

Department for Levelling Up, Housing and Communities

Trust Statement 2022-23 - Building Safety

(for the year ended 31 March 2023)

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

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HC 28

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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Department for Levelling Up, Housing and Communities

Trust Statement

Foreword by the Accounting Officer

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 Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921.

The Trust Statements comprise:

- Statement of Revenue, Other Income and Expenditure
- Statement of Financial Position (SoFP)
- Statement of Cash Flows (SoCF)
- Notes to the accounts

Background

The Building Safety Act

The Building Safety Act was granted Royal Assent on 28 April 2022. The Building Safety Act 2022 is an Act to make provision about the safety of people in or about buildings and the standard of buildings.

Developer Remediation Contracts

Following a pledge from leading developers in 2022, Government wrote to developers asking them to sign a contract committing them to remediate or pay to remediate unsafe buildings which they developed, including to reimburse the Taxpayer for government monies spent on those buildings. 44 developers had signed at 31 March 2023 (50 by 15 September 2023), committing to remediate or pay to remediate over 1,100 buildings at a cost to themselves of over £2 billion. Signing the contract is a pre-requisite for joining the new statutory Responsible Actors Scheme (see below).

The Responsible Actors Scheme

On 3 July 2023, regulations to establish a Responsible Actors Scheme (RAS) for residential developers under sections 126-129 of the Building Safety Act 2022 were signed into law. On 21 July 2023, the Government launched the Responsible Actors Scheme. The Scheme recognises action taken by responsible developers to identify and remediate or pay to remediate life-critical fire safety defects in residential buildings 11 metres or over in height which they developed or refurbished in England over the 30 years to 4 April 2022. Eligible developers who do not join

the Scheme and comply with its conditions (in particular signing the aforementioned developer remediation contract and abiding by its terms) will have planning and building control prohibitions imposed on them.

The Building Safety Levy

Parliament legislated in the Building Safety Act 2022 for a Building Safety Levy which will be paid by developers and charged on new residential buildings requiring building control approval in England.

Scope

The department acts as an agent responsible for collecting revenues related to the Building Safety Act 2022, including grant recoveries collected from developers under Developer Remediation Contracts and a related Responsible Actors Scheme for residential developers, under sections 126-129 Building Safety Act 2022 and, in due course, the Building Safety Levy, which will be payable to the Secretary of State or a person designated by the Secretary of State (once implementing regulations have been passed by Parliament). The revenues set out in this Trust Statement are intended to contribute to the costs of the Government's Building Safety Programme. Whilst expenditure on the Building Safety Programme is incurred within Departmental Annual Report and Accounts (HC 1478) (under the Government Resources and Accounts Act 2000) and does not form part of the Trust Statement, a disclosure note is provided to show the total cumulative expenditure incurred in relation to the Building Safety Programme so that these revenues can be noted alongside the expenditure that they help to fund. The use of funds recovered from developers under the Developer Remediation Contracts and related Responsible Actors Scheme for building safety/remediation purposes will support the statutory purposes for that scheme under section 126 Building Safety Act 2022 to improve building safety and building standards, including through securing contributions to the cost of remediation from industry actors. Under clause 13.10 of the Developer Remediation contract, reimbursements paid by developers will be used to remediate and/or mitigate defects.

The results presented in this Trust Statement are separate from those presented in the Department's Annual Report and Accounts (HC 1478) although they flow through the Department's accounting system.

Remote contingent liabilities – audited information

No remote contingent liabilities existed at the end of the reporting period.

Basis for preparation

The HM Treasury Accounts Direction, issued in accordance with Section 2 of the Exchequer and Audit Departments Act 1921 requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection of the Building Safety Levy and developer grant recoveries. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place. All the transactions within the Trust Statement reflect transactions that have taken place. Developer grant recoveries are recognised when the developer has signed a contract to pay the Department for grant expenditure incurred.

Auditors

The Trust Statement is audited by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921. The audit opinion is on page 17. The auditor's notional fee of £40,000 is included in the Department's Annual Report and Accounts (HC 1478). There were no fees in respect of non-audit work.

Governance Statement in Respect of the Trust Statement

Introduction

The government's Building Safety Portfolio is run by the Department of Levelling Up, Housing and Communities. The aim of the portfolio is to make sure that residents of high-rise buildings are safe – and feel safe – now, and in the future.

HM Treasury has committed to funding £5.1 billion to remediate buildings from the consolidated fund over the lifetime of the portfolio. The remainder of the portfolio will be funded by the Building Safety Levy, self-remediation and Developer Grant Recoveries. Trust Statement revenue is payable to the consolidated fund on receipt but will be returned to the Department through Departmental budgets in the year in which expenditure is expected to be incurred and will become part of a fully flexible funding package for the remediation portfolio. The corresponding expenditure is incurred in the Departmental Annual Report and Accounts (HC 1478), not the Trust Statement. This is illustrated in Annex A.

The Building Safety Portfolio operates in accordance with the Department's governance structures. 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. As Accounting Officer, I am ultimately accountable to Parliament for this Trust Statement.

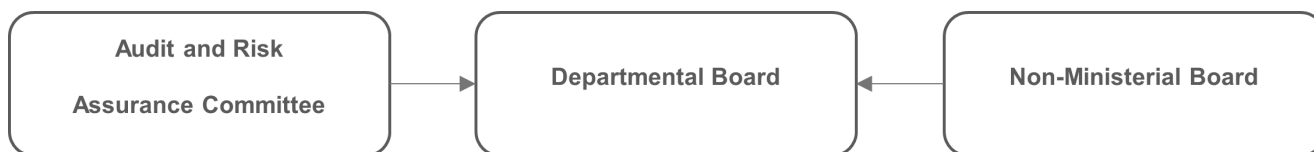
As Accounting Officer, and working together with Departmental directors, I am responsible for maintaining effective governance and a sound system of internal control that supports the achievement of the Trust Statement's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally accountable. Overall, I am satisfied that the Department has had effective governance, risk management and internal controls in place during 2022-23. I take personal responsibility for the Trust Statement and the judgments required for determining that it is fair, balanced and understandable.

The Governance Statement covering the operation of the Department including staffing, risk

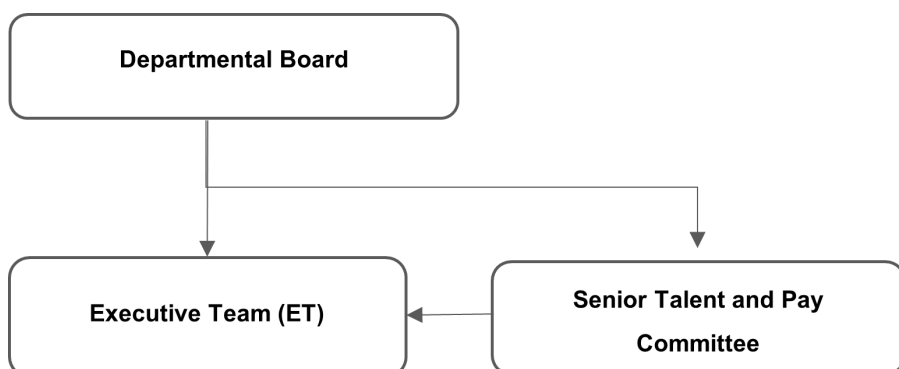
assessment and management, internal audit and National Audit Office reports are reported in the Department's Annual Report and Accounts (HC 1478). More detail on the control system is given in the Accounting Officer System Statement¹ (AOSS). This report covers areas that are specific to the Trust Statement.

Governance framework and management structure 2022-23

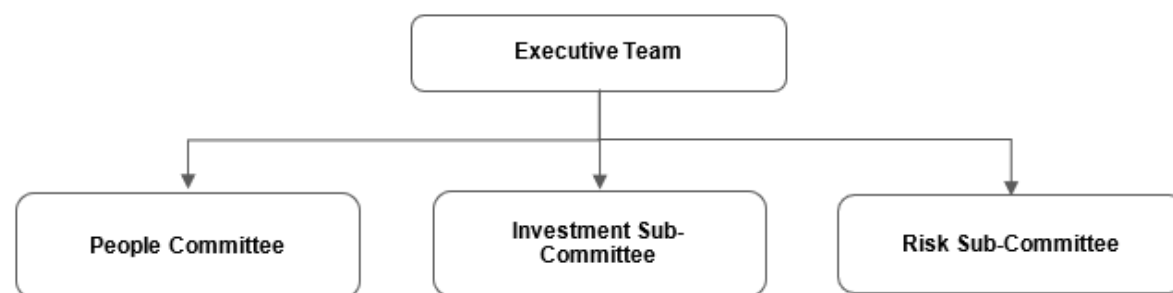
Our governance is delivered through the Departmental Board and executive senior management team and their sub-committees. The structure at 31 March 2023 was as follows:



Executive Committees



Executive Sub-Committees



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, which included the Safer and Greener Buildings group which is responsible for this Trust Statement. The panel was chaired by a Non-Executive Director, supported by our internal

¹ The latest version of DLUHC's AOSS can be found here: <https://www.gov.uk/government/publications/dluhc-accounting-officer-system-statement-2023>

auditors, Chief Risk Officer and observers from the NAO. The Director General and their directors presented evidence to their panel and summarised challenges they faced during the financial year. 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

No Ministerial Directions with respect to this Trust Statement were made in the year.

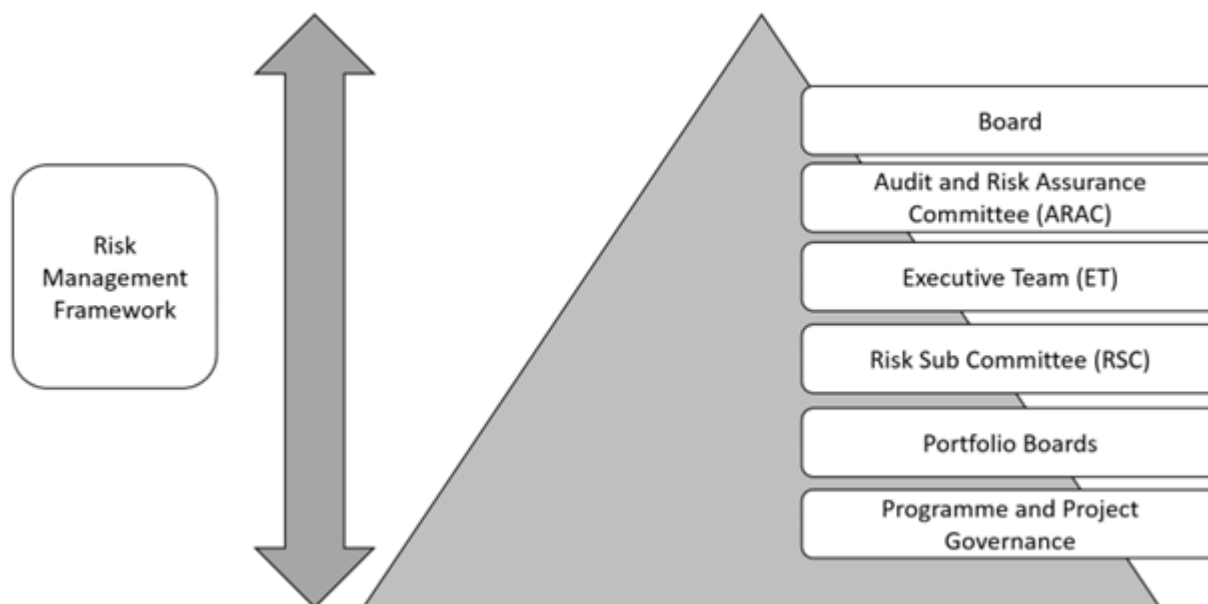
Principal Systems and Controls

The Department’s finance system is used to account for transactions related to this Trust Statement. This operates under a comprehensive control framework. The main features of the control framework are described below.

- Segregation of duties and controlled system access.
- Standard operating procedures for all key processes.
- Monthly and quarterly verification of system control totals.
- Verification of cash balances by monthly reconciliations (cash balance was nil in 2022-23)

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 Department's Annual Report and Accounts (HC 1478) explains the principal risks which would also apply to this Trust Statement. The principal risk within this Trust Statement relates to the recoverability of financial assets. The accounting policies describe key judgements in this area.

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

Counter Fraud, Error and Whistleblowing

The Department has zero tolerance on fraud, bribery and corruption, whether involving its own employees or other external individuals or bodies. We have clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, which applies to all staff. The Department has a dedicated counter fraud and investigations function who proactively and reactively work with the business to manage the risk of fraud, bribery and corruption.

The Department's whistleblowing policy encourages employees to raise concerns of wrongdoing, advises on the protection afforded to whistle-blowers and provides reassurance that concerns will be investigated responsibly and professionally.

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.

Internal audit and annual audit opinion

One of the key sources of independent assurance comes from the activities of the internal audit service provided by the Government Internal Audit Agency. The internal audit programme is closely linked to the key risks and arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed.

The Group Head of Internal Audit provided an annual overall opinion of 'moderate' on the organisation, which means some improvements are required to enhance the adequacy and effectiveness of our framework of governance, risk management and control. There were no specific internal audits completed on this Trust Statement.

National Audit Office (NAO) reports

There were no Trust Statement related NAO reports published in 2022-23.

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, as described further in the Annual Report and Accounts (HC 1478). 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.

Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

Under section 2 of the Exchequer and Audit Departments Act 1921, 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 has appointed the Permanent Secretary as Accounting Officer of the Department for Levelling Up, Housing and Communities with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

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 Accounting Officer is responsible for the fair and efficient administration of the Building Safety Levy and developer grant recoveries, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund.

The responsibilities of the 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 HM Treasury.

The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of the Building Safety Levy and developer grant recoveries 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 HM 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 accounts;
- 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. The annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Sarah Healey CB CVO
Permanent Secretary and Principal Accounting Officer
7 December 2023

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

Opinion on financial statements

I have audited the financial statements of the Building Safety Trust Statement for the year ended 31 March 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the Building Safety Trust Statement's

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue, Statement of 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 Building Safety Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 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 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Building Safety Trust Statement 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 Building Safety Trust Statement'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 Building Safety Trust Statement'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 Building Safety 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 by the Accounting Officer, but does not include the financial statements and my auditor's 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 report, 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 by the Accounting Officer 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 Building Safety Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword by the Accounting Officer.

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 Building Safety Trust Statement 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 in Respect of the Trust Statement, 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 Building Safety Trust Statement 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 Exchequer and Audit Departments Act 1921;
- ensuring that the annual report is prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and
- assessing the Building Safety Trust Statement'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 Building Safety Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the

Exchequer and Audit Departments Act 1921.

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 report 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 Building Safety Trust Statement's accounting policies, and performance incentives.
- inquired of management, the Building Safety Trust Statement's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Building Safety Trust Statement'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 Building Safety Trust Statement's controls relating to the Building Safety Trust Statement's compliance with the Exchequer and Audit Departments Act 1921 and Managing Public Money.
- inquired of management, the Building Safety Trust Statement'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 and the relevant internal specialists, financial instruments specialists, 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 Building Safety Trust Statement 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 Building Safety Trust Statement's framework of authority and other legal and regulatory frameworks in which the Building Safety Trust Statement 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 Building Safety Trust Statement. The key laws and regulations I considered in this context included Exchequer and Audit Departments Act 1921 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; 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.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists 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

11 December 2023

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

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March 2023

	Note	£'000 2022-23
Revenue		
Licence fees and taxes		
Developer Grant Recoveries		416,745
Total licence fees and taxes	3	416,745
Total revenue and other income	3	416,745
Expenditure		
Credit losses - debts written off or otherwise impaired		(1,368)
Total Expenditure		(1,368)
Net Revenue for the Consolidated Fund		415,377

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

The notes at pages [22] to [26] form part of this Statement.

Statement of Financial Position

As at 31 March 2023

		£'000
	Note	2022-23
Non-Current Assets		
Financial assets at amortised cost	4	145,270
Total Non-Current Assets		145,270
Current Assets		
Trade and other receivables	5	270,107
Total Current Assets		270,107
Total Assets		415,377
Total assets less current liabilities		415,377
Balance on Consolidated Fund Account	2	415,377

Sarah Healey CB CVO

7 December 2023

Accounting Officer

Department for Levelling Up, Housing and Communities

The notes at pages [22] to [26] form part of this Statement.

Statement of Cash Flows

For the year ended 31 March 2023

		£'000
	Note	2022-23
Cash flows from operating activities		-
Cash paid to the Consolidated Fund		-
Increase/(decrease) in cash in this period		-
A: Reconciliation of Net Cash Flow to Movement in Net Funds		
Net Revenue for the Consolidated Fund	2	415,377
Adjusted for:		
(Increase)/Decrease in financial assets		(145,270)
(Increase)/Decrease in receivables		(270,107)
Increase/(Decrease) in payables		-
Net Cash Flow from Operating Activities		-
B: Analysis of Changes in Net Funds		
Increase/(decrease) in Cash in this Period		-
Net funds at 1 April		-
Net Funds as 31 March		-

The notes at pages [22] to [26] form part of this Statement.

Basis of accounting

The Trust Statement is prepared in accordance with:

- the Accounts Direction issued by HM Treasury on 22 May 2023 under Section 2 of the Exchequer and Audit Departments Act 1921
- the Government 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 on behalf of the consolidated fund in relation to the collection of the Building Safety Levy under the Building Safety Act 2022 and developer grant recoveries under Developer Remediation Contracts.

Revenue recognition

The Building Safety Levy had not yet started in 2022-23 but will be included in this Trust Statement in future years after the levy commences. The Building Safety Levy will be collected by a collection agent designated by the Secretary of State in relation to local housing developments and passed on to the Department for collection on behalf of HM Treasury.

The revenue to pay collection agents for their administration costs will be top-sliced from the overall amount the levy collects. The Trust Statement will include these amounts within the revenue collected on behalf of the consolidated fund.

The Building Safety Levy will be accounted in accordance with IFRS 15 Revenue. As there will be no performance obligations, revenue will be 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. It is intended that levy revenue will be determined on completion of a residential property development and the collection agents transfer the money to the department quarterly in arrears. Final arrangements for reimbursement of costs to collection agents are yet to be determined but will be paid in arrears either quarterly or yearly.

Developer grant recoveries relate to amounts payable to the Department under Developer Remediation Contracts. Developer grant recoveries are recognised under IFRS 9 Financial Instruments. Receivables are recognised when the contract has been signed and Departmental grant expenditure has been incurred which the contract commits the developer to refund to the Department. Developer grant recoveries are recognised on an amortised cost basis because they are solely payments of principal and interest (SPPI). The amount receivable is based on data that identifies grant expenditure in the Departmental accounts in the five years to 31 March 2023 for grant programmes that are within scope of the Developer Remediation Contract (Annex A), which then identifies the amount of this expenditure which is attributable to developers that had signed

the Developer Remediation Contract at 31 March 2023. This data relies on the grant recognition accounting policies described in the Departmental accounts. Any future changes to the amount of grant expenditure recognised or additional developers signing the contract will change receivable values. For buildings where work is ongoing, the total amount due will not be known until the works are complete.

In the Statement of Financial Position (SoFP), amounts receivable from a developer which exceed £20 million and are due, at least in part, in more than one year have been classified as amortised cost assets. Amounts due from a developer which are less than £20 million or are entirely due within less than one year are classified as receivables.

Expected Credit Losses

International Financial Reporting Standard 9: Financial Instruments (IFRS 9) requires an Expected Credit Loss (ECL) allowance calculation to be performed with reference to the level of credit risk and performance of each receivable. 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. In 2022-23, a 12-month loss allowance is recognised for all receivables as the receivables are newly recognised in March 2023 and credit risk has not had an opportunity to deteriorate. In future years, a lifetime loss allowance could be recognised if there has been a significant increase in credit risk for specific receivables. A movement to a lifetime loss allowance would increase the ECL.

ECLs are calculated by multiplying the estimated exposure at default (EAD) (based on forecast cashflows) by the probability of default (PD) (based on developer credit ratings), and the loss given default (LGD) percentage (based on the estimated place of the receivable in the hierarchy of debt in the event of default).

IFRS 9 requires a weighted average ECL based on a baseline, upside and downside economic scenario. The assumptions and weightings applied are the same as those in the accounts of the Departmental Group.

Changes in assumptions can have a significant impact on the ECL calculation.

Building Safety Trust Statement Note 2 Consolidated Funds

	£'000
Consolidated Fund	2022-23
Balance on Consolidated Fund Account as at 1 April	-
Net Revenue of the Consolidated Fund	415,377
Less amount paid to the Consolidated Fund	-
Balance on Consolidated Fund Account as at 31 March	415,377

Amounts are paid to the consolidated fund when the cash is received by the department.

Building Safety Trust Statement Note 3 Revenue Collected on behalf of the Consolidated Fund

	£'000
	2022-23
Licence fees and taxes	
Developer Grant Recoveries	416,745
Total licence fees and taxes	416,745
Total revenue and other income	416,745

The total Building Safety Levy represents the total amount collected from housing developers including both amounts transferrable to the consolidated fund and amounts retained by the collection agents for the costs of collection. The Building Safety Levy had not yet commenced in 2022-23 so the total amount of Building Safety Levy for the year is nil.

Building Safety Trust Statement Note 4 Financial Assets at Amortised Cost

			£'000
			2022-23
Developer grant recoveries	<1 year	>1 year	Total
At 1 April	-	-	-
Additions	-	146,638	146,638
Repayments		-	-
Expected loss allowance	-	(1,368)	(1,368)
At 31 March	-	145,270	145,270

Building Safety Trust Statement Note 5 Trade and other receivables

			£'000
			2022-23
Developer grant recoveries	<1 year	>1 year	Total
At 1 April	-	-	-
Additions	270,107	-	270,107
Repayments	-	-	-
Expected loss allowance	-	-	-
At 31 March	270,107	-	270,107

Building Safety Trust Statement Note 6 Expected Credit Losses

Expected credit loss allowances	2023
	£000s
Opening balance	-
Net movements in Expected Credit Loss Allowances	(1,368)
Closing balance	(1,368)
Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	2022-23
	£000s
Net movements in Expected Credit Loss Allowances	(1,368)
Amounts written-off as irrecoverable under IFRS 9	-
Total credit impairment loss (charge)/credit	(1,368)

ECL sensitivity

As explained in Note 1, all amounts are classified as Stage 1 in 2022-23. If all amounts moved to Stage 2, the ECL would be £3.3 million, an increase of £1.9 million (+138%). 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	ECL	Incremental change in ECL	
	£'000	£'000	%
Weighting of 80% : 5% : 15% applied	1,340	-28	-2%
Weighting of 70% : 15% : 15% applied	1,359	-9	-1%
Base assumption of 65% : 20% : 15% applied	1,368	-	0%
Weighting of 70% : 20% : 10% applied	1,371	3	0%
Weighting of 60% : 30% : 10% applied	1,389	21	2%

Building Safety Trust Statement Note 7 Events after the reporting period

This Trust Statement is laid before the Houses of Commons. 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 Report of the Comptroller and Auditor General.

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

Building Safety Trust Statement Note 8 Related party transactions

There are no related party transactions to disclose.

ANNEX A: Building Safety Expenditure incurred in Resource Accounts (unaudited)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Expenditure						
Capital Spending in Departmental Expenditure Limit (CDEL) grant programmes						£'000
Private Sector Cladding Remediation - ACM Remediation	-	275	74,223	42,688	39,990	157,176
Building Safety Programme - Non-ACM Remediation	-	-	91,865	373,181	662,346	1,127,392
Social Housing Cladding Remediation	69,806	80,107	37,999	75,516	10,623	274,051
Cladding Safety Scheme (2023-24 onwards)	-	-	-	-	-	-
Resource Spending in Departmental Expenditure Limit (RDEL) running costs						
Running costs funded from the portfolio - 2023-24 onwards (previous years funded from DLUHC baseline budgets)	-	-	-	-	-	-
Total Expenditure incurred in resource accounts	69,806	80,382	204,087	491,385	712,959	1,558,619
Developer Grant Recoveries Receivable	-	-	-	-	417,194	417,194
Building Safety Levy – 2024-25 onwards	-	-	-	-	-	-
Net Revenue Collectable on behalf of Consolidated Fund*	-	-	-	-	417,194	417,194
Surplus / (Deficit)	(69,806)	(80,382)	(204,087)	(491,385)	(295,765)	(1,141,425)

Amounts in the table are shown on an accruals basis.

*HM Treasury has committed to funding £5.1 billion to remediate buildings from the consolidated fund over the lifetime of the portfolio. The remainder of the portfolio will be funded by the Building Safety Levy, self-remediation and Developer Grant Recoveries. This revenue is payable to the consolidated fund on receipt but will be returned to the Department through Departmental budgets in the year in which expenditure is expected to be incurred and will become part of a fully flexible funding package for the remediation portfolio.

ANNEX B: Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to the Department for Levelling Up, Housing and Communities.
2. The Department shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2023 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual (“FReM”) 2022-23.
3. 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 taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. 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.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). 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.
6. 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.

7. 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.
8. 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 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Charlotte Goodrich
Deputy Director, Government Financial Reporting
His Majesty's Treasury
22/05/2023

