions by employer	-	(26,091)	-	(26,239)
Remeasurement of (gains)/losses on asset	529,027	719,295	(67,068)	(92,826)
(Losses)/gains on curtailment	-	2,469	-	2,028
Assets distributed on settlement	32,151	67,222	29,890	53,480
Closing fair value of employer asset	**(760,055)**	**(1,867,447)**	**(1,289,500)**	**(2,559,427)**
Closing net pension liability	**124,109**	**(135,831)**	**62,532**	**(64,010)**
of which:				
Funded	124,063	(138,482)	62,475	(67,999)
Unfunded	46	2,651	57	3,989

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 18 years (2021-22: 22 years).

The valuation of the scheme liabilities as at 31 March 2023 was completed by the department's actuaries using the projected unit credit method. The Trustees have agreed a new funding valuation for the Scheme as at 31 March 2022 which was used as a basis for the valuation assumptions.

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	**2022-23**	**2021-22**
Diversified Growth Funds	525	672
Liability Driven Investment	0	366
Infrastructure	22	102
Property	95	106
Cash	118	44
Total	760	1,290

In common with many pension schemes, the Scheme's Liability Driven Investments (LDI) were impacted by the sharp spike gilt yields at the end of September / beginning of October 2022. The Scheme was unable to meet the calls on collateral which resulted from the spike in yields and as such the LDI position had to be 'unwound' so that the Scheme lost most of its interest rate and inflation protection. Overall, the Scheme's assets have reduced over the year to 31 March 2023.

Pensions disclosures continue to be affected by risks arising from the impact of the COVID-19 pandemic, in particular its effect on investment market volatility and implications for mortality. At this stage, the full impact of the COVID-19 pandemic is not known, and uncertainties are likely to remain for some time.

The net liability has decreased due to an increase in the discount rate because of the rise in gilt yields as at 31st March 2023.

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations for the five years to 2023 are shown in the table below.

	2023	2022	2021	2020	2019
Principal assumptions	**% pa**	**% pa**	**% pa**	**% pa**	**% pa**
Rate of inflation	3.55	3.90	3.40	2.70	3.35
Rate of salary increase	n/a	n/a	n/a	n/a	n/a
Discount rate for liabilities	4.80	2.70	1.95	2.25	2.50
Rate of increase of pensions in payment	3.55	3.90	3.40	2.70	3.35
Rate of increase of deferred pensions	3.55	3.90	3.40	2.70	3.35

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2021-22: 29 years), for females retiring today, 30 years (2021-22: 30 years) and for males retiring in 20 years, 30 years (2021-22: 30 years), for females retiring in 20 years, 32 years (2021:22: 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	-0.5% a year	9%	80
Rate of inflation	+0.5% a year	8%	71
Rate of mortality	Mortality table rated down by one year	3%	27

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 D. The following table shows the balances held by the department as at 31 March 2023 that are subject to exchange rate risk. (Exchange rate at 31 March 2023 £1 = €1.137531).

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31 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 2023	114,718	130,494
Total assets at 31 March 2022	144,643	171,185
Total liabilities at 31 March 2023	(241,174)	(274,342)
Total liabilities at 31 March 2022	(231,438)	(273,907)

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 2023	Euro Rate at 31 March 2023	Impact of rate change to			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	£114,718	1:1.1375	£15m gain	£4m gain	£14m loss	£21m loss
Liabilities	(£241,174)	1:1.1375	£333m loss	£8m loss	£30m gain	£45m gain
Net gain/loss	(£126,457)		£17m loss	£4m loss	£15m gain	£23m 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 2023, 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%	22,962.1	3,832.9	20.0%
10.0%	21,047.3	1,918.1	10.0%
0.0%	19,129.2	-	0.0%
-5.0%	18,148.7	(980.5)	-5.1%
-10.0%	17,064.2	(2,065.0)	-10.8%
-20.0%	14,503.9	(4,625.3)	-24.2%
-30.0%	11,075.8	(8,053.4)	-42.1%

Private sector developments, overage and infrastructure – market risk

At 31 March 2023, if development returns had been 10% higher/lower and all other variables were held constant, the effect on Homes England's net expenditure arising from movements in investments in private sector developments and infrastructure projects, before the effects of tax, would have been an increase/decrease of £25.8 million /£25.8 million from that stated.

Land portfolio – market risk

The table below shows the effect on net expenditure at 31 March 2023, before the effects of tax, if at 31 March 2023 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%	1,195.3	(125.9)	11.8%
10.0%	1,135.2	(65.8)	6.2%
0.0%	1,069.4	-	0.0%
-5.0%	1,031.1	38.3	-3.6%
-10.0%	990.6	78.8	-7.4%
-20.0%	908.5	160.9	-15.0%
-30.0%	819.7	249.7	-23.3%

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

Financial guarantees – market risk

The department is also exposed to market risk via the financial guarantees it provides over borrowing for affordable housing and private rented sector homes. More detail on the magnitude of those schemes can be found on page 226. 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.

		£'000
Expected Credit Loss Allowances	**2023**	**2022**
Opening balance	**44,505**	**46,013**
Net movements in Expected Credit Loss Allowances	30,205	(1,508)
Closing balance	**74,710**	**44,505**

		£'000
Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	**2023**	**2022**
Net movements in Expected Credit Loss Allowances	30,205	(1,508)
Amounts written-off loan balances as irrecoverable under IFRS 9	36,361	(15,829)
Total credit impairment loss charge	**66,566**	**(17,337)**

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 65%/20%/15% 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 80% : 5% : 15% applied	66,428	(2,770)	-4.0%
Weighting of 70% : 15% : 15% applied	68,275	(923)	-1.3%
Base assumption of 65% : 20% : 15% applied	69,198	–	0.0%
Weighting of 70% : 20% : 10% applied	70,308	1,110	1.6%
Weighting of 60% : 30% : 10% applied	72,155	2,957	4.3%

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 2023, the department had approved £3.2 billion worth of debt finance raised by Affordable

Housing Finance (2013 scheme) and £722.5 million (2020 scheme) on behalf of Private Registered Providers, of which £648.5m 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 2023 is £ 29.1 million for the 2013 scheme and nil for the 2020 scheme. This valuation takes account of the liquidity reserve, which is held in account to cover a shortfall in income and protect bond coupon payments in the event of default.

A probability-weighted expected loss model is used as the basis of the accounting valuation of the guarantee. The model incorporates an estimated Probability of Default (PD) for each borrower, based on their credit rating.

Sensitivity analysis was conducted on the valuation by changing both the credit rating and the assumed Loss Given Default (LGD). The sensitivity testing adjusted the credit grade down by five Standard & Poor's (S&P) equivalent grades (considered to be conservative as the Registered Provider industry has a zero-default history) and increased the LGD around the central estimate. Although there might be some relationship between the PD and the LGD, the analysis and the underlying probability-weighted loss model treats the PD and LGD as two independent variables that are multiplied together in arriving at the financial guarantee liability. The result is a valuation range from £9.4m (5% LGD, Low PD) to £199.8m (25% LGD, High PD). When liquidity reserves are accounted for in the sensitivity analysis, the valuation ranges from £4.2m (5% LGD, Low PD) to £177m (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 2023, 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 is £76.1 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 £76.1 million and the top five counterparties represent 70% (based on guaranteed loan exposure). There are 14 counterparties for the 29 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 2023 accounted for £1.05 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 90.3% of the £277.1 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 2022 and 31 March 2023. 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.
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. This is supplemented by adjustments for experience of actual disposals since the inception of the schemes, also at a regional level.
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. Therefore these fair values are categorised as level 2 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.

Financial Instrument	Basis of fair value estimation
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. In addition, the estimate is sensitive to significant assumptions that Homes England makes within the valuation model. We have disclosed below the individual impact of the assumptions that currently have a material impact on the estimates. Other assumptions within the valuation model, including estimated rates of first charge mortgage arrears and discount to sales on repossession, do not have a material impact at present, but could do if there was a significant decrease in house prices.

Assumptions of market adjustments

Office for National Statistics House Price Indices – which are used by Homes England to estimate the effect of house price inflation over time – are based on all market activity. Help to Buy is only available on new-build properties purchased with a mortgage, and redemptions can occur via staircasing as well as by sale. This means that the market price of the property on redemption may differ from that estimated by HPI alone. Homes England therefore makes regional market adjustments using its accumulated experience of gains and losses on disposals across different redemption transaction types to allow for these differences. These assumptions have a significant effect on the fair value because they modify the expected market price of properties from which Homes England's percentage share is calculated.

Combined impact of assumptions

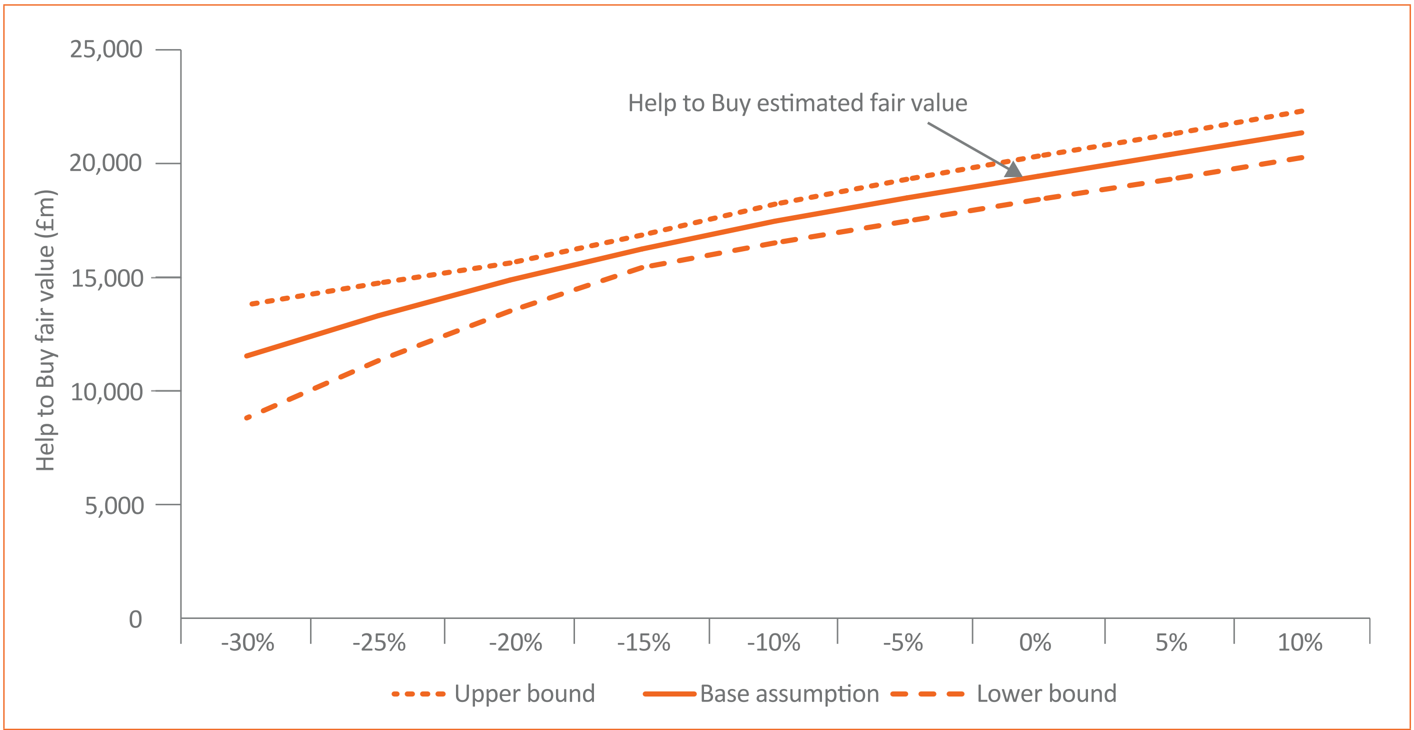
The assumptions applied by Homes England will interact with each other in different economic scenarios. For example, a 15% point fall in house prices might lead to both a 10% point increase in staircasing transactions (relative to sales) and a 7.5% increase in accounts in arrears (of 1.5% might be an increase in accounts likely to be repossesed). In this situation Homes England would model a fair value of £15,364m: a reduction of £3,570m or 18.9% 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

Potential spread of fair value from the combined impact of assumptions at different market prices



Note 18. 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 £3,608 million at 31 March 2023 (31 March 2022: £4,283 million). The profiling of the commitments reflects Homes England's best estimate of when cashflows will arise, however the actual timing may vary based on factors not wholly within Homes England's control.

Homes England has entered into financial commitments in relation to affordable housing grant programmes totalling £4,557 million at 31 March 2023 (31 March 2022: £5,197 million). One of these grants is individually material. An amount of £239 million is payable before 31 March 2026 to a strategic partner under the Affordable Homes Programme 2021-26.

Homes England has also 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 2023 was £20 million (31 March 2022: £993 million). Applications for the Help to Buy scheme closed on 31 October 2022, and following Secretary of State consideration all homebuyers were required to reach legal completion on their home before

31 May 2023. The decrease in Help to Buy commitments at the year-end compared to the prior year is reflective of the closure of the scheme to new applicants.

In addition to the above, Homes England has entered into financial commitments in relation to land development and building leases totalling £205m.

Note 19. 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
		2022-23	2021-22
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.	237	118
b	Claim for repair or repurchase of defective Right to Buy homes sold by local authorities between 1980 and 1985.	250 to 750k per house	250 to 750k per house
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
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: 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
		2022-23	2021-22
ih	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
i	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	96	64
j	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.	185	243
k	Estimated £2.5 million self-correction to the European Regional Development Fund (ERDF) programme to reduce the total error rate below 2% following the European Commission audit.	2,500	15,400

Note 20. Contingent assets disclosed under IAS 37

			£’000
		2022-23	2021-22
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 the Homes England. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain, therefore it is not possible to quantify the likely income which may ultimately be received by the Agency.	Unquantifiable	Unquantifiable

Note 21. Related party transactions

The department is the parent of a number of sponsored bodies listed in Note 23. 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.

- Jeremy Pocklington CB is a trustee of Business in the Community. It is a charity dedicated to responsible business in creating a skilled, inclusive workforce today and for the future, and building thriving communities in which to live and work. The trustees' role is to determine the charity's mission and purpose, while guarding its ethos and values. The department paid a total of £164,886 to the NI Business in the Community during 2022-23 (2021-22: £164,888). This was related to UK Community Renewal Fund.
- Lucy Frazer's husband is the CEO of Alexander Mann Solutions (AMS). Lucy Frazer was a Minister at DLUHC between 26 October 2022 and 7 February 2023. The Departmental Group spent £9 million with Alexander Mann during the entire year 2022-23 in relation to the supply of temporary staff. The majority of this cost relates to payments to agency staff but an element covers the services provided by AMS to source these temporary workers. The Minister had no role in the decisions relating this expenditure.
- Lord Gary Porter was leader of South Holland District Council. During 2022-23, DLUHC paid various grants

totalling £6 million (2021-22: £16 million) to South Holland District Council as part of normal business.

During the year no other Board member, key manager or other related parties, other than those mentioned above, have undertaken any material transactions with the department.

Related parties of Special Advisors are monitored by Cabinet Office.

Note 22. 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.

Responsibility for His Majesty's Land Registry was transferred to DLUHC from the Department for Business and Trade on 1 June 2023. This is a non-adjusting event after the reporting period.

There are no other significant events after the reporting period that require disclosure.

Note 23. 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 Development Corporation and the Architects Registration Board are consolidated into the departmental accounts. (Note Advisory Bodies do not produce 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.

*The Building Regulations Advisory Committee ceased to exist on 1 April 2023 and has been replaced by the Building Advisory Committee which reports under The

Health and Safety Executive and is not part of this Departmental Group.

**Responsibility for His Majesty's Land Registry was transferred to DLUHC from the Department for Business and Trade on 1 June 2023. The Land Registry is a non-Ministerial department and will not be consolidated into the accounts of the Departmental Group.

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.

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 353. The auditor’s notional fee of £21,500 (2021-22: £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, Sarah Healey CB CVO, 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 111.

Sarah Healey CB CVO 14 July 2023
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 2023 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 2023;
- 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 (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of the Department for Levelling Up, Housing and Communities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the appropriateness of preparing the Business Rates Retention and Non-Domestic Rates Trust Statement's ability to continue as 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 Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Foreword, Statement of Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance Statement but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the information given in the Foreword, Statement of Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance statement 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 Foreword, Statement of Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance Statement.

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

- Adequate accounting records have not been kept by the Department for Levelling Up, Housing and Communities or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; 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, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department for Levelling Up, Housing and Communities from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of

financial statements to be free from material misstatement, whether due to fraud or error;

- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the Governance Statement is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the ability of the Business Rates Retention and Non-Domestic Rates Trust Statement 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 accounted for within these financial statement will not continue to be provided.

Auditor’s responsibilities for the audit of the financial statements

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

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

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 nature of the sector, control environment and operational performance including the design of the Department for Levelling Up, Housing and Communities' accounting policies.

- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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, Local Government Finance Act 2012 and Managing Public Money;
- inquired of management, the Department for Levelling Up, Housing and Communities' head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,

- discussed with 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 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department for Levelling Up, Housing and Communities' framework of authority and other legal and regulatory frameworks in which the Department for Levelling Up, Housing and Communities operates. I focused 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. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, the Local Government Finance Act 1988, the Local Government Finance Act 2012 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and I performed continuous risk assessment procedures performed relating to fraud, non-compliance with laws and regulation or irregularity as appropriate;
- I carried out 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 risks of fraud to all engagement team members 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 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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

17 July 2023

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 2023

			£'000
	Note	2022-23	2021-22
National Non Domestic Rates		1,799,569	1,773,976
Business Rates Retention		21,677,525	18,060,944
Local Share			
Deduction of Local Share		(11,744,365)	(7,482,007)
Total Revenue after deduction of Local share	3	**11,732,729**	**12,352,913**
Net Revenue for the Consolidated Fund Account		**11,732,729**	**12,352,913**

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

The notes at pages 369 to 373 form part of this Statement.

Statement of Financial Position

as at 31 March 2023

			£'000
	Note	**2022-23**	**2021-22**
Current Assets			
Accrued Revenue Receivable	4	414,248	160,004
Cash and Cash Equivalents	CfS	12,797	101,508
Total Current assets		**427,045**	**261,512**
Current Liabilities			
Accrued Revenue Payable		12,799	101,508
Total Current Liabilities		**12,799**	**101,508**
Total assets less current liabilities		**414,246**	**160,004**
Balance on Consolidated Fund Account	2	**414,246**	**160,004**

Sarah Healey CB CVO
Accounting Officer
Department for Levelling Up, Housing and Communities

14 July 2023

The notes at pages 369 to 373 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2023

			£'000
	Note	**2022-23**	**2021-22**
Cash flows from operating activities		11,389,776	12,209,152
Cash paid to the Consolidated Fund		(11,388,459)	(12,305,449)
CFERs payable to the Consolidated Fund		(90,028)	-
Increase/(decrease) in cash in this period		**(88,711)**	**(96,297)**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	11,732,729	12,352,913
(Increase)/Decrease in receivables		(254,242)	(47,464)
Increase/(Decrease) in payables		**(88,711)**	**(96,297)**
Net Cash Flow from Operating Activities		**11,389,776**	**12,209,152**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		**(88,711)**	**96,297**
Net funds at 1 April		**101,508**	**5,211**
Net Funds as 31 March		**12,797**	**101,508**

The notes at pages 369 to 373 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 retained by the department represents the government's share of business rates retention 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 2021-22).

Trust Statement Note 2 Balance on the Consolidated Fund

		£'000
Consolidated Fund	2022-23	2021-22
Balance on Consolidated Fund Account as at 1 April	160,004	112,541
Net Revenue of the Consolidated Fund	11,732,729	12,352,913
Less amount paid to the Consolidated Fund	(11,478,488)	(12,305,450)
CFERs payable to the Consolidated Fund	90,028)	–
Balance on Consolidated Fund Account as at 31 March	**414,246**	**160,004**

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

		£'000
Revenue	2022-23	2021-22
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,799,569	1,773,976
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	9,933,160	10,578,937
Balance on Consolidated Fund Account as at 31 March	**11,732,729**	**12,352,913**

Trust Statement Note 4 Receivables

		£'000
Receivables	2022-23	2021-22
Accrued revenue receivable	414,248	160,004
Total receivables	**414,248**	**160,004**

Trust Statement Note 5 Payables

		£'000
Payables	2022-23	2021-22
Accrued revenue payable	12,799	101,508
Total payables	**12,799**	**101,508**

Trust Statement Note 6 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 7 Impact of COVID-19 on Business Rates Transactions

To help local authorities manage the ongoing financial impact of the pandemic, in 2021-22 it was agreed that the on account additional business rate relief grant payments to them were again deliberately inflated as they had been in 2020-21 to help with temporary shortfalls resulting from the announcement of additional reliefs in year. A total of £7.5 billion was paid to local authorities. This led to significant adjustments at year end 2022-23 with the return of £3.5 billion from local authorities and additional payments of over £0.8 billion, mainly to major precepting authorities. These transactions pass through the department's resource accounts, not through these accounts. At 31st March 2023, £3.4 billion of the £3.5 billion total had been returned to the Exchequer.

Going forward we expect business rates income to continue to recover from the impacts of the pandemic

Trust Statement Note 8 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
His Majesty's Treasury
9 February 2015

Annex A: Disaggregated Information on Arm's Length Bodies

The following table provides details of how totals included within the Statement of Comprehensive Net Expenditure (SoCNE) are broken down between the department and its Arm's Length Bodies.

Arms' Length Body[1]	Total Operating Income £000	Total Operating Expenditure £000	Total Net Expenditure £000	Permanently employed staff		Other Staff	
				Number employed	Cost £000	Number employed	Cost £000
Core Department	(7,545,115)	38,654,533	31,109,418	2,929	216,606	424	7,502,869
Commission for Local Administration in England	(72)	15,910	15,838	184	9,422		48
Homes England	(957,287)	2,218,747	1,261,460	1,176	57,554	163	213,037
Leasehold Advisory Services	(50)	1,491	1,441	17	1,187	6	50
Planning Inspectorate	(12,015)	63,833	51,818	763	47,771	20	12,015
Regulator of Social Housing	(12,480)	22,788	10,308	203	13,322	5	12,442
The Housing Ombudsman	(18,153)	18,527	374	327	9,015	14	18,153
Valuation Tribunal Service		5,757	5,757	58	2,533	1	
Departmental Group[2]	**(8,545,172)**	**41,001,586**	**32,456,414**	**5,657**	**357,410**	**633**	**7,758,614**

1 The entities shown are the ALBs consolidated to form the financial statements in this Annual Report and Accounts. Note 23 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 259 and in the table of Average Number of Persons Employed on page 180.

Annex B: 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
							2022-23	2021-22
			Outturn			Estimates		Outturn
Type of spend (Resource)	Gross	Income	Net Total	Net Total	Vire-ments	Total inc. vire-ments	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	**(82)**	**–**	**(82)**	**7,700**	**–**	**7,700**	**7,782**	**54,929**
UK Parliamentary elections:								
- 2019 UK Parliamentary General Election	(1,243)	–	(1,243)	–	–	–	1,243	(536)
- 2022 UK Parliamentary by-elections	1,499	–	1,499	1,800	–	1,800	301	2,438
- 2021 UK Parliamentary by-elections	271	–	271	–	–	–	(271)	2,438
- 2019 UK Parliamentary by-elections	(17)	–	(17)	–	–	–	17	2,438
- Petition to recall an MP	–	–	–	600	–	600	600	(4)
Police and Crime Commissioner Elections:								
- 2021 Police and Crime Commissioner Election	(134)	–	(134)	–	–	–	134	51,168

Type of spend (Resource)								£'000
							2022-23	2021-22
			Outturn			Estimates		Outturn
	Gross	Income	Net Total	Net Total	Vire-ments	Total inc. vire-ments	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
- 2020 Postponed Police and Crime Commissioner election	97	–	97	–	–	–	(97)	(1,025)
- 2021 Police and Crime Commissioner by-elections	(546)	–	(546)	5,000	–	5,000	5,546	2,908
- 2019 Police and Crime Commissioner by-elections	(9)	–	(9)	–	–	–	9	(20)
Candidate mailings	–	–	–	300	–	300	300	
Total non-voted	**(82)**	**–**	**(82)**	**7,700**	**–**	**7,700**	**7,782**	**54,929**

SOPS 3

Removal of non-voted budget items:

			£'000
			2022-23
SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
Returning Officers' expenses, England, Wales and Scotland	(82)	7,700	7,782
– 2019 UK Parliamentary General Election	(1,243)	–	1,243
– 2022 UK Parliamentary by-elections	1,499	1,800	301
– 2021 UK Parliamentary by-elections	271	–	(271)
– 2019 UK Parliamentary by-elections	(17)	–	17
– Petition to recall MP	–	600	600
– 2021 Police and Crime Commissioner Election	(134)	–	134
– 2020 Postponed Police and Crime Commissioner election	97	–	(97)
– 2021 Police and Crime Commissioner by-elections	(546)	5,000	5,546
– 2019 Police and Crime Commissioner by-elections	(9)	–	9
– Candidate mailings	–	300	300
– Elections bank charges	–	–	–

Note 4 expenditure

		£'000
	2022-23	2021-22
	Core Department	Core Department
Returning Officers' expenses England, Wales and Scotland		
(includes conduct of the poll and Royal Mail costs)		
UK Parliamentary elections:		
– 2019 UK Parliamentary General Election	–	–
– 2022 UK Parliamentary by–elections	(1,243)	(536)
– 2021 UK Parliamentary by–elections	1,499	2,438
– 2019 UK Parliamentary by–elections	271	2,438
– Petition to recall an MP	(17)	2,438
Police and Crime Commissioner Elections:		
– 2021 Police and Crime Commissioner Election	–	–
– 2020 Postponed Police and Crime Commissioner election	(134)	51,168
– 2021 Police and Crime Commissioner by–elections	97	(1,025)
– 2019 Police and Crime Commissioner by–elections	(546)	2,908

Statement of changes in taxpayers' equity

			£'000
	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2021			
Returning Officers' expenses England, Wales and Scotland			
Consolidated Fund Standing Services - non supply - drawn down:	**58,616**	–	**58,616**
2021 UK Parliamentary 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
Balance at 31 March 2021			
Returning Officers' expenses England, Wales and Scotland			
Consolidated Fund Standing Services - non supply - drawn down:	**980**	–	**980**
2022 UK Pariliamentary by-election	980	–	980

Annex C: 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
All Souls Serve The City Faith New Deal Pilot Fund	8	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
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	6	Foundation Stones supports engagement with the UK public with the UK Holocaust Memorial and Learning Centre
Big Society Capital Limited Social Investment Project	10,000	To deliver units of accommodation for families in Temporary Accommodation. This grant follows on from the Social Investment Pilot in FY 20/21 to deliver units of accommodation for those at risk of rough sleeping.
Bosnian Genocide Educational Trust Holocaust Awareness Raising	30	Support for Oral History Project

Institution	Payments (£'000)	Purpose
Caring For God's Acre Faith New Deal Pilot Fund	8	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Church Revitalisation Trust Faith New Deal Pilot Fund	200	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Church Urban Fund **Near Neighbours**	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
Windrush Day Grant Scheme	494	For the administration of the grant scheme and to support projects and events which celebrate, commemorate and educate about the Windrush Generation and their descendants – including their arrival and contribution to British society.
City Life Church Southampton Faith New Deal Pilot Fund	109	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Design Council Planning Reform: Design	219	To enable the 25 Design Code Pathfinders to build their capacity and produce design codes that provide certainty to local communities and developers. This will be achieved through a programme of events to provide advice and support for the pathfinders from built-environment experts to review and test their emerging design codes.

Institution	Payments (£'000)	Purpose
Edmonton Methodist Church Faith New Deal Pilot Fund	79	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Faith & Belief Forum Faith New Deal Pilot Fund	41	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
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
Hereford Diocesan Board Of Finance Faith New Deal Pilot Fund	39	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Holocaust Educational Trust Holocaust Memorial And Learning Centre	74	Support for Tackling Antisemitism on University Campuses
Holocaust Educational Trust Lessons From Auschwitz Universities	362	Support for Tackling Antisemitism on University Campuses
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	Support for Memorial Gestures in the North of England Project

Institution	Payments (£'000)	Purpose
Institute of Structural Engineers Confidential report on structural safety (Cross) Expansion - Phase 4	180	For setting-up and maintaining a functional framework for Collaborative Reporting for Safer Structures UK (CROSS-UK) to strengthen its capacity to receive fire and structural safety reports.
Institute of Structural Engineers Confidential report on structural safety (Cross) Expansion – Phase 5	344	For setting-up and maintaining a functional framework for Collaborative Reporting for Safer Structures UK (CROSS-UK) to strengthen its capacity to receive fire and structural safety reports.
Inter Faith Network For The UK Interfaith Network For The UK	250	To promote understanding and cooperation between organisations and people of different faiths across the country
Interfaith Wolverhampton Faith New Deal Pilot Fund	94	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Ishami Foundation Holocaust Awareness Raising	25	The 100 Stories project reinforces the UK Holocaust Memorial and Learning Centre's mission to commemorate the victims of genocide and remind visitors of the importance of resisting antisemitism, racism and prejudice in all forms
Jewish Action For Mental Health Faith New Deal Pilot Fund	94	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Mission In The Economy Faith New Deal Pilot Fund	125	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.

Institution	Payments (£'000)	Purpose
Muscular Dystrophy UK Changing Places Toilets Fund	217	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 and aligned closely with Muscular Dystrophy UK's wider charitable aims to promote better access to society for disabled people
Ostro Fayre Share Foundation Strengthening Faith Institutions	450	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
Safe Families For Children Faith New Deal Pilot Fund	58	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
The Cinnamon Network Faith New Deal Pilot Fund	52	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
The Linking Network Schools Linking	94	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.
Torbay Deanery Faith New Deal Pilot Fund	120	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Transforming Plymouth Together Faith New Deal Pilot Fund	100	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.

Institution	Payments (£'000)	Purpose
Trinity Safe Space Faith New Deal Pilot Fund	114	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
Ummah Help Remembering Srebrenica	200	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
Wiener Library Institute Of Contemporary Holocaust Holocaust Remembrance And Education	78	To support those whose relatives were murdered in the Holocaust to search historical records
Women's Aid Federation Women's Aid Routes To Support	194	To enable women experiencing gender-based violence to access safe accommodation, help and support, and influence national and local policy
Women's Aid Federation No Women Turned Away Project	194	To enable women experiencing gender-based violence to access safe accommodation, help and support, and influence national and local policy
Zion Projects Faith New Deal Pilot Fund	43	The Faith New Deal Pilot Fund will fund 16 projects across England to deliver innovative partnership projects. The Faith New Deal pilot will test and strengthen the nature of engagement between national government, local government and faith groups – providing proof of concept of the role faith groups play in supporting communities to address local issues.
TOTAL	**17,062**	

Annex D: 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 2023: £ 459 million, 31 March 2022: £343 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 2023: £665 million, 31 March 2022: £605 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 the first half of 2025. The department has been provided with an initial advance which is held as a payable until utilised (31 March 2023 £ 90 million, 31 March 2022 £86 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. The last annual advance will be paid in May 2023. Any annual advance not used by the Department has to be paid back to the EC once the ERDF 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 2023: £ 120 million, 31 Mar 2022: £150 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 in 2025.

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 (AA, the designated UK body that audits the ERDF), which is delivered by the Government Internal Audit Agency. In accordance with EU regulation, the AA tested the validity of 58 claims and finalised its testing of expenditure for all but one of these claims. The Audit Authority examined €329 million out of total declared expenditure of €966 million were audited. This statistically representative sample revealed 95% of claims contained less than 2% of error (2% is the EC’s materiality threshold). Most claims (79%) 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 2021-22 accounting period was confirmed at 1.327%, below the EC's 2% materiality threshold. In their February 2023 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 2021-22 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.

As part of their routine assurance regime, the EC visited the AA in early March 2023 to undertake a desk review of a sample of the AA's audits. Whilst some elements of that review is ongoing, the EC have provisionally confirmed the AA's conclusions on all but one case; this latter case will not have a material impact on the error rate of the ERDF programme or the AA's unqualified opinion. The EC accepted the departments accounts for ERDF accounting year 2021-22 on 15 May 2023.

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