Ministry of Housing, Communities & Local Government

Annual Report and Accounts 2023-24

(For the year ended 31 March 2024)

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

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

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This is part of a series of Departmental publications which, along with the Main Estimates 2023-24 and the document Public Expenditure: Statistical Analyses 2023, present the government's outturn for 2023-24 and planned expenditure for 2024-25.

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Any enquiries regarding this publication should be sent to us at:

Ministry of Housing, Communities & Local Government
Fry Building
2 Marsham Street
London, SW1P 4DF
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Foreword from the Permanent Secretary

This year, we continued to work with communities across the country on issues in our portfolio.

The Levelling-up and Regeneration Act became law in October 2023 and the Social Housing Act also received Royal Assent. In July 2023, we launched the Office for Local Government (Oflog). Over 64% of England is now covered by a devolution deal.

The department assisted 19 Local Authorities with exceptional financial support. It also issued seven statutory interventions; eight best value notices to authorities exhibiting indications of best value failure, and one statutory best value inspection.

We increased our presence in offices across the United Kingdom. The number of roles outside London has now risen from 23% in 2020 to 42%. Over the same period, we have also increased the number of senior roles based outside London from 6% to 18%.

The Ministerial Board held three formal meetings during the reporting year, two in London and one in Edinburgh. In addition to standing updates on departmental business, delivery and performance, the Board discussed departmental delivery across a range of specific policy areas. The Board also invited partners from local government, our Arm's-length Bodies and the private sector to provide an external view of the department's work.

The Non-Ministerial Board met three times this year, for our executive team and non-executive directors to discuss departmental management and performance and provide relevant scrutiny and advice. This included particular consideration of issues relating to delivery, people and net zero, together with oversight of the departmental business plan. More widely, the non-Executive team has completed regular reviews of the department's performance reporting, metrics and outcomes, to provide assurance to me and the Executive.

The Audit and Risk Assurance Committee met five times over the 2023-24 financial year, to provide independent support and advice to the Board on risk, control and governance.

The Board marked the departure of Pam Chesters CBE from the non-executive team in September, and thanked her for her expertise, guidance and advocacy throughout her six-year tenure, including her lasting contribution as Chair of the department's Audit and Risk Assurance Committee.

Sarah Healey CB CVO
Permanent Secretary

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1. Performance Summary

Overview

The Annual Report comprises the Performance Report, the Accountability Report and the Financial Statements which together set out the progress we made in 2023-24 to deliver our strategic priorities, how we used the resources voted to us by Parliament and our detailed financial accounts. This section summarises our purpose, how we have performed against the department's defined strategic priorities and our key risks. It also sets out how significant events, such as domestic and worldwide economic challenges, and the continuing conflicts in Ukraine and Gaza, have affected the department's ability to deliver on its objectives.

Our role and purpose

The Ministry of Housing, Communities & Local Government (MHCLG) is the lead department for housing, neighbourhoods, local government and building safety.

How we are organised

The Secretary of State heads the department's ministerial team, which is 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.

Our non-executive directors provide an important external perspective to the department but do not have decision-making or spending powers. The governance statement provides further detail on the departmental structure.

Our 2023-24 Strategic Priorities

During 2023-24, the Department worked to the strategic priorities set out below:

1. **Level up the United Kingdom**
2. **Regenerate places, ensuring everyone has access to a high quality, secure and affordable home, and a greater say in how they are planned and built**
3. **Ensure that buildings are safe and system interventions are effective and proportionate**
4. **Strengthen the Union to ensure that its benefits, and the positive impact of levelling up across all parts of the UK, are clear and visible to all citizens**
5. **A strong and sustainable local government sector with resilient, connected and integrated communities**

Strategic Enablers

We have continued to strengthen our corporate centre and build our capability and expertise in line with Government functional standards. This includes work across our analytical, commercial, communications, digital, finance, HR, project and risk professions.

Further detail on key deliverables across our priorities and strategic enablers is included in the following sections.

Principal risk summary

The principal risks we face relate to finance, people, local government delivery, legal capacity and project delivery. Funding pressures challenge the department to prioritise efficiently and effectively, and to deliver with less. Our ability to achieve outcomes is also significantly affected by global events and the associated economic challenges. The department has robust governance in place to manage risk, including clear ownership and regular deep dives throughout the year, to manage and minimise any impact on our delivery of government priorities. Principal risks are covered in more detail in the governance section of the report, with further detail of risks to delivery in the following section.

2. Performance Analysis

Overview

This section sets out the department's performance against its five priority outcomes and its strategic enablers in 2023-24. The significant events and challenges that had an impact on delivery activity and outcomes are also specified where applicable.

Delivering in a Changing Environment

Inflation and Current Economic Challenges

During the year, inflation and interest rates causing disruption within our supply chains.

Climate Change and Net Zero

The department worked with stakeholders to ensure compliance with the relevant policy and legislation, especially in the fields of planning and local authority governance on net zero. The department has supported local authorities in managing risk and responding to severe weather issues.

Impact of Global Conflicts and Resettlement

Existing and new global challenges arising in Ukraine and Gaza as well as ongoing resettlement schemes have presented significant challenges to the department.

Departmental Performance: what we achieved in 2023-24

1. Level up the United Kingdom:

- 64% of England now covered by devolutions deals.
- Over £4bn has been paid to places in receipt of the Towns Fund, UK Shared Prosperity Fund and the Levelling Up Fund to date.
- Our Community Ownership Fund has now allocated over £100m to 330 projects.
- 13 Investment Zones committed across the UK. Eight English Freeports are operational.
- The European Regional Development Fund closed in March 2024.

2. Regenerate places, ensuring everyone has access to a high quality, secure and affordable home, and a greater say in how they are planned and built:

- The Levelling Up and Regeneration Act became law. The National Planning Policy Framework was updated in December 2023.

- The Affordable Homes Programme delivered 14,871 completed homes in 2023-24. 46 of the 108 Housing Infrastructure Fund projects have completed their HIF-funded infrastructure, with a further 32 expected to complete in 2024-25. The Brownfield Infrastructure and Land fund was launched in July 2023.
- The Social Housing (Regulation) Act 2023 received Royal Assent in July 2023. It enabled Awaab's Law.
- 26,500 Ukrainians were provided temporary sanctuary in the UK through the Homes for Ukraine scheme in 2023-24, with an 18-month visa extension scheme announced in February 2024.
- 43 local planning authorities adopted digital planning practices through the Digital Planning programme. The £29m Planning Skills Delivery Fund was launched.

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

- Laid 19 sets of secondary legislation, the Building Safety Regulator having access to all their powers and beginning safety case assessments and building inspections during 2024-25.
- 4,329 residential building are under remediation programmes. 992 have works underway and 976 have completed works. As of 31 March 2024:
  - 487 out of 496 (98%) high-rise buildings identified to have unsafe Aluminium Composite Material cladding have started or completed remediation works.
  - Of the 934 high-rise residential buildings in the Building Safety Fund, 247 (26%) have started remediation and 264 (28%) have completed remediation.
  - Following its full opening in July, there are now 1,105 buildings in different stages of the Cladding Safety Scheme.
  - 55 developers have signed developer remediation contracts; and they have identified 1,501 buildings that will be remediated.
- Launched a technical consultation and published a response to a previous consultation on the Building Safety Levy.
- In November 2023, the Grenfell Tower Memorial Commission published a report setting out their recommendations and next steps for a future memorial.
- Published updated guidance setting out provision for second staircases in all new residential buildings over 18 metres.
- In November 2023, we launched our consultation on the Future Homes and Buildings Standards.

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

- Supported the restoration of the Northern Ireland Executive, including establishing the East-West Council.
- Worked across government to secure a support package for Port Talbot as the area transitions to more sustainable steel production.
- 210 Ministerial meetings held in 2023 included 3 Inter-Ministerial Standing Committees led by us for the UK Government.
- In June and November 2023, we led the UK Government delegation at the 39th and 40th Summits of the British-Irish Council, latterly focusing on child poverty and wellbeing.
- The Islands Forum met twice in 2023, first in May on the Isle of Wight in England, to discuss skills and innovation, and again in October on the Isle of Lewis in Scotland, to discuss connectivity.
- Devolution Learning Week was held in November and December 2023.

- Continued to work on the common frameworks with the Provision of Services Framework completing stakeholder engagement in February 2023.
- We continued to support engagement to improve communities in Scotland, Wales, and Northern Ireland.

5. A strong and sustainable local government sector with resilient, connected and integrated communities:

- We announced the final Local Government Finance Settlement for 2024-25 at £64.7 bn in February 2024.
- We delivered an £18.6m programme of support through the Local Government Association, supporting governance, leadership, finance, workforce and transformation. We supported commissioners and statutory panels and appointed board members to support interventions in eight councils.
- We established new combined authority arrangements in three areas and a combined county authority and supported four councils to prepare for implementation of their devolution deals.
- We supported in the cross-government response to the Middle East conflict.
- We delivered over £800m to councils and other partners for homelessness prevention, rough sleeping outreach, emergency move-on accommodation and support for substance misuse. We also provided capital funding for new homes.
- We helped 38 Local Resilience Forums with emergencies, issuing £7.45m to build their capacity and capability. We played a critical role in the implementation of the HMG Resilience Framework and provided operational support to emergencies such as storms, severe cold, flooding, and the return of British nationals from places of international instability.
- We continued to make progress following the Elections Act 2022, including digitalisation of election mechanisms and registration and campaigning frameworks.
- The Holocaust Memorial Bill Second Reading passed through Parliament progressing the development of the Holocaust Memorial and Learning Centre.

6. Strategic enablers

We continued to strengthen our corporate centre and functional performance to enable the delivery of our strategic priorities.

Workforce, Skills and Locations

- We increased the representation of the workforce outside of London to 42% of roles. We continue to focus on increasing the percentage of SCS outside of London.
- We agreed a Strategic Workforce Plan until 2025, which sets our ambitions for our workforce including our skills, capabilities, and recruitment that we need.
- We launched an Employee Experience Strategy that sets out how we support and enable our people to thrive and deliver high quality outcomes.

Innovation, Technology and Data

- We implemented the first tranche of GovAssure activity across core services in the department and major Arm's Length Bodies and are embedding Secure By Design into our digital solutions to maintain our strong cyber security posture.
- We implemented a best-in-class standard of Enterprise Resource Planning (ERP) in readiness for the move to the Shared Service Cluster and introduced Data Loss Prevention as part of the Secure Configuration Blueprint for Information Protection.

- We have rolled out the Digital Excellence Programme, aimed at upskilling civil servants in the department in digital and data skills. We agreed a new data strategy, setting out six missions for the department to use data to deliver our work 'better, faster and cheaper', and making data FAIR (Findable, Accessible, Interoperable and Reusable).

Delivery, evaluation, and collaboration

- We have eleven programmes on the Government Major Projects Portfolio (GMPP).
- We saved £6.8m full year equivalent (£4.6m cashable savings and £2.2m other commercial benefit) through our Commercial function and continued to steward the department's portfolio of 54 Private Finance Initiatives (PFIs).
- The Government Internal Audit Agency (GIAA) assessed that the department had achieved our target of reaching Level 3 risk maturity following the continued implementation of the risk action plan.
- The department has built on the workstreams identified in our 2022 evaluation strategy document. We have an evaluation strategy in place for our key policy areas including housing and planning, local growth, elections, homelessness and vulnerable groups.

Financial Forecasting and Management

- We ran a targeted programme of improvement in skills, knowledge, and application.

Risks faced in delivering our outcomes

In the Performance Overview, we summarised the principal risks faced during the year, and elsewhere in this report we describe the risk control system that we have in place. Below are details some of the most critical risks faces by ourselves and partners, and some of the actions taken to manage them.

External Economic Factors

External economic factors were a key consideration during the year, impacting on local authorities and the wider housing system. To mitigate this:

- We supported Local Authorities in England by up to £59.7bn through the 2023-24 Local Government Finance Settlement, which has since increased further to £64.7bn in 2024-25.
- Three local authorities issued Section 114 notices indicating that they were unable to set or maintain a balanced budget. 19 Local Authorities were provided with £2.5bn of Exceptional Financial Support, subject to conditions.
- The Secretary of State exercised powers to intervene in three councils to address failure to comply with the best value duty under the 1999 Local Government Act, and by the end of the financial year there were seven councils in statutory intervention.
- We actively managed risks to the housing system with a mix of interventions, from capital grant funds to legislative-led reforms, working actively with Homes England and our wider delivery partners to agree and implement flexible methods of delivery while ensuring value for money.
- We provided the Homelessness Prevention Grant top up of £109m and an additional £10m for Rough Sleeping Winter Pressures funding.

Complex Funding Landscape, Capability and Capacity

The complexity of the funding landscape and the capability and capacity of our delivery partners also posed a risk to delivery during the year. To mitigate this:

- We made £65m of capacity and capability funding available to Local Authorities delivering our key programmes via direct grant and offering centrally procured expert support to unblock delivery issues around areas such as procurement, project finance, and planning.

- We streamlined the process for places to request changes to their project plans in order to shore up delivery.

Building Safety

The system to ensure buildings are safe is complex, requiring the co-ordination of many different actors, with incentive structures that are not always aligned. To mitigate this:

- we continued our remediation and enforcement work, overseeing remediation of unsafe cladding defects in existing buildings over 11 metres.
- we worked closely with delivery partners to drive pace and the completeness of remediation, providing enhanced support to applicants, and taking action against building owners who fail to act. We provided additional funding to councils to increase the pace of enforcement.
- we established the Building Safety Regulator (BSR) to provide a more stringent regulatory regime for high-rise and high-risk buildings. Alongside this, the Building Safety Act place requirements on Accountable Persons to improve safety management in high-rise buildings.

Sustainable Development Goals

Introduction

In 2015, all UN member states adopted the 2030 Agenda for Sustainable Development, a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart is an urgent call for action to be taken by all countries against the 17 Sustainable Development Goals. These goals acknowledge that ending poverty and other deprivations must go together with strategies that improve health and education, reduce inequality, and spur economic growth, all while tackling climate change and working to preserve our oceans and forests.

The UK Government's response

As a UN member state, the UK is committed to these goals. The UK Government makes visible its action against and contribution to these goals via its existing planning and performance reporting frameworks. In practice, this means that each department is responsible for including within its business plan consideration of the goal(s) most relevant to the policy areas for which it is accountable and must report from time-to-time on delivery. Those applicable to our policy areas are:

- 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 following table illustrates where our outcomes, and therefore the performance against our 2023-24 business plan already reported above, contributes towards each goal.

Portfolio / Goal identifier	Local Govt	Safer Buildings	Housing/ Planning	Union	Levelling Up*
SDG1: End poverty					
SDG3: Health					
SDG8: Growth					
SDG9: Infrastructure					
SDG10: Reduce inequality					
SDG11: Safe/Sustainable					
SDG13: Climate change					
SDG16: Inclusive societies					

*We expect that in future years, the 12 missions of cross-government activity now set out under this objective will contribute to all these SDG goals.

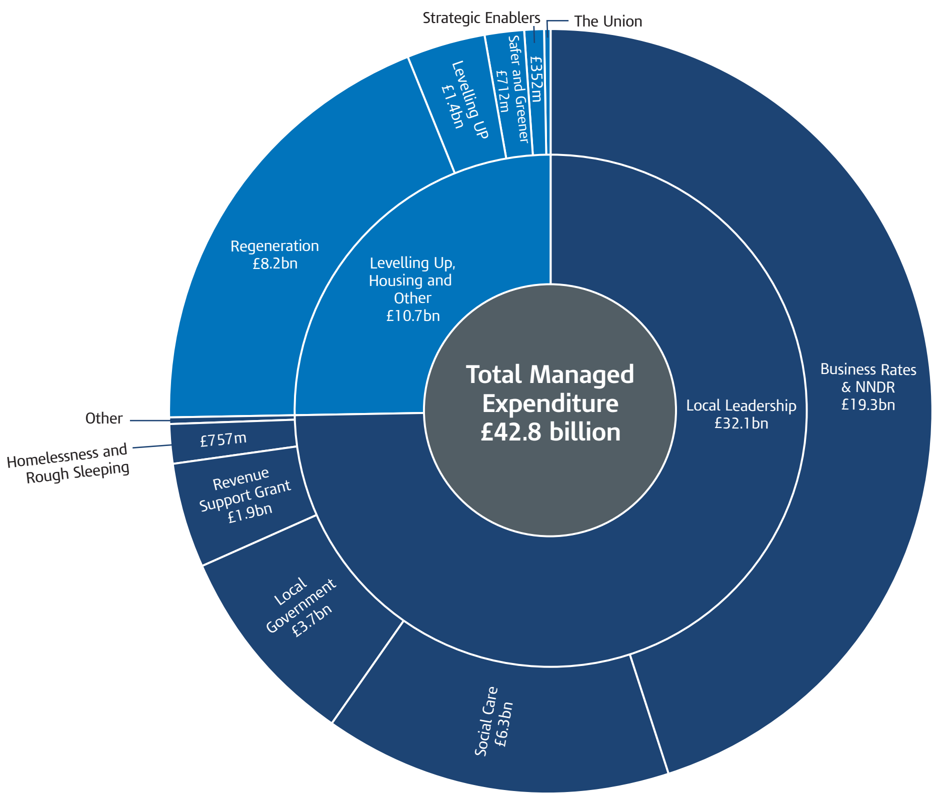
Our Expenditure and Financial Position

Group Budget

This section and the diagram below represent the 2023-24 Departmental Group budget. Actual expenditure compared to budget can be found on page 66.

Our **total net expenditure budget of £42.8 billion**[1] is shown in the centre of the diagram. This is then split between two segments; local leadership (£32.1 billion) and other priority outcomes (£10.7 billion). The outer circle shows the main components of spend within each segment. This chart is mapped against the priority outcomes and is a different classification from that shown in the Statement of Outturn against Parliamentary Supply on page 67, which shows core and local government budgets as separate control totals rather than classifying by priority outcome.

Figure 1: Net Expenditure Budget 2023-24



Local Leadership (£32.1 billion) The largest part of our budget relates to Priority Outcome 5 - A strong and sustainable local government sector with resilient, connected and integrated communities. The outer circle splits our Local Leadership budget into further detail:

- Business Rates and NNDR £19.3 billion
- Social Care Grants £6.3 billion
- Revenue Support Grant £1.9 billion
- Other Local Government Grants £3.7 billion
- Homelessness and Rough Sleeping £757 million

1 https://www.gov.uk/government/publications/supplementary-estimates-2023-24

- Other £123.6 million includes Homes for Ukraine (£79.4 million), Better Care Fund £1 million, the core department's communities spending (£9.8 million) and the core department's resilience spending (£33.4 million).

Levelling Up, Housing and Other (£10.7 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 - Level Up the United Kingdom (£1.4 billion)
- Priority Outcome 2 - Regenerate places, ensuring everyone has access to a high quality, secure and affordable home, and a greater say in how they are planned and built (£8.2 billion)
- Priority Outcome 3 - Ensure that buildings are safe and system interventions are effective and proportionate (£712 million)
- Priority Outcome 4 - Strengthen the Union to ensure that its benefits, and the positive impact of levelling up across all parts of the UK, are clear and visible to all citizens (£50 million)
- Strategic Enablers - We continue to strengthen our corporate centre and functional performance to enable the delivery of our strategic priorities (£352 million).

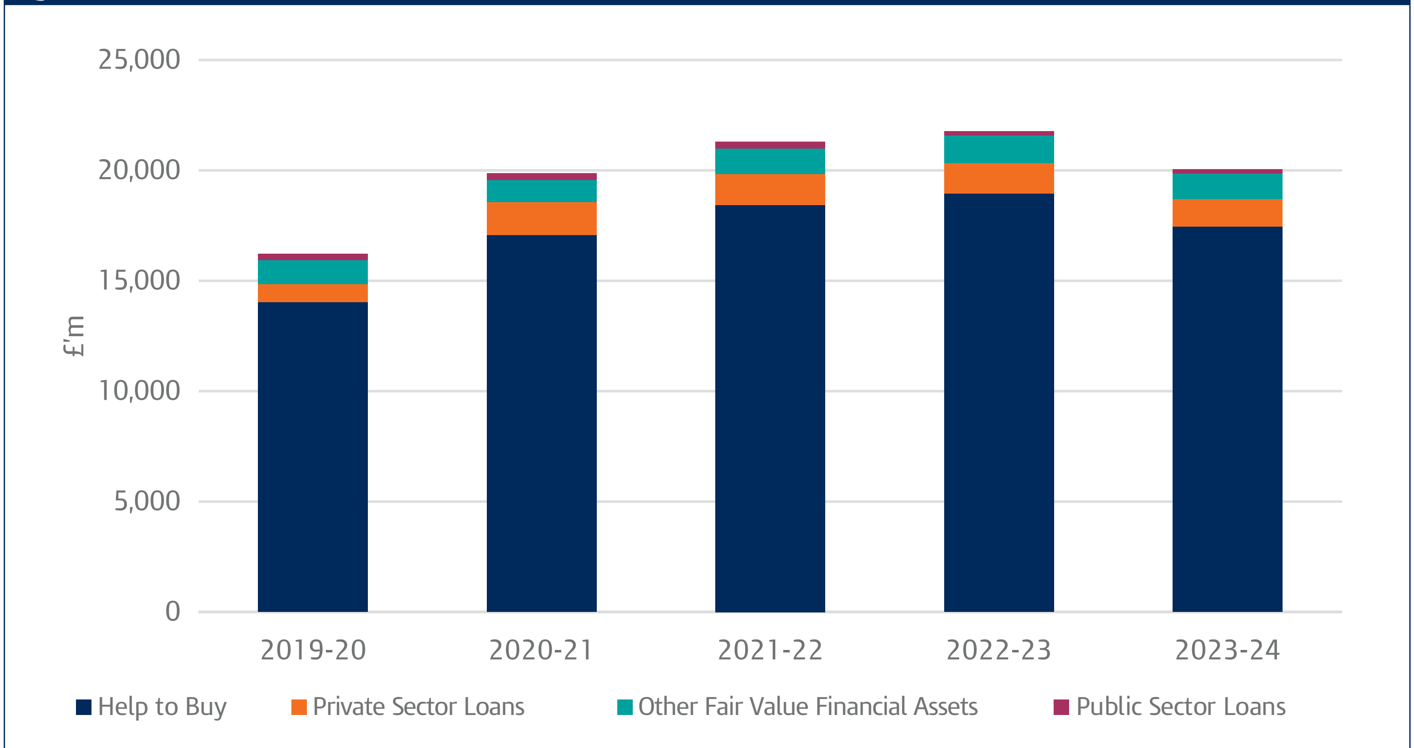
Annually managed expenditure (AME) budgets are shown separately in the Statement of Outturn against Parliamentary Supply on page 66 but the diagram above includes AME budgets attributed to the strategic area that they relate to.

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.

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 2: MHCLG Financial Assets

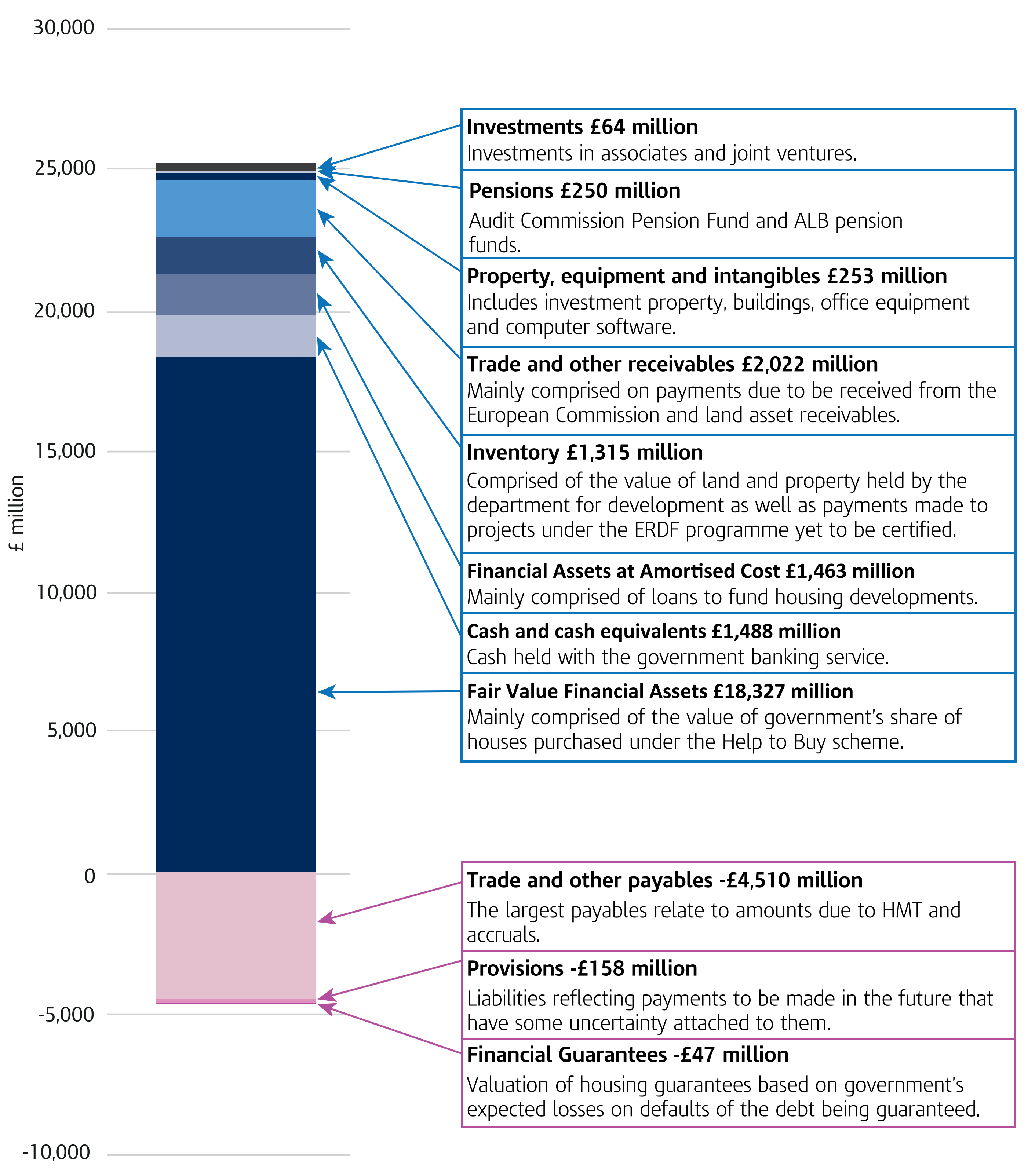


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2024 (page 100) 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 3: Department's Statement of Financial Position 31 March 2024



3. Sustainability Report

Our 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 of actions which drive forward and support the department's work towards meeting the Greening Government Commitments (GGC).

This report covers the department and its Arms-Length Bodies (ALBs); Homes England, HM Land Registry, Planning Inspectorate (PINS), and the Regulator of Social Housing (RSH). It also includes data on the Queen Elizabeth II (QEII) Conference Centre, due to the department being the freeholder. The data includes the performance for the financial year 2023-24 against the 2017-18 baseline (unless otherwise stated1). HM Land Registry has been a partner body of the department since 1 June 2023. Therefore, the 2017-18 baseline and the data from previous reporting periods have been updated to include HM Land Registry to ensure accurate commentary of the department's progress against the GGCs' targets.

When 'the department' is referred to in this report, it includes the data from the core department alongside the four ALBs (see above), provided to us by the GPA. The data does not include information from all of our ALBs, as some do not meet the reporting requirement threshold of having 50 full time employees (FTE) or 500m^2 of office space, but we recognise the importance of collecting data going forwards.

The department is a minor tenant in the majority of the buildings it occupies and generally shares with other government departments or departmental bodies. Performance against sustainability targets is therefore a shared endeavour.

The department subscribes to several targets including the mandatory GGCs for reducing energy, water, paper, travel and managing waste.

Our Overall GGC performance

Overall, emissions for 2023-24 have slightly increased compared to 2022-23, primarily due to an increase in electricity consumption and a decrease in the use of green electricity tariffs across the estate. The department meets the reduction targets for overall and direct GHG emissions, waste to landfill, waste recycled, water consumed, and paper purchased. The target for domestic air travel has been missed. The target for volume of waste produced has been missed, primarily due to a large volume of waste generated by PINS vacating one of their offices in Q1 of this reporting period.

Summary of overall Greenhouse Gas Emissions performance

Requirement	2017-18 baseline	2018-19 reduction	2019-20 reduction	2020-21 reduction	2021-22 reduction	2022-23 reduction	2023-24 reduction
Reduce overall GHG emissions by 47%	16,593 tonnes of CO_2	27%	33%	66%	60%	65%	59%
Reduce direct GHG emissions by 25%	3,190 tonnes of CO_2	8%	5%	34%	26%	27%	26%

The department has decreased its total in-scope gross Greenhouse Gas (GHG) emissions by 59% since the 2017-18 baseline year, against the target of 47%. Direct GHG emissions have decreased by 26% over the same period, meeting the target to reduce direct GHG emissions by 25%.

There has been a 6% increase in the department's overall GHG emissions in this reporting period compared to 2022-23, this is due to a decrease in the usage of Green Tariff electricity across the our estate, combined with an increase in overall electricity consumption. The increase in overall electricity consumption is mainly driven by QEII (see section "Scope 2 - Energy indirect GHG emissions" for further information).

Sustainability Reporting

HM Treasury (HMT) has published the 2023-24 Sustainability Reporting Guidance which gives additional minimum reporting requirements for central reporting against the 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 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

	2017-18 baseline		2021-22	2022-23	2023-24
Kilowatt hour of the total estate (kWh)	14,975,968		12,744,885	13,548,583	12,630,601
Tonnes of CO_2	2,911		2,334	2,474	2,311

Gas consumption has decreased since the previous reporting period and from the 2017-18 baseline.

The department has no infrastructure to self-generate energy. Therefore, the department's consumption of renewable energy is zero for 2023-24, 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 who maintain a fleet of cars.

Petrol cars

	2017-18 baseline		2021-22	2022-23	2023-24
Km travelled (petrol)	501,680		171,886	258,593	123,817
Tonnes of CO_2 emitted	95.7		31.3	46.6	21.4

Diesel cars

	2017-18 baseline		2021-22	2022-23	2023-24
Km travelled (diesel)	1,024,165		41,097	27,370	8,039
Tonnes of CO_2 emitted	182.5		6.9	4.5	1.3

Ultra-Low Emissions Vehicles (ULEVs)[2]

	2017-18 baseline		2021-22	2022-23	2023-24
Km travelled (ULEV)	N/A		0	7,729	787,953
Tonnes of CO_2 emitted	N/A		0	0.5	22.5

In 2023-24, Homes England used fewer diesel and petrol cars for business travel compared to 2022-23. Homes England decided to incorporate ULEVs into their fleet in 2022-23. This was informed by the GGC target for department's car and van fleets to be fully zero emissions by 2027. Homes England's fleet comprised of 90.7% ULEVs in 2023-24, compared to 66.5% in the previous reporting period. The overall increase in kilometre (km) travelled was due to an upturn in the number of site visits where the only realistic means of travel is by car.

Scope 2 – Energy indirect GHG emissions

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

	2017-18 baseline		2021-22	2022-23	2023-24
Mains standard grid electricity consumption (kWh)	13,069,507		4,776,247	6,351,216	11,214,329

	2017-18 baseline		2021-22	2022-23	2023-24
Green tariff/zero carbon electricity consumption (kWh)	15,960,258		9,689,892	5,017,252	3,073,658

The same factors which underpin the increase in Greenhouse Gas emissions also explain the increase in Scope 2 indirect emissions. GPA manage some properties for us whilst other properties are managed by the property's senior tenant, usually another Government department, or in the case of QEII Conference Centre, by the centre itself. There has been a decrease in the usage of Green Tariff electricity as unlike in previous years, GPA currently are only able to report data on GPA managed properties using a zero carbon for business tariff. This is combined with an increase in electricity consumption reported at two buildings operated by us, Queen Elizabeth II Conference Centre and 2 Marsham Street. Whilst querying the increased consumption at Queen Elizabeth II Conference Centre, the department realised that the property's consumption was considerably underreported in the 2022-23 reporting period. Therefore, there is likely to be limited material increase in the department's electricity consumption in 2023-24. Moving forward, we will endeavour to ensure data is accurately reported. The department has also seen a growth in the number of FTEs as well as an increased return to the office during this reporting period which has also contributed to the higher consumption figures.

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

Scope 3 data regarding the use of public transport reflects the core department, Homes England, Planning Inspectorate, HM Land Registry, and the Regulator of Social Housing's business travel.

Rail travel

	2017-18 baseline		2021-22	2022-23	2023-24
Rail travel (km)	15,596,670		4,883,434	10,181,402	14,247,059
Tonnes of CO_2 emitted	730		173	361	505.24

Taxi travel

	2017-18 baseline		2021-22	2022-23	2023-24
Taxi travel (km)	32,539		10,196	12,312	6,231
Tonnes of CO_2 emitted	532		1.5	1.8	1.3

Bus travel

	2017-18 baseline		2021-22	2022-23	2023-24
Bus travel (km)	7,710		148	843	1,871
Tonnes of CO_2 emitted	0.80		0.02	0.09	0.19

London underground travel

	2017-18 baseline		2021-22	2022-23	2023-24
London Underground travel (km)	23,670		1,916	1,917	4,952
Tonnes of CO_2 emitted	1.11		0.05	0.05	0.14

Domestic air travel

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Tonnes of CO_2 from domestic flights	46	70	71	0	9	18	59

International air travel

	2017-18 baseline		2021-22	2022-23	2023-24
International air travel (km)	599,140		42,091	48,313	108,060
Tonnes of CO_2 emitted	81.23		3.42	3.82	12.98

Eurostar travel

	2017-18 baseline		2021-22	2022-23	2023-24
Eurostar travel (km)	30,190		0	1,352	10,240
Tonnes of CO_2 emitted	0.37		0	0.01	0.05

The GGC target aims for departments to reduce emissions from domestic flights by at least 30% from the 2017-18 baseline. We have not met the 30% target of 32.2 tonnes of CO_2 per financial year and use of domestic air travel has fallen back in line with pre-pandemic levels. However, the remit of the Department has changed significantly since the pandemic with responsibility for Union matters and opening an office in Northern Ireland, necessitating more air travel. Data for domestic flights in Q1-3 was unavailable for the core department and was based on Q4 data, we will focus on collecting this data for the next reporting cycle. In addition, moving forwards we will endeavour to prioritise more sustainable modes of transport.

Overall, business travel via taxi has decreased, there has been an increase in the use of rail, bus, Eurostar and domestic and international air travel in 2023-24.

Water Usage

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total water consumption (m^3)	100,095	110,348	113,084	52,193	62,840	69,759	62,247

The department's water consumption has decreased compared with 2022-23. There has also been a 38% reduction compared with the baseline, significantly exceeding the GGC target of an 8% reduction.

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.

	2017-18 Baseline	2018-19 reduction	2019-20 reduction	2020-21 reduction	2021-22 reduction	2022-23 reduction	2023-24 reduction
Reduce the overall amount of waste generated by 15%	1672 tonnes	-22%	0%	81%	64%	43%	-103%
Reduce the amount of waste going to landfill to less than 5% of overall waste	2%	4%	3%	4%	4%	2%	0.3%
Increase the proportion of waste which is recycled to at least 70% of overall waste	79%	80%	75%	70%	63%	75%	86%

There has been significant increase in waste consumption across our estate compared to the 2017-18 baseline. This is largely due to high figures of waste recycled externally and waste incinerated reported by PINS in Q1 as a result of vacating one of their office spaces, Temple Quay House. This resulted in a 210% increase on the 2017-18 baseline. Therefore, we have significantly missed the GGC's target of a 15% reduction against waste generated from the 2017-18 baseline.

If waste reported for Q1 had been in line with Q2-4 then the department would have reduced waste consumption by 57% from the baseline. We are looking to improve methods of waste data collection as benchmarks have been used for some properties, as well as promoting resource efficiency and moving towards a circular economy to help achieve this target.

We have achieved the GGC target of recycling at least 70% of overall waste. In addition, for 2023-24, waste sent to landfill has been reduced to <1% of waste across the department, this is strongly driven by the high waste recycled figure reported by PINS in Q1. Excluding PINS move out data the waste to landfill would have been in line with 2022-23 at 2%, however the waste recycled would have just missed the target at 68.5%. Moving forward, at GPA managed properties, there is a commitment to reduce waste with a specific focus on the circular economy. Initiatives include offering a range of bins to encourage segregation of waste and waste awareness events such as the one held at 23 Stephenson Street in April 2024.

Paper purchased

	2017-18 Baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A4 reams of paper equivalent	34,226	41,646	40,700	3,823	30,437	14,784	13,472

Paper purchased has slightly decreased since 2022-23. There has been a 60.7% reduction compared to the 2017-18 baseline, meaning the department is meeting the GGC's target of a 50% reduction against the baseline.

Consumer Single Use Plastics (CSUP)

	2017-18 baseline		2021-22	2022-23	2023-24
Consumer Single-Use Plastics	No baseline recorded		103,256	14,207	59,325

There has been a significant increase in the amount of CSUPs since the previous reporting period, but the 2023-24 figures fall in line with Q4 2022-23 figures, which may be caused by increased office attendance. Nevertheless, the department has reduced the amount of CSUPs by 43% since 2021-22, demonstrating progress towards the goal of removing CSUP from the central government office estate. This is due to a more stringent procurement strategy regarding CSUPs, which is based on a sustainable procurement policy.

Sustainable Procurement

The GPA, who manage our estate, ensure high standards of procurement are followed. These standards include using only Forest Stewardship Council (FSC) timber in capital projects to minimise unsustainable wood consumption and only sourcing fabrics from UK supply chains in office refurbishments. HM Land Registry has an agreed Sustainable Procurement Policy Statement following Government Framework Guidelines. Homes England are currently developing a specific policy which aims to be completed during the 2024-25 reporting period. The department adheres to the sustainable procurement guidance for goods and services and meets the minimum Government Buying Standards (GBS). The department also has two procurement champions who support the procurement of major government contracts, including advising on policy requirements.

By incorporating sustainability into procurement, we are committed to buying 'greener' products and services. Through the policies we ensure that sustainable development is an aim of both ours and our suppliers thinking and actions.

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 ICT hardware contract was awarded to a supplier who has 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. The Government Greening: ICT & Digital services requirements are incorporated into all new contracts. Furthermore, a representative for the Sustainable Technology Advice and Reporting (STAR) team will be nominated shortly following a re-organisation of the Digital Directorate.

Adapting to Climate Change

During 2023-24 GPA has completed a Climate Change Adaptation Risk Assessment and outlined a Climate Change Adaptation Action Plan. The work has followed the Office for Government Property Framework. A strategy document setting out the outcomes from this work has been completed.

Nature Recovery

The GPA published in March 2024 a Nature and Biodiversity Recovery Annex to their Workplace Design Guide. This annex includes a range of actions to enhance biodiversity and nature recovery, particularly in new constructions and when refurbishing outdoor areas. It also includes actions to maintain compliance with legal requirements including the Biodiversity Net Gain (BNG) mandated in planning requirements. It also includes best practice and initiatives to enhance biodiversity and nature recovery, particularly in new construction 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

In the coming year, the department will focus on improving arrangements for the collection, analysis, and reporting on sustainability data and using the improved arrangement to drive better sustainability outcomes.

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

During 2023-24 GPA have published an update to the Net Zero and Sustainability Annex design guide. The Annex sets out the ambitions for both new buildings as well as major refurbishments undertaken for clients. In the last year, HVAC, BMS and LED upgrades were completed at London, 2 Marsham Street. In the coming year smart meters will be installed at Sheffield, 2 St Pauls Place and lighting will be upgraded to LED at Newcastle, City Gate. The guide includes consideration of carbon emissions from construction and operation as other sustainability requirements such as minimum Building Research Establishment Environmental Assessment Method (BREEAM), National Australian Built Environment Rating System (NABERS) UK, and Energy Performance Certificate (EPC) standards. The red lines for all GPA projects are:

- New Build: ›Excellent BREEAM, with a NABERS UK rating of ›5* and an EPC rating of A.
- Major Refurbishment: ›Very Good BREEAM, with a NABERS UK raring of ›4* and an EPC rating of B.
- Currently, in our portfolio, the Manchester First Street building is targeting a BREEAM rating of ‘Excellent’ and has a predicted EPC rating of A (25).

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. The department recognised the important role of SMEs and looks to procure through methods that will support the involvement of SMEs and Voluntary, Community and Social Enterprises (VCSE) 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. For example, planting in all relocations or new locations added to the estate forms part of the Work Place Services Blueprint. We are considering off-site improvements of Biodiversity Net Gain (BNG) as well as setting BNG requirements for all projects, especially given that since 12th February 2024 a 10% BNG target must be delivered by all developers under Schedule 7A of the Town and Country Planning Act 1990.

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.

Task Force for Climate-Related Financial Disclosures (TCFD)

Under the department's Board model and governance framework, primary governance and oversight is managed at a Portfolio level and Director Generals are responsible for ensuring effective governance arrangements are in place for their areas in the discharge of their delegated authority and responsibilities. Overall assurance and oversight - including escalation of core risks and decisions - is managed at an executive level by the Executive Team and its core sub-committees. Updates are provided to the Departmental Board, Non-Ministerial Board and the Audit & Risk Assurance Committee (ARAC) as required.

The MHCLG Climate Change Board provides cross-cutting strategic oversight and direction on climate-related issues across the department, including work on Net Zero, government commitments to its carbon emissions targets (including Carbon Budgets) and adapting to a changing climate. The Board is chaired by the Director General for Safer Greener Buildings and core membership comprises Directors from a number of portfolios across the department. The Board met twice during the financial year 2023-24.

At an individual portfolio level, Portfolio Boards provide high-level oversight of climate-related risks, issues and commitments within their area. This includes consideration of issues raised through risk escalation processes from a sub-board or programme level, as well as standing items and/or deep dives on issues of particular relevance, as required. Portfolios also have responsibility for managing engagement with other government departments, including DESNZ and DEFRA, on climate-related issues relating to policies and programmes.

We have particular responsibility for leading government's work on energy standards for new buildings and improving the energy efficiency and carbon emissions of existing homes and buildings. This is managed within the Safer Greens Buildings group portfolio structures, via the Energy Performance of Buildings Board and the Group Stewardship and Reform Board. These both report into the group's overall Portfolio Board and the Climate Change Board as required.

At an executive level, the Executive Team provides overall strategic oversight of climate-related issues. This includes monitoring delivery of the One DLUHC Plan, including consideration of how the department works with partners to achieve net zero targets. Under the department's Risk Management Framework, specific climate-related risks and opportunities may be escalated to the executive level for discussion or awareness, as required. In June 2023, the Non-Ministerial Board received an update on the department's work to deliver Net Zero, with a particular focus on three core areas of work: decarbonisation of buildings; planning for major delivery and infrastructure; and the Levelling Up agenda. In addition, our lead NED sits on the cross-government Climate Forum, convened by DEZNZ. Our ARAC also plays a role in assuring the final metrics-based reporting on climate and sustainability issues, as part of the annual reporting cycle.

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 2023-24, totalling £7.5 million (2022-23, £17.1 million).

- Three complaints against the department were accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2023 to 31 March 2024.

  Three cases were reported on by the Parliamentary Ombudsman during the year, in all of these cases the complaint was not upheld.

  All three cases had one Ombudsman recommendation each. Two were complied with, one was not complied with.

  We currently have a three-step public-facing complaints process. We are in the process of streamlining the existing process to make it simpler, more effective and timely for both customers and officials. This would bring us in line with most other departments.

  We investigate all complaints about the standard of service we provide, including the behaviour of our staff. The complaints process does not cover complaints about Freedom of Information, planning, local authorities or objections to government policy.

- In 2023-24 the department received 12,577 (2022-23 14,182) items of correspondence from members of the public that required an official response. Of these, 53% (2022-23 51%) were replied to within our target of twenty working days.

Sarah Healey CB CVO
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

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 26
Details the members of the ministerial, non-executive and executive team who form the Departmental Board.

Statement of Accounting Officer's Responsibilities – page 29
Explains the responsibilities of the Permanent Secretary as the department's Accounting Officer.

Governance Statement – page 30
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 47
Details the remuneration and pension interests of the department's board members.

Staff Report – page 55
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 66
Reports the financial year's expenditure (based on HMT budgeting principles) set against the department's budget (estimate) as approved by Parliament.

Other Parliamentary Accountability Disclosures – page 75
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 87
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

Please note that this report was drafted before the 2024 General Election, and is correct as of 31 March 2024. The Rt Hon Angela Rayner MP became the Secretary of State for the department on 5 July 2024.

The Departmental Board, chaired by the Secretary of State, comprises all Ministers, Non-Executive Directors, the Permanent Secretary, the Chief Finance Officer and the Director General for Local Government, Resilience and Communities. It met three times in 2023-24. Each member's attendance is listed in the Director's Report.

The Board's role is to provide overall leadership for the department's business, as well as advice, support and challenge on the delivery and performance of key policy areas and programmes. It reviews the department's capability to monitor and deliver current priorities, scrutinising strategic decision making and key performance measures to drive delivery and improvements.

The Non-Ministerial Board, chaired by the Lead Non-Executive Director, met three times in 2023-24. It is attended by the Executive Team and Non-Executive Directors. Its responsibilities include reviewing the department's capability to deliver its priorities, and scrutinising and advising on key performance measures to drive effective programme delivery and improvements.

Further details of areas of responsibility for Ministers, Non-Executive Directors and the Executive Team can be found at: https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities.

Our Ministers as at 31 March 2024[2]

The Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities & Minister for Intergovernmental Relations.
Chair of the Departmental Board.
Attended 3 of 3 board meetings.

Jacob Young MP
Parliamentary Under Secretary of State for Levelling Up
From 18 September 2023
Attended 1 of 2 board meetings.

Felicity Buchan MP
Parliamentary Under Secretary of State for Housing and Homelessness
Attended 3 of 3 Board meetings.

Lee Rowley MP
Minister of State for Housing and Planning
(from 13 November 2023)
Previously Parliamentary Under Secretary of State for Local Government and Building Safety
Attended 2 of 3 board meetings.

Simon Hoare MP
Parliamentary Under Secretary of State for Local Government
From 13 November 2023
Attended 1 of 1 board meetings.

Baroness Scott of Bybrook OBE
Parliamentary Under Secretary of State for Faith and Communities (Lords)
Attended 1 of 3 board meetings.

2 These active ministerial roles ended on 5 July 2024 following the General Election

Baroness Swinburne
Parliamentary Under Secretary of State (Housing and Communities) (Lords)
Attended 0 of 1 board meetings

Baroness Penn
Minister on Leave (Parliamentary Under Secretary of State) (From 1 March) (Lords)
From 14 November 2023
No Board meetings were held in the period before Baroness Penn's leave.

Our Non-Executive Directors as of 31 March 2024

Dame Alison Nimmo DBE
Lead Non-Executive Director
Attended 3 of 3 board meetings.

Thomas Taylor
Non-Executive Director
Attended 3 of 3 board meetings.

Lord Gary Porter CBE
Non-Executive Director
Attended 3 of 3 board meetings.

Jeffrey Dodds
Non-Executive Director
Attended 2 of 3 board meetings.

Executive directors (who are full Ministerial board members) as of 31 March 2024

Sarah Healey CB CVO
Permanent Secretary
Attended 3 of 3 board meetings.

Matt Thurstan
Chief Finance Officer
Attended 3 of 3 board meetings.

Catherine Frances CB
Director General, Local Government, Resilience and Communities
Attended 3 of 3 board meetings.

Other Ministers who served in the department during 2023-24 were:

Rachel Maclean MP
Minister of State for Housing and Planning from 7 February 2023 to 13 November 2023. Attended two board meetings.

Dehenna Davison MP
Parliamentary Under Secretary of State for Levelling Up from 7 September 2022 to 18 September 2023. Attended one board meeting.

Other non-executive directors who served in the department during 2023-24 were:

Pam Chesters CBE
Non-Executive Director from 11 September 2017 to 10 September 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 Gov.uk[3] and the Register of Members' Financial Interests, which are held on the UK Parliament website[4].

Details of directorships and other significant interests held by members of the Board are available on Gov.uk[5].

The Department provides information to individuals who hold appointments in outside organisations where a conflict of interest might arise or might be perceived.

3 https://www.gov.uk/government/publications/list-of-ministers-interests
4 https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/registers-of-interests/register-of-members-financial-interests
5 https://www.gov.uk/government/publications/dluhc-register-of-board-members-interests

Related Party Transactions & Conflicts of Interests

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.

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 40.

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 £1,512,000 of which £889,000 is a cash charge and £623,000 is a notional charge (2022-23: £1,357,000 of which £845,000 was a cash charge and £512,000 was a notional charge).

The audit fee for the core department is £395,000 (2022-23: £375,000), broken down as £377,500 for the departmental audit (2022-23: £360,000) and £17,500 (2022-23: £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: £45,500 (2022-23: £43,000)
- Levy Account: £9,500 (2022-23: £9,000)
- Trust Statement: £22,500 (2022-23: £21,500)

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.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Ministry of Housing, Communities and Local Government to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the department (inclusive of its executive agency) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 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 Ministry of Housing, Communities and Local Government.

The Accounting Officer of the department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or other arm's length sponsored public bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money*[6] 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.

6 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 us, including those allotted to our arm's length bodies (ALBs) and for funding which is devolved to local bodies such as local authorities (LAs). 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 (AOSS)[7] and the National Local Growth Assurance Framework[8] which gives details of arrangements for LEPs (prior to April 2024).

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

Board Committees

The Departmental Board and Non-Ministerial Board

The Departmental Board, chaired by the Secretary of State, comprises all ministers, non-executive directors, the Permanent Secretary, the Chief Finance Officer and the Director General for Local Government, Resilience and Communities. It met three times in 2023-24. Each member's attendance is listed in the Director's Report.

The Board's role is to provide overall leadership for the department's business, as well as advice, support and challenge on the delivery and performance of key policy areas and programmes.

The Non-Ministerial Board, chaired by the lead non-executive director, met three times in 2023-24. It is attended by the full Executive Team and non-executive directors. Its responsibilities include reviewing the department's capability to deliver its priorities, scrutinising and advising on key performance measures to drive effective programme delivery and improvements and maintaining oversight of the departmental business plan.

Further details of areas of responsibility for ministers, non-executive directors and the Executive Team can be found at: https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities.

To ensure compliance with the corporate governance code of good practice[9], we undertake periodic evaluations of board effectiveness and review conflicts of interest, to manage and report risks.

The 2023-24 Board Effectiveness Evaluation was undertaken by our lead non-executive director, who submitted their report in May 2024. The evaluation included several recommendations, including stronger oversight of arms-length bodies, improving board diversity, and developing board member induction programmes, all of which are now being implemented.

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.

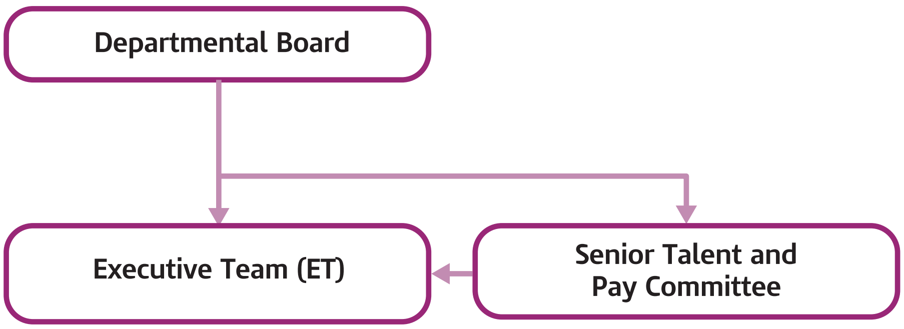
7 DLUHC accounting officer system statement 2023 - GOV.UK (www.gov.uk)
8 This framework is for Mayoral Combined Authorities with a Single Pot funding arrangement and Local Enterprise Partnerships and can be found here: https://www.gov.uk/government/publications/national-local-growth-assurance-framework
9 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

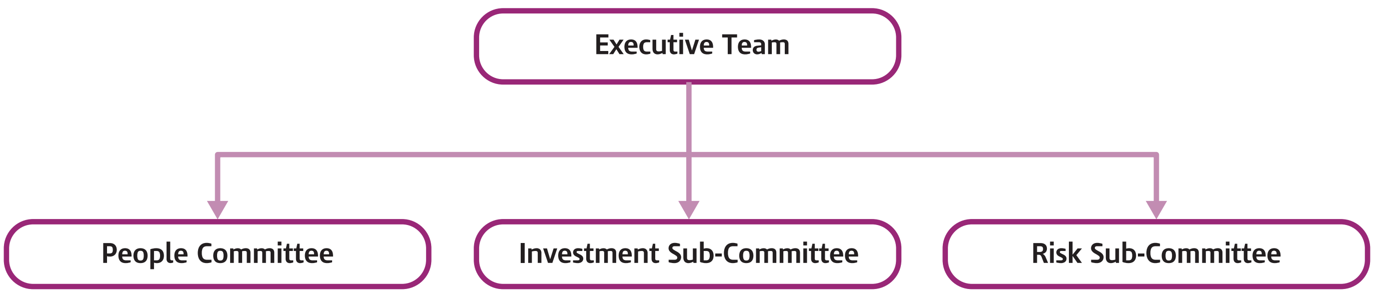
The Audit and Risk Assurance Committee (ARAC) is chaired by a non-executive director, with members including a non-executive director and an independent member. During 2023-24, it was also attended by the Permanent Secretary, Chief Finance Officer, Finance Director, Head of Risk, and representatives from the National Audit Office (NAO), Government Internal Audit Agency (GIAA) and Homes England. ARAC met five times throughout the year to review and advise on range of topics including the department's Governance Statement and effectiveness of corporate governance; accounting policies, accounts, and reports; planned activity and results of both internal and external audits, including assessments of value for money; management of risk, and anti-fraud and whistleblowing policies.

The Executive Team and its Sub-Committees

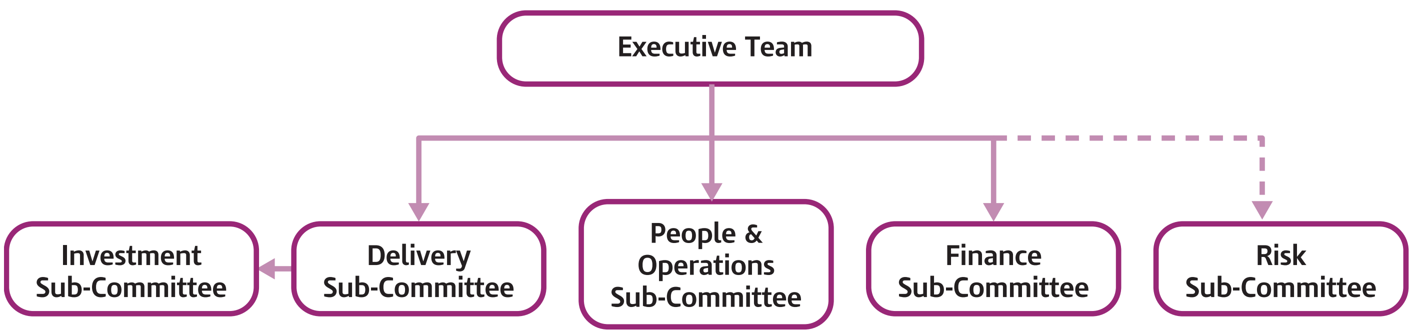
Executive Committees



Executive Sub-Committees (as at April 2023)



Executive Sub-Committees (as at June 2024)



The department's governance framework has been refreshed over the course of the 2023-24 financial year, as shown in the diagrams above. New Delivery and Finance Sub-Committees have been established, with the Investment Sub-Committee now reporting directly to the Delivery Sub-Committee. The first meeting of the of the Finance Sub-Committee was in July 2023, and the first Delivery Sub-Committee was in January 2024. The remit of the People Committee has been expanded to include operational matters and it began meeting in its new form in summer 2024.

Executive Team

The Executive Team is chaired by the Permanent Secretary and is composed of the six Directors General, the Director of Strategy, the Director of Finance, and the Co-Directors of People, Capability and Change. The Executive Team meets fortnightly to consider corporate and policy issues and the strategic planning, performance, management, and coordination of the department (including a quarterly stocktake holistically reviewing the department's people, finance, and delivery considerations). A sub-group of the Executive Team also meets monthly as the Senior Talent and Pay Committee to consider senior civil service resourcing, talent and pay.

Delivery Sub-Committee

The Delivery Sub-Committee is chaired by the Director General for Safer Greener Buildings and is comprised of our senior leaders from relevant corporate and policy areas, alongside senior representatives from the Infrastructure and Projects Authority and Government Internal Audit Agency. It ensures that our portfolios, programmes and projects are successfully delivering departmental outcomes.

Finance Sub-Committee

The Finance Sub-Committee is chaired by the Chief Finance Officer and is comprised of our senior leaders from relevant corporate and policy areas. It takes decisions and makes recommendations to our Executive Team on how to manage the department's finances.

People Committee

The People Committee was operational throughout the 2023-24 financial year, chaired by the Director General for Local Government, Resilience and Communities and comprised of senior leaders from relevant corporate and policy areas. The Committee provided a decision-making forum for matters relating to people and workforce. In line with the outcomes of the internal Governance Framework Review, the People Committee transitioned to the People and Operations Committee in June, chaired by the Chief Finance Officer. The refreshed committee has additional responsibility for operational matters, and membership has been updated to reflect its expanded remit.

Investment Sub-Committee

The Investment Sub-Committee (ISC) is chaired by the Chief Finance 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 Finance 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 enterprise risk framework.

Governance Assurance Process

At the end of each financial year, a governance assurance process 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.

This includes the participation of all Director General led groups in the department:

- Levelling Up
- Safer Greener Buildings
- Regeneration

- Local Government, Resilience and Communities
- Union and Elections
- Corporate

Directors General and Directors have provided evidence for this process and summarised challenges they faced during the financial year.

Overall, the 2023-24 governance assurance process concluded that there is adequate assurance across all portfolios, with progress across groups to close actions recorded during the previous year's process. The summary of improvements as well as the areas of focus for the department's assurance work were reviewed and approved by ARAC. All groups reported progress on internal governance and assurance mechanisms, while noting continued focus is required to deliver further improvements. ARAC will continue to review departmental assurance across all portfolios, as well as ongoing review of departmental risk, whilst supporting the GIAA in its reporting.

Ministerial Directions

There were no ministerial directions provided in 2023-24.

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 (AOSS). This section summarises the key controls that provide the assurance that devolved budgets meet the requirements of Managing Public Money.

The department's Accounting Officer is responsible for maintaining the statutory framework of legal duties and financial controls on local authorities, to ensure proper democratic accountability, transparency, public scrutiny, and audit. This includes gaining assurance that the accountability system is fit for purpose and that the system is able to identify and respond to failure. The department is supported in this role by a new organisation, the Office for Local Government (Oflog) which was established as an office of the department in July 2023. Oflog was created to increase understanding about the performance of local authorities, warn when authorities are at risk of serious failure, and support local government to improve itself. Priorities have been set for Oflog in a remit letter and Oflog and the department jointly consulted on a corporate plan outlining how it will deliver against these priorities. Oflog has started work on a Data Explorer to help increase transparency on key metrics and is piloting early warning conversations to seek to identify authorities at risk of failure.

The core accountability framework for local authorities is kept under regular review to ensure it remains 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 areas where the framework may need amending.

During 2023-24 there were further interventions in individuals councils where there had been indications of best value failure. Commissioners were in place in Liverpool City Council, Slough Borough Council, Sandwell Metropolitan Borough Council, Nottingham City Council, Thurrock Council, Woking District Council and Birmingham City Council, and a statutory Panel at the London Borough of Croydon, 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. In February 2024, some functions were handed back to the authority.

- **Slough**: Commissioners were appointed in December 2021 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 and in May 2023 new Commissioners were appointed. In February 2024 the Secretary of State sought an additional report from the Commissioners in response to their recommendation that more time would be needed before the intervention could end.
- **Sandwell**: Commissioners were appointed in Sandwell in March 2022 following a report by external auditors that highlighted mismanagement, ineffective scrutiny and poor accountability arrangements. The intervention ended in March 2024, as planned.
- **Thurrock**: In September 2022 Commissioners were appointed and a Best Value Inspection commissioned following concerns about the local authority's exceptional level of financial risk and debt. In March 2023 the intervention was expanded, and a Managing Director Commissioner appointed. The Best Value Inspection was published in June 2023.
- **Nottingham**: Improvement and assurance arrangements were put in place in December 2020 following a non-statutory review that found significant failings. In September 2022, the Nottingham Board was to be put on a statutory footing and in February 2024 the intervention was again escalated with the appointment of Commissioners.
- **Woking**: Commissioners were appointed in May 2023 following an external assurance review, concerns about the scale of the financial and commercial risk facing the local authority and the issuing of a section 114 notice in June 2023. New appointments were made in December 2023 including a Managing Director commissioner.
- **Croydon**: Improvement and assurance arrangements were put in place in February 2021 following a non-statutory review that found significant failings. In July 2023, the Local Government Minister announced that the Croydon Panel was to be put on a statutory footing.
- **Birmingham**: Commissioners were appointed in October 2023 following serious financial and governance problems, in particular the flawed implementation of a new financial ledger system and the handling of significant Equal Pay liabilities that led to section 114 notices being issued in September 2023.

On 24 January 2024 additional measures were announced for local authorities in England worth £600 million. Taking into account this additional funding, the final Local Government Finance Settlement for 2024-25 makes available up to £64.7 billion, an increase in Core Spending Power of up to £4.5 billion or 7.5% in cash terms on 2023-24.

As of the end of the 2023-24 financial year, seven local authorities have issued a combined total of ten Section 114 notices since March 2020: Croydon, Slough, Nottingham, Northumberland, Thurrock, Woking, and Birmingham. We agreed Exceptional Financial Support (EFS) totalling £2.5bn for a small number of local authorities, the details of which were published on 29 February 2024. Nearly three quarters of the support agreed relates to six of local authorities with severe local failure, where the government has had to step in and take the most serious action through statutory intervention.

The two biggest EFS requests agreed were for Birmingham (£1.26bn covering 2020-21 to 2024-25) and Woking (£330m covering 2023-24 to 2024-25). We also published details of support agreed with a small number of other councils that have requested financial support on an exceptional basis, due to specific local issues that they are unable to manage themselves.

We continue to improve the management of all EFS cases. In line with the normal EFS process, the department has agreed to provide these local authorities with in-principle support, subject to conditions. These include an independent external review (for those local authorities not currently subject to the additional assurance and scrutiny of a Best Value Intervention) to assess the reasons for the local authority needing support and the action needed locally to restore financial sustainability.

We are aware that some authorities are taking excessive risk in making borrowing and investment decisions and continue to monitor the sector. Within the central government system of capital controls, i.e., the Prudential Framework, local authorities retain responsibility for setting their own capital strategies but have a duty to comply with the Framework and must have regard to statutory guidance to ensure plans are prudent, affordable, and sustainable. We are engaging with a small number of authorities with very high levels of borrowing and investment, and two of these, Eastleigh, and Runnymede, have been issued with best value notices.

More broadly, Local Government DEL, Business Rates Retention and the Local Government Finance Settlement all continue to have dedicated boards which agree recommendations and oversee operation of these responsibilities. We are also continuing to understand and assess funding pressures on local authorities, linking our ongoing work on stewardship with wider work across government on other concurrent pressures. We use a range of forecasts and indices to estimate pressures facing local authorities and ensure the assumptions underlying our modelling are robust by holding in-depth discussions with local authorities, representative bodies, and treasurer societies.

Levelling Up Domestic Grants

To support programme risk mitigation for Levelling Up Fund and Towns Fund, and in adherence with the Government Functional Standard for Grants (GovS 015) and Managing Public Money, our Domestic Grant Assurance and Compliance Team continues to deliver assurance following the Levelling Up Funds Local Authority Assurance Framework (LUFLAAF). This framework describes the lines of defence to secure and assure propriety, regularity, and value for money in the delivery of the three funds:

- 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 reflected financial and delivery performance in tandem with assurance findings secured via Statements of Grant Usage and deep dives. Within the 2023-24 assurance period 180 LAs confirmed their first line of defence, of these twenty-one deep dives UK wide were undertaken, fifteen on a risk basis and six random sample.

The trends of 2022-23 continued through this sustained testing with subsidy control and procurement regulation adherence requiring the focus of remedial actions to secure confidence in compliance from local authorities. Aspects of governance transparency featured in the deep dive findings. Programme specific paused payments to local authorities were instigated to protect our funding whilst remedial actions were demonstrated by local authorities. Proactive engagement with grant recipients increased during the period with topic-based webinars from the Assurance Team alongside a discovery project and Delivery Associate Network for Levelling Up Fund and Towns Fund.

GIAA continue to work with the Domestic Grant Assurance and Compliance Team to inform and plan assurance of programmes with future third line testing scheduled for 2024-25 across the Levelling Up Programmes. The assurance model rated as “Substantial” covering Levelling Up Fund and Towns Fund when tested by GIAA in 2022-23 remains active and has widened to encompass Pathfinder places and Capital Regeneration Projects.

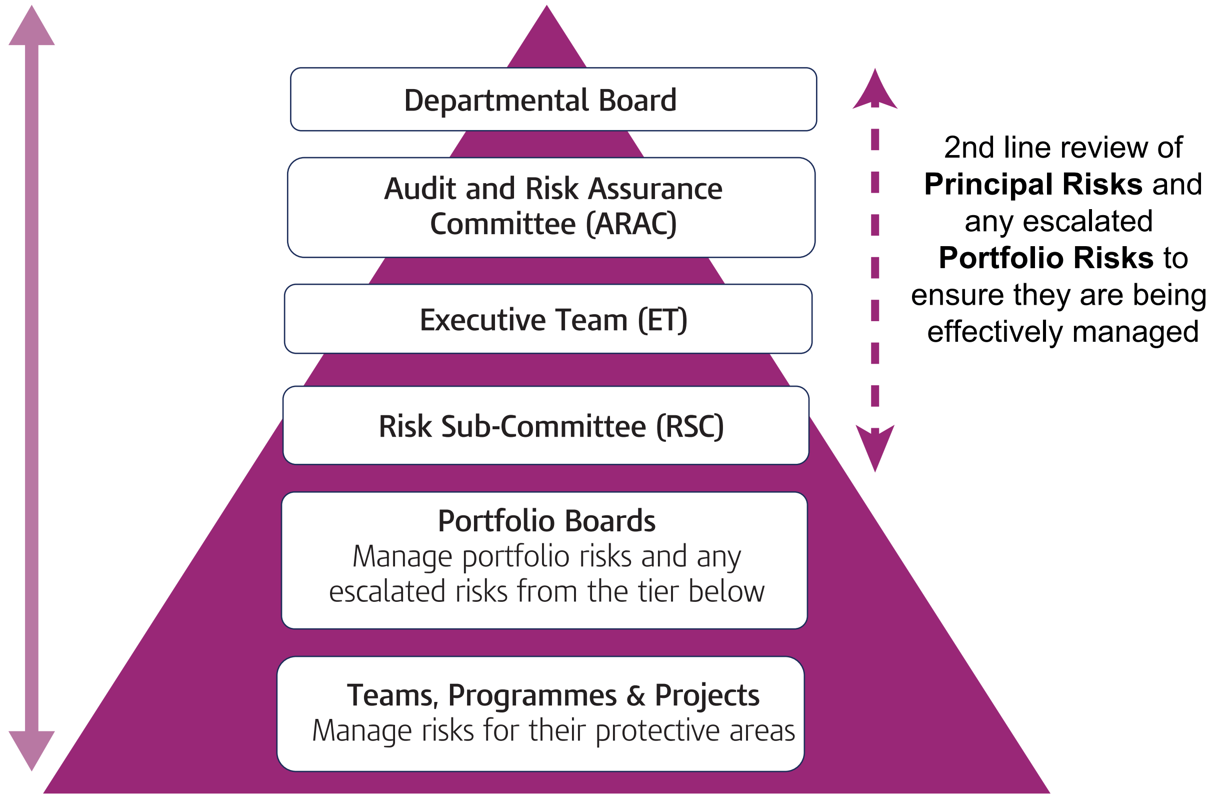
The eight operational Freeports have received active assurance including both First Line of Defence returns from Local Authority Chief Finance Officers (of the representative Accountable Bodies) and a second line of defence assurance review by us feeding into an Annual Performance Report.

Assurance of the Changing Places Toilets programme secured first line assurance from the local authorities to support payments. First line of defence testing was also conducted on Devolution Capital Grants issued to a number of Local Authorities

For non-local authority Levelling Up Fund grant recipients in Northern Ireland and the £150 million Community Ownership Fund (COF) which is UK wide, assurance in the first instance is secured by the respective Delivery Teams through the claims checking process ahead of payments. The Community Ownership Fund assurance cycle continued to engage with programme delivery during 2023-24 reflecting the launch of further rounds. Preliminary second line testing took place in the year to support full launch of the second line assurance in 2024-25.

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. It sets out how we manage and escalate risks. The governance process is outlined below, including the type of risks that are typically managed at each tier:



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 over the last 12 months and will continue to raise the bar over the coming year.

As of March 2024, there were thirteen principal risks at a departmental 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 are regularly 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. Local Government Delivery Risk	• Local government capability • Local tier funding and capacity • Pressures on homelessness system
2. People Risk	• Capacity & capability • Employee experience • Agility
3. Financial Risk	• Budget management • Value for money • Investment & Credit risk
4. Legal Risk	• Assess legal risk in advice. • Exposure to risk via ALBs
5. Project Delivery Risk	• Capacity and capability • Project planning and controls • Project initiation
6. Strategy Risk	• Legislative agenda • Progress against priorities
7. Resilience Risk	• Cross-cutting preparedness for concurrent/major/lead department events
8. Systems and Infrastructure Risk	• Investment & maintenance • Capability and capacity • Governance • User experience
9. ALB Risk	• Oversight arrangements • Alignment with department's objectives • Public appointments
10. Information and Data	• Information and data security/legislation • Use and capability of data systems. • Wider evidence, engagement, and analysis • Research and evaluation
11. Security Risk	• Physical and Personnel security • Security culture • Capacity and capability • Incident management • Cyber
12. Commercial Risk	• Compliance with procurement regulations • Short-notice procurements • Process for contract management • Conflicts of interest • Counter fraud
13. Governance Risk	• Departmental governance framework • Assurance and oversight of critical activities

Counter Fraud, Error, and Whistleblowing

Counter Fraud and Error

In 2023 we adopted a financial performance target, measuring the return on investment on counter fraud costs, with the target set at 2:1 ROI (£1.8m) for 2023-24, covering the core department and Homes England. The counter fraud function commissions quarterly fraud and error performance data across the department and its ALBs. This data is combined to provide a quarterly return to the PSFA and reported against quarterly at our Risk Sub-Committee.

For the year ended 2023-24, we (core department and Homes England) achieved a financial benefit of £4.3m against the joint target of £1.8m, representing a 4.8:1 return on investment, based on the annual investment of £0.9m. One instance of a £3.4m fraud was prevented and one instance of fraud loss of £575k was detected in the Building Safety Fund (BSF) during the year. Both were fully investigated with the findings feeding into ongoing work to mitigate fraud risks.

In order to ensure suitable capability and capacity we have counter fraud resources embedded within some teams in the department, outside of the central counter fraud function. The Building Safety Fund (BSF) is building a dedicated counter fraud team integrated into the programme to provide a strategic, monitoring, and advisory function. The Building Safety Fund, Affordable Homes Programme (AHP) and Homes for Ukraine (HfU) programme have been assessed by the PSFA High Fraud Risk Portfolio Board, with a decision made to place BSF and AHP on the High Fraud Risk Portfolio. The department is reviewing the operating model of the counter fraud function to ensure clarity of roles and responsibilities across the lines of defence, assess capability requirements and areas of focus for alignment with the expected standards.

For 2024-25 we have agreed a joint target of 3:1 return on investment with the PSFA in line with their recommendations, pending finalisation by PSFA in September 2024. At current levels of investment (£1.6m) this would require a return of £4.8m prevented and recovered fraud and recovered error against activities and programmes administered by the department and Homes England.

We have published a new MHCLG Counter Fraud, Bribery and Corruption Strategy 24-26. This details the core objectives for the function for the next three years and our commitment to developing the capability in counter fraud. The strategy sets out the way in which the department operates both internally and with external partners, with alignment to the values and mandate of the Public Sector Fraud Authority (PSFA), the One DLUHC Plan and the requirements of the cross-government Counter Fraud Functional Standards.

In September 2023, we were notified of a suspected fraud case within the Queen Elizabeth II Conference Centre. An independent investigation confirmed evidence of fraud within the organisation. Senior Leaders have since worked with the department to identify and implement actions to strengthen the controls across the ALB.

Finally, as part of our programme of continuous improvement, we are being assessed by PSFA against the government Counter Fraud Functional Standards, the outcome of which is expected in August 2024. The results will be presented in a "in development," "good," "better," "best" format. All government departments are required to adhere to the functional standards and will be undertaking a functional standards assessment. For us these results will directly influence the direction of the 2024-25 Counter Fraud Action Plan.

Whistleblowing

The department has a whistleblowing policy and procedure in place. A GIAA Investigation into whistleblowing in the Civil Service was published in December 2023 which made recommendations to the Cabinet Office. We will continue to review its policies in line with Cabinet Office standards.

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. Should colleagues wish to raise a concern specific to Counter Fraud they are able to do so by contacting the Counter Fraud Team. All reports are treated confidentially. Alternatively, colleagues can access a fully independent whistleblowing line via our Employee Assistance Partner, Health Assured. During 2023-24 fewer than five cases were received through these routes (note, given the low number of cases received, the actual number is not reported, to protect confidentiality).

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, members of the public have access to specific reporting platforms on Gov.uk, which allows us to triage requests to the appropriate local authority. For programmes we manage directly, teams 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.

The GIAA 2024-25 Internal Audit plan includes an audit of whistleblowing arrangements across the department and its ALBs. The plan also separately includes an audit of the strategy for fraud and error reporting.

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 2023-24 there were no data breaches for the department or its agencies which met the threshold for reporting to the Information Commissioner's Office (ICO).

This year we have implemented the Information Protection element of the Government Secure Configuration Blueprint, which mandates classification of documents and emails aligning the department to the Government Security Classification policy and make effective use of technology for document classifications.

Following on from the 100% Exceeding rating on the departmental health and security checklist, the department has implemented the new GovAssure framework across both the department and its Arm's Length Bodies. Our cross government standing in this is pending, but the summary report indicates that the departments cyber posture and that of its Arm's Length Bodies is strong.

In proactive activity, we continue to test our cyber posture through Phishing exercises and this year we have added in Purple Teeming with Government Security Centre for Cyber (GSec). The digital directorate continues to raise awareness of cyber security and provide advice and guidance to colleagues about how to stay secure online, in both personal and professional contexts. Cyber security risk management is maintained as investment continues to keep pace with the scale of attack.

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 2023-24, we received BAR applications from seven individuals, (three at Grade 7, one at Grade 6, and three at SCS1), of which all were approved and all of these had conditions set aside from one SCS1 application. No applications were found unsuitable for the application to be taken up by the department. There were no breaches of the rules in the preceding year.

Details of any applications and the outcome are published on the GOV.UK website 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 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.

We had 8 senior civil servants (SCS) who left the Civil Service in 2023-24 - of which six were resignations. The total number of SCS leavers from the department was 24, including those who remained civil servants.

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 department this 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 capability to implement and respond to change whilst managing the risks impacting core delivery. It acknowledged that:

- Developing policy, balanced with accountability for the delivery of defined outcomes, continue to be at the core of the department's portfolio management strategy and structure.
- There has been a sustained emphasis on having comprehensive performance and risk data to inform prioritisation and decision-making across the department, and that the governance structure is creating the capability to view risk and performance holistically.
- Financial management has retained a focus on capital and resource spend, whilst creating a connection between spend and delivery of defined outcomes.
- There has been a continued investment in commercial capability and a commitment to achieve consistency around the application of standards and procedures.
- The strategic workforce plan and priorities provide a clear framework to support resource decisions and are an enabler for managing capacity and capability risks linked to demand and supply and market conditions.
- The innovative approach of business risk partnering, aligned to the portfolio management structure, has led to improved risk maturity.
- Good progress has been made in areas that required further development, as highlighted in the 2023-24 GIAA opinion.
- There is a necessary emphasis on developing the second line assurance capability, optimizing the assurance landscape, and leveraging the learning and outcomes.

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

- Retain a forensic lens on the near-term, whilst monitoring the medium and longer term and creating an agility to respond to a changing landscape.

- Ensure that the departmental governance framework sustains a continued commitment to embedding a strong risk management culture at all levels.
- Progress the development of its digital strategy, aligned to the department's medium and long-term objectives.
- Sustain the capacity and capability to deliver its key priorities, within its Portfolio structure and as 'One MHCLG,' responding to any changes in priorities that may arise following the general election, and exploring opportunities to stop, start, rescope, or continue Programmes, as appropriate.
- Continue to mature the forecasting and performance data capabilities to ensure successful delivery, and via its ALBs and delivery partners where appropriate.
- Continue to work collaboratively across national and local government, and the devolved administrations, on key housing strategies and associated risks affecting Ukrainian, Afghanistan, and Hong Kong nationals, in line with government decisions on visa eligibility.

External Scrutiny

In 2023-24, our work was the subject of six National Audit Office (NAO) reports and five Public Accounts Committee (PAC) evidence sessions, all of which are summarised below from the published reports.

NAO Reports

Supported housing: This report set out how the supported housing system in England works and government oversight of the sector. Responsibilities are split across central and local government between us, the Department for Work & Pensions (DWP), the Department of Health & Social Care (DHSC) and local authorities.

The report's recommendations covered the supply of supported housing, data on the supported housing sector, measures in the Supported Housing Regulatory Oversight Act (2023) and issues in the Housing Benefit system.

Delivering regulation locally: This report brought together learning and identified eight areas for government departments and national regulators to consider when designing, delivering, and improving regulation involving local regulatory delivery.

Levelling Up funding to local government: This report examined whether our three significant levelling-up funds are likely to deliver value for money. The NAO carried out a study at a relatively early stage in the lifecycles of the three funds so that we can identify lessons for securing value for money for the funds committed to date and inform decisions around future funding rounds.

To reach these conclusions the NAO considered whether:

- The three funds have clear aims and objectives and have been designed and allocated as part of a joined-up approach.
- The three funds have been distributed in line with their objectives and if they are delivering projects as planned.
- We have an effective approach for the evaluation of the three funds.

The report concluded that Towns Fund and Levelling Up Fund projects are experiencing delays, which has led to many projects needing to be adjusted or rescoped. Projects are being delivered in the context of rising costs and pressures on public finances. Reflecting this context, the department has taken steps to understand local authorities' delivery challenges. The department has also made significant improvements in our approach to evaluation. However, at this stage it appears unlikely that local authorities will be able to complete projects by the original deadlines. The ability of projects to deliver all their intended benefits will rely on us and local authorities working together to unblock those projects which are delayed or have not started and set realistic expectations for delivery

Homes for Ukraine: The first people to arrive in the UK under the scheme are now halfway through their permitted stay, and the emergency phase of the UK government's response to the Ukraine humanitarian crisis has come to a close.

This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned. It set out:

- How the scheme was set up at speed and the scheme objectives
- Arrival numbers and the checks conducted on applicants and sponsors.
- The funding provided.
- Challenges and future risks with the scheme

East West Rail: This report sets out the following:

- The changing context for the East West Rail project
- DfT's assessment of the case for investing in the East West Rail project
- The arrangements in place to deliver the intended benefits.

The report concluded that East West Rail (EWR) represents a £6-7 billion investment to support growth in a part of the UK that the government regards as economically important. The NAO found, as with many transport projects, the rationale for East West Rail does not rest on the strength of the benefit-cost ratio for the project alone - which is poor - but on its wider strategic aim of overcoming constraints to economic growth in the Oxford to Cambridge region. The NAO recognised that new governance arrangements to deliver the scheme's benefits had not yet demonstrated their effectiveness. They recommended HM Treasury and other departments, including us, should establish a shared vision for locally led growth associated with EWR through the new EWR Growth Board, and that we and DfT work together on a shared vision for growth in Cambridge.

Reforming adult social care in England: This report examines the response to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper. This report examines: key pressures and challenges in adult social care in England, DHSC's response to increasing pressures in adult social care during 2022 and how DHSC is delivering reform and progress against its commitment.

Departmental Overview 2023-24: This guide has been produced to support the Levelling Up, Housing and Communities Committee in its examination of the department's spending and performance. It summarises the key information and insights that can be gained from NAO's examinations of the department and related bodies 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:

Supported housing (21 June 2023)

Homes for Ukraine (23 November 2023)

Cross-government working (11 December 2023)

Levelling Up funding to local government (15 January 2024)

Reforming adult social care in England (24 January 2024)

Details of the PAC reports are published on the PAC website:

https://committees.parliament.uk/committee/127/public-accountscommittee.

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 has seven current inquiries, as follows:

- Improving the home buying and selling process, opened 25 March 2024
- Children, young people, and the built environment, opened 13 November 2023
- Disabled people in the housing sector, opened 24 July 2023
- Shared ownership, opened 19 July 2023, report published 28 March 2024
- The Office for Local Government, opened 17 July 2023
- The finances and sustainability of the social housing sector, opened 23 March 2023
- Electoral registration, opened 15 December 2022, report published 21 March 2024

Our ALBs and the role of the Senior Sponsors and Boards

MHCLG sponsors fifteen ALBs. We have two Executive Agencies and thirteen designated bodies of various sizes. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation, HM Land Registry, the Boundary Commissions for England and Wales, and the Architects Registration Board are consolidated into our departmental accounts.

The Queen Elizabeth II Conference Centre had a trading fund established in 1997, so receives no budget from the department and operates on a commercial basis.

Non-Ministerial Department	His Majesty's Land Registry (HMLR)
Executive Agency	Planning Inspectorate Queen Elizabeth II Conference Centre
Advisory NDPB	Boundary Commission for England Boundary Commission for Wales
Tribunal	Valuation Tribunal for England
Executive Non-Departmental Public Bodies (NDPBs)	Homes England Leasehold Advisory Service Regulator Of Social Housing The Housing Ombudsman Valuation Tribunal Service Office for Place (as of 1st April 2024)
Other Body (not classified as NDPB)	Ebbsfleet Development Corporation Local Government and Social Care Ombudsman
Public Non-Financial Corporation	Architects Registration Board

Each ALB maintains its own governance structures and processes, appropriate to its business and scale. Each has its own Accounting Officer with delegated authority from the Principal Accounting Officer - the MHCLG Permanent Secretary - to oversee the operation and delivery of their objectives.

Details of ALB governance arrangements and activity, together with other matters of interest such as performance, risk management, and significant control issues are set out within their own Annual Report and Accounts.

We operate a decentralised ALB Governance sponsorship model, with senior officials within the department providing oversight of the performance and the direction of the ALBs. This responsibility has been delegated by the Permanent Secretary who as the department's Principal Accounting Officer (PAO) is primarily responsible to ministers for the performance of ALBs.

Each of our ALBs has a framework agreement, or equivalent, including their priorities and strategic aims, lines of accountability and governance arrangements. Framework documents are reviewed and updated on a regular basis. 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 Finance Officer. Further assurance is provided through:

- An annual risk-based review to ensure the level of sponsorship and Accounting Officer engagement is proportionate
- A bi-annual meeting for ALB Audit and Risk Assurance Committee chairs; this will be increased to three meetings a year.
- Regular assurance meetings between the ALB Accounting officer and the department where key performance indicators and risks for each ALB are scrutinised to enable effective performance assessments and risk management; and
- A consistent approach to ALB Board effectiveness with annual appraisal reviews, including for chairs.

We have embedded the Cabinet Office Sponsorship Code of Good practice and relevant HMT guidance, and we are committed to continuous improvement in ALB Governance and Sponsorship in parallel with taking forward accepted recommendations from the review programme.

This year we started a new self-assessment exercise to assess sponsor team's compliance with the sponsorship code of good practice, have created bi-monthly sponsorship forums where best practice has been shared across the sponsor teams. We have also issued new internal guidance on key ALB assurance activity. In the next financial year, we will continue to increase our sponsorship maturity, including by building further capability on our sponsor teams on corporate sponsorship and enhancing roles and responsibilities.

Public Bodies Review Programme

The three-year Public Bodies Review Programme was launched by Cabinet Office in 2022. We have prioritised those public bodies for review that pose the greatest risk to the department's ability to deliver its strategic objectives, as well as any bodies that have undergone significant change. We have completed six reviews to date.

In 2023-24, we reviewed Ebbsfleet Development Corporation, the Boundary Commission for England, and the Boundary Commission for Wales. The self- assessments of each have concluded and are awaiting ministerial clearance.

In addition, a full independent review of Homes England concluded in December 2023[10]. The Review considered the effectiveness of Homes England in meeting its objectives and supporting the government's plans to regenerate our cities and deliver new homes in the right places. The report endorsed Homes England's role as the key delivery agency for the government's housing and regeneration ambitions and concludes that Homes England is the right vehicle for delivering housing supply, regeneration and placemaking. It outlined recommendations currently being addressed by the department and Homes England together.

Building Safety Programme

We are responsible for collecting revenues related to the Building Safety Act 2022. This includes grant recoveries collected from developers under Developer Remediation Contracts, and a related Responsible Actors Scheme for residential developers and the Building Safety Levy, when the regulations have been passed by Parliament, these revenues will contribute to the costs of the Building Safety Programme.

10 Homes England Public Bodies Review 2023 - GOV.UK (www.gov.uk)

While expenditure for the programme is incurred within departmental Resource Accounts, the revenue collected from the grant recoveries Accounts and Building Safety Levy alongside a disclosure note on expenditure included is published via a Trust Statement.

My Conclusion

I have reviewed the evidence provided through the governance assurance 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 2023-24.

No benefits in kind were received by any minister or official named in the tables below in 2023-24 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)	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
The Rt Hon Michael Gove MP	67,505	46,274	-	67,505	18,000	11,000	-	16,876	86,000	73,000
Dehenna Davison MP Appointed 8 September 2022, Left 25 October 2023	10,855	12,617	22,375	22,375	3,000	3,000	5,594	-	19,000	16,000
Felicity Buchan MP Appointed 30 October 2022	22,375	9,323	-	22,375	6,000	2,000	-	-	28,000	11,000
Baroness Jane Scott Appointed 20 September 2022	107,335	53,831	-	107,335	-	9,000	-	-	107,000	63,000
Lee Rowley MP Appointed 8 September 2022	25,942	12,617	31,680	22,375	7,000	3,000	-	-	33,000	16,000
Rachel Maclean MP Appointed 7 February 2023, Left 12 November 2023	20,465	4,714	31,680	31,680	5,000	1,000	7,920	-	33,000	6,000
Jacob Young MP Appointed 18 September 2023	11,348	-	22,375	-	3,000	-	-	-	14,000	-
Simon Hoare MP Appointed 13 November 2023	8,577	-	22,375	-	2,000	-	-	-	11,000	-
Baroness Joanna Penn Appointed 15 November 2023	24,664	-	74,999	-	8,000	-	-	-	33,000	-
Baroness Kay Swinburne Appointed 2 March 2024	8,656	-	107,335	-	1,000	-	-	-	10,000	-

(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.

Accrued pension benefits for senior managers are not included in the following table for 2023-24 due a temporary delay in the calculation of these figures following the application of the public service pension remedy.

Single total figure of remuneration (subject to audit)

Officials	Salary £'000		Full year Equivalent Salary if different £'000		Bonus Payments £'000		Other benefits in Kind £ (to nearest £100)		Pension benefits[1] £ (to nearest £1,000)		Total remuneration £ £'000	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Sarah Healey Permanent Secretary	180-185	10-15		170-175	15-20		0	-	-	11,000	200-205	25-30
Kate O'Neill Director, Strategy and Private Offices	100-105	35-40		95-100	0	0-5	0	-	-	5,000	100-105	45-50
Matt Thurstan Director General, Chief Financial Officer and Corporate	170-175	160-165		-	15-20	0-5	0	-	-	27,000	185-190	190-195
Emran Mian Director General, Regeneration (Left 31 July 2023)	45-50	130-135	140-145	-	10-15	10-15	0	-	-	33,000	55-60	175-180
Catherine Frances Director General, Local Government, Resilience and Communities	140-145	130-135		-	0-5	0-5	0	-	-	25,000	140-145	155-160
Richard Goodman Director General Safer & Greener Buildings	135-140	125-130		-	0-5	10-15	0	-	-	49,000	135-140	185-190
Will Garton Director General, Levelling Up	130-135	125-130	-	-	0-5	0-5	0	-	-	104,000	135-140	230-235
Simon Claydon Director People, Capability and Change (Left 30 April 2023)	5-10	100-105	100-105	-	0	0-5	0	-	-	(15,000)	5-10	90-95
Brendan Threlfall Director General, Union and Devolution	125-130	-		-	10-15	-	0	-	-	-	135-140	-
Jo Key Director General, Regeneration, Housing & Planning (Appointed 30 August 2023)	70-75	-	125-130	-	0-5	-	0	-	-	-	75-80	-
Jo Rodrigues Director of People Capability and Change (Appointed 17 April 2023)	60-65	-	100-105	-	0-5	-	0	-	-	-	60-65	-
Claire Metcalfe Director of People Capability and Change (Appointed 20 November 2023)	20-25	-	95-100	-	0	-	0	-	-	-	20-25	-
Manuela Solera-Deuchar Director of Finance (Appointed 17 April 2023)	90-95	-	105-110	-	0-5	-	0	-	-	-	95-100	-
Ray Tang Director of Communications (Appointed 04 September 2023)	60-65	-	90-95	-	5-10	-	0	-	-	-	70-75	-
Sharon Sawers Director of Communications (Left 31 August 2023)	45-50	-	115-120	-	0	-	0	-	-	-	45-50	-

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.

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

	Fees (£)	
Non-Executive Directors	2023-24	2022-23
Alison Nimmo (lead)	20,000	20,000
Gary Porter	15,000	15,000
Pam Chesters (left 10 September 2023)	7,799	17,500
Jeffrey Dodds	15,000	15,000
Tom Taylor	15,522	2,750

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 £86,584 (from 1 April 2023) 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 2023-24 relate to performance in 2022-23 and the comparative bonuses reported for 2022-23 relate to the performance in 2021-2022.

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 2023-24 was £200,000 - £205,000 (2022-23: Permanent Secretary, £170,000- £175,000), an increase in salary of 6% and an increase of 11% relating to a bonus payment. This was 3.9 times (2022-23: 3.7 times) the median remuneration of the workforce, which was £51,432 (2022-23: £46,727). The change in pay ratio is in line with the usual practice of our pay and reward policies with variance from one year to the next affected by the level of pay settlements as well as the application of our other established reward mechanisms. By comparison, the average change in salary for employees as a whole was an increase of 10%, with the average bonus paid to staff at delegate grades (AO to G6) increasing by 4.7%.

Remuneration of employees ranged from £20,000- £25,000 to £200,000 to £205,000 (2022-23: £15,000 - £20,000 to £170,000 - £175,000). 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 2023-24 has increased by £4,705 compared to the 2022-23 median salary, a percentage change of 10%.

In 2023-24, no employees (2022-23: no employees) received remuneration in excess of the highest-paid board member.

Pay Multiples	2023-24	2022-23
Band of highest paid board member's total remuneration	200-205	170-175
Median remuneration of the workforce	51,432	46,727
Ratio	3.5	3.7
75% Percentile Remuneration	60,808	58,076
Ratio	3.0	3.0
25% Percentile Remuneration	38,732	35,064
Ratio	4.7	4.9
Lowest paid individual	20,732	18,304

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 2023-24 reporting year:

	Accrued pension at age 65 as at 31/03/24	Real increase in pension at age 65	CETV(1) at 31/03/24	CETV(1) at 31/03/23	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Michael Gove MP	20-25	0-2.5	393	300	14
Dehenna Davison MP	0-5	0-2.5	5	2	1
Felicity Buchan MP	0-5	0-2.5	11	3	4
Baroness Jane Scott	-	-	-	56	-
Lee Rowley MP	0-5	0-2.5	14	5	4
Rachel Maclean MP	0-5	0-2.5	29	19	4
Jacob Young MP	0-5	0-2.5	6	4	1
Simon Hoare MP	0-5	0-2.5	3	0	2
Baroness Joanna Penn	5-10	0-2.5	67	58	4
Baroness Kay Swinburne	0-5	0-2.5	2	0	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.

Officials' Pension Benefits (subject to audit)

There has been a temporary delay in the calculation of accrued pension benefits for senior managers following the application of the public service pension remedy. The 2023-24 benefits will be reported in the 2024-25 ARA.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections - classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha - as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy6 is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback".

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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).

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.

			2023-24	2022-23			2023-24	2022-23
	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	-	-	-	-	-	1	1	-
£25,000 - £50,000	-	-	-	1	-	3	3	1
£50,000 - £100,000	-	1	1	1	-	3	3	1
£100,000 - £150,000	-	-	-	-	-	1	1	-
£150,000 - £200,000	-	-	-	-	-	-	-	-
£200,001 onwards	-	-	-	-	-	-	-	-
Total number of exit packages	**–**	**1**	**1**	**2**	**-**	**8**	**8**	**2**
			£'000	£'000			£'000	£'000
Total cost	-	96	96	**142**	**-**	**141**	**141**	**142**

Staff Report

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

Summary

The focus of our workforce plans in 2023-24 was to ensure that we have the right skills and knowledge to support and enable delivery of our priorities. As part of this we undertook work to ensure we were able to attract, develop and retain the talent we will need in the longer term. A summary of the key areas of people activity are set out below.

Workforce Planning and Resourcing

The department's civil servant workforce grew to around 3,620 full-time equivalent (FTE) staff by the end of 2023-24, which reflected an increase of c.450 FTE over the 12-month period. This growth was in line with our One DLUHC Plan, which set out the department's priorities, and was within our affordable workforce size for the year. This growth enabled the establishment of Office for Local Government and aided the delivery of the Single Remediation Programme.

The department filled c.1000 roles through external appointments during 2023-24 in support of both new priorities and to replace roles lost through natural turnover; the focus was on filling critical roles in our key policy teams, supporting the department's increased legislative requirements and bolstering our Digital capability as we looked to reduce our reliance on external contracts and contingent labour.

Staff turnover has reduced over the last 12 months from 21.4% at the end of 2022-23 to 16.5% at the end of 2023-24.

Our workforce plans have enabled the department to bring in new skills required to deliver our priorities. Looking ahead, we will focus on efficiencies whilst continuing to bring in skills to support delivery and in a way which also supports our Places for Growth ambitions.

Innovation and Continuous Improvement

The Department is committed to having a high-quality and cost-effective HR (Human Resources) service to enable delivery. In 2023-24, we (and the Planning Inspectorate) implemented a new HR administration system, Employee Central. The new system is designed to improve back-office processes and the user experience - making HR transactions smoother and more efficient, reducing the administrative burden for all users. The new HR system is the first step towards transforming our corporate systems as part of a wider transformation project. This demonstrates our ambition to operate with 'best in class' technology ahead of joining the Government Shared Services Programme Unity cluster in early 2027. The Finance transformation programme will continue to run next year and this will further enhance the HR and corporate system experience at its conclusion. There also plans to further enhance the HR systems offer next year, particularly on Learning Management and Onboarding.

Increasing our presence out of London

During 2023-24 we continued to make significant progress in our ambition to make our workforce more representative of more of the communities we serve across the UK. At the end of the year 42% of employees were based outside London, compared to 23% in March 2020, an increase of over 1000 roles in that period. This is amongst the best performance in the Civil Service. In the same period, we were able to also increase the proportion of senior roles outside London to 21%, compared to 5.9% in March 2020. We intend to build further on this progress in 2024-25.

As well as having more staff based outside London we reviewed our Places for Growth strategy and agreed an approach, which will be implemented in 2024-25, which will focus on developing visible and proactive leadership in our offices outside of London, building engaged and vibrant office communities and offering career choices to our people which are not dependent upon living and working in London.

Capability

We agreed four key themes for capability development in 2023-24 to support delivery of the Department's workforce ambitions. Investment in priority skills and knowledge was informed by an extensive process of engagement with business areas. We prioritised the creation of a clearer careers offer for all employees, developing leaders and managers, and maintaining our long-term investment in learning and development systems.

Key achievements include delivery of MHCLG's first Apprenticeships Strategy, designed to build priority professional skills and knowledge, enhancing our careers offer by creating more opportunities for our people to obtain professional qualifications. During the year, the number of apprenticeships more than doubled from 95 to 184, reaching the cross-Government target of 5% of headcount a year ahead of schedule, improving our utilisation of the Apprenticeship Levy funding by 90% year-on-year.

We continued to enhance our core offer, including realigning our Brilliant Basics and Amazing Advanced programmes to target the Department's priority skills needs. We developed new content on our Learning Hub including a new 'Launch your DLUHC Career' site and delivered an enhanced Disability Confident Managers programme, and took part in the Civil Service "One Big Thing" which focused on raising awareness and understanding around data.

For our senior cadre we launched our new SCS Leadership Development Offer, which we subsequently evaluated and refreshed ahead of a second year of delivery. We have developed a new Line Manager Capability programme for 2024-25 that will incorporate new cross-Civil Service line management expectations and training.

Finally, we expanded our internal Coaching and Mentoring offer with access widened to all staff, enrolling two additional cohorts of staff onto a Level 5 coaching qualification through an apprenticeship route, and made continued progress towards implementation of a new Learning Management System for the department which will be deployed in 2024-25.

In the 2023 People Survey the overall L&D theme score increased by 6 percentage points to 61%, exceeding the Civil Service benchmark of 56%. The My Manager theme increased by one percentage point to 81%, the highest of all main government departments.

Diversity & Inclusion

We launched a new strategy in July 2023 that runs to 2025. 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 regional economically active population (those aged 16-64 who were either working or looking for work). In 2023 we have prioritised representation of staff from a lower socio-economic background *(focused on parental occupation as recommended by the Social Mobility Commission)* and those with disabilities. Of these we are currently 1 percentage point below the rate of disabled people in the economically active population and 10 percentage points below the rate of staff from a lower socio-economic background.

We improved the overall representation of women in MHCLG to 53.2%, 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.

In addition to representation, we have maintained a clear commitment to reducing bullying, harassment, and discrimination and to improving our fair treatment scores as measured in the annual Civil Service People Survey. This focus saw us reduce the Bullying and Harassment score by 1pp in the 2023 survey - with no change reported for Discrimination.

We have a modest gender pay gap compared to other Whitehall departments. The latest report showed that the pay gap for the group was 4.9% at the mean and 10.1% at the median. This is a slight increase in the gaps since 2022; the mean gap for the core department had remained steady at 2.7%; with a slight increase in the median gap to 6.5%. Gender Pay Gaps for the Group are impacted by structural differences in the workforce for the Planning Inspectorate, where the majority of Planning Inspectors are male, despite recruitment campaigns targeting female appointments which have been in place for several years. We remain committed to addressing Gender Pay.

Employee Experience

In February 2024 we launched our Employee Experience Strategy. The Strategy sets out our ambition to be a great place to work and commits to a range of priority projects designed to shape our culture by challenging the mindset and helping to instil values of bold, brilliant and working as one..

The EES (Employee Experience Strategy) was developed through extensive engagement with our people and endorsed byour leaders and the People Committee. It was delivered as an interactive version as well as two accessible versions. To ensure ease of access we also developed an EES hub to bring all the streams together - this hub gives us the opportunity to connect the EES with other PC&C (People, Capability and Change) strategies and provide a space that wecan continue to develop. The employee experience strategy is aligned to the Civil Service People plan and will be the key mechanism for our response to this year's people survey results.

Improving office attendance

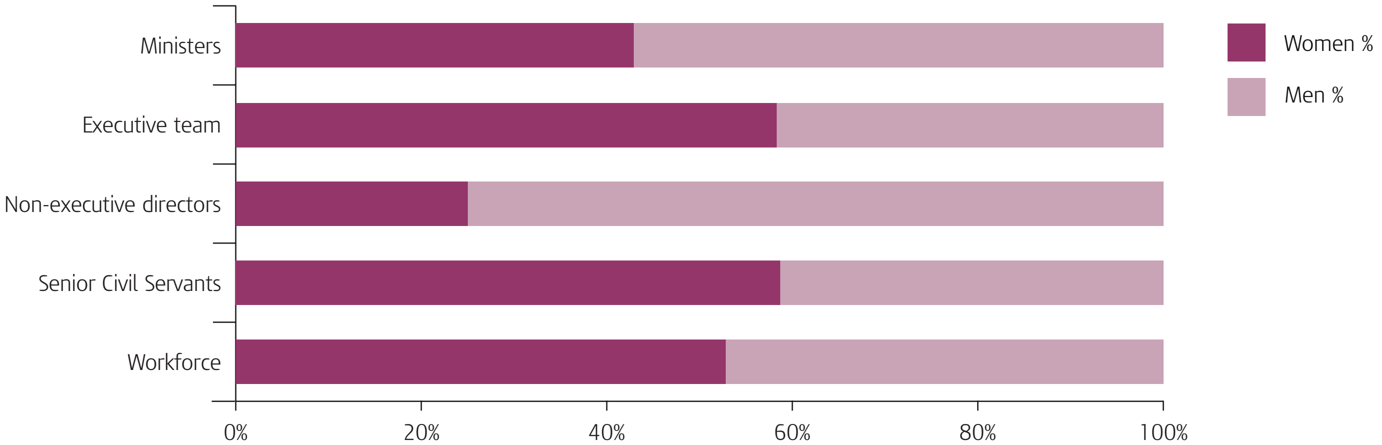
As part of the Civil Service wide approach to office working, we have delivered a new policy that sets an expectation that people will work from an office for 60% of their work time. This includes time spent at stakeholder premises or taking part in off-site learning or volunteering.

Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In November 2023 we published data on our gender pay gap in line with other employers[11]. Our Group gender pay gap data for 31 March 2024 will be published in November 2024 as part of a co-ordinated publication exercise across all Whitehall departments. The chart only includes staff that are on the departmental payroll.

Staff Diversity by Gender – Core Department as at 31st March 2024



Health and Safety Management

The Department's safety performance has remained consistent and diligent during 2023-24. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2022-23 or 2023-24, while a total of two accidents were reported by employees in 2023-24 against three in 2022-23. Working with facilities management colleagues, mitigations have now been put in place for the two reported accidents.

Average Working Days Lost

	Jan - Dec 2023	Jan - Dec 2022 (AWDL)[1]
Core Department	5.0	4.0
Executive Agency	5.9	4.5

(1) AWDL: Average working days lost.

Staff with no sickness absence

	Jan-Dec 2023	Jan-Dec 2022
Core Department	63%	67%
Executive Agency	56%	64%

Trade Union Facility time

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

Relevant union officials

	Full-time equivalent employee number
Number of employees who were relevant union officials during 1 April 2023 - 31 March 2024	50

11 DLUHC's gender pay gap report 2023 - GOV.UK (www.gov.uk)

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	29
1-50%	21
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

	Figures
Total cost of facility time	£143,527
Total pay bill	£301,703,000
Percentage of the total pay bill spent on facility time	0.05%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	11%

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

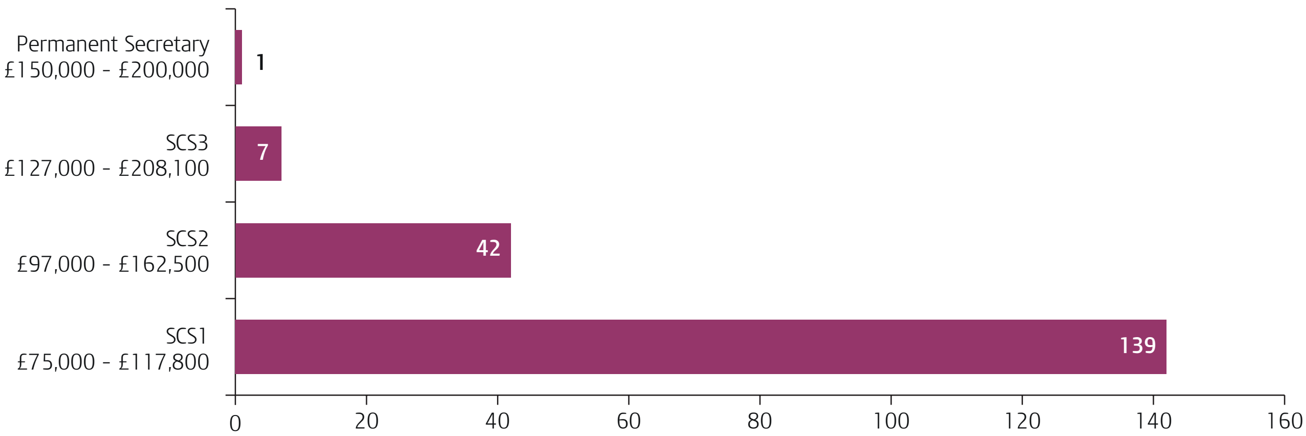
Staff Turnover Percentage

Staff turnover for the department for 2023-24 was 16.5% (2022-23: 21.4%). Turnover, in line with the Cabinet Office definition, includes all staff who have left the Civil Service.

Senior Civil Service salaries and staffing

At 31 March 2024 there were 189 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 and applicable pay range as at 31 March 2024



The bandings on this chart are based on SCS pay ranges for 2023-24 and are not an indication of the actual salaries paid to our SCS during the financial year.

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

				2023-24	2022-23
	Permanently Employed Staff	Others	Ministers	Total	Total
Wages & Salaries	313,679	28,987	307	342,973	306,240
Social Security Costs	38,730	-	34	38,764	35,466
Pension Costs	79,525	-	-	79,525	95,985
Other	15	-	-	15	-
Total Costs	**431,949**	**28,987**	**341**	**461,277**	**437,691**
Less Recoveries in respect of outward secondments	(2,638)	-	-	(2,638)	(3,023)
Total Net Costs	**429,311**	**28,987**	**341**	**458,639**	**434,668**
Of which:				-	-
Core Department	234,770	7,951	341	243,062	226,500
Agency	57,574	1,067	-	58,641	49,510
Designated Bodies	139,605	19,969	-	159,574	161,681

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

					2023-24	2022-23
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	3,134	377	6	6	3,523	3,365
Agency	839	14	-	-	853	783
Designated Bodies	2,138	282	-	-	2,420	2,154
Total	**6,111**	**673**	**6**	**6**	**6,796**	**6,302**

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 2024 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	0	0	0
Senior Executive Officers	0	1	1
Grade 7/6	0	5	5
Senior Civil Service	0	1	1
Total secondments	**0**	**7**	**7**

Average duration (months)	Inward (Hosted)	Outward (Loaned)	Total
Administrative Officers	0	0	0
Executive/Higher Executive Officers	0	0	0
Senior Executive Officers	0	2	2
Grade 7/6	0	4	4
Senior Civil Service	0	12	12
All grades	**0**	**5**	**5**

Expenditure on Consultancy and Temporary Staff

£000

	2023-24 £000	2022-23 £000	2021-22 £000	2020-21 £000
Cost of Contingent Labour				
Core Department	6,808	8,024	7,702	4,991
Executive Agency	2,940	3,303	1,872	1,659
NDPBs	24,195	21,335	16,113	16,106
Total	**33,943**	**32,661**	**25,687**	**22,756**
Cost of Consultancy				
Core Department	15,896	13,722	15,270	19,544
Executive Agency	57	10	-	-
NDPBs	334	923	1,483	604
Total	16,287	14,655	16,753	20,148
Overall Total	**50,230**	**47,316**	**42,440**	**42,904**

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 2024, 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 2024	**45**	**8**	**98**
of which have existed for:			
less than one year at time of reporting	14	7	42
between one and two years at time of reporting	6	1	42
between two and three years at time of reporting	14	0	4
between three and four years at time of reporting	8	0	7
four years or more at time of reporting	3	0	1

All temporary off payroll appointments engaged at any point during the year ended 31 March 2024 and earning at least £245 per day	Main Department	Agency	ALBs
No. of off-payroll workers engaged during the year ended 31 March 2024	**72**	**45**	**261**
Of which:			
Not subject to off-payroll legislation	0	0	242
No. determined as in-scope of IR35	57	44	3
No. determined as out-of-scope of IR35	15	1	16
No. of engagements reassessed for compliance or assurance purposes during the year	72	45	261
Of which:			
No. of engagements reassessed for consistency/assurance purposes during the year.	26	22	5
No. of engagements that saw a change to IR35 status following the consistency review.	3	0	0

Off payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024	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	15	8	65

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.

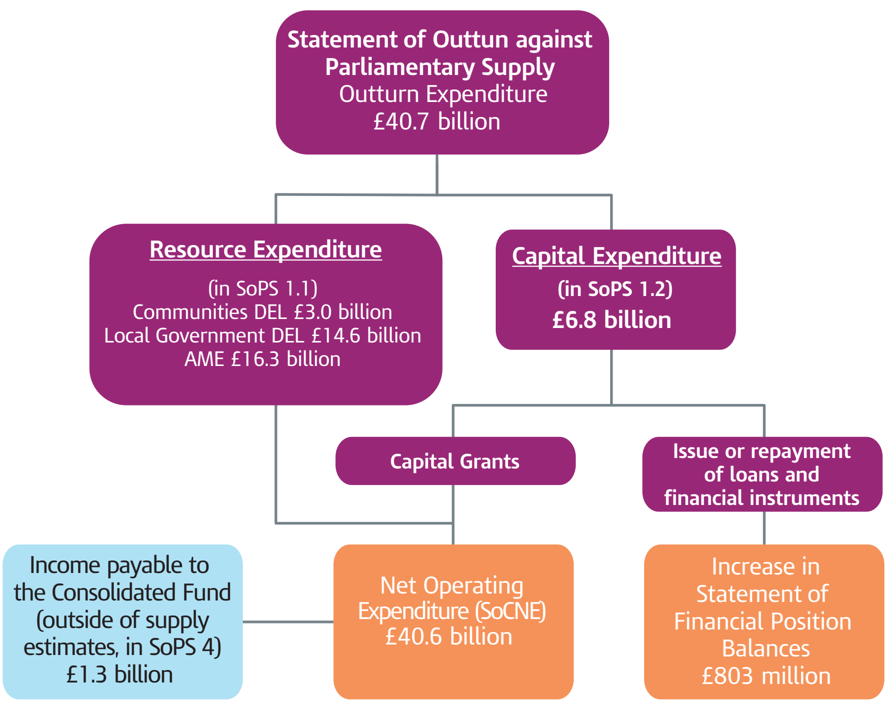
The department's spending is shown in two presentations in the Annual Report and Accounts.

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[12].

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.

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

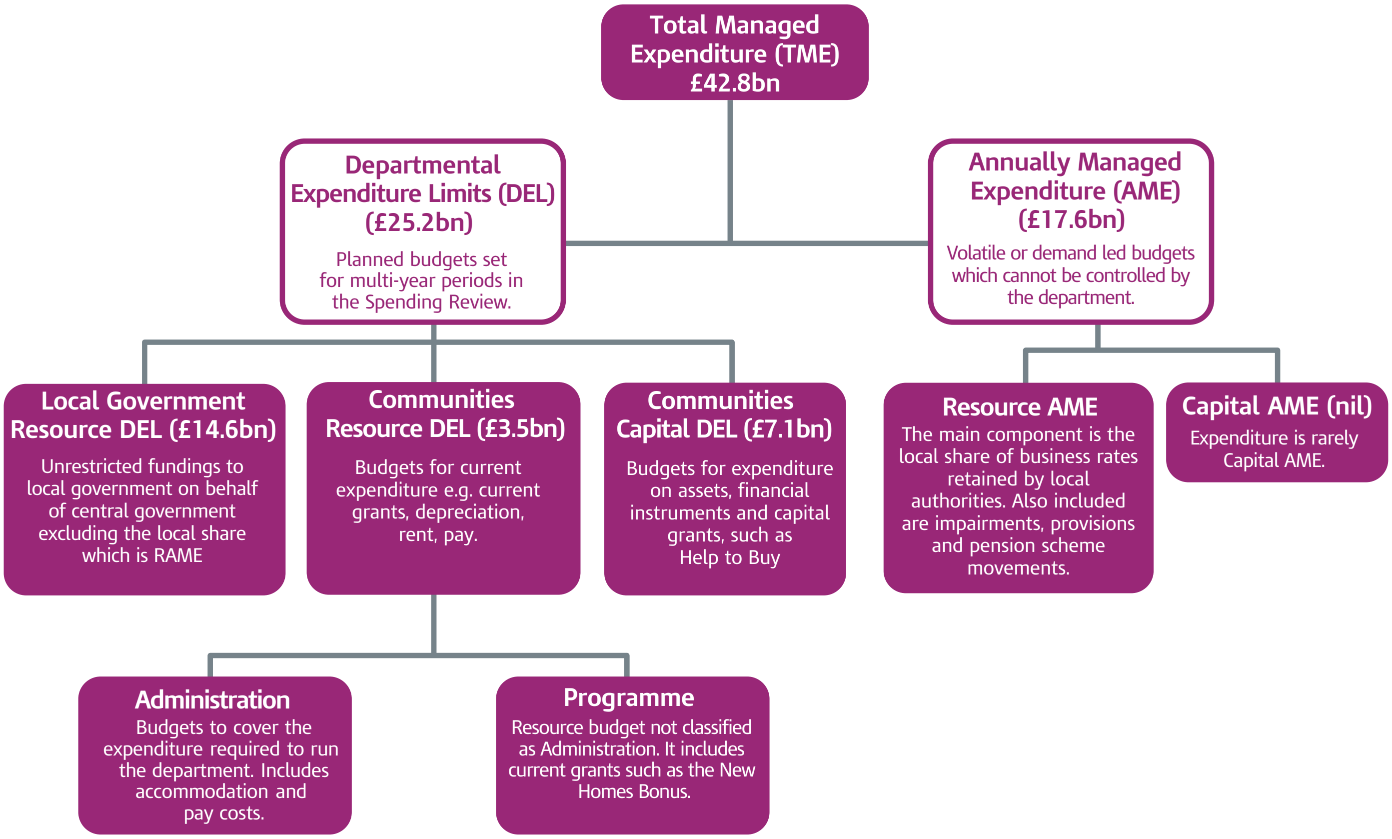
The diagram below shows how total spending from one presentation relates to the other. A more detailed reconciliation between resource expenditure shown in the Statement of Outturn against Parliamentary Supply (SoPS) 1.1 and net operating expenditure in the Statement of Comprehensive Net Expenditure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



12 Supplementary Estimates 2023-24 - GOV.UK (www.gov.uk)

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.



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 76 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 • Homelessness and Rough Sleeping • Grenfell Site & Programme • Resilience and Recovery • Hong Kong BN(O) Welcome Programme • GLA Delivered Programmes
B: Housing and Planning	• Affordable Housing Programme • Local Authority Housing Fund • Building Safety Fund • Homelessness • New Homes Bonus • Rough Sleeping Delivery • Social Housing Supply
C: Local Growth and Devolution	• Towns Fund/Future High Streets • UK Shared Prosperity Fund • Levelling Up Fund • Investment Funds • Devo Deals • Brownfield, Infrastructure and Land Fund
D: Elections, Union and Constitution	• Electoral Integrity Programme
E: Supporting Families	• Supporting Families
F: Research, Data and Trading Funds	• Analysis and Data • European Regional Development Fund • Communications
G: Department 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)	• Local Government Engagement
I: Housing and Planning (ALB)(Net)	Expenditure by Homes England on programmes including: • Affordable Homes Programme • Existing Homes England Delivered Programmes • Levelling Up Home Building Fund • First Homes • Remediation Policy
J: Elections	• Elections and Registration BAU
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
O: Housing & Planning	• Impairments of non-current and financial assets
P: Local Growth and Devolution	• Impairments and revaluations • Unrealised exchange rate losses and gains
Q: Department 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
T: Housing & Planning (ALB)	• Impairments and revaluations
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 us 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 63 onwards and in the Our Expenditure section of the performance report on page 12. 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[13].

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

13 Consolidated budgeting guidance 2023 to 2024 - GOV.UK (www.gov.uk)

Summary of Resource and Capital Outturn

£'000

		2023-24								2022-23
		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) Housing and Communities										
Resource	SoPS1.1	**3,020,929**	**1,526**	3,022,455	**3,462,390**	**7,700**	3,470,090	**441,461**	447,635	3,863,558
Capital	SoPS1.2	**6,844,410**	**–**	6,844,410	**7,124,095**	**–**	7,124,095	**279,685**	279,685	6,817,765
Total		**9,865,339**	**1,526**	**9,866,865**	**10,586,485**	**7,700**	**10,594,185**	**721,146**	**727,320**	**10,681,323**
Departmental Expenditure Limit (DEL) Local Government										
Resource	SoPS1.1	**14,576,158**	**–**	14,576,158	**14,601,487**	**–**	14,601,487	**25,329**	25,329	11,772,149
Capital	SoPS1.2	**–**	**–**	-	**–**	**–**	-	**–**	-	-
Total		**14,576,158**	**–**	**14,576,158**	**14,601,487**	**–**	**14,601,487**	**25,329**	**25,329**	**11,772,149**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**16,250,960**	**–**	16,250,960	**17,646,467**	**–**	17,646,467	**1,395,507**	1,395,507	10,801,365
Capital	SoPS1.2	**–**	**–**	-	**–**	**–**	-	**–**	-	-
Total		**16,250,960**	**–**	**16,250,960**	**17,646,467**	**–**	**17,646,467**	**1,395,507**	**1,395,507**	**10,801,365**
Total Budget										
Resource	SoPS1.1	**33,848,047**	**1,526**	33,849,573	**35,710,344**	**7,700**	35,718,044	**1,862,297**	1,868,471	26,437,072
Capital	SoPS1.2	**6,844,410**	**–**	6,844,410	**7,124,095**	**–**	7,124,095	**279,685**	279,685	6,817,765
Total Budget Expenditure		**40,692,457**	**1,526**	**40,693,983**	**42,834,439**	**7,700**	**42,842,139**	**2,141,982**	**2,148,156**	**33,254,837**
Total Budget and Non-Budget		**40,692,457**	**1,526**	**40,693,983**	**42,834,439**	**7,700**	**42,842,139**	**2,141,982**	**2,148,156**	**33,254,837**

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

		2023-24			2022-23
Item	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Prior Year Outturn
Net Cash Requirement	3	**25,942,364**	**29,426,211**	3,483,847	22,034,024

Administration Costs

£'000

		2023-24			2022-23
Type of spend	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Prior Year Outturn
Administration Costs	1.1	**182,090**	**337,961**	155,871	233,056

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

	2023-24											2022-23
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		
Spending in Departmental Expenditure Limits (RDEL) – Housing and Communities												
Voted expenditure												
A Local Government & Public Services	-	-	-	201,216	(940)	200,276	200,276	202,717	-	202,717	2,441	1,284,025
B Housing and Planning	-	-	-	1,505,626	(27,817)	1,477,809	1,477,809	1,508,404		1,508,404	30,595	1,579,414
C Local Growth and Devolution	-	-	-	1,230,280	(458,555)	771,725	771,725	748,705	23,020	771,725	-	520,939
D Elections, Union and Constitution	-	-	-	29,747	(16)	29,731	29,731	39,765	(10,034)	29,731	-	34,692
E Supporting Families	-	-	-	224,652	-	224,652	224,652	230,399	(5,747)	224,652	-	206,828
F Research, Data and Trading Funds	-	-	-	14,697	(6)	14,691	14,691	15,428	-	15,428	737	4,775
G Department Staff, Building and Infrastructure Costs	266,399	-	266,399	17,583	(2,746)	14,837	281,236	293,165	-	293,165	11,929	285,263
H Local Government & Public Services (ALB) (Net)[1]	16,891	-	16,891	-	-	-	16,891	17,331	-	17,331	440	17,763
I Housing and Planning (ALB) (Net)[1]	(101,200)	-	(101,200)	105,118	-	105,118	3,918	406,476	(7,239)	399,237	395,319	(70,059)
Total Voted DEL	**182,090**	**–**	**182,090**	**3,328,919**	**(490,080)**	**2,838,839**	**3,020,929**	**3,462,390**	**–**	**3,462,390**	**441,461**	**3,863,640**
Non-voted expenditure												
Returning Officers' expenses England, Wales and Scotland												
J Elections	-	-	-	1,558	(32)	1,526	1,526	7,700	-	7,700	6,174	(82)
Total non-voted DEL	**–**	**–**	**–**	**1,558**	**(32)**	**1,526**	**1,526**	**7,700**	**–**	**7,700**	**6,174**	**(82)**
Total spending in RDEL – Housing and Communities	**182,090**	**–**	**182,090**	**3,330,477**	**(490,112)**	**2,840,365**	**3,022,455**	**3,470,090**	**–**	**3,470,090**	**447,635**	**3,863,558**

(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 153.

£'000

	2023-24											2022-23
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements(2)		
Spending in RDEL – Local Government												
Voted expenditure												
K Revenue Support Grant	-	-	-	1,905,436	-	1,905,436	1,905,436	1,905,423	13	1,905,436	-	1,672,058
L Other Grants and Payments	-	-	-	12,624,332	13	12,624,345	12,624,345	12,649,687	(13)	12,649,674	25,329	10,012,621
M Business Rates Retention	-	-	-	46,377	-	46,377	46,377	46,377	-	46,377	-	87,470
Total Spending in RDEL – Local Government	**–**	**–**	**–**	**14,576,145**	**13**	**14,576,158**	**14,576,158**	**14,601,487**	**–**	**14,601,487**	**25,329**	**11,772,149**
Total spending in RDEL	**182,090**	**–**	**182,090**	**17,906,622**	**(490,099)**	**17,416,523**	**17,598,613**	**18,071,577**	**–**	**18,071,577**	**472,964**	**15,635,707**

(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

Type of spend (Resource)	Resource Outturn							Estimate			2023-24	2022-23
	Administration			Programme							Outturn vs Estimate, saving/ (excess)	Prior Year Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
N Local Government and Public Services	-	-	-	66,327		66,327	66,327	53,669	12,658	66,327	-	(36,220)
O Housing and Planning	-	-	-	(1,321)	(63,598)	(64,919)	(64,919)	99,870	(49,500)	50,370	115,289	2,423
P Local Growth and Devolution	-	-	-	26,452	(2,895)	23,557	23,557	5,000	18,557	23,557	-	(22,143)
Q Department Staff, Building and Infrastructure Costs	-	-	-	18,117		18,117	18,117	(168)	18,285	18,117	-	12,776
R Non-Domestic Rates Outturn Adjustment	-	-	-	26,002		26,002	26,002	249,414		249,414	223,412	-
S Local Government & Public Services (ALB) (Net)[1]	-	-	-	103		103	103	5,696		5,696	5,593	3,832
T Housing & Planning(ALB) (Net)[1]	-	-	-	332,961		332,961	332,961	1,350,448		1,350,448	1,017,487	(260,163)
U Business Rates Retention	-	-	-	19,931,195	(4,082,383)	15,848,812	15,848,812	15,882,538		15,882,538	33,726	11,100,860
Other Grants and Payments	-	-	-	-	-	-	-	-	-	-	-	-
Total spending in RAME	**-**	**-**	**-**	**20,399,836**	**(4,148,876)**	**16,250,960**	**16,250,960**	**17,646,467**	**-**	**17,646,467**	**1,395,507**	**10,801,365**
Total resource	**182,090**	**-**	**182,090**	**38,306,458**	**(4,638,975)**	**33,667,483**	**33,849,573**	**35,718,044**	**-**	**35,718,044**	**1,868,471**	**26,437,072**
TOTAL	**182,090**	**-**	**182,090**	**38,306,458**	**(4,638,975)**	**33,667,483**	**33,849,573**	**35,718,044**	**-**	**35,718,044**	**1,868,471**	**26,437,072**

(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

Type of spend (Capital)	2023-24 Outturn Gross	Outturn Income	Outturn Net Total	Estimate Net Total	Estimate Virements[2]	Estimate Total inc. virements	Outturn vs Estimate saving/ excess	2022-23 Outturn Net
Spending in Departmental Expenditure Limit (CDEL) – Housing and Communities								
Voted expenditure								
A Local Government & Public Services	55,639	-	55,639	17,821	37,818	55,639	-	74,183
B Housing and Planning	2,815,843	(627,146)	2,188,697	2,182,334	17,282	2,199,616	10,919	1,326,242
C Local Growth and Devolution	2,612,711	(581,206)	2,031,505	2,030,958	547	2,031,505	-	1,572,259
D Elections, Union and Constitution	9,196	-	9,196	11,571	-	11,571	2,375	6,610
E Supporting Families	602	-	602	710	-	710	108	140
F Research, Data & Trading Funds	9,688	1,858	11,546	10,161	1,385	11,546	-	1,230
G Departmental Staff, Building and Infrastructure Costs	46,146	(851)	45,295	44,230	1,065	45,295	-	20,161
H Local Government and Public Services (ALB)(Net)	1,034	(337)	697	925	-	925	228	869
I Housing and Planning (ALB)(Net)	2,501,233	-	2,501,233	2,825,385	(58,097)	2,767,288	266,055	3,816,071
Total spending in CDEL – Housing andCommunities	**8,052,092**	**(1,207,682)**	**6,844,410**	**7,124,095**	**–**	**7,124,095**	**279,685**	**6,817,765**
							–	
Total CDEL & CAME	**8,052,092**	**(1,207,682)**	**6,844,410**	**7,124,095**	**–**	**7,124,095**	**279,685**	**6,817,765**

(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[14].

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.

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

SoPS 2 Reconciliation of outturn to net operating expenditure

£'000

		SoPS Note	2023-24	2022-23
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	33,849,573	26,437,072
Add:	Capital grants		6,761,900	4,616,317
	Capital budget adjustments[1]		19,635	(152)
	Asset transfers		-	-
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(968)	(186,712)
	Prior Period Adjustment		-	-
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**40,630,140**	**30,866,525**

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

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the Financial Statements. Reconciling items must be explained, if not already explained elsewhere, with reference to where and why budgeting rules diverge from IFRS. For example, capital grants are budgeted for as CDEL but accounted for as spend on the face of the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure.

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

		2023-24		
	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)
Total Resource Outturn	1.1	33,849,573	35,718,044	1,868,471
Total Capital Outturn	1.2	6,844,410	7,124,095	279,685
Adjustments to remove non-cash items:				
Depreciation and amortisation		(26,367)	(137,848)	(111,481)
Local Share (local authorities)				
New provisions and adjustments to previous provisions		(68,009)	(60,630)	7,379
Departmental Unallocated Provision		-	-	-
Supported capital expenditure (revenue)		-	-	-
Prior Period Adjustments		-	-	-
Other non-cash items		(13,459,922)	(14,773,302)	(1,313,380)
Adjustments for ALBs:				
Remove voted resource and capital		(2,855,803)	(4,606,261)	(1,750,458)
Add cash grant-in-aid		1,030,233	1,182,640	152,407
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		(208,303)	-	208,303
Increase/(decrease) in receivables		960,622	-	(960,622)
(Increase)/decrease in payables		(143,502)	4,980,649	5,124,151
Use of provisions and pension fund adjustments		12,509	6,524	(5,985)
Other Adjustments		8,449	-	(8,449)
Removal of non-voted budget items:				
Consolidated Fund Advance		-	-	-
Consolidated Fund Standing Services		(1,526)	(7,700)	(6,174)
Returning Officers' Expenses England and Wales		-	-	-
Net cash requirement		**25,942,364**	**29,426,211**	**3,483,847**

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 2023-24		Outturn 2022-23	
	Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate[1]	968	*968*	186,712	*186,712*
Other amounts collectable on behalf of the Consolidated Fund[2]	1,336,756	*1,335,888*	2,210,130	*2,323,636*
Total amount payable to the Consolidated Fund	**1,337,724**	**1,336,856**	**2,396,842**	**2,510,348**

(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 139.

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 66 shows our 2023-24 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) – Communities				
D	Elections, Union and Constitution	30	40	-25%	Variance due to lower than expected demand on electoral integrity new burden funding than had been anticipated at Supplementary Estimates
I	Housing and Planning (ALB) (Net)	4	406	-99%	Estimated budgets are based on updates to economic scenarios, using a 'reasonable worst case' approach. The variance between budget and outturn reflects the difference between the 'reasonable worst case' at Supplementary Estimates and the economic environment at year end.
J	Elections	2	8	-80%	Variance due to lower by-election costs than budgeted for
	Resource Spending in Annually Managed Expenditure (RAME)				
O	Housing and Planning	(65)	100	-165%	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	24	5	371%	Variance linked to a revaluation of Greenwich Peninsula land asset values at year-end
Q	Department Staff, building and infrastructure costs	18	(0)	-10884%	Variance is primarily due to changes in asset values following revaluation of investment property
R	Non-Domestic Rates Outturn Adjustment	26	249	-90%	This is a year-end contingency agreed at the Supplementary Estimate to cover any movements in business rate outturn
S	Local Government & Public Services (ALB) (Net) (1)	0	6	-98%	Budget set at Main Estimate as cover for pension costs during the subsequent year
T	Housing & Planning(ALB) (Net)	333	1,350	-75%	Estimated budgets are based on updates to economic scenarios, using a 'reasonable worst case' approach. The variance between budget and outturn reflects the difference between the 'reasonable worst case' at Supplementary Estimates and the economic environment at year end.
	Capital Spending in Departmental Expenditure Limit (CDEL) – Communities				
A	Local Government & Public Services	56	18	212%	Variance predominantly due to London settlement income, due to be received in future years
D	Elections, Union and Constitution	9	12	-21%	Variance linked to lower costs than planned in relation to the delivery and ongoing enhancement of electoral digital tools
G	Department Staff, building and infrastructure costs	45	44	2%	Variance linked to lower actual spend relating to Right of Use assets against the budget secured
I	Housing and Planning (ALB)(Net)	2,501	2,825	-11%	Variance is linked to slippage into future years due to the complexities of a number of large projects.

Core Tables – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department's expenditure outturn for 2023-24 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	2019-20 *Restated* Outturn £'000	2020-21 *Restated* Outturn £'000	2021-22 *Restated* Outturn £'000	2022-23 *Restated* Outturn £'000	2023-24 Outturn £'000	2024-25 Plan £'000
Spending in DEL – Communities						
Voted expenditure						
Of which:						
A: Local Government & Public Services	194,445	146,809	183,854	1,285,493	200,276	74,764
B: Housing and Planning	1,630,755	1,764,814	1,737,157	1,579,329	1,477,809	1,457,127
C: Local Growth and Devolution	215,151	413,796	365,063	520,932	771,725	1,463,661
D: Elections, Union and Constitution	-	-	(1)	33,193	29,731	45,052
E: Supporting Families	155,027	159,926	168,277	206,828	224,652	-
F: Research, Data and Trading Funds	12,239	3,875	(25,810)	4,768	14,691	5,570
G: Department Staff, Building and Infrastructure Costs	211,697	234,405	268,190	286,438	281,236	275,521
Departmental Unallocated Provision	-	-	-	-	-	12,129
H: Local Government & Public Services (ALB) (net)	18,948	17,956	17,907	17,388	16,891	18,790
I: Housing and Planning (ALB)(net)	72,780	(25,489)	(627)	(68,620)	3,918	112,991
Total Voted	**2,511,042**	**2,716,092**	**2,714,010**	**3,865,749**	**3,020,929**	**3,465,605**
Non Voted Expenditure						
J: Elections	289,896	(5,485)	54,929	(88)	1,526	103,211
Total Non Voted	**289,896**	**(5,485)**	**54,929**	**(88)**	**1,526**	**103,211**
Departmental Expenditure Limit (DEL) – Housing and Communities	**2,800,938**	**2,710,607**	**2,768,939**	**3,865,661**	**3,022,455**	**3,568,816**
Voted expenditure						
Of which:						
K: Revenue Support Grant	653,058	1,612,634	1,621,554	1,672,054	1,905,436	2,117,964
L: Other grants and payments	7,918,506	19,290,610	19,603,680	5,934,219	12,624,345	9,206,135
M: Business Rate Retention	212	3,352	36,885	87,473	46,377	13,291
Total Spending in DEL – Local Govt	**8,571,776**	**20,906,596**	**21,262,119**	**7,693,746**	**14,576,158**	**11,337,390**
Total Resource DEL	**11,372,714**	**23,617,203**	**24,031,058**	**11,559,407**	**17,598,613**	**14,906,206**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
Other grants and payments	-	-	(5,642,633)	4,078,397	-	5,550,342
N: Local Government & Public Services	53,671	(9,360)	49,077	(36,222)	66,327	51,452
O: Housing and Planning	8,262	3,867	(8,029)	2,424	(64,919)	97,139
P: Local Growth and Devolution	(2,256)	(7,312)	7,040	(22,143)	23,557	-
Q: Department Staff, Building and Infrastructure Costs	(4,117)	(1,099)	(10,520)	12,751	18,117	(150)
R: Non-Domestic Rates Outturn Adjustment	2,586	9,520	-	-		350,000
S: Local Government & Public Services (ALB)(Net)	2,550	2,569	4,462	4,177	103	765
T: Housing and Planning (ALB)(Net)	(234,400)	(64,990)	(903,862)	(259,737)	332,961	984,390
U: Business Rate Retention	18,367,167	16,694,832	14,168,548	11,100,860	15,848,812	17,189,690
Total Resource AME	**18,193,463**	**16,628,027**	**7,664,083**	**14,880,507**	**16,224,958**	**24,223,628**
Total Resource	**29,566,177**	**40,245,230**	**31,695,141**	**26,439,914**	**33,823,571**	**39,129,834**

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

Departmental Capital Spending	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Restated	*Restated*	*Restated*	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
Spending in DEL – Communities	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure						
Of which:						
A: Local Government & Public Services	14,782	65,666	85,670	74,185	55,639	119,359
B: Housing and Planning	1,823,678	1,067,484	940,748	1,326,243	2,188,697	1,876,131
C: Local Growth and Devolution	928,834	2,131,731	1,256,679	1,572,257	2,031,505	1,781,966
D: Elections, Union and Constitution				6,611	9,196	7,468
E: Supporting Families	749	545	-69	140	602	-
F: Research, Data and Trading Funds	4,509	3,160	6,344	1,229	11,546	11,875
G: Department Staff, Building and Infrastructure Costs	6,967	7,125	18,183	20,157	45,295	54,949
Departmental Unallocated Provision	-	-	-	-		230,613
H: Local Government & Public Services (ALB)(Net)	250	125	189	869	697	300
I: Housing and Planning (ALB)(Net)	5,493,446	5,820,532	3,834,622	3,816,037	2,501,233	3,075,168
Total Spending in DEL – Communities	**8,273,215**	**9,096,368**	**6,142,366**	**6,817,728**	**6,844,410**	**7,157,829**

Table 2: Administration budgets

Administration budgets	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
			Restated	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
	£'000	£'000	£'000	£'000	£'000	£'000
B: Housing and Planning	-	-	-	-	-	-
G: Department Staff, Building & Infrastructure Costs	205,555	222,833	249,402	264,503	266,399	269,102
H: Local Government & Public Services (ALB)(Net)	18,940	17,954	17,907	17,388	16,891	18,790
I: Housing and Planning (ALB)(Net)	26,433	31,351	9,863	-55,045	(101,200)	45,773
Total Voted	**250,928**	**272,138**	**277,172**	**226,846**	**182,090**	**333,665**
Total Administration expenditure	**250,928**	**272,138**	**277,172**	**226,846**	**182,090**	**333,665**

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 significant increase in outturn in 2022-23 was linked to the introduction of the Homes for Ukraine programme which was launched in March 2022. Spend returned to trend for 2023-24. 2024-25 budget plans do not yet incorporate budget for Homes for Ukraine, which will be set at Supplementary Estimates.
- 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 from 2021-22 to 2022-23 was due to no new legacy payments on the New Homes Bonus. The budget for the remaining years of the Spending Review 2021 agreement has been allocated to match expected delivery. The decreases to 2024-25 are to reflect 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. Substantial additional funding for the UK Shared Prosperity Fund is reflected in planned budgets for 2024-25.
- 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 budgets were allocated to match expected delivery. For 2024-25, this programme has been subject to a Machinery of Government transfer to the Department for Education, resulting in no budgets being required within MHCLG.
- F: Research Data and Trading Funds - Outturn in 2023-24 and plans for 2024-25 are broadly consistent with most prior years. The significant difference between 2020-21 and 2021-22 relates to £45m income received after closing the 2007-13 European Regional Development Fund (ERDF) Programme.
- G: Department 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 broadly 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. Plans for 2024-25 do not yet incorporate budget for Expected Credit Losses, which will be set at Supplementary Estimates.
- 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 incorporates additional budget for Police and Crime Commissioner elections across England and Wales.
- 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 2023-24 value is higher than in recent years. This reflects inflationary increases and the rolling in of other grants. Similar increases are planned for 2024-25.

- L: Other Grants and Payments - the reclassification of £5 billion of section 31 business rate relief grants from DEL to AME impacts the comparative 22-23 figure. There was also a significant increase for Adult Social Care funding in 23-24.
- M: Business Rates Retention - The row provides budget for the safety net on account payments to local authorities whose income from business rates is below a baseline level and £13.3 million for the City of London Offset. For 2023-24 there was a lower take up of on account safety net payments. It is set to increase to £61 million in 2024-25. This will be budgeted for at the Supplementary Estimate.

Resource AME

- Other Grants and Payments: the reclassification of £5 billion of section 31 business rate relief grants from DEL to AME impacts the comparative 22-23 and 24-25 figure.

  The reconciliation of the business rate reliefs awarded in 2022-23 resulted in the department reclaiming £1.3bn. This related to two reliefs in particular. The Retail, Hospitality and Leisure (RHL) relief and the Covid-19 Additional Relief Fund (CARF). RHL relief included a cash cap, making it more uncertain for authorities to predict the impact of it in advance and as a result they needed to return £741m at outturn of the £1.83bn paid to them on account.

  The £1.5bn for CARF was awarded in-year which resulted in the billing authorities bearing 100% of the cost of the relief until the reconciliation process. At the reconciliation in 2023-24, £650m of CARF funding was returned.

- 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. Outturn in 23-24 and plans for 2024-25 reflect a return to trend.
- O: Housing and Planning - These budgets are held to cover potential losses on the Departments housing guarantee programmes. In 2023-24, deterioration in credit quality was less than expected. The budget planned for 2024-25 will be established at the Main Estimate, based on 'reasonable worst case' scenarios
- P: Local Growth and Devolution - Variance in the outturn is due to the annual revaluation of the Greenwich Peninsula land asset. Funding required for 2024-25 will be established at Supplementary Estimates.
- Q: Department 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.
- 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 records the pension costs of the Local Government and Social Care Ombudsman, the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE). The budget for 2024-25 will be set at the Main Estimate.
- 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 based on 'reasonable worst case' scenarios, with the variance from 2023-24 reflecting these changes.
- 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 2023-24 is £14.7 billion.

Capital DEL – Communities

- A: Local Government & Public Services - Outturn in 2023-24 was lower than preceding years due to variances between modelled and actual delivery, with budgets set to increase in 2024-25, 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 increased outturn in 2022-23 and 2023-24 was primarily driven by additional spending on Building Remediation programmes and on the new Local Authority Housing Fund. 2024-25 plans appear lower, primarily because the first two rounds of the Local Authority Housing Fund finished at the end of 2023-24.
- C: Local Growth and Devolution - Increased outturn in 2023-24 is primarily due to new programme funding to support the levelling up agenda, including Towns Fund and Levelling Up Fund. Funding plans for 2024-25 do not yet incorporate substantial budget for the Levelling Up Fund, which will be set at 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 have been demand-led, with payment made in accordance with the programme results achieved by local authorities. For 2024-25, this programme has been subject to a Machinery of Government transfer to the Department for Education, resulting in no budgets being required within MHCLG.
- F: Research, Data and Trading Funds - The row records other capital expenditure on research and development.
- G: Department 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. Increase in 2024-25 plans is predominantly linked to the capitalised lease costs under IFRS16 resulting from planned additions to our estate.
- 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 2024-25 relates to Capital Financial Transactions associated with various housing programmes. Budget will be allocated to specific programmes during the relevant years.

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.

	2023-24				2022-23			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	32	1,263	132	1,333	24	12	95	46
Exchange rate losses	-	-	-	-	-	-	-	-
Claims abandoned	7	9,716	61	129,520	5	466	29	149,371
Fruitless payments	-	-	-	-	-	-	2	653
Constructive losses	-	-	-	-	-	-	-	-

	2023-24				2022-23			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	36	418	38	1,266	74	1,837	75	2,507

Losses

Cases over £300,000	£'000
One Regional Growth Fund write-off: Chinook	6,106
One ERDF write-off: Welcome Back Fund	3,583
Homes England losses and loans written off	118,792
Planning Inspectorate - Impairment of Right of Use asset	1,247

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 2023-24 there were nine (2022-23: six) cases of loan losses recognised where the amount written-off or movement in fair value below initial cost for accounting purposes was in excess of £300,000: seven (2022-23: three) write-offs of loans measured at amortised cost, and two (2022-23: three) movements in fair value below initial cost of loans measured at FVTPL. There were also two write-offs of receivables measured at FVTPL. There were no (2022-23: one) fruitless payments. More detailed information on these losses can be found in Homes England's Annual Report and Accounts.

Special Payments

Cases over £300,000	£'000
One extra contractual payment made by Homes England	848

Following disposal of an asset, the purchaser discovered a material issue with the site which required significant expenditure to rectify. After negotiation Homes England agreed to repay £848,000 of the purchase price. Both Homes England and the Ministry consider that this is an "extra contractual payment" and retrospective HMT approval will be sought.

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 2023-24 (2022-23: nil).

Fees and charges (subject to audit)

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

£'000

			2023-24			2022-23
Objectives	Full Cost	Income	Surplus/ (Deficit)	Full Cost	Income	Surplus/ (Deficit)
MHCLG - Energy Performance Certificate Fees	(1,753)	2,845	1,092	(1,661)	2,969	1,308
Planning Inspectorate - Local Plans	(3,394)	2,179	(1,215)	(7,291)	3,395	(3,896)
Planning Inspectorate - National Infrastructure	(20,125)	11,515	(8,610)	(12,443)	6,324	(6,119)
Planning Inspectorate - Other Major Specialist Casework	(3,266)	1,515	(1,751)	(4,242)	1,508	(2,734)
THO - Membership of Housing Ombudsman scheme	(26,909)	27,795	886	(18,089)	18,089	-
RSH - The Regulator of Social Housing	(13,790)	13,790	-	(12,385)	12,385	-
Total	**(69,237)**	**59,639**	**(9,598)**	**(56,111)**	**44,670**	**(11,441)**

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 33.

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 £20 million. A second scheme was launched in 2020, guaranteeing debt of no more than £6 billion. At the accounting date £1.3 billion of borrowing had been approved, with £1.1 billion drawn down. The financial guarantee in the Statement of Financial Position had a value of £1.36 million.

- 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 £27.3 million.

- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. At the accounting date, £420.5 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 £81,000.

- 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.

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	237	850	(613)
Right to Buy	250 to 750	250 to 750	-
Planning inspectorate: litigation	64	117	(53)
Planning Inspectorate Ex-gratia	243	163	80
ERDF corrections	2,500	1,908	592
AHGS 2013 drawn down	3,200,000	3,200,000	-
AHGS 2020 scheme size	3,000,000	6,000,000	(3,000,000)
AHGS 2020 approved	722,500	1,300,000	(577,500)
AHGS 2020 drawn down	648,500	1,064,500	(416,000)
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	346,000	420,500	(74,500)
QEII Conference Centre	2,600	-	2,600

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 2024. 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: West Sussex Pension Scheme	Yes	No	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
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
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

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 2024 under the Government Resources and Accounts Act 2000. On 10th July 2024 the Department was renamed the Ministry of Housing, Communities and Local Government. My report is on the Department for Levelling Up, Housing and Communities, the name of the Department set out for the year to 31st March 2024 in the Accounts Direction given by the Treasury in accordance with Section 5(2) of 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 2023. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2024;
- 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 2024 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 2024 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.

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 the presumed significant risk of management override of controls, or the significant 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.

There are no changes to the key audit matters identified in my report compared to the prior year report.

Key audit matter 1 – Help to Buy Equity Loans Portfolio

Description of risk

Homes England provided equity loans to homeowners buying new build properties up to a value of £600k through its Help to Buy schemes. As at 31 March 2024, there were over 230,000 'live' Help to Buy accounts. The Help to Buy equity loans portfolio dominates the Departmental Group's statement of financial position, valued at £17.4 billion at 31 March 2024.

The valuation is undertaken with reference to market conditions prevailing at the reporting date and the associated accounting and disclosure requirements are complex. There is a significant degree of management judgement involved in the valuation which 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. Other issues include:

- Known quality issues over data feeding into the estimate.
- Reliance on third parties as key delivery partners within the financial reporting process.
- Use of a spreadsheet application for modelling purposes, which requires the model to be split over multiple workbooks due to size.
- A high degree of manual intervention required to produce the final valuation, bringing additional inherent risk.

The significant risk of material misstatement I identified relates to the risk that the method used for calculating fair value is not appropriate or in accordance with the financial reporting framework, that the data and assumptions used in the calculation of fair value are inappropriate, and that there is potential for errors in the modelling used to calculate fair value. It also covers the risk that estimation uncertainty disclosure for fair value measurements is not sufficient or materially accurate.

How the scope of my audit responded to the risk

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 controls operated by management including quality review procedures over the Help to Buy models and the procedures to verify the accuracy of underlying data.

Performing the following substantive testing:

- Reviewing the methods and techniques used by management to estimate fair value, to ensure these are appropriate and compliant with the financial reporting framework. This included challenging management on key areas of judgement within the model and the overall approach to the valuation;
- Testing the relevance and reliability of data used within the fair value estimate (including Office of National Statistics' House Price Index data);
- Assessing the reasonableness of assumptions used within the fair value estimate;
- Reperforming management's modelling and conducting additional model validation procedures to ensure that management's modelling produces results that are in line with the agreed method. This involved the use of modelling expertise from within the NAO;
- Designing an alternative valuation methodology which was independent of management. I compared outputs to evaluate the accuracy and reliability of management's chosen valuation method;

	• Reviewing work undertaken by management to gain assurance that disposals information reported by the scheme administrator is complete and accurate for the whole reporting period and substantively testing the disposals; and • Reviewing the completeness and accuracy 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.
Key audit matter 2 – Expected Credit Loss Allowance	
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 2024 was £79 million on a portfolio valued at £1,266 million. Although the balance of the provision is immaterial, the estimate requires a high degree of judgement across a range of factors, including the level of credit risk associated with each asset, any movement in that credit risk, the probability that borrowers will default and consideration of estimated amounts recoverable via securities held against loans. In addition, the financial reporting framework requires the estimate of expected credit loss to take account of forward-looking information (including forecasts of future economic conditions) and to model against a range of scenarios. As such, the inherent estimation uncertainty is significant, particularly given the highly material value of the underlying portfolio. The significant risk of material misstatement I identified relates to the risk that the method used to calculate the estimate is not appropriate or in accordance with the financial reporting framework, and that management's assumptions used in the calculation are inappropriate.	
How the scope of my audit responded to the risk	I undertook procedures to evaluate the reasonableness of management's estimate of Expected Credit Losses. This included: Assessing the design and implementation of controls operated by management including quality review procedures over the expected credit loss model. Performing the following substantive testing: • Reviewing the methods and techniques used by management to estimate expected credit loss, to ensure these are appropriate and compliant with the financial reporting framework; • Evaluating the design and integrity of the model by directly testing calculations and confirming whether the model accurately implements management's chosen method; • Substantively testing significant data inputs into the estimate (such as credit risk ratings) to ensure that these are accurate and drawn from relevant sources; and • Drawing on specialist internal knowledge to test the reasonableness of key assumptions around future economic conditions and the probabilities of default. **Key observations** The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Key audit matter 3 – Level 3 Fair Value Assets	
Description of risk Homes England holds a portfolio of financial assets which are valued using unobservable inputs. These are predominantly investments and loans to support development and infrastructure projects which are valued based on the predicted returns that Homes England will achieve, discounted to reflect the time value of money. Within the IFRS 13 Fair Value Hierarchy these are classified as 'level 3' valuations and carry a greater inherent risk than level 1 or 2 valuations. Level 3 fair value assets totalled £556million as at 31 March 2024. Within the portfolio there is variation in the degree of estimation uncertainty associated with individual asset valuations depending on the nature of the asset, complexity of the underlying contract, and stage of completion of the project. To comply with the requirements of IFRS 13 management are required to risk-adjust expected future cash flows to reflect any uncertainty over future viability. Fluctuations in market conditions, and the associated impact on individual investees, makes this increasingly complex. The significant risk of material misstatement I identified relates to the risk that the method used for calculating fair value is not appropriate or in accordance with the financial reporting framework, that the data and assumptions used in the calculation of fair value are inappropriate, and that there is potential for errors in the modelling used to calculate fair value.	
How the scope of my audit responded to the risk	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 controls operated by management including quality review procedures over the valuation estimate. Performing the following substantive testing: • Reviewing the methods and techniques used by management to estimate fair value, to ensure these are appropriate and compliant with the financial reporting framework; • Directly testing calculations and confirming whether the model accurately implements management's chosen method; • For a sample of individual assets, testing key data inputs to underlying supporting information. I specifically considered the expected timing and amount of future cashflows and the appropriateness, relevance and quality of supporting evidence; and • Reviewing contractual terms and other third-party information as relevant to ensure that other key inputs and assumptions made by management are reasonable and appropriate. **Key observations** The procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

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 2023-24 this amounted to over £24 billion of expenditure. Due to the magnitude of this expenditure, the significant risks of material misstatement I identified is 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 recipients; • grant expenditure has been recognised in the incorrect period; and • grant expenditure is incomplete. I also identified risks of material irregularity in circumstances where: • 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; and • the risk of incomplete grant expenditure materialises, such that recognising the related 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 controls operated by management including processes to recognise and pay genuine grants in accordance with the underlying agreements and legislation. 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 is 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 grant expenditure to assess whether it has been classified in accordance with HM Treasury's Consolidated Budgeting Guidance in the Statement of Outturn Against Parliamentary Supply; and • 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	£395m	£394m
Basis for determining overall account materiality	1% of forecast gross expenditure of £39,535m, (2022-23 1% of £32,378m)	1% of forecast gross expenditure of £39,535m, (2022-23 1% of £32,349m)
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 to the users of the group financial statements. As forecast parent expenditure was 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 2023-24 audit (2022-23: 75%). In determining performance materiality, I have 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.

There were no unadjusted audit differences reported to those charged with governance.

Audit scope

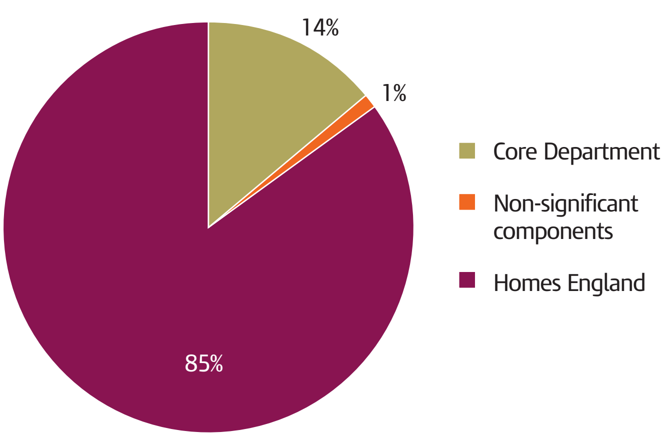
The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Departmental Group has total assets of £24.9bn. 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 £17.4bn.

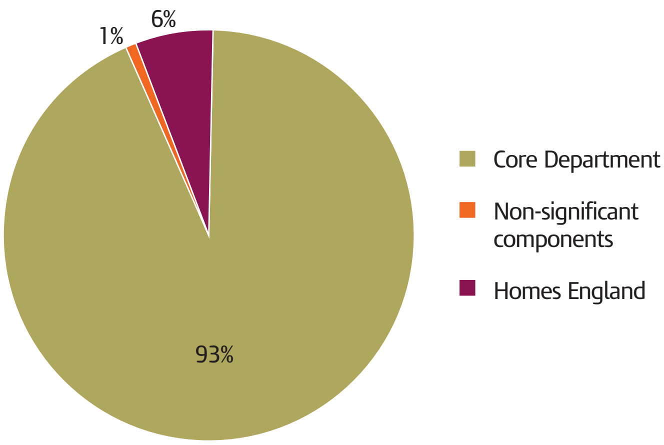
I have audited the financial information of the Core Department, as well as the group consolidation. My audit of the significant component Homes England, which is overseen by the same engagement director, was complete at the time of my completion of the group audit. As group auditor, I have gained assurance 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 2024)



Gross expenditure of individual components of the DLUHC Group (as at 31 March 2024)



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 issued 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 issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department, 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;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued 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, the Supply and Appropriation (Main Estimates) Act 2022, and Managing Public Money.
- 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, and the relevant internal and external specialists, including in relation to land and property assets and financial instruments, 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.

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, the Audit and Risk Assurance 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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments, assessing whether the judgements on estimates are indicative of potential bias; and evaluating 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 performed continuous risk assessment procedures relating to fraud non-compliance with laws and regulation or regularity.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 sufficient appropriate audit evidence 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 25 July 2024

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 2024

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

		2023-24		2022-23	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	301,703	461,277	276,010	437,691
Operating Expenditure	4	43,333,779	46,401,208	36,852,467	38,977,315
Operating Income	5	(5,854,406)	(6,232,345)	(7,557,130)	(8,548,481)
Grant-in-aid to ALBs		1,030,233	-	1,589,889	-
Net Operating Expenditure for the year ended 31 March		**38,811,309**	**40,630,140**	**31,161,236**	**30,866,525**
Total Expenditure		44,665,715	46,862,485	38,718,366	39,415,006
Total Income		(5,854,406)	(6,232,345)	(7,557,130)	(8,548,481)
Net Operating Expenditure for the year ended 31 March		**38,811,309**	**40,630,140**	**31,161,236**	**30,866,525**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					
Net (Gain) / Loss on:					
Pension Schemes	16	(30,508)	(107,944)	57,249	(92,003)
Revaluation of property, plant and equipment		-	-	-	-
Income tax on items in other comprehensive expenditure		-	19,259	-	15,942
Total comprehensive expenditure for the year ended 31 March		**38,780,801**	**40,541,455**	**31,218,485**	**30,790,464**

The Notes on pages 105 to 138 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2024

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 2024		31 March 2023	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-current assets					
Property, plant and equipment		22,971	26,226	22,840	26,843
Right of use assets		58,440	66,642	68,654	78,019
Intangible assets		86,223	108,923	46,317	57,061
Investments in associates and joint ventures	6	5,000	64,303	5,000	66,932
Financial assets at fair value	7	121,217	18,218,703	142,175	20,046,823
Financial assets at amortised cost	9	276,250	1,108,981	167,089	1,014,068
Investment properties		51,100	51,100	64,600	64,600
Trade and other receivables	12	155,157	295,931	154,977	170,820
Total non-current assets		**776,358**	**19,940,809**	**671,652**	**21,525,166**
Current assets					
Inventories	11	250,362	1,314,995	458,665	1,528,024
Financial assets at fair value	8	-	107,502	12,289	121,959
Financial assets at amortised cost	10	-	354,343	106,781	677,347
Trade and other receivables	12	1,439,220	1,726,567	482,521	731,611
Cash and cash equivalents	13	1,295,863	1,488,180	1,682,114	1,929,965
Total current assets		**2,985,445**	**4,991,587**	**2,742,370**	**4,988,906**
Total assets		**3,761,803**	**24,932,396**	**3,414,022**	**26,514,072**
Current liabilities					
Trade and other payables	14	3,695,824	4,204,992	3,743,041	4,320,555
Provisions	15	5,071	5,428	22,916	26,915
Total current liabilities		**3,700,895**	**4,210,420**	**3,765,957**	**4,347,470**
Non-current assets plus/less net current assets/liabilities		**60,908**	**20,721,976**	**(351,935)**	**22,166,602**
Non-current liabilities					
Trade and other payables	14	283,649	304,985	367,732	394,303
Provisions	15	146,694	152,136	73,357	78,178
Pensions	16	101,957	(250,203)	124,109	(135,831)
Financial guarantees		47,667	47,667	110,899	110,899
Total Non-current liabilities		**579,967**	**254,585**	**676,097**	**447,549**
Assets less liabilities		**(519,059)**	**20,467,391**	**(1,028,032)**	**21,719,053**
Taxpayers' equity					
General fund		(460,317)	20,157,883	(938,781)	21,518,085
Revaluation reserve		-	-	(1)	(1)
Pension reserve		(58,742)	309,508	(89,250)	200,969
Total taxpayers' equity		**(519,059)**	**20,467,391**	**(1,028,032)**	**21,719,053**

Sarah Healey CB CVO
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

The Notes on pages 105 to 138 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

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

		2023-24		2022-23	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(38,811,309)	(40,630,140)	(31,161,236)	(30,866,525)
Adjusted for:					
Finance (income)/ costs	4,5	(62,957)	(174,124)	(29,944)	(779,216)
(Profit) / loss on disposal of non-current assets	4,5	4,297	(32,437)	3,917	(37,274)
Depreciation and amortisation	4	26,367	32,796	26,449	32,885
Revaluation of non-current assets passing through the SoCNE	4	12,893	12,893	6,400	6,400
Impairment of non-current assets	4	25,319	219,511	959	284,487
Other non cash transactions	4,5	10,574	67,926	1,256	(34,787)
(Increase) / decrease in inventories	11	208,303	213,029	(115,506)	(16,208)
(Increase) / decrease in trade & other receivables		(953,574)	(862,319)	115,101	41,301
Increase / (decrease) in trade & other payables		143,502	69,336	132,832	208,329
Adjustment to NNDR/BRR payables				(114,156)	(114,156)
Movement in provisions	4	68,009	65,439	(13,299)	(12,445)
Utilisation of provision	15	(12,504)	(12,955)	(14,951)	(22,811)
Pension fund adjustments	16	(5)	(1,985)	(11)	18,236
Local share (business rates retained by local authorities)	4	14,730,316	14,730,316	11,744,365	11,744,365
Adjustments for Corporation Tax		-	(19,259)	-	(15,942)
Net Cash outflow from operating activities		**(24,610,769)**	**(26,321,973)**	**(19,417,824)**	**(19,563,361)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(11,456)	(12,890)	(15,693)	(16,361)
Purchase of intangible assets		(45,113)	(59,282)	(26,755)	(32,361)
Financial assets issued		-	(388,052)	-	(2,799,279)
Proceeds of disposal of property, plant and equipment		-	-	9	2,459
Proceeds from disposal of joint ventures		-	12,637	-	6,905
Proceeds on disposal of financial assets		6,795	1,362,377	-	2,317,468
Repayment of financial assets	7,8,9,10	-	572,055	35,890	605,359
Repayment of public dividend capital		-	-	-	-
Interest received	5	2,473	122,281	11,521	108,625
Other adjustments - investing activities		(416)	(711)	(1,389)	(10,601)
Net Cash inflow/(outflow) from investing activities		**(47,717)**	**1,608,415**	**3,583**	**182,214**

					£'000
			2023-24		2022-23
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		25,559,400	25,559,400	20,090,500	20,090,500
From the consolidated fund (non-supply) - current year		68,350	68,350	980	980
Grant in aid receivable (should be zero)		-	-	-	-
Capital element of payments in respect of finance leases		(14,380)	(14,380)	(16,710)	(18,081)
Interest paid	4	(37)	(499)	(24)	(497)
Foreign exchange movements		(2,961)	(2,961)	4,390	4,390
Adjustments for changes in accounting policy (financing)		-	-	(102,802)	(105,044)
Other adjustments - financing activities		(448)	(448)	-	-
Net Cash inflow/(outflow) from financing activities		**25,609,924**	**25,609,462**	**19,976,334**	**19,972,248**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**951,438**	**895,904**	**562,093**	**591,101**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**–**	**–**	**–**	**–**
Payments due to the Consolidated Fund		**(1,337,689)**	**(1,337,689)**	**(2,510,203)**	**(2,510,203)**
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(386,251)**	**(441,785)**	**(1,948,110)**	**(1,919,102)**
Cash and cash equivalents at the beginning of the period	13	**1,682,114**	**1,929,965**	**3,630,224**	**3,849,067**
Cash and cash equivalents at the end of the period	13	**1,295,863**	**1,488,180**	**1,682,114**	**1,929,965**

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

The Notes on pages 105 to 138 form part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

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 2022		**21,006,781**	**728**	**118,832**	**21,126,341**
Comprehensive Net Expenditure	SOCNE	(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 - excess vote		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		**19,638,162**	**–**	**–**	**19,638,162**
Balance at 31 March 2023		**21,518,085**	**(1)**	**200,969**	**21,719,053**
Change in Accounting Policy		19	-	-	**19**
Balance at 1 April 2023		**21,518,104**	**(1)**	**200,969**	**21,719,072**
Comprehensive Net Expenditure	SOCNE	(40,649,399)	-	107,944	**(40,541,455)**
Non cash charges - auditor's remuneration	4	623	-	-	**623**
Local share (business rates retained by local authorities)	4	14,730,316	-	-	**14,730,316**
Other adjustments to reserves		(114,156)	1	-	**(114,155)**
Transfers between reserves		(595)	-	595	**–**
Total recognised income and expenses for 2023-24		**(26,033,211)**	**1**	**108,539**	**(25,924,671)**
Net Parliamentary Funding - drawn down		25,559,400	-	-	**25,559,400**
Net Parliamentary Funding - deemed supply		1,659,173	-	-	1,659,173
Consolidated Fund Standing Services -non supply - drawn down:		68,350	-	-	**68,350**
Supply (payable)/receivable		(1,276,209)	-	-	(1,276,209)
CFERs payable to the consolidated fund	SoPS4.1	(1,337,724)	-	-	**(1,337,724)**
Sub Total of Net Parliamentary Funding and CFERs payable		**24,672,990**	**–**	**–**	**24,672,990**
Balance at 31 March 2024		**20,157,883**	**–**	**309,508**	**20,467,391**

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

The Notes on pages 105 to 138 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2022		**(1,161,144)**	**728**	**(32,001)**	**(1,192,417)**
Comprehensive Net Expenditure (restated)	SOCNE	(31,161,236)	-	(57,249)	(31,218,485)
Non cash charges - auditor's remuneration		512	-	-	512
Local share (business rates retained by local authorities)		11,744,365	-	-	11,744,365
Other adjustments to reserves	4	(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 Parlimentary Funding - drawn down		20,090,500	-	-	20,090,500
Net Parliamentary Funding - excess vote		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		**19,638,162**	**-**	**-**	**19,638,162**
Balance at 31 March 2023		**(938,781)**	**(1)**	**(89,250)**	**(1,028,032)**
Change in Accounting Policy			-	-	
Balance at 1 April 2023		**(938,781)**	**(1)**	**(89,250)**	**(1,028,032)**
Comprehensive Net Expenditure	SOCNE	(38,811,309)	-	30,508	(38,780,801)
Non cash charges - auditor's remuneration		623	-	-	623
Local share (business rates retained by local authorities)	4	14,730,316	-	-	14,730,316
Other adjustments to reserves		(114,156)	1	-	(114,155)
Transfers between reserves		-	-	-	-
Total recognised income and expenses for 2023-24		**(24,194,526)**	**1**	**30,508**	**(24,164,017)**
Net Parliamentary Funding - drawn down		25,559,400	-	-	25,559,400
Net Parliamentary Funding - deemed supply		1,659,173	-	-	1,659,173
Consolidated Fund Standing Services -non supply - drawn down:		68,350	-	-	68,350
Supply (payable)/receivable		(1,276,209)	-	-	(1,276,209)
CFERs payable to the consolidated fund	SoPS4.1	(1,337,724)	-	-	(1,337,724)
Transfers between reserves		-	-	-	
Sub Total		**24,672,990**	**-**	**-**	**24,672,990**
Balance at 31 March 2024		**(460,317)**	**-**	**(58,742)**	**(519,059)**

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

The Notes on pages 105 to 138 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 2023-24 Financial Reporting Manual (FReM) issued by HM Treasury and apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FreM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Departmental Group for the purpose of giving a true and fair view has been selected.

2. Basis of consolidation

These Financial Statements consolidate those of the core department, the department's executive agency and those arm's length bodies (ALBs) which fall within the departmental boundary as defined by the FreM; these bodies make up the 'Departmental Group'. The Ministry of Housing, Communities & Local Government is the ultimate parent of the Departmental Group and its results, along with those of the department's executive agency, are presented in columns labelled 'Core Department & Agency'. Transactions between, and balances with, entities included in the Departmental Group are eliminated. A list of all those entities within the departmental boundary is given in Note 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 2024. 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 £745 million employer assets at 31 March 2024 disclosed in Note 16, only £58 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. 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 2024 and at 31 March 2023 the LGD floor applied was 35%.
- Moderated Security Values (MSVs): To reflect the expected value which might reasonably be realised from the sale of security in the event of default, MSV percentages are applied to gross security values to determine a measure of Loss Given Default (when compared against the estimated exposure on default). The MSVs are varied depending on the type of security held. A lower MSV percentage results in a higher discount applied to the determined security values.

Fair value through profit or loss

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

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

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

8. Financial Liabilities

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

9. Financial Guarantees

The department provides Affordable Housing Guarantees (AHG) over borrowing to Private Registered Providers to facilitate access to borrowing at competitive interest rates to fund the building of affordable housing. The guarantees are recognised in line with IFRS 9 with adaptations for Government financial reporting.

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, 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 on a net basis with value equal to lifetime expected loss.

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

10. Principal Civil Service Pension Schemeand 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.

11. Income

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

Business Rates income represents the central share and other elements of the business rates retention scheme paid to 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 through the Local Government Finance Settlement and 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 at outturn).

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

12. Grants

Grants made or received by the department are recorded as expenditure or income respectively in the period that the underlying event or activity giving entitlement to the grant occurs, such as milestones within the grant agreement being reached. Non-ringfenced 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 (RSG) which finances revenue expenditure for local services delivery. In addition, the central department also issues capital grants which finance non-current assets. RSG is determined through the annual local government finance settlement. Alongside this, other related revenue grants such as Adult Social Care are also allocated for the purpose of local government service delivery through the annual local government finance settlement process. In addition, a number of 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 non-ringfenced. Non-ringfenced 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, through the NNDR process 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 rates for England, including government's central share and the LA retained "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.

13. Going concern

The financial statements of the department have been prepared on the basis that the department is a going concern. Financial provision for its activities is included in the 2021 Spending Review which set out budgets for 2022-25 and Parliament has authorised spending for 2024-25 in the Central Government Main Supply Estimates 2024-25.

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 'Department 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

		2023-24					2022-23				
	Note	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total
Gross Expenditure	SoPS1.1	34,893,360	225,254	7,377,076	3,842,991	46,338,681	30,458,293	206,968	5,635,529	2,606,109	38,906,899
Income	SoPS1.1	(4,083,326)		(804,752)	(1,032,968)	(5,921,046)	(6,182,738)		(1,400,872)	(515,228)	(8,098,838)
Net Expenditure		**30,810,034**	**225,254**	**6,572,324**	**2,810,023**	**40,417,635**	**24,275,555**	**206,968**	**4,234,657**	**2,090,881**	**30,808,061**

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	2023-24 Total	2022-23 Total
Total net expenditure reported for operating segments	2	**40,417,635**	**30,808,061**
Reconciling items:			
Income		(311,299)	(449,643)
Expenditure		435,119	432,046
Prior period adjustment			
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**40,541,455**	**30,790,464**

Note 3. Staff Costs

£'000

		2023-24		2022-23	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		301,703	461,277	276,010	437,691

The Staff Report, page 55, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

£'000

	Notes	2023-24 Core Department & Agency	2023-24 Departmental Group	2022-23 Core Department & Agency	2022-23 Departmental Group
Non-Cash Items					
Depreciation and amortisation		26,367	32,796	26,449	32,885
Impairment/(revaluation) of Property, Plant and Equipment		1,247	1,247	-	-
Impairment/(revaluation) of other financial assets		24,072	218,264	959	284,487
Impairment of inventory		-	134,243	-	106,924
Impairment/(revaluation) of assets		12,893	12,893	6,400	6,400
Loss on disposal of assets		4,297	4,297	1,054	1,054
ERDF exchange rate losses (unrealised)		-	-	4,192	4,192
Auditors remuneration[1]		623	623	512	512
Increase/Decrease in provisions (Provisions provided for in year less any release)	15	68,009	65,439	(13,299)	(12,445)
Write-off of bad debt		9,951	67,303	744	(35,299)
Net interest on pension scheme liabilities	16	6,011	(6,421)	1,722	(554)
Admin charge on pension assets	16	2,350	2,381	2,617	2,769
Share of Loss of Joint Ventures and Associates	6	-	5,317	-	-
Notional costs		224	224	176	176
Local share (business rates retained by local authorities)		14,730,316	14,730,316	11,744,365	11,744,365
Other non cash costs		398	398	3,747	3,747
Total Non Cash Items		**14,886,758**	**15,269,320**	**11,779,638**	**12,139,213**
Cash Items					
Rentals under leases		745	1,465	676	1,277
Accommodation including rentals under leases		(13,104)	(7,947)	4,372	9,427
Research and development		44,243	44,295	25,431	25,431
Legal and professional services		80,796	142,213	81,241	149,806
Consultancy		7,535	7,585	4,571	4,660
Marketing and communications		8,120	9,046	7,522	9,343
Training and development		4,704	6,443	3,910	5,648
Auditors remuneration[1]		74	1,071	61	972
IT expenditure		84,634	95,158	47,226	56,406
Travel and subsistence		6,201	9,852	3,692	6,675
Returning Officer Expenses[2]		1,572	1,572	111	111
ERDF Financial Corrections		2,326	2,326	-	-
ERDF exchange rate losses (realised)		2,961	2,961	-	-
Interest payable		37	499	24	497
Taxation		4,741	(9,292)	3,939	(3,687)
ERDF grants		1,028,283	1,028,283	450,058	450,058
Revenue support grant and PFI grant		2,097,448	2,097,448	1,870,117	1,870,117
Business rates retention (top ups)		2,725,230	2,725,230	2,643,270	2,643,270
Other capital grants to local authorities		4,837,341	5,384,609	3,565,431	3,946,816
Other current grants to local authorities[3]		17,418,716	17,430,411	16,300,958	16,308,073
Other grants		85,631	2,121,829	49,601	1,334,314
Other cash costs		18,787	36,831	10,618	18,888
Total Cash Items		**28,447,021**	**31,131,888**	**25,072,829**	**26,838,102**
Total		**43,333,779**	**46,401,208**	**36,852,467**	**38,977,315**

Footnotes

1 The external auditors total group fees (notional and cash) for all statutory audit work were £1.512 million. Of the £1.071 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	14,730,316
Revenue Support Grant and PFI grant	2,097,447
Social Care support	3,851,968
Business Rates 2% Inflation Cap	2,151,309
Better Care Fund	2,039,256
Expanded Retail Discount	1,705,872
Doubling of Small Business Rates	951,991
Market Sustainabilty	562,000
Services Grant	483,251
Homelessness Prevention Grant	432,179
Core UKSPF GrantFund	384,258
Discharge Funding	300,000
New Homes Bonus	291,260
Other current grants to Local Authorities	4,265,374
ERDF Grants	1,028,284
Other current grants	85,630
Total current grants	**35,360,395**
Disabled Facilities Grant	623,000
Future High Streets Fund	234,321
Stronger Towns Capac	553,858
Affordable Homes Programme (2016-23)	391,151
Building Safety Fund	579,759
Levelling Up Fund	504,688
Affordable Homes Programme (2021-26)	243,788
LA Housing Fund	626,638
Other capital grants to Local authorities	1,080,137
Total capital grants	**4,837,340**
Total grants	**40,197,735**

Note 5. Operating Income

£'000

	Notes	2023-24 Core Department & Agency	2023-24 Departmental Group	2022-23 restated Core Department & Agency	2022-23 restated Departmental Group
Non Cash Items					
Gain on sale of non current assets and assets held for sale		-	81,284	-	126,324
(Decrease)/increase in fair value - FVTPL assets		-	(15,263)	26,334	673,542
Decrease in fair value - financial guarantees		62,298	62,298	-	-
ERDF exchange rate gains (unrealised)		2,895	2,895	1	1
Notional income		224	224	176	176
Share of profit of joint ventures and associates	6	-	-	-	3,309
Total Non Cash Items		**65,417**	**131,438**	**26,511**	**803,352**
Cash Items					
CFER income		968	968	186,712	186,712
Grant income		630,722	682,314	609,024	629,147
Business rate relief returns		1,368,699	1,368,699	3,555,606	3,555,606
ERDF grant income		1,038,685	1,038,685	514,480	514,480
Business rates retention (tariff)		2,712,715	2,712,715	2,625,096	2,625,096
Goods and services		4,555	4,636	4,669	4,717
Accommodation		109	4,854	(222)	4,594
Fees		18,306	32,096	14,416	26,821
ERDF exchange rate gains (realised)		-	-	4,390	4,390
Interest and dividends		9,521	129,329	11,521	108,625
Miscellaneous		4,709	126,611	4,927	84,941
Total Cash Items		**5,788,989**	**6,100,907**	**7,530,619**	**7,745,129**
Total		**5,854,406**	**6,232,345**	**7,557,130**	**8,548,481**

Note 6. Investments in associates and joint ventures

	£'000
	Investment in Associates & Joint Ventures
Opening balance at 1 April 2022	**60,123**
Additions	10,405
Revaluation	(6,905)
Profit / (loss) on JV or Associate	3,309
Balance at 31 March 2023	**66,932**
Additions	15,325
Disposal	(12,637)
Profit/(loss) on JV or Associate	(5,317)
Balance at 31 March 2024	**64,303**
Of which:	
Core Department	**5,000**
Agencies	-
Designated bodies	**59,303**

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 2024 include:

Name of undertaking	Share capital	Nature of business
English Cities Fund Limited Partnership	48%	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
Bristol Temple Quarter LLP	33%	Regeneration of Bristol Temple Quarter

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 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**
Additions	9,731	64,344	(28,110)	45,965
Write down/ Impairments	(132,334)	(52,472)	(26,452)	(211,258)
Fair value gains/(losses)	(51,628)	31,391	-	(20,237)
Disposal	(1,318,848)	(77,544)	(6,795)	(1,403,187)
Transfers in / (out)	-	(119,287)	(120,116)	(239,403)
Transfer to receivables ‹ 1year	-	-	-	-
Balance at 31 March 2024	**17,441,103**	**656,383**	**121,217**	**18,218,703**
Of which:				
Core Department	-	-	121,217	121,217
Agencies	-	-	-	-
Designated bodies	17,441,103	656,383	-	18,097,486

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

Other investments 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.

£'000	Level 1	Level 2	Level 3	2023-24 Total
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	-	17,441,103	-	17,441,103
Other property investments		-	777,600	777,600
Investments	64,303	-	-	64,303
Total financial assets	**64,303**	**17,441,103**	**777,600**	**18,283,006**
of which				
Core Department	5,000	-	121,217	126,217
Agencies	-	-	-	-
Designated bodies	59,303	17,441,103	656,383	18,156,789
Total financial assets	**64,303**	**17,441,103**	**777,600**	**18,283,006**
Financial liabilities at fair value through profit or loss				
Financial guarantees	-	-	(47,667)	(47,667)
Other financial liabilities	-	-	(4,417,338)	(4,417,338)
Total financial liabilities	**–**	**–**	**(4,465,005)**	**(4,465,005)**
of which				
Core Department	-	-	(4,280,862)	(4,280,862)
Agencies	-	-	-	-
Designated bodies	-	-	(184,143)	(184,143)
Total financial liabilities	**–**	**–**	**(4,465,005)**	**(4,465,005)**

£'000	Level 1	Level 2	Level 3	2022-23 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)**

Changes in level 3 Instruments Financial assets £'000	Other property investments	
	2023-24	2022-23
Balance 1 April	**1,112,641**	**1,254,133**
Additions	36,234	80,023
Repayments/disposals	(84,339)	(121,262)
Reclassifications	(239,403)	(21,408)
Gains/losses recognised in SOCNE	(47,533)	(78,845)
Balance 31 March	**777,600**	**1,112,641**
of which		
Core Department	121,217	142,175
Agencies	-	-
Designated bodies	656,383	970,466
Balance 31 March	**777,600**	**1,112,641**

Changes in level 3 Instruments Financial liabilities £'000	Financial guarantees	
	2023-24	2022-23
Balance 1 April	**(110,899)**	**(112,398)**
Additions	63,232	1,499
Balance 31 March	**(47,667)**	**(110,899)**
of which		
Core Department	(47,667)	(110,899)
Agencies	-	-
Designated bodies	-	-
Balance 31 March	**(47,667)**	**(110,899)**

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	
	2023-24	2022-23
Balance at 1 April	**121,959**	**90,246**
Reclassifications (to)/from >1 year	(14,457)	31,713
Balance at 31 March	**107,502**	**121,959**
Of which:		
Core Department	-	12,289
Agencies	-	-
Designated bodies	107,502	109,670

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 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 1 April 2023	**915,693**	**97,554**	**821**	**1,014,068**
Additions	326,762	-	-	326,762
Write down/ Impairments	(52,891)	-	-	(52,891)
Expected loss allowance	(9,831)	2,380	-	(7,451)
Repayments	(494,462)	(49)	-	(494,511)
Transfer to receivables ‹ 1year	216,223	106,781	-	323,004
Balance at 31 March 2024	**901,494**	**206,666**	**821**	**1,108,981**
Of which:				
Core Department	-	275,429	821	276,250
Agencies	-	-	-	-
Designated bodies	901,494	(68,763)	-	832,731

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 2024, 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 2022	**485,069**	**104,062**	**589,131**
Additions	-	-	**-**
Disposals	**-**	**-**	**-**
Transfer from receivables > 1year	85,497	2,719	**88,216**
Balance at 1 April 2023	**570,566**	**106,781**	**677,347**
Additions	-	-	
Disposals	-	-	-
Transfer from receivables > 1year	(216,223)	(106,781)	(323,004)
Balance at 31 March 2024	**354,343**	**-**	**354,343**
Of which:			
Core Department	-	-	-
Agencies	-	-	-
Designated bodies	354,343	-	354,343

Note 11. Inventories

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

£'000

	2023-24		2022-23	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April	**-**	**1,069,359**	**-**	**1,168,657**
Additions	-	202,273	-	182,429
Disposals	-	(72,757)	-	(174,803)
Transers	-	-	-	-
Impairments	-	(134,242)	-	(106,924)
Closing balance Land and buildings as at 31 March	**-**	**1,064,633**	**-**	**1,069,359**
ERDF Work in Progress				
Opening balance as at 1 April	458,665	458,665	343,159	343,159
Payments to Projects	650,109	650,109	494,579	494,579
Disposals	(858,412)	(858,412)	(379,073)	(379,073)
Closing balance ERDF as at 31 March	**250,362**	**250,362**	**458,665**	**458,665**
Total inventory closing balance as at 31 March	**250,362**	**1,314,995**	**458,665**	**1,528,024**

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

		2023-24		2022-23
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:				
Trade receivables	2,398	9,476	2,407	9,741
Deposits and advances	-	4	-	5
VAT receivables	5,537	5,650	4,336	4,421
Other receivables	1,091,006	1,370,276	180,268	421,570
ERDF accrued income	(5,014)	(5,014)	(5,101)	(5,101)
Prepayments and accrued income	248,252	249,134	231,669	232,033
Elections Advances	97,041	97,041	68,942	68,942
Sub Total	**1,439,220**	**1,726,567**	**482,521**	**731,611**
Amounts falling due after more than one year:				
Trade receivables	-	-	-	1,138
Other receivables	26,125	166,899	35,147	49,852
ERDF advances	128,972	128,972	119,818	119,818
Prepayments and accrued income	60	60	12	12
Sub Total	**155,157**	**295,931**	**154,977**	**170,820**
Total	**1,594,377**	**2,022,498**	**637,498**	**902,431**

Note 13. Cash and cash equivalents

£'000

	2023-24		2022-23	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	1,682,114	1,929,965	3,630,224	3,849,067
Net change in cash and cash equivalent balances	(386,251)	(441,785)	(1,948,110)	(1,919,102)
Cash Balance at 31 March	**1,295,863**	**1,488,180**	**1,682,114**	**1,929,965**
The following balances at 31 March were held at:				
Other bank and cash	-	92,207	-	62,573
Commercial banks and cash in hand	-	17,307	-	22,005
Government Banking Service	1,283,769	1,366,572	1,666,698	1,829,971
Government Banking Service (Elections)	12,094	12,094	15,416	15,416
Balance at 31 March	**1,295,863**	**1,488,180**	**1,682,114**	**1,929,965**

Note 14. Trade and other payables

£'000

	2023-24		2022-23	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:				
Taxation and social security	6,366	5,039	5,426	17,069
Trade payables	66,833	539,967	(3,919)	511,733
Other payables	831,716	854,683	140,380	170,366
Accruals	1,040,081	1,044,087	1,121,531	1,125,404
Accruals - Elections	40,955	40,955	76,101	76,101
Leases	19,422	20,190	18,878	19,995
Deferred income	54,420	64,040	53,887	69,130
ERDF deferred income	353,780	353,780	664,709	664,709
Amount issued from the Consolidated Fund for supply but not spent	1,282,239	1,282,239	1,665,203	1,665,203
Consolidated fund extra receipts to be paid to the Consolidated Fund - received	12	12	845	845
Sub Total	**3,695,824**	**4,204,992**	**3,743,041**	**4,320,555**
Amounts falling due after more than one year:				
Leases	109,223	110,366	124,680	125,929
ERDF deposits held	171,984	171,984	241,174	241,174
Other payables	-	20,193	-	25,322
Accruals	-	-	-	-
Deferred income	924	924	1,228	1,228
CFER Liability	1,518	1,518	650	650
Bank Overdraft	-	-	-	-
Sub Total	**283,649**	**304,985**	**367,732**	**394,303**
Total	**3,979,473**	**4,509,977**	**4,110,773**	**4,714,858**

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

	2023-24		2022-23	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	96,273	105,093	124,523	140,350
Increase	69,514	69,925	17,012	17,012
Utilisation	(12,504)	(12,955)	(14,951)	(22,811)
Reversal	(1,518)	(4,197)	(30,311)	(28,646)
Unwinding of discount	-	(302)	-	(812)
Balance at 31 March	**151,765**	**157,564**	**96,273**	**105,093**
Of which:				
Current liabilities	5,071	5,428	22,916	26,915
Non-current liabilities	146,694	152,136	73,357	78,178
Balance at 31 March	**151,765**	**157,564**	**96,273**	**105,093**

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, sought 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 published their second report outlining their vision in February 2024, ahead of running a design competition for the memorial options in summer 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	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**
Not later than one year	8,601	(3,173)	5,428
Later than one year and not later than five years	128,034	24,102	152,136
Later than five years	-	-	-
Balance at 31 March 2024	**136,635**	**20,929**	**157,564**

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

	2023-24		2022-23	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	884,164	1,731,616	1,352,032	2,495,417
Current service cost	-	20,917	-	42,502
Interest charges	41,597	77,377	36,072	66,769
Admin charge on pension liabilities	-	-	-	-
Contribution by members	-	5,664	-	6,361
Remeasurement of (gains)/losses on liability	(42,822)	(94,393)	(471,778)	(811,299)
Past service cost/(gains)	-	7	-	-
Losses/(gains) on curtailment	-	(142)	-	(322)
Benefits paid				
Funded benefits paid	(35,445)	(63,473)	(32,151)	(67,490)
Unfunded benefits paid	(5)	(337)	(11)	(322)
Closing defined benefit obligation	**847,489**	**1,677,236**	**884,164**	**1,731,616**
Reconciliation of fair value of employer asset				
Opening balance	(760,055)	(1,867,447)	(1,289,500)	(2,559,427)
Interest income on scheme asset	(35,586)	(83,798)	(34,350)	(67,323)
Admin charge on pension assets	2,350	2,381	2,617	2,769
Contributions by members	-	(5,664)	-	(6,361)
Contributions by employer	-	(25,147)	-	(26,091)
Remeasurement of (gains)/losses on asset	12,314	(13,551)	529,027	719,295
(Losses)/gains on curtailment	-	2,717	-	2,469
Benefits paid	35,445	63,070	32,151	67,222
Closing fair value of employer asset	**(745,532)**	**(1,927,439)**	**(760,055)**	**(1,867,447)**
Closing net pension liability	**101,957**	**(250,203)**	**124,109**	**(135,831)**
of which:				
Funded	101,916	(252,367)	124,063	(138,482)
Unfunded	41	2,164	46	2,651

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 (2022-23: 18 years).

The valuation of the scheme liabilities as at 31 March 2024 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	2023-24	2022-23
Diversified Growth Funds/Return Seeking Assets	482	525
Liability Driven Investments	0	0
Gilts	149	0
Infrastructure	4	22
Property	58	95
Cash	52	118
Total	**745**	**760**

The Scheme's assets reduced over the year to 31 March 2024. This partly reflects significant benefits paid from the Scheme as well as the assets achieving a lower return than expected at the start of the year.

Over the year the Scheme took on a significant holding in gilts, totalling almost £150m, partly replacing the historic holding in Liability Driven Investments (LDIs).

The value of liabilities has also reduced over the year. A small increase in long term bond yields over the year has slightly reduced the value of liabilities, as has the lower assumed rate of future price inflation.

The Scheme continues 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.

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations for the five years to 2024 are shown in the table below.

	2024	2023	2022	2021	2020
Principal assumptions	% pa	% pa	% pa	% pa	% pa
Rate of inflation	3.3	3.55	3.90	3.40	2.70
Rate of salary increase	n/a	n/a	n/a	n/a	n/a
Discount rate for liabilities	4.85	4.80	2.70	1.95	2.25
Rate of increase of pensions in payment	3.3	3.55	3.90	3.40	2.70
Rate of increase of deferred pensions	3.3	3.55	3.90	3.40	2.70

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2022-23: 29 years), for females retiring today, 30 years (2022-23: 30 years) and for males retiring in 20 years, 30 years (2022-23: 30 years), for females retiring in 20 years, 32 years (2022-23: 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%	76
Rate of inflation	+0.5% a year	8%	68
Rate of mortality	Mortality table rated down by one year	3%	25

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 2024 that are subject to exchange rate risk. (Exchange rate at 31 March 2024 £1 = €1.1691[15]).

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2024	290,033	329,771
Total assets at 31 March 2023	114,718	130,494
Total liabilities at 31 March 2024	-171,984	-201,066
Total liabilities at 31 March 2023	-241,174	-274,342

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 2024	Euro Rate at 31 March 2024	Impact of rate change to			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	£290,033	1:1.1691	£49m gain	£18m gain	£29m loss	£47m loss
Liabilities	-£171,984	1:1.1691	£29m loss	£10m loss	£17m gain	£28m gain
Net gain/loss	£118,049		£20m loss	£7m loss	£11m gain	£19m gain

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

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 2024, 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%	21,164.9	3,539.9	20.1%
10.0%	19,398.0	1,773.0	10.1%
0.0%	17,625.0	-	0.0%
-5.0%	16,716.7	(908.3)	-5.2%
-10.0%	15,742.7	(1,882.3)	-10.7%
-20.0%	13,435.8	(4,189.2)	-23.8%
-30.0%	10,311.8	(7,313.2)	-41.5%

Private sector developments, overage and infrastructure – market risk

At 31 March 2024, 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 £26.2 million /£26.2 million from that stated.

Land portfolio – market risk

The table below shows the effect on net expenditure at 31 March 2024, before the effects of tax, if at 31 March 2024 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%	1,179.9	(115.3)	10.8%
10.0%	1,125.8	(61.2)	5.7%
0.0%	1,064.6	-	0.0%
-5.0%	1,031.6	33.0	-3.1%
-10.0%	993.9	70.7	-6.6%
-20.0%	903.7	160.9	-15.1%
-30.0%	807.4	257.2	-24.2%

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 83. 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.

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	2024	2023
Opening balance	**74,710**	**44,505**
Net movements in Expected Credit Loss Allowances	7,645	30,205
Closing balance	**82,355**	**74,710**

£'000

Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	2024	2023
Net movements in Expected Credit Loss Allowances	7,645	30,205
Amounts written-off loan balances as irrecoverable under IFRS 9	(52,891)	36,361
Total credit impairment loss charge	**(45,246)**	**66,566**

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 55% : 5% : 40% applied	66,428	(2,770)	-4.0%
Weighting of 60% : 5% : 35% applied	68,275	(923)	-1.3%
Base assumption of 60% : 10% : 30% applied	69,198	-	0.0%
Weighting of 60% : 20% : 20% applied	70,308	1,110	1.6%
Weighting of 65% : 25% : 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 2024, the department had approved £3.2 billion worth of debt finance raised by Affordable Housing Finance (2013 scheme) and £1.3 billion (2020 scheme) on behalf of Private Registered Providers, of which £1.1 billion 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 2024 is £20 million for the 2013 scheme and £1.36 million 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 discount rate used to determine present values for these long term liabilities. The sensitivity testing adjusted the credit grade down by two Standard & Poor's (S&P) or Moody's equivalent grades (considered to be conservative as the Registered Provider industry has a zero-default history) and the discount rate was reduced by 2%. For AHGS 13 PD downgrades increase Expected Losses to £28.1 million and the interest rate decrease increased ELs to £24.3 million. For AHGS 2020 PD downgrades increase Expected Losses to £3.45 million and the interest rate decrease increased ELs to £2.11 million.

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 2024, 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 £27.3 million.

The accounting valuation is based on the appropriate elements of the lifetime fee that will be paid by the borrower in return for the guaranteed funds. Specifically, the cost of risk, administration costs and a fee to the department based on appropriate remuneration of capital.

Private Rented Sector Guarantees concentration risk

The top five loans (from 28 in total) represent 49% (based on guaranteed loan exposure).

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 2024 accounted for £943 million of the total exposure (51%). 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 94.9% of the £241.9 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.

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 2023 and 31 March 2024. 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.
Equity investments in private sector developments and infrastructure projects (Note 7)	The fair values of financial assets relating to equity investments in development and infrastructure projects are calculated using cashflow forecasts for the projects concerned, discounted at rates set by HM Treasury. These fair values are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Managed funds (Note 7)	The fair value of managed funds is equal to the net assets of those funds at the reporting date, and are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Other financial instruments	Discounted future cash flows using discount rates set by HM Treasury or the rate intrinsic to the financial instrument if higher.
Affordable Housing financial guarantees liabilities	For initial recognition, fair value is based on probability weighted expected losses. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Private Rented Sector financial guarantees liabilities	For initial recognition, fair value is based on the fee charged for the guarantee. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.

Note 17b. Sensitivity of Significant Help to Buy Modelling Assumptions

Homes England models the fair value of Help to Buy on the basis of the estimated proceeds that would be achieved were all homeowners to redeem their equity loans on the reporting date. Homes England considers these estimated proceeds to be a significant accounting estimate, because the fair value of the portfolio is highly sensitive to market price risk. 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.

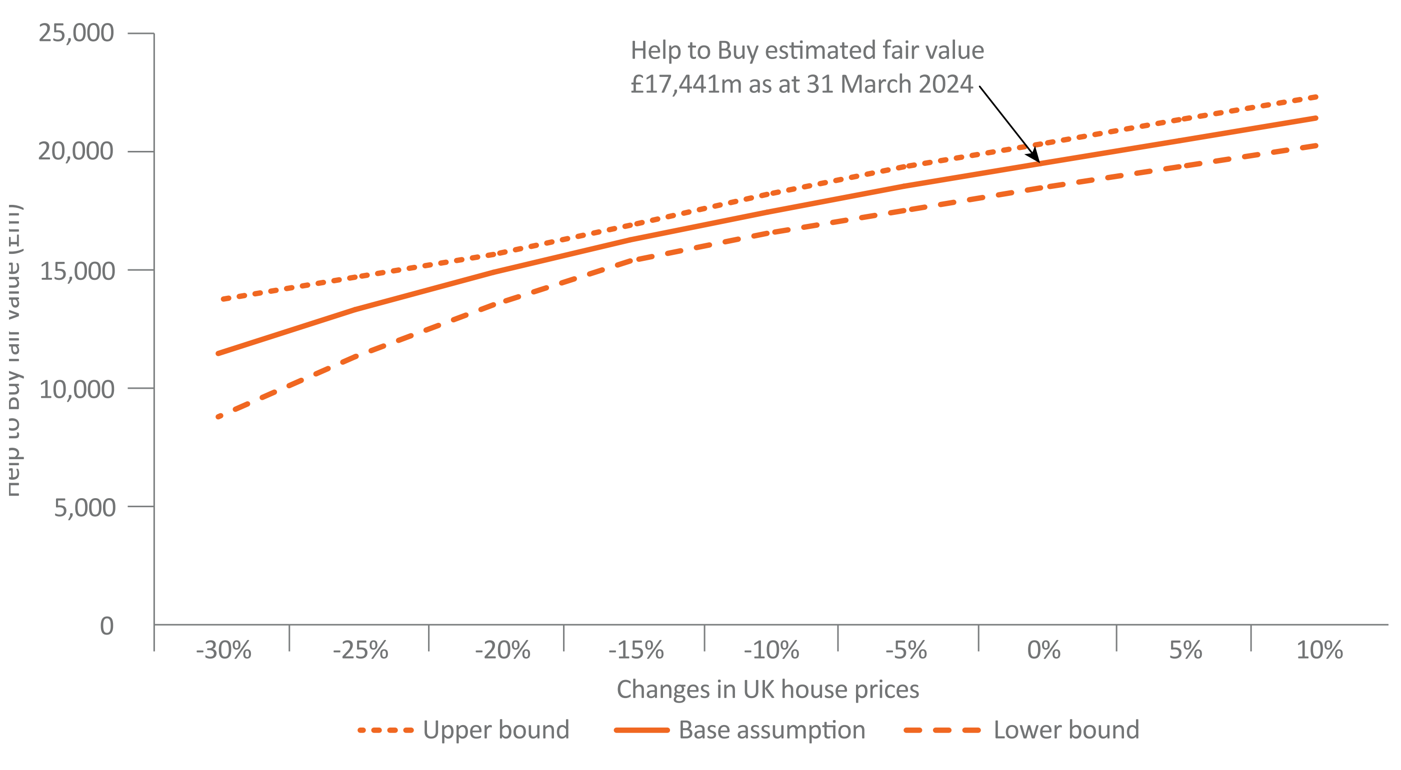
Combined impact of assumptions

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 repossessed). 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 £2,885 million at 31 March 2024 (31 March 2023: £3,608 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 £3,391 million at 31 March 2024 (31 March 2023: £4,557 million). One of these grants is individually material. An amount of £211 million is payable before 31 March 2026 to a strategic partner under the Affordable Homes Programme 2021-26.

The Help to Buy scheme ended in the year. As a result there is no commitment included in the year in relation to conditional approvals (31 March 2023: £20 million).

In addition to the above, Homes England has entered into financial commitments in relation to land development and building leases totalling £136 million and £2 million respectively at 31 March 2024 (31 March 2023: £205 million and £1 million).

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

		2023-24	2022-23
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.	850	237
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	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
f	Homes England: At 31 March 2024, 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
g	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
h	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.	177	96
i	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.	163	185
j	Following the completion of the final 23/24 EPCA calculation the previously estimated £2.5 million for the self-correction to the European Regional Development Fund (ERDF) programme (to reduce the total error rate below 2% following the European Commission audit) was confirmed at £1.9m.	1,908	2500

Note 20. Contingent assets disclosed under IAS 37

			£'000
		2023-24	2022-23
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 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.

- On 5 October 2023, the father of Gareth Caller was appointed by the Secretary of State as the Lead Commissioner for Birmingham City Council. The Lead Commissioner is remunerated directly by Birmingham City Council. Neither Gareth Caller, Deputy Director of Finance & Performance - Housing, nor his division had any role in the appointment process and appropriate conflict of interest procedures were in place.
- Chandru Dissanayeke, Director of Regulatory Stewardship & Reform in Building Safety, is a Trustee of the Church Urban Fund (CUF). The CUF works with and invest in people, churches and community groups to tackle urgent issues, provide life-changing support. During 2023-24, we paid total grants of £1.3m to the CUF - £515k for Near Neighbourhoods Programme and £823k for Windrush Day Grant Scheme.

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.

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

Note 23. Entities within the Departmental Boundary

The department has one executive agency and 14 designated bodies. All bodies apart from the Land Registry, 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		
Non-Ministerial Departments		
The Land Registry		
Advisory Bodies		
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	Office for Place*
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.		

*Office for Place was incorporated on 9 August 2023. It was dormant in 2023-24.

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.

Auditor

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 141. The auditor's notional fee of £22,500 (2022-23: £21,500) 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 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 30.

Sarah Healey CB CVO
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

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 2024 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 2024;
- 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 Business Rates Retention and Non-Domestic Rates Trust Statement affairs as at 31 March 2024 and its net revenue for the Consolidated Fund Account 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 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[16] 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.

16 On 10 July 2024, the Department for Levelling Up, Housing and Communities (DLUHC) was renamed the Ministry of Housing, Communities and Local Government (MHCLG). Where this audit certificate refers to the department, it means this body.

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'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 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 with regards to the Business Rates Retention and Non-Domestic Rates Trust Statement by the department 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 department 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;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act;
- preparing the Governance Statement in accordance with HM Treasury directions issued 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 Business Rates Retention and Non-Domestic Rates Trust Statement'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's policies and procedures relevant to the Business Rates Retention Trust Statement 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's controls relating to the compliance with the Government Resources and Accounts Act 2000, Local Government Finance Act 1988, and Managing Public Money;
- 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 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 fraud and identified the greatest potential for fraud in the following areas: revenue recognition, 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 Business Rates Retention and Non-Domestic Rates Trust Statement's framework of authority and other legal and regulatory frameworks in which the department 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 Non-Domestic Rates system. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, the Local Government Finance Act 1988, 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, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the departmental Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments, assessing whether the judgements on estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- 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 communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including 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 sufficient appropriate audit evidence 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

25 July 2024

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 2024

£'000

	Note	2023-24	2022-23
National Non Domestic Rates		1,940,595	1,799,569
Business Rates Retention		25,820,552	21,677,525
Local Share			
Deduction of Local Share		(14,730,316)	(11,744,365)
Total Revenue after deduction of Local share	3	13,030,831	11,732,729
Net Revenue for the Consolidated Fund Account		**13,030,831**	**11,732,729**

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

The notes at pages 149 to 150 form part of this Statement.

Statement of Financial Position

as at 31 March 2024

£'000

	Note	2023-24	2022-23
Current Assets			
Accrued Revenue Receivable	4	387,973	414,248
Cash and Cash Equivalents	CFS	95,879	12,797
Total Current assets		**483,852**	**427,045**
Current Liabilities			
Accrued Revenue Payable		99,474	12,799
Total Current Liabilities		**99,474**	**12,799**
Total assets less current liabilities		**384,378**	**414,246**
Balance on Consolidated Fund Account	2	**384,378**	**414,246**

Sarah Healey CB CVO
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

The notes at pages 149 to 150 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2024

£'000

	Note	2023-24	2022-23
Cash flows from operating activities		13,143,781	11,389,776
Cash paid to the Consolidated Fund		(13,174,855)	(11,388,459)
CFERs payable to the Consolidated Fund		114,156	(90,028)
Increase/(decrease) in cash in this period		**83,082**	**(88,711)**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	13,030,831	11,732,729
(Increase)/Decrease in receivables		26,275	(254,242)
Increase/(Decrease) in payables		86,675	(88,711)
Net Cash Flow from Operating Activities		**13,143,781**	**11,389,776**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		83,082	(88,711)
Net funds at 1 April		12,797	101,508
Net Funds as 31 March		**95,879**	**12,797**

The notes at pages 149 to 150 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 2022-23).

Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	2023-24	2022-23
Balance on Consolidated Fund Account as at 1 April	414,246	160,004
Net Revenue of the Consolidated Fund	13,030,831	11,732,729
Less amount paid to the Consolidated Fund	(13,174,855)	(11,388,459)
CFERs payable to the Consolidated Fund	114,156	(90,028)
Balance on Consolidated Fund Account as at 31 March	**384,378**	**414,246**

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

£'000

Revenue	2023-24	2022-23
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,940,595	1,799,569
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	11,090,236	9,933,160
	13,030,831	**11,732,729**

Trust Statement Note 4 Receivables

£'000

Receivables	2023-24	2022-23
Accrued revenue receivable	387,973	414,248
Total receivables	**387,973**	**414,248**

Trust Statement Note 5 Payables

£'000

Payables	2023-24	2022-23
Accrued revenue payable	99,474	12,799
Total payables	**99,474**	**12,799**

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

The reconciliation of the business rate reliefs awarded in 2022-23 resulted in the department reclaiming £1.3bn from local authorities. This related to two relief in particular. The Retail, Hospitality and Leisure (RHL) relief and the Covid-19 Additional Relief Fund (CARF). RHL relief included a cash cap, making it more uncertain for authorities to predict the impact of it in advance and as a result they needed to return £741m at outturn of the £1.83bn paid to them on account. The £1.5bn for CARF was awarded in-year which resulted in the billing authorities bearing 100% of the cost of the relief until the reconciliation process. At the reconciliation in 2023-24, £650m of CARF funding was returned. Together and with other smaller adjustments, this led to significant adjustments at year end 2023-24 with the return of £1.3 billion from local authorities and additional payments of £17 million, mainly to major precepting authorities. These transactions pass through the department's resource accounts, not through these accounts. At 31st March 2024, £1.1 billion of the £1.3 billion total had been returned to the Exchequer.

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: Number employed	Permanently employed staff: Cost £000	Other Staff: Number employed	Other Staff: Cost £000
Core Department	(5,838,325)	43,560,143	37,721,818	3,134	234,770	377	7,951
Commission for Local Administration in England	(171)	12,427	12,256	175	11,175	1	4
Homes England	(335,312)	3,160,641	2,825,329	1,259	88,584	243	19,027
Leasehold Advisory Services	(52)	1,751	1,699	23	1,427	2	60
Planning Inspectorate	(16,081)	75,339	59,258	839	57,574	14	1,067
Regulator of Social Housing	(14,610)	23,840	9,230	233	17,076	8	75
The Housing Ombudsman	(27,794)	23,606	(4,188)	386	18,525	26	693
Valuation Tribunal Service		4,738	4,738	62	2,818	2	110
Departmental Group[2]	**(6,232,345)**	**46,862,485**	**40,630,140**	**6,111**	**431,949**	**673**	**28,987**

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 99 and in the table of Average Number of Persons Employed on page 60.

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

							2023-24	2022-23
	Outturn			Estimates				Outturn
Type of spend (Resource)	Gross	Income	Net Total	Net Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
Spending in Departmental Expenditure Limit (RDEL) – Housing and Communities								
Non-voted expenditure								
Returning Officers' expenses England, Wales and Scotland								
Elections	**1,558**	**(32)**	**1,526**	**7,700**	**-**	**7,700**	**6,174**	**(82)**
UK Parliamentary elections:								
- 2019 UK Parliamentary General Election	(1,202)	-	(1,202)	-	-	-	1,202	(1,243)
- 2019 UK Parliamentary by-elections	-		-					(17)
- 2021 UK Parliamentary by-elections	(535)	-	(535)	-	-	-	535	271
- 2022 UK Parliamentary by-elections	514	-	514	-	-	-	(514)	1,499
- 2023 UK Parliamentary by-elections	2,245	(32)	2,213	1,800	-	1,800	(413)	
Recall Petitions:								
- 2019 Recall Petition	(4)		(4)					-
- 2023 Recall Petition	749	-	749	600	-	600	(149)	-
Police and Crime Commissioner Elections:		-	-	-	-	-	-	
- 2019 Police and Crime Commissioner by-elections	-	-	-	-	-	-	-	(9)
- 2020 Postponed Police and Crime Commissioner election	510	-	510	-	-	-	(510)	97
- 2021 Police and Crime Commissioner by-elections	(20)	-	(20)	5,000	-	5,000	5,020	(546)
- 2021 Police and Crime Commissioner Election	(699)	-	(699)	-	-	-	699	(134)
Candidate mailings	-	-	-	300	-	300	300	
Total non-voted	**1,558**	**(32)**	**1,526**	**7,700**	**-**	**7,700**	**6,174**	**(82)**

SOPS 3

Removal of non-voted budget items:

SoPS Note	Outturn 2023-24 £'000	Estimate 2023-24 £'000	Outturn vs Estimate, saving/(excess) 2023-24 £'000
Returning Officers' expenses, England, Wales and Scotland	1,526	7,700	6,174
UK Parliamentary elections:			
- 2019 UK Parliamentary General Election	(1,202)	-	1,202
- 2021 UK Parliamentary by-elections	(535)	-	535
- 2022 UK Parliamentary by-elections	514	-	(514)
- 2023 UK Parliamentary by-elections	2,213	1,800	(413)
Recall Petitions:			
- 2019 Recall Petition	(4)	-	4
- 2023 Recall Petition	749	600	(149)
Police and Crime Commissioner Elections:			
- 2020 Postponed Police and Crime Commissioner election	510	-	(510)
- 2021 Police and Crime Commissioner by-elections	(20)	5,000	5,020
- 2021 Police and Crime Commissioner Election	(699)	-	699
Candidate mailings		300	300

SOPS 4

SoPS Note	Outturn 2023-24 £'000 Accruals	Outturn 2023-24 £'000 *Cash basis*	Outturn 2022-23 £'000 Accruals	Outturn 2022-23 £'000 *Cash basis*
Returning Officers' expenses, England, Wales and Scotland				
Forfeited deposits				
- 2023 UK Parliamentary By-Election	15	15	-	-
Forfeited deposits receivable				
- 2023 UK Parliamentary By-Election	(32)	(32)	-	-

Note 4 expenditure

£'000

	2023-24 Core Department	2022-23 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	(1,202)	(1,243)
- 2019 UK Parliamentary by-elections	-	(17)
- 2021 UK Parliamentary by-elections	(535)	271
- 2022 UK Parliamentary by-elections	514	1,499
- 2023 UK Parliamentary by-elections	2,245	-
Recall Petitions:		
- 2019 Recall Petition	(4)	-
- 2023 Recall Petition	749	-
Police and Crime Commissioner Elections:		
- 2019 Police and Crime Commissioner by-elections	-	(9)
- 2020 Postponed Police and Crime Commissioner election	510	97
- 2021 Police and Crime Commissioner by-elections	(20)	(546)
- 2021 Police and Crime Commissioner Election	(699)	(134)

Statement of changes in taxpayers' equity

£'000

	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2023			
Returning Officers' expenses England, Wales and Scotland			
Consolidated Fund Standing Services - non supply - drawn down:	**980**	-	**980**
2022 UK Pariliamentary by-election	980	-	980
Balance at 31 March 2024			
Returning Officers' expenses England, Wales and Scotland			
Consolidated Fund Standing Services - non supply - drawn down:	**68,351**	-	**68,351**
- 2023 Recall Petitions	556	-	556
- 2023 UK Parliamentary By-Elections	850	-	850
- 2024 Police Crime Commissioner Election	66,944	-	66,944

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
Antisemitism Policy Trust	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.
Barnados	300	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Beacon Family Services CIC	7	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Bradford Foundation Trust	48	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Cambridge University	10	This grant is to support a review into the number of prisoners who died on the Channel Island of Alderney during the Nazi occupation. The review is being undertaken by an expert panel for Lord Eric Pickles, the UK's Post Holocaust Issues Envoy.
Catalyst Psychology CIC	31	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Church Urban Fund	515	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.
Design Council	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.
Digital Task Force For Planning	150	To enable the Digital Task Force for Planning to create an online directory to raise awareness of modern technology suppliers offering digital tools for local community engagement. This directory is aimed to improve local councils awareness of the best tools and approaches to use to engage local citizens relating to planning matters, to ensure decisions are made in line with informed citizens views shaping the development they want in their local area.
Faith Matters	1,001	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.
Healthprom	40	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Holocaust Educational Trust	5	To support the recording of Holocaust survivor testimonies.
Holocaust Memorial Day Trust	900	To support the UK's annual Holocaust Memorial Day.
Hong Kong Well UK CIC	52	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
The Institution of Structural Engineers	151	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.
International Rescue Committee UK	76	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.

Institution	Payments (£ 000)	Purpose
Muscular Dystrophy UK	112	To provide bespoke training sessions; dedicated advice and support; support with complex queries; registration of completed Changing Places toilets; promotion and publicity. This was a shared objective with MHCLG and aligned closely with Muscular Dystrophy UK's wider charitable aims to promote better access to society for disabled people.
Ostro Fayre Share Foundation	237	Strengthening Faith Institutions - Support to faith centres of all faiths in England to improve their governance.
Path Yorkshire	186	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Protection Approaches	400	To support of the integration of Hong Kong British Nationals in the UK.
Shift Organisation Ltd.	2,141	SHiFT is a social enterprise supporting young people who are hard to reach and at risk of falling into crime and/or other adverse outcomes.
St Mary's Ukrainian School Ltd.	55	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
Stoke-on-Trent & North Staffordshire Theatre	32	Delivery of a project in support of the Children and Young People's Resettlement Fund to support young people, aged 21 and under, on the Ukraine, Afghan or Hong Kong BN(O) pathways in England to March 2025.
The Linking Network	75	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.
Ummah Help	150	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
The Wiener Library Institute of Contemporary History	78	To ensure the International Tracing Service (ITS) Arolsen Archive remains open to relatives of those murdered during the Holocaust to access information about family members.
Women's Aid Federation	390	To enable women experiencing gender-based violence to access safe accommodation, help and support and influence national and local policy
National Community Land Trust Network	10	To enable the collection of data on the number of homes delivered with support from the Community Housing Fund
TOTAL	**7,471**	

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 2024: £250 million, 31 March 2023: £ 459 million) and only transferred to expenditure on certification. The reason why this is now showing a much-reduced balance is that the last of the programme payments to beneficiaries were made in Jan/Feb 2024 as the ERDF programme is now in the last accounting year (from 1 July 2023 to 30 June 2024).

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. The rates for claims to the EC are set out in the financing plan of the England ERDF programme strategy (operational programme) and approved by the EC. 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 2024: £0, 31 March 2022: £0) or as deferred income within current payables (31 March 2024 £354 million, 31 March 2023: £665 million. This balance is beginning to reduce as the programme starts to come to an end. The intervention balance is being used to cover some overbooking on various priority axes/category of regions to cover any ineligible expenditure that may be identified at the end of the project, and to ensure we maximise all the funding we have been given from the EC.

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 2024 £25 million, 31 March 2023 £ 90 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 was 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. At present we have started to use the initial advance to cover priority axes/ category of regions where the existing funding level has been reached and the initial advance covers further funding. This accounts for the reduction in the initial advance balance this year.

The 2014-20 programme differs from previous programmes 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 2024: £354 million, 31 Mar 2023: £ 120 million). The amount has increased as we are now in the last year of the programme and there has been a large number of claims processed during the year. This amount will substantially reduce when the ERDF accounts have been accepted and we are able to net the annual account balances off with the ten percent held back.

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 paying back the hold back of 10% payment, due in early 2020, until the closure of the programme in 2025.

From December 2020 the Department decided 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 45 claims and its assessment for all cases. The Audit Authority examined €148 million from €751 million which was declared by the department to the EC over the ERDF accounting period. This statistically representative sample revealed 82% of claims contained less than 2% of error (2% is the EC's materiality threshold). Most claims (60%) contained zero error. Where errors were identified, most had limited financial impact although some moderate impact issues were identified in relation to public procurement breaches (by ERDF beneficiaries). A "residual total error rate" for the EC's 2022-23 accounting period was confirmed at 2.502%, slightly above the EC's 2% materiality threshold. Whilst the department implemented an extrapolated financial correction of €4m to reduce residual errors to the materiality threshold, the Audit Authority provided a qualified assurance on the effectiveness of ERDF management controls, as directed by EC guidance. The Audit Authority did, however, provide unqualified assurance on the ERDF accounts submitted to the EC, and the legality and regularity of expenditure presented in the accounts.

As part of their routine assurance regime, the EC visited the AA in March 2024 to undertake a desk review of a sample of the AA's audits. Whilst some elements of that review are ongoing, early indications suggest the EC will validate the AA's conclusions.