Ministry of Housing, Communities & Local Government

Annual Report and Accounts 2024-25

(For the year ended 31 March 2025)

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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 Deputy Prime Minister

It is an honour to serve as your Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government, and I am very grateful for the continued dedication and expertise of staff across MHCLG and our arm's length bodies. Over the past year, our department has been paving the way to a better Britain: ensuring access to safe and affordable housing is a right not a luxury; giving councils the tools they need to run high-quality public services; and shifting power out of Westminster and into our local communities.

I am proud that all of this has been underpinned by an absolute commitment to protecting the most vulnerable people in our society and ensuring living standards are improved in every corner of the UK. I look forward to continuing this vital work in the years ahead.

Building safe, affordable and decent homes

Our housing agenda is at the very heart of this government's mission to raise living standards and grow the economy across the country. To that end, I was delighted to secure a further £500 million for the Affordable Homes Programme at Autumn Budget, ensuring 2025-26 has the biggest annual budget for affordable housing in over a decade. By continuing to prioritise the delivery of new social rented homes, we are directly addressing the core drivers of child poverty and homelessness. Alongside this, our transformational reforms to the National Planning Policy Framework will allow us to ramp up wider housing delivery in pursuit of our 1.5 million homes target. Building more homes will not only create thousands of well-paid jobs across the country, but give ordinary working families a safe, secure home to call their own.

We are also taking action to improve the safety and decency of existing housing stock. In response to the final report of the Grenfell Tower Inquiry, we have published a Remediation Acceleration Plan, including a commitment to end the unfair system which has treated social housing tenants as second-class citizens. And the Renters' Rights Bill – the most transformative private rented sector legislation in a generation – will offer millions of private renters security and dignity in their homes when it receives Royal Assent later this year.

Finally, we are continuing to tackle the scourge of homelessness by investing a further £233 million in 2025-26, taking our total spend to £1 billion. This vital investment will give councils the resources they need to ensure nobody is left without a secure roof over their head.

Restoring councils to financial sustainability

Local government is the bedrock for every one of this government's missions, and fundamental to ensuring Britain's renewal is felt in the everyday lives of working people around the country.

This year, we made real progress in ensuring £70 billion in local government funding reflects up-to-date local need. These changes, along with vital reforms to local audit, pensions, and funding mechanisms for high-cost services like Special Educational Needs and Disabilities and social care, are creating a more resilient foundation for local delivery.

We've also responded to local crises, intervening decisively where necessary, including in Birmingham, to protect services and local accountability. And we've acted with urgency to stabilise the homelessness system, providing a homelessness funding uplift of £233 million to curb the rise in families in temporary accommodation and people sleeping rough.

Putting power back into the hands of local communities

Elsewhere, our department is radically reshaping how power is distributed across the country by giving local communities the tools and funding they need to shape their own destinies. As part of our "devolution revolution," we are widening and deepening the powers available to Mayors and elected leaders across England. And building on the success of John Prescott's New Deal for Communities, our new Plan for Neighbourhoods – recently expanded at the Spending Review – will put real money and decision-making powers in the hands of the people who know their areas best.

As we prepare for the rest of this Parliament, our priorities are clear. We are working to build a country where everyone has a safe, affordable and decent place to call home; to create places with modernised local government, sustainable public services and high-quality infrastructure; and to shape an economy that delivers higher living standards everywhere and for everyone.

The year ahead will not be without challenges, but the achievements of the past 12 months show that, together, we can match ambition with action.

The Rt Hon Angela Rayner MP
Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government

Foreword from the Permanent Secretary

As Permanent Secretary, I am proud of the huge amount of work carried out at the department and our arm's length bodies this year. Whether it is by supporting ministers to design and implement vital reforms, delivering priority government programmes on the ground, or working directly with local authorities and our key sectors, every single member of staff has played a crucial role in improving lives across the United Kingdom.

The department has already achieved so much under the new government. We gave the local government sector a significant boost to deliver the vital public services we use every day – with a 6.8% increase in their core funding compared to the previous year. We overhauled the planning system and gave a significant cash injection to social and affordable housing, setting the government on the right path to delivering 1.5 million homes. And we published the government's response to the Grenfell Tower Inquiry Phase 2 Report, with a commitment to take action on all 58 recommendations to restore public trust in the building safety system. The Spending Review settlement we have agreed since then will enable us to build on this momentum.

Alongside this extensive policy programme, MHCLG has been leading the charge on the government's ambition to rewire the state. Earlier this year the department undertook an in-depth Zero-Based Review of day-to-day spending as part of the Spending Review process. Through this, we committed to delivering at least 5% savings and efficiencies over the Spending Review period, cut communications and marketing spend by 70%, abolished one of our arm's length bodies, and committed to cultivating a more agile and leaner civil service workforce. These savings will ensure every pound of our budgets is spent directly on achieving the government's priorities – ultimately providing a better value-for-money service to the citizens we serve.

Finally, I was delighted to welcome Mo Baines to the Board as our Interim Lead Non-Executive Director this year, who brings extensive experience in public policy, local government finance, and service delivery, which is invaluable across MHCLG's work.

None of this would have been possible without the hard work of colleagues across the department and our arm's length bodies. While we have already achieved a lot, there is more to do, and I look forward to continuing to support ministers to deliver their priorities.

Dame Sarah Healey DCB CVO
Permanent Secretary

Foreword from the Lead Non-Executive Director

The department has experienced a year of transition and renewal, marked by the formation of a new government in July 2024. Led by the Deputy Prime Minister, a new ministerial team was appointed, setting the department's priorities and delivery ambitions. I was delighted to be welcomed as the department's Interim Lead Non-Executive Director during the reporting year, and recruitment is underway to appoint further non-executive directors to join our Board.

Over the course of the year, we have considered how best to develop our departmental Board meetings to support delivery of this government's agenda. As a result we have developed and implemented a new Ministerial Priorities Dashboard, which supports a data-driven and transparent approach to tracking ministerial priorities.

We have also placed particular emphasis on the critical enablers underpinning ministerial priorities. Flagship programmes, such as the Affordable Homes Programme and broader Planning Reform work have been identified as mission-critical to the government's Plan for Growth, representing major delivery efforts with wide-ranging impacts on communities and long-term national priorities.

As Interim Lead Non-Executive Director, I have worked to support the department in strengthening governance, oversight and delivery capability. The non-executive function remains focused on advising on strategic risks, improving delivery confidence, and enhancing the department's overall maturity in project and programme management.

Throughout the year, the Audit and Risk Assurance Committee (ARAC) has continued to provide independent scrutiny of the department's internal controls, risk management and financial reporting. The Committee has paid particular attention to the department's quarterly risk report and the findings of both internal and external audit. In April, the ARAC endorsed the findings of the refreshed Governance Assurance Review process and set clear ambitions for targeted actions to continue to strengthen MHCLG's governance during the coming year.

I would like to thank the dedicated teams across MHCLG for their hard work and commitment across the department and in support of the wider housing, local government and communities sectors.

Mo Baines
Lead Non-Executive Director

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 2024-25 to deliver against 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 strategic priorities and our key risks. It also sets out how significant events, such as domestic and worldwide economic challenges, and the change in government, have affected the department's ability to deliver on its objectives.

Our department

Our role and purpose

The Ministry of Housing, Communities and Local Government (MHCLG) is at the forefront of supporting people, places and communities. The department has policy responsibility for housing and planning, building safety, communities and local growth, local government, homelessness and democracy and elections.

How we are organised

The Departmental Group consists of the department, including its executive agencies, and its sponsored non-departmental and other arm's length public bodies. During 2024-25 the department consisted of the core department and fifteen other arm's length bodies (ALBs). A full list of bodies included in the MHCLG Group is listed in Note 24 to the accounts.

The Deputy Prime Minister heads the department's ministerial team, which is accountable to Parliament. She is supported by the Permanent Secretary who has executive responsibility for the department and for safeguarding public funds as the Accounting Officer. The Permanent Secretary is in turn supported by the Executive Team.

MHCLG operates a portfolio management model of governance, to ensure all elements of the department's work and organisation effectively support delivery of its overarching strategic objectives. Directors General are responsible for implementing appropriate portfolio management arrangements within their group, to support discharge of their delegated authority and responsibilities towards delivery of the department's priority outcomes. We have reviewed our portfolio structures during 2024-25 to ensure these are best structured to support delivery, as well as maximising opportunities for alignment across groups.

Non-executive directors provide an important external perspective to the department but do not have decision-making or spending powers. The department is currently in the process of recruiting additional non-executive directors to complete the Board, following changes resulting from the 2024 General Election.

Further detail on the department's organisation and governance is included in the governance statement and accompanying remuneration report.

Our strategic priorities

This report covers a period of significant change as a result of the General Election and subsequent change of government mid-year. In July 2024, the department changed its name to the Ministry of Housing, Communities and Local Government (previously, the Department for Levelling Up, Housing and Communities). This reflected the Deputy Prime Minister's new strategic priorities for the department, linked to the government's wider missions.

The Deputy Prime Minister and her ministerial team identified seven priority outcomes, which contribute to our overall objectives to build good quality homes and strong communities where people can live, work, and thrive. These are:

1. **Build 1.5 million new homes**
2. **Remediate unsafe buildings**

3. **Get back on track to end homelessness and rough sleeping**

4. **Deliver financial stability for local government**

5. **Deliver local growth and devolution**

6. **Strengthen community cohesion**

7. **Strengthen workers' rights (alongside the Department for Business and Trade)**

Directors General are each responsible for driving activity across their portfolios to support collective delivery of the department's overall objectives.

Strategic enablers

During 2024-25, we have continued to strengthen our corporate centre – including a dedicated strategy and communications function – and build our capability and expertise in line with government functional standards. This includes work across our analytical, commercial, communications, digital, finance, human resources (HR), project and risk professions.

Further detail on key deliverables across our priorities and strategic enablers is included in the performance analysis section of this report.

Principal risk summary

The department groups its risks under 13 principal risk categories. These have not changed in 2024-25, though 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.

Our principal risks are covered in more detail in the governance section of this report, with further detail of specific risks to delivery across our portfolios outlined in the Performance Analysis section section.

Our highlights in 2024-25

Laying the groundwork for building 1.5 million new homes

- Published a new **National Planning Policy Framework (NPPF)**, restoring mandatory housing targets and implementing a strategic and targeted approach to Green Belt policy.
- The government's housing delivery agency, Homes England, over-delivered on its targets for 2024-25, **completing over 36,000 homes**, up 14% from the year before. Affordable housing delivery increased by 12%, with a 43% increase in homes for social rent.

Responding to the Grenfell tragedy

- Published the **Remediation Acceleration Plan** (RAP), detailing our strategy to accelerate the remediation of unsafe buildings and how residents will be supported.
- Supported the independent **Grenfell Tower Memorial Commission** as the community choose a design team to create a fitting and lasting memorial.
- Set out the department's response and commitment to take forward action on all of the 58 **Grenfell Tower Inquiry** recommendations to ensure the regulatory system is trusted to keep people safe.

Getting back on track to end homelessness & rough sleeping

- Introduced the **Renters' Rights Bill** in Parliament, a key step towards abolishing 'no fault' evictions.
- Paid £800 million to support local authorities to **tackle homelessness and rough sleeping**.

Working towards financial stability for local government

- Agreed **£69 billion Local Authority Funding Settlement**, representing an increase of 6.8% in cash terms from 2024-25.
- Consolidated 11 grants worth more than £650 million into the **Local Government Finance Settlement**.
- Introduced regulations to **clear the backlog of unaudited local accounts** through statutory backstops – supported by a new Code of Audit Practice published by the National Audit Office (NAO) – and committed to a programme of reform to **overhaul the local audit system** and prevent recurrence of the backlog issues.

Delivering local growth & devolution

- Expanded the **English devolution programme** to include six new areas, which will increase devolution coverage to 77% of the English population.

- Announced **ten new Community Regeneration Partnerships**, worth £480 million.

Strengthening community cohesion

- Delivered the **£15 million Community Recovery Fund** to support communities impacted by the violent disorder during Summer 2024.
- Set up the **cross-government Social Cohesion Taskforce** to get to the heart of the issues that threaten community cohesion.
- Delivered the **STEP Ukraine** programme, providing over 13,000 Ukrainians across the UK with intensive English language and employment support.

Provided a **£1 million Strategic Migration Partnerships (SMP) grant** to boost English for Speakers of Other Languages (ESOL) teacher capacity across nine English regions and support integration through expanded access to language provision.

Strengthening workers' rights

- Supported the Deputy Prime Minister as chair of the **Future of Work Cabinet Committee**, which is responsible for considering and taking decisions on matters related to the Make Work Pay package of reforms to employment law.

- Alongside the Department for Business and Trade, introduced the **Employment Rights Bill** which will deliver the biggest upgrade in workers' rights for a generation.

Delivering high-quality corporate functions for the department

- Delivered **outturn spends against RDEL and CDEL grants within 1.5%** for the second consecutive year, ensuring maximum impact from our resources.
- Onboarded 17 grants through the **Digital Funding Service**, with estimated delivery savings of £6 million for the department and £5 million for local government annually.
- Developed a **ministerial delivery dashboard** to show progress against departmental priorities, driving data and insight to the Deputy Prime Minister and ministerial team.

Focus for the coming year

Looking ahead to 2025-26 and beyond, MHCLG will build on its achievements from the past year, with a vision to build good homes and strong communities where people can live, work and thrive. The department is clear on its strategic objectives and outcomes for the rest of this Parliament, namely:

(i) To build a country where everyone has access to a safe, affordable and decent homes;

(ii) To create places with modernised local government, sustainable public services and high-quality infrastructure;

(iii) To shape an economy that delivers tangible growth everywhere, and for everyone.

MHCLG's published Main Estimate and associated explanatory memorandum set out the department's plans for expenditure for 2025-26, the changes compared with 2024-25, and how this aligns with departmental priorities.

The Spending Review 2025 (SR25) confirmed an annual average real terms growth rate of 3.0% over the next SR period, with annual average real terms growth in capital investment of 3.2%. Local government core spending power will also increase by an average of 3.1% per annum in real terms across the SR period. This investment is significant, demonstrating this government's commitment to delivering against the Plan for Change, and allowing MHCLG to create a Britain where everyone can build a good life on the foundations of a decent home, secure job, and strong community – all while driving sustainable growth.

2. Performance Analysis

Overview

This section sets out the department's performance against its priority outcomes and its strategic enablers for 2024-25, organised by each Director General-led portfolio (as they were at the end of the financial year). The significant events and challenges that had an impact on delivery activity and outcomes are also specified where applicable.

Delivering in a changing environment

Change of Government

In response to the general election and change of government in July 2024, the department has realigned its priorities to support delivery of the new government's manifesto commitments and Plan for Change. We have implemented changes to our organisational design – alongside wider machinery of government changes – as well as reviewing our programmes and reporting, to enable more targeted focus on delivering ministers' priority outcomes.

Social context

MHCLG is leading efforts to tackle social inequality and strengthen local economies, with the aim of creating safe, secure and thriving communities across the UK. We continue to work closely with local officials, key faith leaders and community groups, and partners across government to support community cohesion. We have been at the forefront of the government's response to incidents of social unrest within local communities during 2024-25, as well as responding to the impacts of new and existing challenges at a global level. This includes ongoing support to those arriving in the UK under resettlement schemes from Ukraine, Hong Kong and Afghanistan.

Inflationary and economic pressures

While the rate of inflation has slowed during the year, it has continued to contribute to a difficult economic climate, presenting challenges across our portfolios. Increased costs and effects on the cost of construction and labour, rising rental costs and mortgage lending have impacted the housing market and affected local authorities and their ability to deliver against their priorities, including providing homes and homelessness support. The department has worked closely with stakeholders to utilise available levers to mitigate the impacts where possible and support delivery of our outcomes, including Exceptional Financial Support for local authorities to help set budgets.

Climate change and Net Zero

The department continues to play a central role in the government's Net Zero goals and initiatives, especially in planning for Net Zero infrastructure, as well as working closely with other government departments to support Net Zero transition. The department worked closely with wider stakeholders to ensure compliance with policy and legislation, with programmes focusing on decarbonisation and green innovation opportunities.

Departmental Outcome Performance

Local Government, Growth and Communities

The Local Government, Growth and Communities portfolio was established in January 2025, combining functions from the previous Levelling Up and Local Government portfolio and Resilience and Communities portfolio. It has policy responsibility for supporting and strengthening local economies, communities and places by delivering devolution of powers, ensuring financial stability and accountability across local government, boosting local economic growth and embedding community cohesion.

What we achieved in 2024-25

Progress towards local government financial stability and accountability

- Agreed the **Local Government Finance Settlement for 2025-26**, which made available over £69 billion to local authorities, providing a 6.8% cash terms increase in councils' Core Spending Power compared to 2024-25. This included an £880 million uplift to the Social Care Grant, £270 million for the Children's Social Care Prevention Grant and a £600 million Recovery Grant to help places most in need. The increase was approved by Parliament and contributes to our objective of bringing stability to local government finances.

- Consolidated 11 grants, collectively worth over £650 million, into the **Local Government Finance Settlement**. This is only the first step in our ambitions beyond 2026-27 to simplify local government funding, which will give councils much greater certainty and flexibility.
- Published two consultations on **local government finance reform** – *Local authority funding reform: objectives and principles* and the *Fair Funding Review 2.0* – better aligning funding with local need and on track to deliver the first **multi-year Settlement** since 2016.
- In February 2025, confirmed support for 30 councils through the **Exceptional Financial Support framework** to manage financial pressures, including support to individual councils where there had been indications of best value failure. For 8 councils this also included agreement to provide support relating to prior financial years.
- Implemented a series of statutory backstop dates to **clear the backlog of audited local accounts**, followed by a commitment to a series of measures to **overhaul the underlying local audit system**. These latter measures include: setting a clear purpose and vision for local audit, establishing a Local Audit Office to provide clear and independent central co-

ordination; improving capacity (including consultation on developing public provision); and reducing systemic complexity.

Expanding devolution

- Delivered an engagement programme with all councils in two-tier areas (areas where responsibilities are split between County- and District-level councils) and small neighbouring unitary authorities, to develop **reorganisation proposals**. Achieved a 100% return rate, receiving submissions from all 21 areas, to improve local services. This is a fundamental milestone in the largest **structural reform of local government** in over half a century.
- Continued to deliver devolution across English regions, by inviting six new areas to join the **Devolution Priority Programme**, with new mayors due to be elected in May 2026. This will increase devolution coverage to 77% of the English population.

Delivering local growth

- Supported Mayoral Combined Authorities to finalise **local growth plans** setting out how they will use their devolved powers and funding to support the delivery of the industrial strategy (plans developed in-year were provisional, subject to the outcomes of the Spending Review). This forms a piece of the strategy that will shape the economy to deliver tangible growth to everyone, everywhere.

- Paid **over £6 billion to places in receipt of local growth funds**, investing in towns and infrastructure and supporting local businesses to kickstart economic growth, bringing economic improvements to communities.
- Announced policy packages for **10 new Community Regeneration Partnerships**, bringing the total value of packages announced to nearly £400 million across 20 selected areas, with development underway on a further four worth an additional £80 million.
- Launched the **Plan for Neighbourhoods** in March, naming 75 communities across the country, who will each receive £20m funding over the next decade to revitalise local areas, helping progress towards several sustainable development goals, improving the quality of life for communities through enhanced local services and amenities.
- Announced the **Barrow Transformation Fund** worth £200 million, in recognition of Barrow's vital role in upholding our national security, to strengthen the local economy by supporting and delivering growth.
- Commenced **seven Investment Zones** in 2024-25, creating partnerships where central and local government work with research institutions to unlock opportunities in the advanced manufacturing, creative industries, digital, clean energy and life sciences sectors. This supports the government's goals on

enhancing localised economic growth, and achieving greener industry.

Supporting community cohesion

- Delivered the **£15 million Community Recovery Fund** to support communities impacted by the violent disorder over the summer of 2024. Provided 20 local authorities with £600,000 to aid immediate recovery and medium-term community cohesion activity.

- Set up the cross-government **social cohesion taskforce**, working in partnership with a wide range of other government departments to provide an evidence-backed, long-term vision for repairing social cohesion in the UK. This will focus particularly on British values; connection between different groups; isolation, participation and opportunity; and extremism. It will make initial recommendations to the Deputy Prime Minister in Summer 2025.

Supporting elections and democracy

- Oversaw the implementation of the provisions in the **Elections Act 2022**, including changes to voter identification requirements, the rights of overseas electors, and campaigning and political finance. All of the electoral measures came into force and were implemented prior to the July 2024 UK Parliamentary General Election (UKPGE), supporting goals of greater community engagement and empowerment.

Key delivery risks

Local government financial stability and accountability

- Financial instability threatens local government's ability to support communities and deliver essential services. Local government is critical to supporting local communities and delivering government's missions, including housing, health, growth, energy, and opportunity. Financial instability within the sector places all of these critical areas in jeopardy, potentially resulting in an inability to deliver discretionary services, and impacting upon the quality of statutory duties.

While we do not hold all the levers to mitigate against this risk fully, we continue to implement wide-ranging measures to support local authorities and other delivery stakeholders to address risks relating to local government finance. In 2024-25, we supported 30 local authorities through the Exceptional Financial Support (EFS) scheme, helping to set their budgets and maintain delivery of critical public services.

We are committed to introducing significant funding reforms – as well as wider reforms to local government organisation and devolution – to fix the foundations of the sector and support its financial sustainability. Not least among these reforms is our commitment to overhaul the local audit system – restoring effectiveness, timeliness and sustainability to this key component in providing independent transparency and accountability for local government finances. Implementing these reforms successfully is a complex multi-year task that will require effective joint working with multiple stakeholders across the local audit system.

Economic uncertainty

- Economic headwinds remain a key factor affecting our ability to deliver capital programmes and projects to time and budget. This includes impacts arising from interest rates on borrowing, challenges associated with attracting private sector investment, inflation and supply chain disruption, which affect economic growth and impact all funds within our portfolio. We are implementing targeted measures to help mitigate local government's exposure to risk associated with economic uncertainty. This includes continued support through the Local Government Association, extensions to capital spend projects, and work invested into funding simplification.

Regeneration, Housing and Planning

The Regeneration, Housing and Planning Group is central to both the government's overarching growth mission and the department's ambition to deliver 1.5 million new homes over the course of this Parliament. It also supports our overall objective to build a country where everyone has access to a safe, affordable and decent home. In January 2025, the Group absorbed responsibility for homelessness policy, previously held by the Local Government, Resilience and Communities portfolio.

What we achieved in 2024-25

Progress towards building 1.5 million new homes

- Published a new **National Planning Policy Framework (NPPF)**, restoring mandatory housing targets and implementing a strategic and targeted approach to Green Belt policy.

- Introduced the **Planning and Infrastructure Bill (PIB)** to streamline and expedite the delivery of homes and critical infrastructure.

- Established the **New Homes Accelerator Scheme**, supporting the rapid development of 20,000 new homes. We stood up a multidisciplinary team of built environment specialists across MHCLG and Homes England who provided support to 26 large sites to **unblock complex planning issues** and distributed **£3 million of grant funding** to local authorities for site-specific support.

- Announced an additional **£3 billion in guarantees to help builders access loans** – reopening the **Private Rented Sector Guarantee Scheme** with £2 billion of capacity to support build to rent developers, and increasing the capacity of ENABLE Build from £1 billion to £2 billion to support small and medium size developers to access the funding required to build and deliver new homes. **ENABLE Build** is a ‘portfolio product’, where a guarantee is provided to a lender that covers a portfolio of eligible loans to SME housebuilders. We are also on track to deliver 54,000 new homes through the **Home Building Fund**, which provides development finance to small and medium-sized housebuilders. This is supported by a £625 million investment in construction training by the Department for Education.

- Announced an extra £800 million for the existing **Affordable Homes Programme** in 2025-26 to deliver up to 7,800 additional homes. Also announced a £2 billion downpayment on a new programme for social and affordable housing, ahead of the Spending Review.
- Laid secondary legislation to reduce maximum **Right to Buy** cash discounts back to 2012 levels and increase protections for newly built social homes. Councils are now permitted to keep 100% of the receipts generated by Right to Buy sales, supporting local government funding.
- Established the **New Towns Taskforce** to deliver on our commitment to deliver a new generation of New Towns, with potential sites identified, as well as land acquisition infrastructure requirements. A report is scheduled to be submitted to ministers in Summer 2025, outlining proposed locations and funding plans.

Back on track to end homelessness

- Introduced the **Renters' Rights Bill** into Parliament, which will abolish 'no fault' evictions for private tenants and improve practices in the rental sector.
- Published the **Commonhold White Paper**, setting out how leasehold tenures will be replaced with a fairer, commonhold model.
- Reopened the **Private Rented Sector Guarantee Scheme** for new applicants to enable the full deployment of the £3.5 billion capacity of the scheme and support the **Build to Rent** sector, which will increase availability of high quality, secure and affordable housing.
- Delivered over **£800 million to local authorities and other partners** to provide a wide range of support for homeless people, rough sleepers and those in need of temporary accommodation, putting us back on track to end homelessness and rough sleeping.

Housing Quality

- Introduced new **social housing regulatory regime** which came into effect on 1 April 2024, giving the Regulator of Social Housing enhanced powers to hold social landlords accountable for the services they provide to their residents.
- In response to the tragic death of Awaab Ishak, confirmed that **Awaab's Law** would be introduced on a phased basis from October 2025, setting new

requirements for social landlords to address hazards in social homes within fixed time periods, beginning with damp and mould and all emergency repairs, before expanding out to a wider range of hazards in 2026 and 2027.

- Confirmed government would consult in 2025 on the introduction of a new **Decent Homes Standard** and **minimum energy efficiency standards** (MEES), and would direct the Regulator to set new standards for the Competence and Conduct of sector staff and new access to information requirements for private registered providers.
- Consulted on **reforms to supported housing** to deliver the measures in the Supported Housing (Regulatory Oversight) Act 2023, including proposals for a local licensing scheme and national support standards to improve the quality of support and protect some of the most vulnerable in society.
- Supported 26 Local Authorities with £8.1 million funding as part of the **Supported Housing Improvement Programme** to improve the oversight and value for money of supported housing.

Resettlement and integration

- Continued to provide Ukrainians with temporary sanctuary in the UK through the **Homes for Ukraine Scheme**, with 161,602 so far supported through locally led accommodation schemes for individuals and families escaping the conflict.

- Delivered the **STEP Ukraine** programme, providing over 13,000 Ukrainians across the UK with intensive English language and employment support.
- Provided the **£1 million Strategic Migration Partnerships (SMP) grant** to expand access to language provision and integration support. Boosted ESOL teacher capacity across nine regions in England, including training 374 new teachers, recruiting 250 teachers into paid and voluntary roles and supporting over 2,590 learners.

Key delivery risks

Housing supply

- Delivering 1.5 million new homes over the Parliament will represent the highest levels of housebuilding since the 1960s, and will require a step change in delivery across all parts of the housing market. In order to achieve this target, we have already announced major reforms to the planning system, a significant boost to social and affordable housing funding, and a package of measures to transform the market including by supporting more small and medium-sized businesses to build homes, and to get councils building again. Further measures, including the launch of the New Homes Accelerator and New Towns Taskforce, will secure a longer-term pipeline of sites for development.

  In terms of financial support, on 11 June 2025 the government announced the biggest boost to social and affordable housing investment in a generation, with a £39 billion commitment to a successor to the Affordable Homes Programme (AHP) over 10 years from 2026-27 to 2035-36. Prior to this, we announced an additional £2.8 billion in funding for Affordable Housing in 2025-26 and 2026-27, a £3 billion expansion of the Private Rented Sector Guarantee Scheme and £50 million to improve capacity in the planning system. A new affordable housing programme will be launched later this year.

In June 2025, the Deputy Prime Minister announced a new government-backed National Housing Bank to further support housebuilding. The Bank, a subsidiary of Homes England, will be publicly owned and backed with £16 billion of financial capacity, on top of £6 billion of existing finance to be allocated this Parliament, in order to accelerate housebuilding and leverage in £53 billion of additional private investment. This will enable Homes England to issue government guarantees directly and have greater autonomy and flexibility to make the long-term investments that are needed to reform the housing market and deliver strong returns.

We have also implemented a robust governance structure, in conjunction with Homes England, to help us track progress and ensure active oversight and decision-making on the policy and investment needed to meet 1.5 million homes.

Ending homelessness

- There is a risk to the delivery of the government's manifesto commitment to 'get back on track with ending homelessness.' To mitigate this, we delivered a sixfold increase in emergency winter funding from £10 million to £60 million for local authorities to step in early and keep people in their homes before they are served eviction notices, or support people off the streets into accommodation. We also announced an allocation of over £1 billion to local authorities for 2025-26 to tackle the causes of homelessness, and secured an additional £320 million in 2025-26 for the Homelessness Prevention Grant (HPG), bringing the total to £633 million. Local authorities are required to spend 49% of their entire HPG allocation on prevention, relief and staffing, supporting people to be able to live in safe housing.

Buildings and Resilience

The Buildings and Resilience Group (previously called Safer Greener Buildings) oversees the department's response to the Grenfell Tower Inquiry, leading on the remediation of unsafe buildings. The tragedy underscored the urgent need for comprehensive building system reform. In January 2025, the Group absorbed responsibility for the department's resilience and recovery functions, previously held by the Local Government, Resilience and Communities portfolio. From 1 April 2025, the Group also took on policy responsibility for all fire functions previously held by the Home Office, and was renamed as the Buildings, Resilience and Fire Group.

What we achieved in 2024-25

Continued progress to remediate unsafe buildings

- Published the **Remediation Action Plan (RAP)**, outlining a detailed strategy to accelerate the remediation of unsafe buildings, setting out, for the first time, targets for the completion of this work, working towards creating safe homes.

- Led a consultation around the **Energy Performance of Buildings**, focusing on reforms to the regulatory framework to improve energy certificate quality and data usage, updating metrics and refining when certificates are required to provide the best possible service to the public. This supports our work to deliver warm, safe homes.

Delivery of Grenfell memorial and Inquiry recommendations

- Shared the decision that the Grenfell Tower will be carefully taken down, which was reached after listening to the community and considering independent expert advice. We continue to engage with families as we prepare for this work to start in the autumn of 2025, as well as working with other government departments and local partners to ensure the community has the support they need for the long term.

- Supported the independent Grenfell Tower Memorial Commission who launched the process to appoint the future design team for a **memorial at the Grenfell Tower site** in July 2024 and announced the five shortlisted design teams in January 2025. This is an important step towards the creation of a fitting and lasting memorial determined by the community to honour those who lost their lives and those whose lives were forever changed in the tragedy.
- Set out our commitment to take forward action on all 58 of the **Grenfell Tower Inquiry Report's Phase 2 recommendations**, to build on the foundations of wider reforms to ensure the regulatory system is robust.
- Published the **Construction Products Green Paper**, setting out proposals for system-wide reform of the construction product regime to put people and safety at its heart, hold manufacturers to account and bring construction products into the regulatory regime.
- Implemented a significant **Machinery of Government change** for 2025-26, moving responsibility for all fire-related functions from the Home Office to MHCLG. This means all fire functions will be co-located with building safety and emergency response functions under one Secretary of State, to strengthen coordination, improve policy implementation and reinforce the government's commitment to making homes, buildings and communities safer.

- Supported 38 **Local Resilience Forums (LRFs)**, issuing £7.45 million to build capacity and capability. Provided operational **support for emergencies**, supporting local services and amenities.

Impact

Remediation of unsafe cladding: number of buildings identified, started and completed

The number of buildings remediated by the end of 2024-25 was 1,637, which is 33% of all buildings identified. Remediation work has commenced or completed on 49% of buildings identified.

Through this remediation work, progress has been made to ensure that buildings established as being potentially unsafe are made safe and secure, meeting safety standards in line with the RAP.

Cumulative number of buildings:	2024-25			
	Q1	Q2	Q3	Q4
Identified	4,613	4,821	5,011	5,031
Started or completed remediation*	2,301	2,412	2,403	2,459
Completed remediation	1,332	1,412	1,472	1,637

* The number of buildings reported to have started remediation saw a decrease at the end of 2024 due to developers and social housing providers revising their remediation data in their returns.

Source: www.gov.uk/government/publications/building-safety-remediation-monthly-data-release-april-2025/building-safety-remediation-monthly-data-release-april-2025

Note, this data is published and updated on a monthly basis on gov.uk.

Energy Performance: CO_2 emissions per m^2 in new dwellings by year

MHCLG is responsible for the energy efficiency of new build homes through Part L of the Building Regulations. Improving regulations over this time period have reduced carbon emissions. The last update was in 2021, and is a stepping stone to the delivery of the Future Homes Standard, the government's Net Zero-ready standard for new homes. The Future Homes Standard is due to be delivered in Autumn 2025 and will ensure new homes are built with low carbon heating and high energy efficiency standards.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
KG/CO^2 per sqm.	21	20	19	17	17	17	17	16	16	16	16	16	15	15	13

Source: Table NB3, Live tables on Energy Performance of Buildings Certificates – GOV.UK

Key delivery risks

Meeting our priority outcome relies on restoring trust across building systems and delivering a regulatory system that delivers safer and higher-quality buildings. The buildings system is complex, requiring the co-ordination of many actors where incentive structures are not always aligned.

Building safety

- There is a risk that a further building safety incident occurs, resulting in loss of life. We are mitigating this through implementation of the Building Safety Act regime and our remediation and enforcement work – overseeing remediation of unsafe cladding defects in existing buildings over eleven metres. We will continue to reform the system, driven by the government's response to the Grenfell Inquiry, whilst continuing to drive performance of the existing regime, including through supporting the Building Safety Regulator (BSR).
- There is a linked risk that building safety regulations fail to address critical safety issues that lead to structural building failure, heightened risk of fire, and/or harm to building occupants. We continue to support the BSR to provide a more stringent regulatory regime for high-rise and high-risk buildings.

Capacity

- There is a risk that there is insufficient capacity in the system to deliver remediation of unsafe cladding. To accelerate remediation and strengthen the supply chain, we are implementing targeted actions through the Remediation Acceleration Plan. As part of this, we are publishing pipeline data to build contractor confidence and stimulate investment in skills, capacity, and training. In parallel, we are working with the Industry Competence Steering Group (ICSG) to develop modular training for cladders, with an expected launch in Autumn 2025.

- There is a risk that BSR capacity is insufficient to clear the decision backlog and/or reduce processing times in respect of gateway applications. This could lead to further delays to new housing developments and impact market confidence in the regulatory regime. We are supporting the BSR in operational improvements, including implementing a fast-track process to increase capacity, acquire specialist resource which will clear the backlog, and improve application processing times.

Strategic Enablers

Our corporate centre brings together core functions and strategic enablers to support effective departmental operations and delivery, including influencing the successful design and implementation of our policies and programmes. During 2024-25, responsibility for delivering these strategic enabling functions was split across two portfolio groups: the Strategy and Communications Group and the Corporate Group.

Corporate Group

The Corporate group brings together a range of functional capability and expertise to influence and enable great outcomes for both citizens and our colleagues. This functional support covers Digital and Data, Delivery and Risk, Finance, Commercial, Human

Resources, Analysis, Change, Estates and Security. We ensure there is a joined-up functional offer to advise and influence the design of policy and programmes as well as ensuring we enable colleagues across the department to perform their roles effectively, efficiently and in a way that ensures delivery of value for money to taxpayers. For 2025-26, the group has also brought together a number of teams to form a new AI and Advanced Analytics Directorate with a focus on maximising the impact these new opportunities can bring to the department as well as Local Government.

What we achieved in 2024-25

Workforce, Skills and Locations

- Made changes to the **organisational design** of the department to deliver the Secretary of State's priorities and to align accountability and reduce duplication. This has included bringing two Director General-led groups together and embedding more of our analytical resource directly with our policy teams.

- Announced and started the implementation of a **new location strategy** for the department. This will ensure we retain a presence across the UK but will reduce the number of our offices from 22 to 16. The strategy will enable higher quality offices with increased scale and leadership visibility.

- Continued to make progress against our ambition to have more roles, opportunities and career paths available to colleagues **based outside of London**, and to ensure we represent the communities we serve. At the end of March 2025, we had 45% of colleagues and 22% of SCS based out of London. This compares to our 2020 baseline of 23% and 6%, when the Places for Growth programme was first launched.

- Piloted a new **'Going Forward into Employment'** scheme and gained full accreditation from the Cabinet Office in the year. This is called the Civil Service Masterclass scheme and is aimed at individuals from a lower socio-economic background to help enhance social mobility within the Civil Service.

Innovation, Technology and Data

- Onboarded 17 MHCLG grants to **the Funding Service**, transforming the way the department delivers grants to councils and communities. As well as a more consistent approach for internal and external users, we estimate this activity will enable efficiencies worth up to £6 million each year within the department and close to £5 million each year for local authorities.
- Continued focus on r**ecruiting more Data and Digital expertise** that enabled us to reduce spend and reliance on contractor and contingent labour support. Also rolled out a wider department training package as well as a bespoke offer aimed at members of the SCS.
- Successfully launched the **MHCLG Digital Strategy** in October 2024, which has been well received by

colleagues, other government departments, and a broad range of public and private sector organisations.

- Completed the first cycle of the new **GovAssure** process for three of our most critical digital services. This process enables departments to follow a pattern of continuous improvement with more services assured through each cycle. The department also introduced the "Secure by Design" approach into all new digital services.
- Launched the **Cyber Assurance Framework (CAF)** for local government in October 2024, which sets a clear cyber security standard for the sector. To help councils undertake the CAF for local government, we also introduced the 'Get CAF Ready' support offer, which was available to all English local authorities and which over two-thirds of the sector signed up to.

Delivery, Evaluation, and Collaboration

- Made strong progress in the **delivery of departmental programmes**, with a stable portfolio of programmes firmly in the delivery phase. The delivery confidence in our 12 Government Major Priority Projects Portfolio (GMPP) programmes, with Whole Life Costs (WLC) of £40 billion, continued to improve. The Electoral Integrity Programme was delivered on time, and in time for the earlier than anticipated General Election.
- Delivered **cashable commercial savings** of £9.9 million in 2024-25, which exceeded our target

and was 12.5% ahead of prior year. Further commercial benefits of £5.1 million were also delivered.

- Continued to work closely with the 12 **Private Finance Initiatives** that are within 5 years of expiry and supported Lambeth Council to refinance, which delivered a substantial financial benefit to the council.
- Made strong progress in building the **maturity of the delivery function** across the department, through our Delivery Improvement Plan. Our investment in capability saw 79 people achieve a **project delivery accreditation**, ahead of our target of 60. Since the summer, much of our focus has been on planning for the effective mobilisation of the new government's delivery programmes.
- Launched our new **Delivery and Risk Manager** tool and started roll-out, which will bring the department up to an industry standard in how we manage projects and programmes and oversee delivery.

Financial Forecasting and Management

- Continued to make progress with our **forecasting accuracy and proactive budget management**. Our outturn spending against non-ringfenced RDEL[1] and CDEL grant budgets was within 1.5% for the second

1 Ringfenced RDEL underspends, outside the direct control of the department, include technical items such as expected credit losses on loan products, non-retainable income, and funding Returning Officer costs for the general election.

consecutive year, ensuring maximum impact from our resources.

- Worked collaboratively with the department's Strategy function to **secure and allocate funding across the departmental group**, to ensure continued delivery of our strategic priorities.

Strategy and Communications Group

The Strategy and Communications Group (SCG) is a new Portfolio which was formed during the 2024-25 Financial Year. SCG is responsible for setting out the department's strategy, ensuring that it delivers the government's missions and priorities. SCG provides direct support to the Deputy Prime Minister and the department's Executive Team, providing the necessary information and communication support to ensure we achieve ambitious, high-quality outcomes for the public and wider government.

What we achieved in 2024-25

Strategy

- Supported the **Deputy Prime Minister's wider responsibilities**, including in her role as Chair of Future of Work Cabinet Committee, the delivery of cross cutting priorities on Make Work Pay, and in her international agenda.

- Worked closely with Finance teams and HM Treasury to **agree the department's budgets for 2025-26** in line with the Deputy Prime Minister's priorities. These were announced at Autumn Budget on 31 October 2024. Work then commenced on the second phase of the Spending Review to agree budgets from 2026-27 onwards.

- Took a leading role in the department's **business planning** process, in conjunction with the Financial Strategy team, which concluded at the beginning of the year, to ensure the department's resource was aligned with ministerial priorities for the coming year.
- Created a new **ministerial dashboard**, providing up-to-date data to the Deputy Prime Minister and ministers to track priority outcomes.

Communications

- Provided core **communications support** to the department and our ministers, including comprehensive communications to support major milestones including launching the English Devolution White Paper, publishing the government's response to the Grenfell Tower Inquiry, introducing the government's landmark Employment Rights Bill, and announcing measures to reform the planning system and deliver 1.5 million homes.
- Ran **public information campaigns** to tackle poor social housing quality, reduce rough sleeping, diversify talent in the construction sector, and encourage participation in local consultations for devolution.

Data

- Launched the **Atlas mapping tool** for all colleagues, driving better local growth and spending data.
- Set up the **Mayoral Data Council** and delivered on data support commitments for devolution.
- Delivered **insight and data modelling** in priority policy areas to support decision-making on policy areas including 1.5 million homes, homelessness, devolution, new towns, community recovery, Make Work Pay, child poverty, planning AI and subnational expenditure data.
- Rolled out a **data ownership model and Power BI capability**, upskilling over 500 MHCLG colleagues.
- Developed a **Spatial Data Infrastructure Platform**, enabling the development, testing, and publishing of data products, pipelines, and analysis.

Key delivery risks

Skills and capability

- There is a risk that that the department fails to retain and build the required skills and capabilities to deliver the government's agenda, whilst at the same time meeting our overall efficiency and admin reduction targets. We are maintaining engagement alongside a large change programme, including a Voluntary Exit Scheme (VES) that opened to staff in May 2025, and completing the closure of six offices as part of our location strategy.

Finance

- There is a risk that the department fails to provide accurate forecasting and proactive budget management to ensure the department achieves maximum value from the funding it has available. Mitigating actions include continued scrutiny to ensure all spend represents Value for Money and to ensure suitable controls and assurance are in place over the increasing amount of Financial Transactions Capital funding following the Spending Review settlement. This applies to the core department and its arm's length bodies.

Cyber security

- There is a risk that we fail to keep pace with this threat which continues to evolve. We will continue to follow the new GovAssure process as we assess more of our key systems and identify then rectify any issues. In addition, we need to continue our progress on supporting local authorities to develop their cyber security capabilities.

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 (SDGs). 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 consideration of the goal(s) most relevant to the policy areas for which it is accountable within its business plan, and must report from time-to-time on delivery. SDGs 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 and 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 the work of the portfolios that deliver our outcomes contributes towards the UK’s action on these goals.

Goal identifier / Portfolio	Local Government, Growth & Communities	Buildings, Resilience & Fire	Regeneration, Housing & Planning
SDG1: End poverty			
SDG3: Health			
SDG8: Growth			
SDG9: Infrastructure			
SDG10: Reduce inequality			
SDG11: Safe, sustainable cities and communities			
SDG13: Climate change			
SDG16: Inclusive societies			

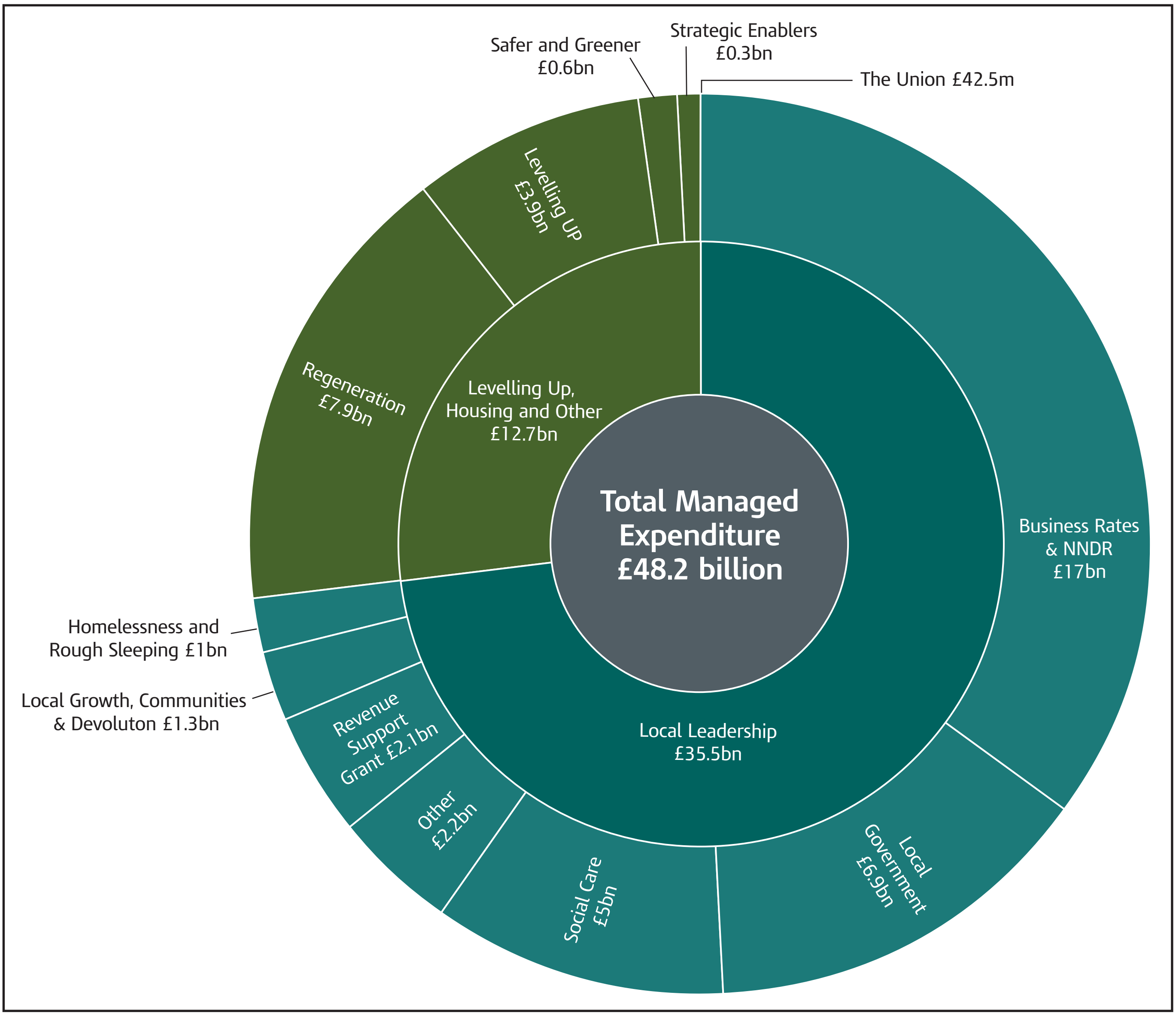
Our Expenditure and Financial Position

Group Budget

This section and the diagram below represent the 2024-25 Departmental Group budget. Actual expenditure compared to budget can be found on page 202. Our total net expenditure budget of £48.2 billion is shown in the centre of the diagram. This is then split between two segments: local leadership (£35.5 billion) and other priority outcomes (£12.7 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 205, which shows core and local government budgets as separate control totals rather than classifying by priority outcome.

Figure 1: Net Expenditure Budget 2024-25

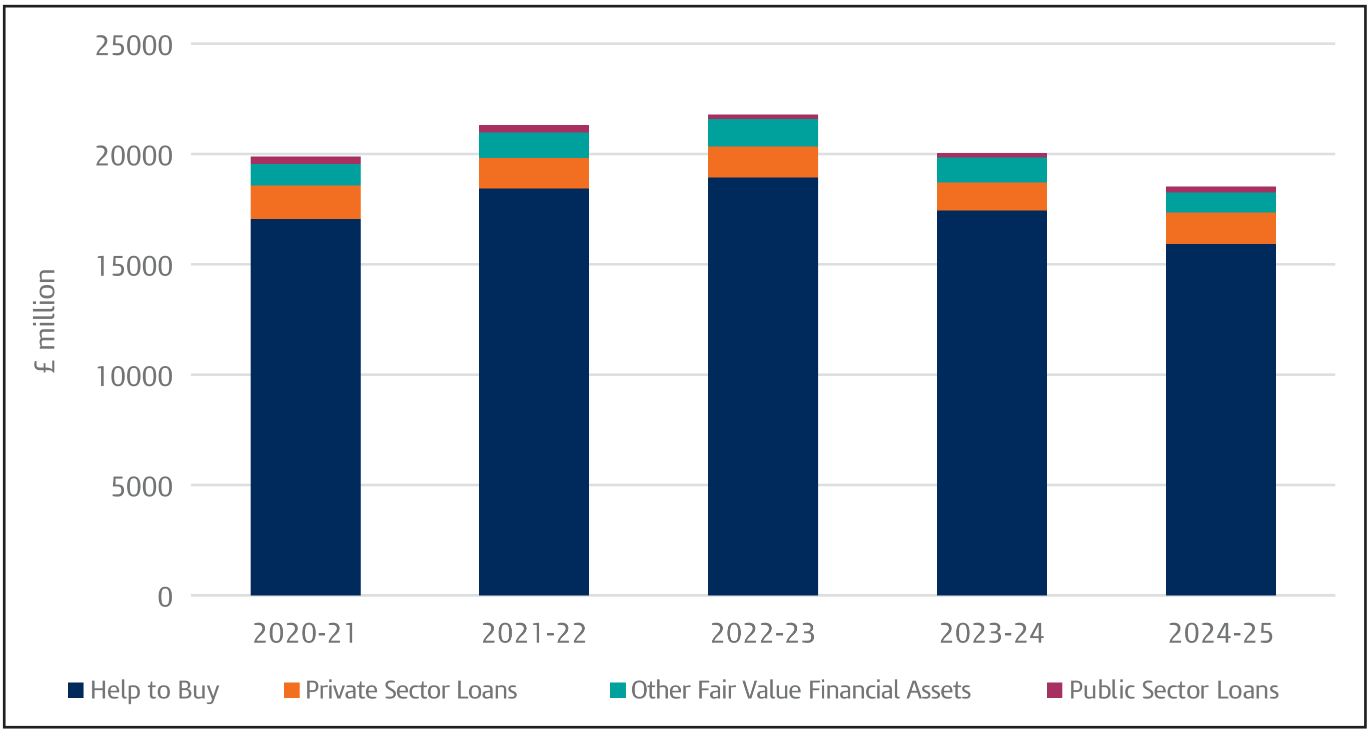


Group Loans, Investments and Returns

In order to achieve its objectives more efficiently, the department has increasingly made investments or given loans instead of grants, sometimes from its own reserves 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

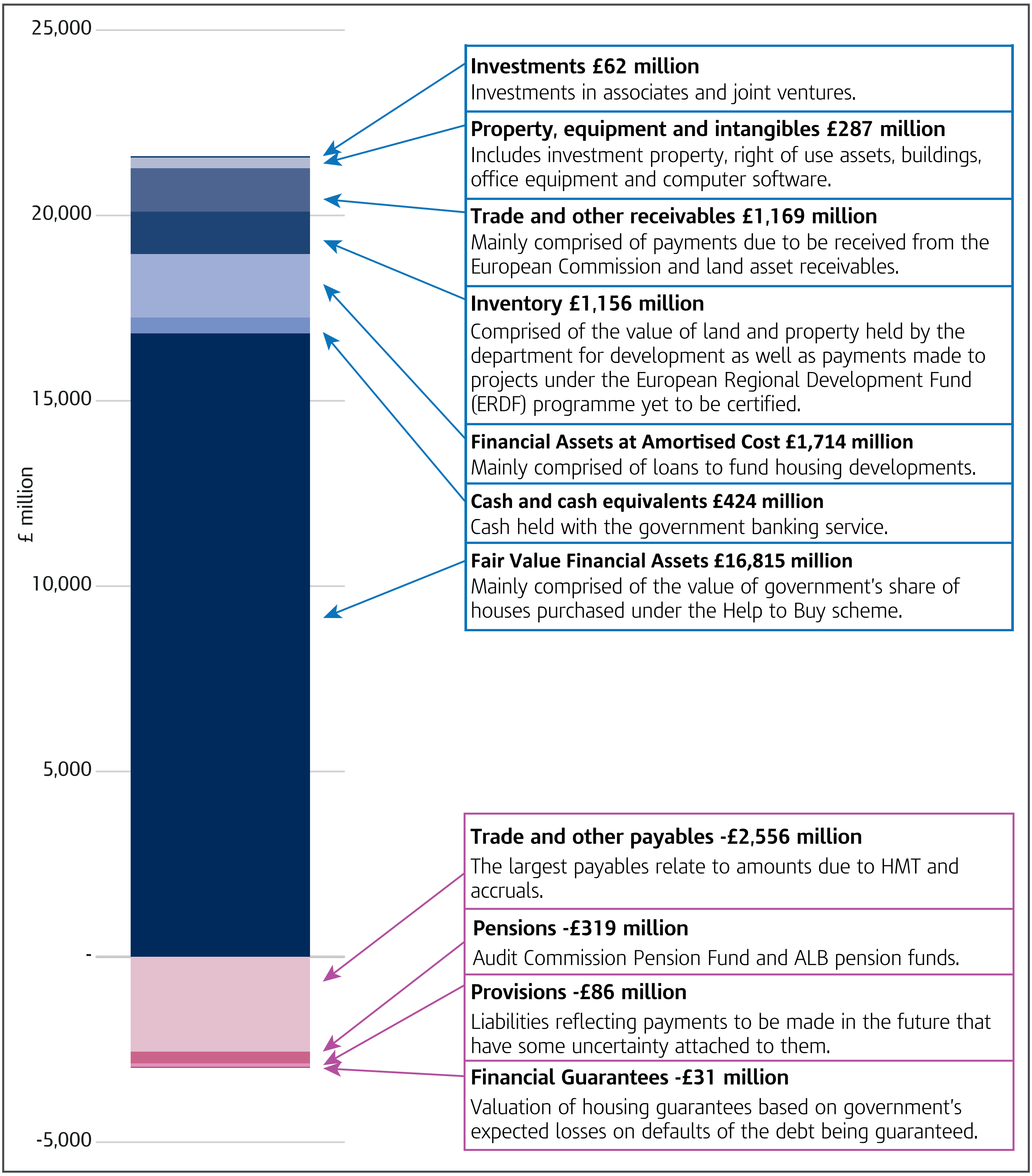


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2025 (page 283) 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 2025



3. Sustainability Report

The MHCLG 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)[2].

This Sustainability Report covers the department and the following arm's length bodies (ALBs), where data is recorded by the GPA: Homes England, HM Land Registry (HMLR), the Planning Inspectorate (PINS), the Regulator of Social Housing (RSH), the Housing Ombudsman (HO), the Valuation Tribunal Service (VTS) and the Local Government and Social Care Ombudsman (LGSCO)[3]. In addition, MHCLG holds the freehold to the Queen Elizabeth II Conference Centre (QEII), which is managed by another ALB but its building data is also incorporated.

For the purposes of this section of the report, 'the department' is used to refer to the core department and these bodies. The data does not include information from

2 The GGCs framework for 2021 to 2025 sets out the actions that government will take to improve the environmental impact of the government estate and its operations. The government aims to have met, or exceeded, the GGCs by the end of the financial year 2024-25.

3 As a tenant to a private landlord VTS have no data and LGSCO only currently have data for their London office they share with MHCLG.

all our ALBs, as some do not meet the reporting requirement threshold of having 50 full time employees (FTE) and 500m^2 of office space. We recognise the importance of expanding data collection in future to include the wider departmental group and ensuring there is greater consistency in data collection. We will seek to include further information in the 2025-26 reporting cycle.

The data includes the performance for the financial year 2024-25 against the 2017-18 baseline (unless otherwise stated[4]). HMLR has been a partner body of MHCLG since 1 June 2023. Therefore, the 2017-18 baseline and the data from previous reporting periods have been updated to include HMLR, to ensure accurate commentary of the department's progress against the GGC targets. As HMLR are not within MHCLG's financial reporting boundaries, we have excluded them from any financial figures.

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

4 Environmental data is for a 12-month reporting period from 01 April 2024 to 31 March 2025.

Mitigating climate change: working towards Net Zero by 2050

Our overall Greenhouse Gas Emissions (GHG) performance

2025 GGC Target	2017-18 baseline	2018-19 reduction	2019-20 reduction	2020-21 reduction	2021-22 reduction	2022-23 reduction	2023-24 reduction	2024-25 reduction
Reduce overall GHG emissions by 47%	16,593 tonnes of CO_2	27%	33%	66%	60%	65%	59%	61%
Reduce direct GHG emissions by 25%	3,190 tonnes of CO_2	8%	5%	34%	26%	27%	26%	32%

The department has reduced its total gross GHG emissions by 61% against the 2017-18 baseline year, surpassing the target of a 47% reduction by 2025. Direct GHG emissions have additionally decreased by 32% over the same period, also meeting the 2025 target to reduce direct GHG emissions (by 25%).

There has also been a 2% reduction against the baseline and a 5% reduction in the department's overall GHG emissions between 2023-24 and 2024-25. This is due to a decrease in the usage of electricity across the MHCLG estate. Further information is included under the "Scope 2 – Energy indirect GHG emissions" section.

Outside of GHG emissions, the department has met the 2025 targets for reductions in relation to waste sent to landfill, water consumed, and paper purchased. The department has also met the target of 25% of the Government car fleet to be ULEV by 31 December 2022, and is on track for 100% by 31 December 2027.

The department has not achieved the 2025 reduction target for waste recycled and volume of waste produced, which is explained in the relevant section below. Additionally, the department has not achieved the 2025 domestic air travel target of a 30% reduction.

Sustainability reporting

HM Treasury (HMT) published the 2024-25 Sustainability Reporting Guidance which gives minimum reporting requirements for central reporting against the Greening Government Commitments (GGCs). HMT asks for reporting against three 'scopes'.

The gross expenditure for 2024-25 is as follows:

	Direct and indirect GHG emission costs[5] £	Official business travel costs £
Gross Expenditure for 2024-25	1,099,570	4,768,141

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).

Combustion fuels

Natural gas consumption has decreased against both the 2017-18 baseline and the previous reporting period.

The following table shows the 2017-18 baseline and the last four years of consumption in line with the UK Government's GGC framework for 2021 – 2025[6].

5 GPA have not separated gas and electricity costs out. PINS energy, waste, and water are all included in the service charge so there is no breakdown cost which can be included in these figures.

6 Note, because of an office relocation for PINS in the second quarter, gas consumption data for the third and fourth quarters was unavailable at the time of reporting. Consequently, estimates have been derived based on the consumption data from the second quarter.

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Kilowatt hour of the total estate (kWh)	14,975,968		12,744,885	13,548,583	12,630,601	10,843,598
Tonnes of CO_2 emitted	2,911		2,334	2,474	2,311	1,980

NB. The department has never manufactured or processed chemicals or disposed of chemicals and has not produced any industrial-based fugitive emissions.

Emissions from vehicles owned or leased by the department

The data on fleet cars relates only to Homes England, which is the only ALB in the department to maintain a fleet of cars[7]. The core department does not own or lease any vehicles; instead, it uses a hire car system, where employees can book a hire car through our travel booking provider.

For the first time the department is also reporting on its non-fleet car usage (i.e. employed-owned or hire car vehicles).

Petrol cars

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25	2024-25 Non Fleet Cars
Km travelled (petrol)	501,680		171,886	258,593	294.167	**9,782**	**2,756,254**
Tonnes of CO_2 emitted	95.7		31.3	46.6	51	1.7	450

7 Homes England corrected their 2023-24 data after last year's annual accounts were published, and so figures have been amended to include correct 2023-24 data.

Diesel cars

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25	2024-25 Non Fleet Cars
Km travelled (diesel)	1,024,165		41,097	27,370	18,425	9,881	545,621
Tonnes of CO_2 emitted	182.5		6.9	4.5	3	1.6	89

Ultra-Low Emissions Vehicles (ULEVs)[8]

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25	2024-25 Non Fleet Cars
Km travelled (ULEV)	N/A		0	7,729	758,329	1,103,662	202,323
Tonnes of CO_2 emitted	N/A		0	0.5	56	104.1	18

In 2024-25, Homes England used both fewer diesel and more significantly, petrol cars for business travel compared to 2023-24. This is because they are transferring their fleet to 100% electric vehicles (EVs). Homes England has grown the number of ULEVs, from 90.7% in 2023-24 to 98.6% in 2024-25. This is supporting the GGC target for departmental car and van fleets to be fully zero-emissions by 2027. The overall increase in kilometre (km) travelled was due to several of Homes England's projects being difficult to access by public transport.

Although MHCLG does not own a fleet of cars, the cars it has hired in 2024-25 were 100% ULEVs and so are also on track to meet the government's GGC target.

8 Note that ULEVs includes hybrid electric vehicles.

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	2024-25
Total electricity consumption (kWh)	29,029,765		14,466,139	11,368,468	14,287,987	13,070,648

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Mains standard grid electricity consumption (kWh)	13,069,507		4,776,247	6,351,216	11,214,329	702,932

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Green tariff/zero carbon electricity consumption (kWh)	15,960,258		9,689,892	5,017,252	3,073,658	12,367,716

Total electricity consumption has decreased by 55% since the 2017-18 baseline, including a 9% decrease between 2023-24 and 2024-25 (green and non-green tariff combined). This reduction forms a key driver for overall GHG emissions decrease between 2023-24 and 2024-25.

There has been a significant shift of electricity from non-green to green tariffs (mains to green) in the last 12 months. This is due to the GPA, which manages most of the department’s properties, using a zero carbon for business tariff[9]. MHCLG currently has no infrastructure in place to self-generate energy.

9 Zero carbon for business tariff is 100% nuclear energy.

Scope 3 – Official business travel

Scope 3 focuses on the use of public transport and the specific GGC targets[10] for domestic flights has been included in the relevant table.

Total Business Travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Total travel (km)	16,289,919		4,937,785	10,246,139	14,378,413	21,871,345
Total tonnes of CO_2 emitted	1390		187	385	579	927

Rail travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Rail travel (km)	15,596,670		4,883,434	10,181,402	14,247,059	21,205,621
Tonnes of CO_2 emitted	730		173	361	505	755

Taxi travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Taxi travel (km)	32,539		10,196	12,312	6,231	7,935
Tonnes of CO_2 emitted	532		1.5	1.8	1.3	1.7

Bus travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Bus travel (km)	7,710		148	843	1,871	2,309
Tonnes of CO2 emitted	0.8		0.0	0.1	0.2	0.2

10 LGSCO and VTS travel data was not available.

London Underground travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
London Underground travel (km)	23,670		1,916	1,917	4,952	7,200
Tonnes of CO_2 emitted	1.1		0.1	0.1	0.1	0.2

Domestic air travel

	2017-18 baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Tonnes of CO_2 from domestic flights	46	70	71	0	9	18	59	92

International air travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
International air travel (km)	599,140		42,091	48,313	108,060	514,785
Tonnes of CO_2 emitted	81.2		3.4	3.8	13.0	77.4

Eurostar travel

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Eurostar travel (km)	30,190		0	1,352	10,240	13,774
Tonnes of CO_2 emitted	0.4		0	0	0.1	0.1

Overall emissions from business travel have decreased by 33% compared to the 2017–18 baseline. The significant reduction is primarily attributed to an increased reliance on rail travel over higher-emission transport modes. This is in the context of a 34% year-on-year increase in official business travel (km) in 2024-25 across both MHCLG and its ALBs.

Domestic air travel accounted for 10% of the department's official business travel CO_2 emissions in

2024-25. The GGC target for travel is only focused on the reduction of emissions from domestic flights by at least 30% from the 2017-18 baseline. We have not met this target. This shortfall is primarily due to HMLR and PINS opting for the most cost-effective mode of transport, which in some instances included flights. MHCLG has also opened an office in Belfast during this period. We will endeavour to prioritise more sustainable modes of transport over flying moving forwards.

International business travel via air and Eurostar accounted for 8% of the department's official business travel CO_2 emissions in 2024-25, and increased in the last year. Both remain below the 2017–18 baseline. The year-on-year increase in international air travel can be partly attributed to the increase in significant international conferences that were attended by Homes England staff during the latter part of the financial year. MHCLG was the sole body within the Group to report Eurostar travel for this financial year.

Water Usage

	2017-18 baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Reduce water consumption (m^3) by 8%	100,095	110,348	113,084	52,193	62,840	69,759	62,247	69,461

There has been a 31% reduction in water consumption compared with the 2017-18 baseline, significantly exceeding the GGC target of an 8% reduction.

The cost of water usage and waste for 2024-25 was £29,923[11].

Waste minimisation and management

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

2025 GGC Target	2017-18 baseline	2018-19 reduction	2019-20 reduction	2020-21 reduction	2021-22 reduction	2022-23 reduction	2023-24 reduction	2024-25 reduction
Reduce the overall amount of waste generated by 15%	1672 tonnes	-22%	0%	81%	64%	43%	-103%	-4%
Reduce the amount of waste going to landfill to less than 5% of overall waste		4%	3%	4%	4%	2%	0%	0%
Increase the proportion of waste which is recycled to at least 70% of overall waste		80%	75%	70%	63%	75%	86%	29%

There has been an increase in waste generation across the department's estate compared to the 2017-18 baseline, resulting in us failing to meet our reduction

11 MHCLG, RSH and HE costs only (HE only has cost costs for its Northstowe Office)

target of 15%. These figures have, however, improved significantly on the 2023-24 data. In 2024-25 only 29% of the department's waste was recycled, which falls short of the target of 70% and is a reduction from the 86% achieved last year. The department's waste management data is extremely sensitive to office relocation projects and over the last two years the department's targets have been significantly affected by site relocations for both HMLR and PINS.

In 2024-25 only 2 tonnes (less than 1%) of our waste went to landfill, which exceeds the target of 5%.

This waste can be further broken down in 2024-25 into the following categories:

	Total waste recycled externally	Total ICT Recycled	Total waste composted/ food wase	Total waste incinerated with energy recovery[12]	Total waste incinerated without energy recovery	Total waste not to landfill	Total waste to landfill	Total Waste
Amount of waste in tonnes	484	0[13]	89	213	935	1,722	2	1724

The GPA has not reported any instances of hazardous waste produced across the MHCLG estate during the year.

The cost of waste management for 2024-25 was £13,803.

12 There is no waste incinerated without energy recovery across the department.

13 Although the department does not have details on the tonnage of ICT equipment recycled, 100% of assets are either recycled or reused.
HMLR are currently not reporting on CSUP usage; however, they endeavour to collect this data moving forward.

Paper purchased

	2017-18 baseline	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Reduce the amount of A4 reams of paper or equivalent by 50%	34,226	41,646	40,700	3,823	30,437	14,784	13,472	8,923

The Department has achieved a 74% reduction in paper purchased compared to the 2017-18 baseline. These reductions may be overstated due to an incomplete data set.

Consumer Single Use Plastics (CSUP)[14]

	2017-18 baseline		2021-22	2022-23	2023-24	2024-25
Consumer Single-Use Plastics	No baseline recorded		103,256	14,207	59,325	26,542

There has been a significant decrease in the amount of CSUPs since the previous reporting period, 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.

In addition, as we are tenants in the buildings we occupy, the department does not have responsibility for the catering outlets. However, initiatives to reduce single use

14 HM Land Registry are currently not reporting on CSUP usage and core department were unable to provide the data before the reporting deadline; however, they endeavour to collect this data moving forward.

plastic have been introduced in these catering outlets. For example, a number of our offices – including our London headquarters – offer discounts on hot beverages for providing a reusable cup.

Sustainable Procurement

High procurement standards are upheld across the estate. These standards include using only Forest Stewardship Council (FSC) certified timber in capital projects to minimise unsustainable wood consumption and sourcing fabrics exclusively from UK supply chains for office refurbishments. The department uses the sustainable procurement framework for the selection of suppliers and ensures all goods and services meet the minimum Government Buying Standards (GBS).

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, the Equality Act, and the 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, and the department aligns to the vision and targets in the Government Greening: ICT & Digital Strategy. For example, the services requirements in the

Strategy are incorporated into all new contracts the department issues, with the ICT hardware contract awarded to a supplier who has committed to a carbon reduction plan[15]. IT equipment is also not sent to landfill with laptops either reused or recycled, which contributes to the overall target of zero waste to-landfill.

The department encourages the use of virtual meetings wherever possible at all levels to reduce travel, with 370,000 attendees at virtual meetings (both internally organised and externally organised) in a 180-day period.

Climate Adaptations

As a department, we recognise the real-world impacts of rising global temperatures, and our role and responsibilities to support effective climate change adaptation – from our work to support on-the-ground community response and resilience to severe weather events, to supporting energy efficiency and mitigating the impacts on our built environment and infrastructure.

As detailed in the wider Performance and Sustainability Reports included within this Report, MHCLG is committed to meeting a wide range of climate-related targets, including commitments under the UN Sustainable Development Goals and the Greening Government Commitments. This includes ensuring appropriate governance and assurance arrangements are in place to enable effective decision-making and performance and

15 This is in compliance with the Procurement Policy Note 06/21: ‘Taking account of Carbon Reduction Plans in the procurement of major government contracts’.

project management, including where this intersects with climate change. The incorporated Statement on the required Taskforce on Climate-related Financial Disclosures (TCFD) at page 82 provides detail of our departmental governance around climate-related issues.

In line with our commitments under the Climate Change Act 2008 and the third National Adaptation Programme (NAP), the department expects all policy teams to appropriately consider climate adaptation when developing new policy. At a project and programme level, all teams are required to comply with the Environmental Principles Duty in developing business cases for proposed investment and financial transactions. This includes completion of the department's new Environmental Principles Assessment in business cases, which supports consideration of climate adaptation and other environmental factors at key decision points and through gateway and assurance processes. Business Cases are also reviewed through internal governance forums such as the Investment Sub-Committee (ISC), which provides second-line assurance that environmental and adaptation considerations are appropriately assessed before approval.

The department's various climate-related hubs (covering buildings, planning and local government issues) consider climate adaptation in relation to wider MHCLG policies. For example, following public consultation during 2024-25, the government has amended the National Planning Policy Framework to support climate change mitigation and adaptation through increased deployment of renewables and sustainable drainage systems, amendments to transport policy and changes to emphasise the importance of climate considerations in both plan-making and decisions in planning. There is also reference to climate adaptation in the Devolution Framework, and some individual funding schemes like the new *Plan for Neighbourhoods* also incorporate climate adaptation. Additionally, the department introduced Part O of the Building Regulations in 2021 to mitigate the significant risk of overheating in new homes. The department continues to monitor the effectiveness of Part O's introduction to understand whether it needs to be amended or refined. Coordinating teams also work with DEFRA to ensure that we are monitoring and tracking our commitments in the NAP regularly.

The department does not mandate any specific learning on climate change and climate adaptation. However, all policy professionals are encouraged to engage with the Policy Profession Learning Hub, which offers a range of climate adaptation learning and development tools through its "Climate, Energy and the Environment" career anchor. We also have a departmental climate-related staff network, the Climate Awareness Network (CAN), which runs regular teach ins on a range of topics related to climate change, including sessions on climate adaptation and resilience.

As part of the Greening Government Commitments there are requirements to develop an organisational climate change adaptation strategy across estates and operations, including conducting climate change risk assessments to better understand any likely risks. Identified risks and mitigations should be captured in a climate change adaptation action plan. As GPA manage MHCLG's estate, they are leading on the strategy and risk assessment on our behalf. As part of their Climate Change Adaptation Strategy and Action Plan, the GPA completed a Climate Change Adaptation Risk Assessment in 2023-24. The rollout of this action plan will continue in 2025, and they anticipate adding further actions as more information at site level is collected.

In the coming year, we will continue to work closely with DEFRA and ensure we are monitoring our actions in the NAP, as well as improving internal governance and programme management to ensure we are capturing future opportunities to factor in climate adaptation.

Nature Recovery

The GPA updated their Nature and Biodiversity Recovery Annex to their Workplace Design Guide in October 2024 (originally published in March 2024). 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. 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

As in the main Sustainability Report above, the information in this section is based on data from the core department and relevant ALBs.

Procurement of Food and Catering

All food provided in our catering outlets is procured by the GPA's preferred suppliers and is produced to UK or equivalent food standards, is local and in season where possible. The GPA intends to buy food from farming systems that minimise harm to the environment, such as produce certified by LEAF, the Soil Association or Marine Stewardship Council. Catering outlets also offer fair trade and ethically sourced products.

Sustainable Construction

During 2024-25, the GPA 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. The guide includes consideration of carbon emissions from construction and daily operations, as well 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.

In the last reporting year, HVAC, BMS and LED upgrades were completed at London, 2 Marsham Street. Currently, in the MHCLG pipeline of new office space, the Manchester First Street building and Bristol Temple Quay House are targeting a BREEAM rating of ‘Excellent’ and Manchester First Street 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 recognises 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 minimal outside space and limited opportunity to enhance the natural environment. The GPA is, however, actively exploring opportunities to undertake biodiversity actions within office spaces. For example, planting in all relocation projects or new offices forms part of the Workplace Services Blueprint.

Sustainable Development

Sustainable development remains integral to policy work for 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)

The Financial Stability Board (FSB), founded by the G20 economies, established the Task Force on Climate-Related Financial Disclosures (TCFD) in 2015 to bring greater transparency on the financial implications of climate change. HM Treasury has taken up their recommendations on the types of information that companies should disclose in relation to climate change, and directed government departments to undertake a phased approach to reporting.

TCFD reporting focuses on the four thematic areas, with a series of recommended disclosures for each:

- Governance
- Strategy (reporting to be introduced in 2025-26)
- Risk Management
- Metrics and Targets

Compliance Statement

The Ministry of Housing, Communities & Local Government has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. The department's ALBs within scope of the TCFD requirements are responsible for reporting on this within their own Annual Report and Accounts.

MHCLG does not consider climate to be a principal risk category in its own right, and has therefore complied with the TCFD recommendations and recommendations disclosures around:

- Governance – recommended disclosures (a) and (b)
- Risk Management – recommended disclosures (a) to (c)
- Metrics and Targets – recommended disclosures (b) [note, further recommended disclosures are only mandatory (subject to comply or explain) where climate is deemed a principal risk, and therefore do not apply in this case]

This is in line with central government's TCFD-aligned disclosure implementation timetable for Phase 2.

MHCLG intends to provide recommended disclosures for Strategy and further disclosure of Metrics and Targets in future reporting periods in line with the central government implementation timetable.

TCFD Governance: Disclosures (a) and (b)

Under the department's Board model and governance framework, primary governance and oversight is managed at a portfolio level and Directors General are responsible for ensuring effective governance arrangements are in place for their areas in the discharge of their delegated authority and responsibilities. Director General-chaired Portfolio Boards provide high-level oversight of climate-related risks, issues and commitments within their scope. 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 on climate-related issues relating to policies and programmes.

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 Buildings, Resilience and Fire and core membership comprises directors from a number of portfolios across the department. We are currently refreshing our climate change governance, including to reflect changes to our Director General portfolios during 2024-25.

MHCLG has particular responsibility for leading government's work on energy standards for new buildings, and we work closely with DESNZ on improving the energy efficiency and carbon emissions of existing homes and buildings. This is managed within the Buildings, Resilience and Fire 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.

Overall assurance and oversight – including escalation of core risks and decisions from Portfolios and the Climate Change Board, as required – is managed at an executive level by the Executive Team and its core sub-committees. The Investment Sub-Committee is responsible for the scrutiny and approval of investment proposals and financial transactions for the department, including specific consideration of social and environmental effects as part of the appraisal. Specific climate-related risks and opportunities may be escalated to the executive level for discussion or awareness, where appropriate. Updates are provided to the Departmental Board and the Audit & Risk Assurance Committee (ARAC) as required.

The ARAC also plays a role in assuring the final metrics-based reporting on climate and sustainability issues, as part of the annual reporting cycle.

Further detail on the department's overall governance – including relationships with our ALBs – is included in the Governance Statement.

TCFD Risk Management: Disclosures (a) to (c)

The department's process for identifying, assessing and managing climate related risks is fully integrated into the overall risk management approach, described more fully in the Risk Management section of the Governance Statement.

Based on a review of the departmental risk landscape through the lens of the risks' proximity, likelihood and impact on the department's strategic objectives, MHCLG does not consider climate to be a principal risk in its own right. The departmental Resilience Principal Risk addresses the risks to the department's ability to respond to national emergency events, including acute physical risks created by climate change, such as severe weather and flooding. The Resilience Board meets on a bi-monthly basis to discuss and monitor resilience risks to the department and provide oversight and assurance on resilience risk planning.

The department is supporting the Climate Change Committee in conducting the Fourth Climate Change Risk Assessment – Independent Assessment. MHCLG leads on several actions in the third National Adaptation Programme with the aim to manage climate-related risks through its policy development. The implementation is managed by the relevant teams and the related risks are considered as part of the departmental risk management process. The Department for Environment, Food & Rural Affairs (DEFRA) holds a consolidated view on the risks related to implementation of these initiatives.

MHCLG's risk escalation policy ensures that significant risks, including those related to climate change, are considered at the appropriate governance level according to the scale and likelihood of the risk. As part of the risk management process, the senior responsible owners review the existing and emerging regulatory requirements and use this information in assessing risks. The approaches to decision-making regarding the management of risks and the process of escalation of key risks is described in the Risk Management section of the Governance Statement.

TCFD Metrics and Targets: Disclosure (b)

Disclosures on Scope 1, Scope 2 and Scope 3 (where appropriate) greenhouse gas (GHG) emissions, and the related risks, are included in the Sustainability Report.

Additional disclosures on metrics (a) and targets (c) are not included, as the department has assessed that climate does not represent a principal risk to the department in its own right. Our central risk function continues to keep all of our principal risks under review to ensure these remain fit for purpose, and may provide additional disclosures on metrics and targets in future, if climate risks are judged to have escalated to the threshold of a principal risk.

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 (2025) 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 A sets out the financial assistance provided by the Secretary of State under this power for the year 2024-25, totalling £7.1 million (2023-24, £7.5 million).

- One complaint against the department was accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2024 to 31 March 2025. The report on this case was still outstanding at the end of the financial year.

  MHCLG introduced a streamlined two-step public-facing complaints process during the 2024-25 financial year. This has simplified the procedure and bought it in line with other departments, providing a more effective and timelier process for both customers and officials. The department investigated a total of thirteen complaints during this period.

  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 2024-25 the department received 11,904 (2023-24, 12,577) items of correspondence from members of the public that required an official response. Of these, 92% (2023-24, 53%) were replied to within our target of twenty working days.

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

18 July 2025

Accountability Report

Introduction

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

Corporate Governance Report

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

Remuneration & Staff Report

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

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Corporate Governance Report

The Directors' Report

The Departmental Board

During 2024-25 the department consisted of the core department and fifteen other arm's length bodies (ALBs). Note 24 to the accounts provides a full list of public bodies sponsored by the department and identifies those that are consolidated into the accounts of the Departmental Group ('the Group').

The Departmental Board, chaired by the Deputy Prime Minister, comprises all ministers, non-executive directors, the Permanent Secretary, the Chief Finance Officer and Directors General. 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 Board meets quarterly by default, though the timing of the General Election and subsequent organisational changes meant it only met once during 2024-25. Following the change of government, we began the process of refreshing the cohort of non-executive directors. While the full recruitment process has been ongoing, the department has maintained appropriate arrangements to ensure effective oversight and scrutiny during the year, including appointing interim non-executive members to both the Board and Audit and Risk Assurance Committee to ensure external input and challenge and continuing to delegate core elements of the Board's functions to designated sub-committees, in line with our governance framework. The Board will return to its usual meeting rhythm in 2025-26, and held its first meeting on 23 April 2025. A full cohort of non-executive directors will be in place later in 2025. Each member's attendance is listed in the Director's Report.

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/ministry-of-housing-communities-local-government.

Our ministers as of 31 March 2025

The Rt Hon Angela Rayner MP

Deputy Prime Minister & Secretary of State for Housing, Communities & Local Government

From 05 July 2024

Matthew Pennycook MP

Minister of State for Housing & Planning

From 06 July 2024

Jim McMahon OBE MP

Minister of State for Local Government & English Devolution

From 06 July 2024

Alex Norris MP

Parliamentary Under Secretary of State for Local Growth & Building Safety

From 09 July 2024

Rushanara Ali MP

Parliamentary Under Secretary of State for Homelessness and Democracy

From 09 July 2024

Baroness Taylor of Stevenage

Parliamentary Under Secretary of State for Housing & Local Government (Lords)

From 09 July 2024

Lord Khan of Burnley

Parliamentary Under Secretary of State for Faith, Communities & Resettlement (Lords)

From 09 July 2024

Our non-executive directors as of 31 March 2025

Mo Baines

Interim Lead Non-Executive Director Non-Executive Director

From 21 October 2024

Our executive directors as of 31 March 2025

Dame Sarah Healey DCB CVO

Permanent Secretary &
Chair of the Executive Team

Will Garton

Director General, Local Government, Growth & Communities (previously Levelling Up)

Jo Key

Director General, Regeneration, Housing & Planning

Brendan Threlfall

Director General, Strategy & Communications (previously Union & Devolution)

Matt Thurstan

Director General, Chief Finance Officer & Chief Operating Officer

Other ministers who served in the department during 2024-25

- The Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities from 25 October 2022 to 05 July 2024.
- Lee Rowley MP, Minister of State for Housing and Planning from 13 November 2023 to 05 July 2024.
- Jacob Young MP, Parliamentary Under Secretary of State for Levelling Up from 18 September 2023 to 05 July 2024.
- Simon Hoare MP, Parliamentary Under Secretary of State for Local Government from 13 November 2023 to 05 July 2024.
- Felicity Buchan MP, Parliamentary Under Secretary of State for Housing and Homelessness from 30 October 2022 to 05 July 2024.
- Baroness Scott of Bybrook OBE, Parliamentary Under Secretary of State for Faith and Communities (Lords) from 20 September 2022 to 05 July 2024.
- Baroness Swinburne, Parliamentary Under Secretary of State for Housing and Communities from 01 March 2024 to 05 July 2024.
- Baroness Penn, Minister on Leave (Parliamentary Under Secretary of State) from 01 March 2024 to 05 July 2024.

Other non-executive directors who served in the department during 2024-25

- Dame Alison Nimmo DBE, Lead Non-Executive Director from 31 March 2022 to 07 July 2024.
- Thomas Taylor, Non-Executive Director from 24 January 2023 to 07 July 2024.
- Lord Gary Porter, Non-Executive Director from 07 June 2021 to 07 July 2024.
- Jeffrey Dodds, Non-Executive Director from 14 April 2021 to 07 July 2024.

Other executive directors who served in the department during 2024-25

- Catherine Frances CB, Director General, Local Government, Resilience and Communities from 18 February 2019 to 31 December 2024.
- Richard Goodman, Director General, Safer and Greener Buildings from 24 November 2020 to 07 March 2025.

Departmental Board Attendance

Record of meeting attendance for 2024-25:

	Total meetings held	Total meetings attended
Ministers		
The Rt Hon Angela Rayner MP (Chair)	1	1
Matthew Pennycook MP	1	1
Jim McMahon OBE MP	1	0
Alex Norris MP	1	1
Rushanara Ali MP	1	1
Baroness Taylor of Stevenage	1	1
Lord Khan of Burnley	1	0
Non-Executive Directors		
Mo Baines	1	1
Executive Team		
Dame Sarah Healey DCB CVO	1	1
Catherine Frances	1	0
Will Garton	1	1
Richard Goodman	1	1
Jo Key	1	1
Brendan Threlfall	1	1
Matt Thurstan	1	1

Directorships and Significant Interests

Details of directorships and other significant interests held by ministers are set out in the List of Ministers' Interests, published on Gov.uk and the Register of Members' Financial Interests, published on the UK Parliament website.

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

Related Party Transactions and 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, mitigations 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.

In line with the current Declaration of Interest Policy for special advisers, all special advisers have declared any relevant interest or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

Any significant Related Party Transactions associated with the interests of ministers or Board members, are shown in
Note 22 to the accounts.

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 128.

Auditor

The core, agency, arm's length bodies and group accounts have all been audited by the Comptroller and Auditor General (C&AG), apart from 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 £1,563,467 of which £959,642 is a cash charge and £603,825 is a notional charge (2023-24: £1,512,000 of which £889,000 was a cash charge and £623,000 was a notional charge).

The audit fee for the core department is £410,000 (2023-24: £377,500).

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

- **Business Rates-related accounts:** £79,825 (2023-24: £77,500), split as follows:
  – Main Rating Account: £46,250 (2023-24: £45,500)

  - Levy Account: £10,250 (2023-24: £9,500)
  - Trust Statement: £23,325 (2023-24: £22,500)
- Building Safety Trust Statement: £45,000 (2023-24: £43,000)

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 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), the Ministry of Housing, Communities and Local Government is directed to prepare consolidated resource accounts for each financial year. These provide details of resources acquired, held or disposed of – including how these resources were used – by the Departmental Group, during the previous financial year. The Departmental Group consists of the department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies, as designated by order made under the GRAA by Statutory Instrument 2022 number 1319. A full list of bodies included in the MHCLG Group is listed in Note 24 to the accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the Departmental Group and of the income and expenditure, Statement of Financial Position and cash flows of the Departmental Group for the financial year.

In preparing the accounts, the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.

- ensure that the department has in place appropriate and reliable systems and procedures to carry out the accounting and consolidation processes.
- 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, Dame Sarah Healey DCB CVO as the Permanent Head of the department and Accounting Officer of the Ministry of Housing, Communities and Local Government. I have also appointed the Chief Executives or equivalents of MHCLG's sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies.

As Accounting Officer, I am 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. This includes ensuring that such expenditure, as well as 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 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 are fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance Statement

Introduction

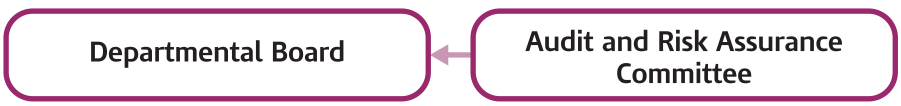
The Accounting Officer is responsible to Parliament for the stewardship of the resources given to MHCLG, including those allotted to our arm's length bodies (ALBs) and for funding which is devolved to local bodies such as local authorities (LAs). This Governance Statement sets out our range of measures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

More detail about the overarching control system is given in the Accounting Officer System Statement (AOSS), published on Gov.uk.

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

Governance Framework

The Board and its Sub-Committees



The Departmental Board

The Departmental Board, chaired by the Deputy Prime Minister, comprises all ministers, non-executive directors, the Permanent Secretary, the Chief Finance Officer and

Directors General. 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, against departmental priorities and objectives. MHCLG introduced a refreshed approach to Board meetings from November 2024 with greater focus on using data and insights to review progress towards ministerial targets and agreeing targeted actions to improve performance confidence. Board meetings are supported by a new "Ministerial Priorities Dashboard", which shows whether current and forecasted performance is on track based on leading indicators (where these are available). This has been designed in line with best practice in assuring delivery.

To ensure compliance with good practice (as set out in *Corporate governance in central government departments: code of good practice*), we undertake periodic evaluations of board effectiveness and review conflicts of interest, to manage and report risks. The Lead Non-Executive Director completed a light-touch Board Effectiveness Review for 2024-25, reflecting the level of change over the course of the year, which was submitted in June 2025. The evaluation identified several recommendations for the new financial year, including to stabilise Board membership and support training and induction of new members; strengthen the Board's role in providing oversight and challenge of ALB delivery, including strengthening relationships with other governance structures; and formalise the use of “deep dives” to support robust discussions on delivery.

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.

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

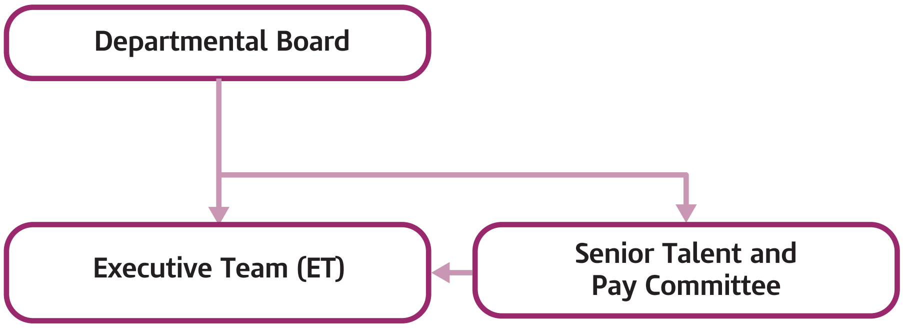
Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by a non-executive director and comprises the Lead Non-Executive Director and an independent member. It is also attended by the Permanent Secretary, Chief Finance Officer, Director of Finance, Head of Enterprise Risk and representatives from the National Audit Office (NAO), Government Internal Audit Agency (GIAA) and Homes England. The ARAC’s membership changed in-year, following the departure of the committee chair and Lead Non-Executive Director in July. In the intervening period, the department has implemented interim arrangements to ensure continuity of external scrutiny and oversight pending recruitment of the new cohort of non-executive directors: Mo Baines was appointed as new Interim Lead Non-Executive Director in October 2024; Sue Barratt, standing independent member, served as acting Chair from November 2024; and Elliot Jordan, Chair of the HM Land Registry ARAC, joined the ARAC on a temporary basis.

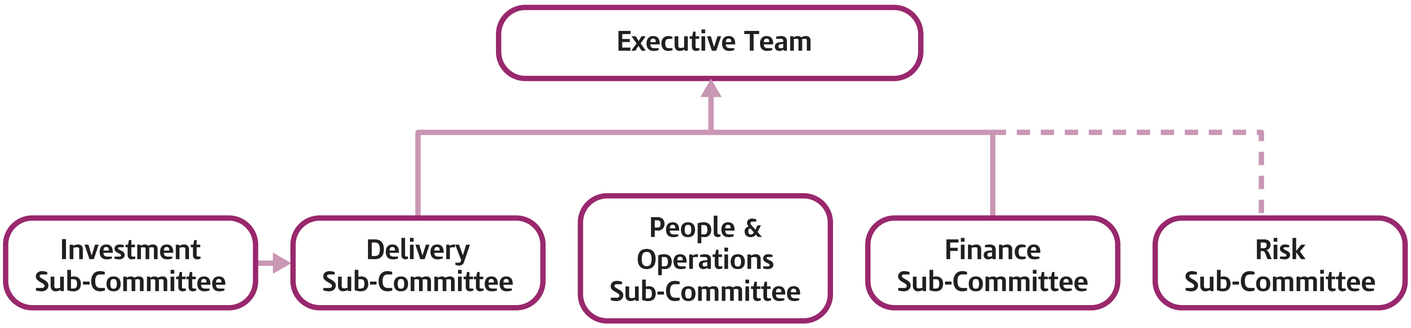
The ARAC met five times throughout the year to review and advise on a range of topics including the department's Governance Statement and effectiveness of corporate governance; accounting policies, accounts, and reports; planned activity and results of both internal and external audits, including assessments of value for money; management of risk; cyber security; counter-fraud activity; and departmental fraud and whistleblowing policies.

Given the level of flux during the year, the ARAC did not complete a standalone evaluation for 2024-25. The overarching Board Effectiveness Review included consideration of the Committee's role and a more in-depth review of the ARAC's function and operation is planned for 2025-26, as part of wider work to mature MHCLG's risk governance.

The Executive Team and its Sub-Committees



Executive Sub-Committees



The department fully implemented a new executive-level governance framework during the 2024-25 financial year, as shown in the diagram above. The People and Operations Committee replaced the previous People Committee in June 2024, with an expanded remit to include wider operational matters.

Executive Team

The Executive Team is chaired by the Permanent Secretary and is composed of the five Directors General, the Director of Strategy, the Director of Finance, the Director of Communications 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

During 2024-25, the Delivery Sub-Committee was chaired by the Director General for Buildings and Resilience (formerly Safer Greener Buildings) and comprised of senior leaders from relevant corporate and policy areas, alongside senior representatives from the Infrastructure and Projects Authority (now transitioned to the new National Infrastructure and Service Transformation Authority) and Government Internal Audit Agency (GIAA). It is responsible for ensuring that our portfolios, programmes and projects are successfully delivering departmental outcomes. Effective from the start of the 2025-26 financial year, the Delivery Sub-Committee is chaired by the Director General for Regeneration, Housing and Planning.

Finance Sub-Committee

The Finance Sub-Committee is chaired by the Chief Finance Officer and comprises of 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 and Operations Sub-Committee

The People and Operations Sub-Committee is chaired by the Chief Finance Officer and comprises of senior leaders from relevant corporate and policy areas. The Committee provides a decision-making forum for matters relating to people, operational and workforce issues.

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 directors from across the department, the Head of Enterprise Risk and representatives from the GIAA. The RSC reviews corporate risk and oversees the enterprise risk framework.

Senior Talent and Pay Committee

The Senior Talent and Pay Committee (STPC) is chaired by the Permanent Secretary and comprises all Directors General and the Director of People, Capability and Change. The STPC is responsible for Senior Civil Service performance, talent, succession planning and pay.

ALB Governance

ALB Landscape

MHCLG currently sponsors fourteen ALBs, as listed below. During the year, we closed the Office for Place (OfP)[16]. Our ALBs support critical government priorities, including housing delivery (Homes England), housing and building safety data (HMLR) and planning reforms (Planning Inspectorate). The Regulator of Social Housing (RSH) and The Housing Ombudsman (HOS) enhance standards and protections. Other bodies like Valuation Tribunal Service (VTS), Boundary Commissions and Architects' Registration Board (ARB) maintain specialist functions. MHCLG believes it is important to keep all arm's length bodies under regular review to ensure they continue to operate effectively, efficiently, and in line with the Government's strategic priorities.

Type	ALB
Non-Ministerial Department	His Majesty's Land Registry (HMLR)
Executive Agency	Planning Inspectorate
	Queen Elizabeth II Conference Centre (Trading Fund)
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
Other Body (not classified as NDPB)	Ebbsfleet Development Corporation
	Local Government and Social Care Ombudsman

16 The decision to close the Office for Place (OfP) was announced through a Written Ministerial Statement on 12 November 2024.

Type	ALB
Public Non-Financial Corporation	Architects Registration Board

ALB Sponsorship and Governance

We operate a decentralised ALB governance sponsorship model whereby policy sponsor teams embedded in our portfolios work closely with ALBs. Senior Sponsors at director level lead the sponsor teams and have a delegated responsibility to hold ALBs to account. This is delegated to them by the Permanent Secretary, who as the Principal Accounting Officer (PAO) is primarily responsible to ministers for ALB performance.

Each ALB maintains its own governance structures and processes appropriate to its business and scale. Each has its own Accounting Officer (AO) with delegated authority from the Permanent Secretary to oversee the operation and delivery of its objectives and produce their own Annual Reports and Accounts. All bodies apart from the HM Land Registry, Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation, and the Architects Registration Board are consolidated into our departmental accounts (note, advisory bodies do not produce accounts).

We made some changes to our ALB governance and sponsorship arrangements during 2024-25, including reviewing our ALB risk management frameworks, piloting new ALB Key Risk Indicators (KRIs) and clarifying delineation of roles and responsibilities. We will continue to strengthen our sponsorship model during 2025-26, as well as progressing work to enhance assurance of ALB compliance with functional standards.

Assuring ALB Governance

Each ALB has a framework agreement or equivalent setting out its priorities and strategic aims, lines of accountability and governance arrangements. These are reviewed and revised periodically by MHCLG and HMT, and we have agreed a forward look with HMT to expedite its role in the process of ensuring that all frameworks align with Managing Public Money principles.

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 Principal Accounting Officer. Further assurance is provided through:

- Ensuring ministerial priorities are effectively communicated to ALBs via Chairs Letters.
- Regular assurance meetings between the ALB AO and MHCLG sponsor where key performance indicators and risks are scrutinised to enable effective assessments and risk management.
- Quarterly update and assurance of the ALB Governance Principal Risk through which we act upon our assessment of the effectiveness of controls, oversight, accountability, and operations.
- Biannual meetings for ALB Audit and Risk Assurance Committee chairs to share lessons.
- Annual ALB Board effectiveness reviews, including for chairs.
- A regular risk-based review to ensure proportionality in sponsorship and AO engagement; and,
- Follow up on ALB internal audit reports and recommendations.

ALB reviews and scrutiny

This was the last year of the Public Bodies Review Programme cycle, and we are developing our own plan of review. Under that cycle, we had prioritised the public bodies that posed the most material risk to the delivery of strategic objectives, as well as bodies that have undergone significant change. We completed our cycle, with one ongoing review (VTS) due to end in Q2 2025-26. The full review of Homes England was published in April 2024 and made 34 recommendations. As of April 2025, implementation was largely complete aside from where there were dependencies linked to the Spending Review. Implementation work will be finalised by the end of July 2025.

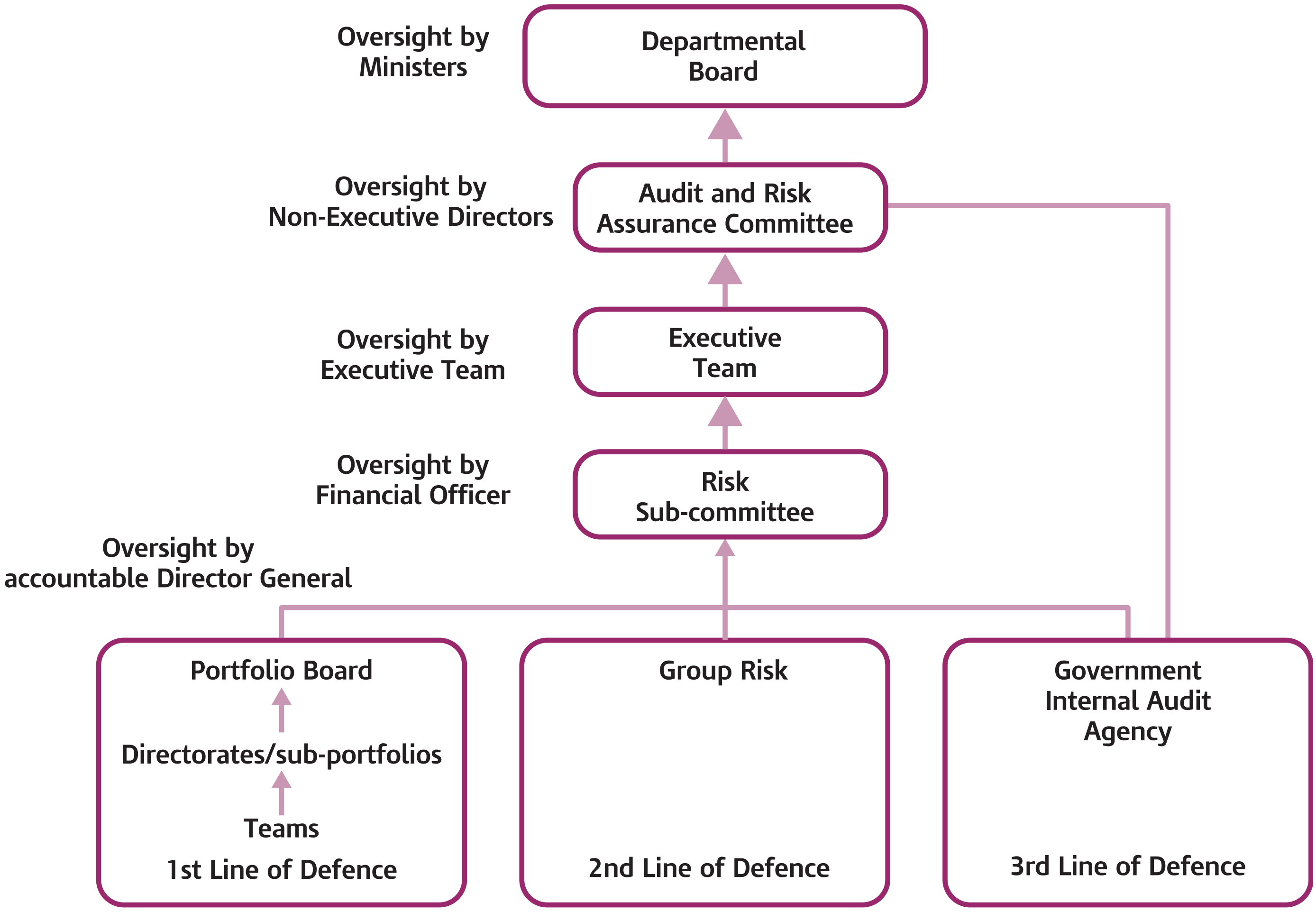
In line with the central commission to all government departments, announced in April 2025, we are currently working with the Cabinet Office to ensure MHCLG's overall ALB landscape is set up in the most effective way to support the government's Plan for Change.

Risk Management Framework

The department's approach to risk management is shaped by the principles of the cross-government 'Orange Book'. Our Risk Management Framework sets out how we manage the risks we face to increase confidence that our strategic and operational objectives will be achieved and supports risk-aware decision making. The Framework has been reviewed and refreshed during 2024-25.

Our Risk Management Framework reinforces the importance of managing risk proactively, empowering our teams and people both to take responsibility for identifying, managing and reporting the risks, and to foster a culture where consideration of risk is integral to the department's activities. Our teams, projects, and programmes manage the risks for their respective areas. Portfolio Boards manage cross-cutting risks within each portfolio, including key risks escalated from a tier below. Our Risk Sub-Committee, Executive Team, Audit and Risk Assurance Committee and Departmental Board apply increasingly senior levels of risk oversight, focused on a 'second line' review of our Principal Risks and risks escalated to them from the portfolios.

Our internal control systems for risk management are built around escalating levels of seniority of risk oversight, with individual risks able to be escalated both up and down that oversight structure. Our risk governance structure can be depicted as follows:



This risk governance structure supports the monitoring, review and assurance of our risks by way of regular risk review and discussion at each stage of oversight. This work is supported by risk data from the department's risk management system and by risk review techniques such as deep dives.

We operate a 'Three Lines of Defence' risk management approach, with each of the lines of defence contributing to the overall assurance:

- **First line of defence**: comprises the teams carrying out the activities which give rise to the risks. Each team has primary ownership, responsibility and accountability for identifying, assessing, managing and reporting the risks relevant to their team's activities.

- **Second line of defence**: comprises the 'second opinion'/'challenge' layer of assurance, facilitating good risk management through effective monitoring and coordinating the reporting of risk information. A core part of the second line of defence is the department's Group Risk team.
- **Third line of defence**: comprises audit activity, undertaken by the Government Internal Audit Agency.

The effectiveness of our risk management is evaluated through several means. Each portfolio has an allocated Risk Business Partner, who has an observer role at Portfolio Boards. This enables them to make a 'second line' judgement of the effectiveness of the risk management being undertaken. In addition, an aspect of the work of the Investment Sub-Committee is geared towards identifying and mitigating programme risks. There is an agreed schedule of major programme assurance reviews which deep dive into specific themes agreed with SROs. Effectiveness is also tested at the 'third line' by the Internal Audit in an annual 'Risk Function' audit. The Audit and Risk Assurance Committee provides a challenge to our approach from a non-executive director perspective.

Our risk assurance approach is supplemented by drawing on external sources of assurance, which sit outside of our formal departmental risk management structure. These include assessments against Government Functional Standards, assessments required for programmes on the Government Major Projects Portfolio (GMPP) and the National Audit Office (who undertake the annual external audit as well as a series of Value for Money audits).

We are committed to continuously improving our risk management. Our risk improvement work in 2024-25 included enhancing the value of our risk reporting, embedding the use of risk appetite, reviewing how we oversee the risks faced by our arm's length bodies and using data to help us quantify our risks.

The systems and approaches which underpin our risk management process have been in place throughout 2024-25. During the year, we upgraded our risk management IT system. The new system comprises delivery and risk management capability at every organisational level. It is being implemented across the department, and full capability is expected to be achieved by the end of 2025-26. The original system ran for the entirety of 2024-25. Both systems operated in parallel during the final quarter switch over period, to ensure resilience during that time.

Principal Risks

We continue to operate within a complex and dynamic environment, often influenced by geopolitical events and other external factors. As of March 2025, there were thirteen principal risks at a departmental level, aligned to the example risk categories in the 'Orange Book'. These are listed in the table below, ordered by their overall risk rating at the end of 2024-25 (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. All principal risks and associated controls and mitigations are regularly reviewed by the Risk Sub-Committee and Audit and Risk Assurance Committee. Each of the principal risks is refreshed quarterly and signed off by the lead director and, in many cases, a departmental governance forum will provide additional first line assurance. The ongoing risk improvement initiative is focused on ensuring that the principal risks reflect the challenges the department faces in delivering its strategic objectives. This will improve strategic decision-making and prepare the department to seize opportunities and meet its goals.

Principal risk	Sub-categories
1. Local Government Delivery Risk	• Local government capability • Local tier funding and capacity
2. Project Delivery Risk	• Project Delivery Capability • Project Delivery Improvement
3. People Risk	• Capacity • Capability • Employee experience • Agility and ability to manage change
4. Financial Risk	• Budget Management • Value for money • Investment and Credit risk
5. Commercial Risk	• Process for contract management • Short-notice procurements • Conflicts of interest • Non-compliance with procurements regulations or functional standards • Supplier incident • Counter Fraud, Bribery and Corruption
6. ALB Governance Risk	• Oversight arrangements • Internal system failures • Alignment with departmental objectives and strategy • Delays in public appointments
7. Legal Risk	• Assessment of legal risk in advice • Exposure to risk via ALBs • Successful legal challenge
8. Resilience Risk	• Insufficient preparedness to respond for concurrent or major events • Lead Government Department Responsibilities
9. Systems and Infrastructure Risk	• Investment & maintenance • Capability and capacity • Governance • User experience • Arm's Length Bodies • Artificial Intelligence

Principal risk	Sub-categories
10. Security Risk	• Physical and Personnel security • Security culture • Capacity and capability • Incident management • Local Government Cyber
11. Strategy Risk	• Legislative agenda • Progress against priorities • Funding
12. Information and Data Risk	• Data infrastructure and architecture • Specialist skills • Analysis & data availability • Robust evaluations and analytical processes • Data misuse, Information or data security • Data and AI
13. Governance Risk	• Departmental governance structures • Assurance and oversight • External scrutiny & challenge

Counter Fraud, Error and Whistleblowing

Counter Fraud and Error

In 2024 we agreed a financial performance target, measuring the return on investment (ROI) on counter fraud costs. This target was set at 3:1 ROI (£4.2 million) for 2024-25, covering the core department and Homes England. This was an increase of the previous year’s target of 2:1 ROI (£1.8 million) for 2023-24.

For the year 2024-25, the department and Homes England achieved a financial benefit of £41 million, against the joint target of £4.2 million. This represents a 29:1 return on investment, based on the annual investment of £1.4 million. This includes seven instances of prevented fraud totalling £2.3 million. The £41 million financial impact includes the recovery of £27.4 million in grant payment errors made to nine local councils in 2023-24 due to a miscalculated levy, and the recovery of a £11.2 million duplicate payment made to a local authority, which we consider to be anomalies.

Our internal 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 Public Sector Fraud Authority (PSFA) and is reported quarterly at our Risk Sub-Committee and Audit and Risk Assurance Committee.

There were seven instances of detected fraud losses during the year totalling £3.1 million. This includes one instance of a £2 million detected fraud in the Affordable Housing Programme (AHP) relating to a Registered Provider, for which a criminal investigation is ongoing. Another instance of fraud loss totalling £536k was identified in the Building Safety Fund (BSF) relating to an applicant representative, which is also under criminal investigation.

The BSF and the AHP remain on the PSFA High Fraud Risk Portfolio, with regular oversight and reporting. The Freeports programme was also assessed and added to the portfolio by the PSFA. The BSF is implementing a new legal framework for grant funding further to mitigate fraud risks, minimise financial exposure and increase the likelihood of recovery where necessary. The recent NAO study on the government's remediation portfolio recommended fraud measurement activity, which is currently under active consideration.

Following the fraud in QEII reported last year, the MHCLG Audit and Risk Assurance Committee (ARAC) commissioned each ALB to carry out checks to ensure that the controls that failed in QEII are operating effectively. These include:

- verification checks of basic financial and procurement controls;
- independent review of financial and procurement controls that failed at the QEII as well as overtime policy and controls and their whistleblowing policy;
- ALB ARACs to interrogate the outcome of their quarterly Fraud and Error reporting;
- a gap analysis against the minimum requirements of the Counter Fraud Functional Standards with a robust action plan to close any gaps.

All ALBs have responded to these actions and the majority reported back with no significant concerns. However, a concern about meeting the minimum requirements of the Counter Fraud Functional Standards in one ALB is being addressed.

Through the year, the counter fraud function acted as one of the subject matter experts providing assurance on programmes going through investment approval stage gates. This has assured the majority of the department's programmes, including the Government Major Projects Portfolio (GMPP) and other major spend programmes. We assured both that fraud prevention had been duly considered at appropriate business case approval stages gates through Initial Fraud Impact Assessments (IFIAs) or Fraud Risk Assessments (FRAs), and that these meet the government counter fraud standards.

We continued to develop our counter fraud function over the year, including publishing the department's Counter Fraud, Bribery and Corruption Response Plan and implementing a Counter Fraud Hub for the department. We updated our Fraud Risk Assessment (FRA) policy to align thresholds with the department's Delegated Authority Limits and implement actions from PSFA's functional standards assessment, and to embed our approach to providing counter fraud assurance. This also includes an agreed position statement on our role with respect to counter fraud in grants given to local authorities.

We are making progress with implementing the counter fraud Target Operating Model, including plans for the BSF counter fraud team to join up with the central counter fraud function during 2025-26. We have also undertaken proactive fraud detection activity through controls testing of financial transactions during the year.

In December 2024, the PSFA provided a final report of their assessment of our counter fraud function against the

Counter Fraud Functional Standard. We were assessed as achieving ‘good’ or ‘better’ in 9 out of the 12 sections of the functional standards, thereby meeting or exceeding the minimum requirements in those areas. Three areas were assessed as ‘in development’. Our 2025-26 Counter Fraud Action Plan includes activities to address the areas assessed as still ‘in development’. This includes the development of an Enterprise Fraud Risk Assessment that will highlight areas of significant fraud and error risk across the department and associated mitigations.

Whistleblowing

The department has a whistleblowing policy and procedure in place. 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. During 2024-25 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).

The policy is overseen by the department’s Audit and Risk Assurance Committee, which takes annual reports on the effectiveness of the policy.

The Government Internal Audit Agency completed an audit of department whistleblowing arrangements in January 2025 and concluded that “MHCLG has an effective approach to whistleblowing, including a clear and accessible policy and procedure for whistleblowing based on standard Civil Service policy. It has multiple communication channels and a culture that encourages people to raise concerns.”

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.

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. A total of 8 personal data breaches were reported to the Information

Commissioner’s Office (ICO) in the financial year 2024-25.

This year we continued to align with HMG security strategy across our portfolio. In support of this, we have implemented and continue to engage with the required Secure by Design policy deliverables to improve our security posture and increase GovAssure compliance across both the department and its arm’s length bodies. We also continue to maintain Cyber Essentials Plus certification. This includes the establishment of baseline controls sets and greater cyber involvement in business systems.

We have updated and reissued several key policies to reflect our most recent updates and future desired security state in support of current HMG security strategy. In proactive cyber activity, we have recruited a new Vulnerability Manager role and implemented a new Vulnerability Management system.

We continue to test our cyber posture through Phishing exercises, and this year we have added in Purple Teaming 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 cyber-attacks.

Business Appointment Rules

The Business Appointment Rules (BAR) are part of the Civil Service Management Code and regulate the movement of civil servants and ministers into other business sectors. Civil servants must consider if the BAR require them to seek departmental permission before applying to, or accepting, a job outside of the service. While most moves do not require an application under the Rules, the guidance sets out the key principles and process where this is required. In some cases, approval of an application may be 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:

  (1) information relating to unannounced or proposed developments in government policy, knowledge of which may affect the prospective employer or any competitors; or

(2) commercially valuable or sensitive information about any competitors.

Before accepting any new appointment or employment which they intend to take up after they have left the Civil Service, individuals must consider whether an application under the Rules is required and, if necessary, complete the business appointment application form.

The application may be approved unconditionally, approved with conditions, or rejected. Most applications will be decided by the HR Director or Permanent Secretary, with regular reporting to the Audit and Risk Assurance Committee. Applications from Directors General and above are decided by the Prime Minister on the advice of the external Advisory Committee on Business Appointments (ACOBA).

In 2024-25, we received four Civil Service BAR applications (one SCS2, two SCS1 and one delegated grade). All applications were approved and all of these had conditions set. 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 (2023-24).

In compliance with the BARs, the department is transparent in the advice given to individual applications for senior staff, including special advisers. For staff at Senior Civil Service (SCS) Pay Band 1 and 2 level and Special Advisers of equivalent level, details of any applications and the outcome are published on Gov.uk.

Details for ministers and SCS Pay Band 3 or above are published on the Advisory Committee on Business Appointments website.

BAR applications and outcomes are reported to the Audit and Risk Assurance Committee on a quarterly basis.

During 2024-25, a total of 22 senior civil servants (SCS) left the department. Of these, nine left the Civil Service altogether, including four resignations.

Delegated Authority Levels

In recognition of MHCLG's sound financial management, in December 2024, the Chief Secretary to the Treasury increased MHCLG's Delegated Authority Limits. Our new limits are £80 million for RDEL, £250 million for CDEL grant, £50 million for CDEL FT and £10 million for RDEL admin.

Locally Devolved Budgets

We are responsible for the Local Government Accountability Framework for local authorities. 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 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.

Local authorities should take responsibility for identifying early warning signs and act appropriately to address potential failures at the earliest opportunity by participating in the sector-led improvement initiatives available to them. Government will engage early with local authorities showing signs of not complying with the Best Value Duty and will work with them to create meaningful, locally-tailored solutions to prevent challenges from escalating. It will act swiftly to investigate significant indications of failure and determine the appropriate support or model from a range of statutory and non-statutory options.

A series of statutory backstop dates have been introduced to clear the backlog of unaudited local accounts, with the vast majority of local bodies publishing their outstanding audited accounts for multiple years by the first of these backstop dates in December 2024. Auditors have issued disclaimed audit opinions for around half of these accounts and will build back full assurance in subsequent audits, with an aspiration of clearing most disclaimers after two years. Meanwhile, more timely assurance will be restored over recent transactions, where assurance is most valuable. Auditors' other statutory duties – to report on Value for Money (VfM) arrangements, make statutory recommendations and issue Public Interest Reports – remain a high priority and will remain in place throughout the period. In parallel, the government has committed to a series of measures to overhaul the underlying local audit system. These measures include: setting a clear purpose and vision for local audit, establishing a Local Audit Office to provide clear and independent central co-ordination; improving capacity (including consultation on developing public provision); and reducing systemic complexity.

During 2024-25 there were further interventions in individual councils where there had been indications of best value failure: commissioners were in place in Liverpool City Council (until June 2024), Slough Borough Council, Nottingham City Council, Thurrock Council, Woking District Council and Birmingham City Council. Envoys were appointed to Tower Hamlets from January 2025 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. Ministers announced they were minded to appoint

Commissioners in Spelthorne, following the Best Value Inspection, and they were appointed in May 2025. A Best Value Inspection was also undertaken in Warrington. Further information about each of these interventions is listed below:

- **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 and the Directions expired in June 2024, ending the statutory intervention when the Council established a Board. In December 2024, ministers confirmed a continued role for MHCLG and the non-statutory Board. An update from the Council and Board was received in late March 2025 and the Board has now concluded and next steps are being considered by the department.
- **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. New Commissioners were appointed in May 2023.

The fifth report from Commissioners was published in October 2024. The intervention was subsequently extended until November 2026 and a Managing Director Commissioner was appointed in November 2024.

- **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 was 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. The intervention was escalated again in February 2024, with the appointment of Commissioners. The second report from Commissioners was received in March and published on 8 May 2025.
- **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. The fourth report from Commissioners was published in March 2025.

- **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. The eighth report from the Panel was published in December 2024.
- **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). The second report from the Commissioners was published on 31 March 2025, with the next report expected in October 2025.
- **Spelthorne**: Following serious financial concerns relating to the Council's affordable housing plans, ministers took the view that there were clear financial risks. A Best Value Inspection was completed from May 2024 to January 2025, with the outcomes published in March 2025. The Intervention was announced on 8 May 2025, appointing Commissioners until January 2026, and issuing Directions to the Council to be in place until 31 May 2030.
- **Tower Hamlets**: Following concerns that changes at the Council had the potential to undermine the improvement that allowed the previous intervention to

end, ministers appointed inspectors to undertake a new inspection of Tower Hamlets Council's compliance with its Best Value Duty. The Best Value Inspection took place from February 2024 to July 2024 and the report was published in November 2024. On 22 January 2025, ministers announced the intervention at the Council. The statutory support package, to be in place until 31 March 2028, put in place a team of Ministerial Envoys to work comprehensively within the Council, acting as advisors, mentors and monitors, to oversee its improvement work.

- **Warrington:** A Best Value Inspection was undertaken between May 2024 and January 2025. The report was published in May 2025, with ministers announcing that they are minded to intervene and appoint Envoys.

Domestic Grants

To support risk mitigation for Local Growth Programmes and adhere to the *Government Functional Standard for Grants (GovS 015) and Managing Public Money*, the MHCLG Domestic Grant Assurance Team delivers assurance following the Levelling Up Funds Local Authority Assurance Framework. This framework outlines the lines of defence to ensure propriety, regularity, and value for money:

- The Chief Finance Officer (CFO) of the local authority secures the first line of defence at the operational management level.

- Annual assurance is provided to the Accounting Officer by the CFO via a Statement of Grant Usage.
- Deep dive reviews focused on governance, counter-fraud, subsidy control/State Aid, and procurement testing.

The Statement of Grant Usage has moved to a digital format, reducing the burden on local authorities and improving data quality for second-line deep dive focus. The deep dive process now includes the Levelling Up Fund, Town Deals, and Future High Street Fund in a combined review.

Payment recommendations reflect financial and delivery performance, alongside assurance findings from Statements of Grant Usage and deep dives. In the 2024-25 assurance period, 165 local authorities confirmed their first line of defence, a reduction of 15 from the previous year. Ten deep dives were conducted nationwide, all selected based on risk. Trend analysis highlighted the need for remedial actions to ensure governance transparency, counter-fraud measures, and procurement regulation adherence.

MHCLG oversees the cross-government review and approval of Local Assurance Frameworks (LAFs) for Mayoral Combined Authorities (MCAs). During the period, four newly forming MCAs had their LAFs reviewed for compliance with the English Devolution Accountability Framework. Approvals from the Department for Education, Department for Transport and MHCLG enabled the publication of governance and decision-making arrangements and the release of the first tranche of Investment Funding. This assurance now includes Integrated Settlements, the funding mechanism where a range of funding streams including Adult Skills, Transport and Housing are combined into a single pool, providing greater flexibility to MCAs .

The eight operational Freeports received active assurance, including first line returns from local authority CFOs and second-line annual review by MHCLG, contributing to an Annual Performance Report.

The Changing Places Toilets programme secured first-line assurance from local authorities to support payments.

For all non-public sector authority grant recipients in Northern Ireland in receipt of Levelling Up Fund and or the UK Social Prosperity Fund (UKSPF), assurance is initially undertaken by Delivery Teams through claims checking before payments. Onsite assurance testing for all 15 Northern Ireland non-public sector UKSPF projects included asset verification, documentation review, and claims sampling, with one project requiring a payment pause. The two LUF “round 1” non-public sector projects received similar onsite assurance testing.

The Community Ownership Fund first line of defence is undertaken by the Delivery Team to inform payments. Second-line assurance was completed for 20 projects from the first and second rounds, including claim sampling, onsite asset verification, and documentation review. Round three testing will occur in 2025-26.

The GIAA completed an audit of the Domestic Grant Assurance Team's activities during 2024-25, and provided a "Moderate" assurance rating. This is a positive reflection of our ongoing work to develop our assurance model, and the department accepted the GIAA's supporting recommendations further to bolster out assurance.

Ministerial Directions

There were no ministerial directions provided in 2024-25.

Internal Audit Opinion

The GIAA's internal audit function provides independent assurance of our governance, risk management and control environment, in compliance with the Public Sector Internal Audit Standards. The annual internal audit programme is closely aligned with the key risks of the department and our wider group. Arrangements are in place to ensure that the Accounting Officer is made aware of any significant issues which indicate that key risks are not being effectively managed.

The Group Chief Internal Auditor's (GCIA) opinion on governance, risk management and control for 2024-25 was assessed as 'Moderate'. This means that some improvements are required to enhance adequacy and effectiveness.

The opinion took into consideration the department's operating context over the year, including our response to changing delivery priorities in-year, following the change of government. The GIAA acknowledged that:

- We have continued to mature elements of our governance arrangements to support delivery of the government's manifesto commitments, and our overall arrangements for governance and oversight have remained in line with our agreed risk appetite.
- There has been a positive move towards more outcomes-focused delivery to support the overarching government missions.
- Policy development, balanced with accountability for the delivery of defined outcomes, is increasingly at the core of our portfolio management strategy and structure. This creates the right foundation to continue to drive performance, including through delivery partners, whilst managing the financial, capacity and capability risks which may impact our strategic objectives.
- We have taken action to address areas requiring further development, including to strengthen our internal control environment, though fast-moving priorities have impacted the pace of improvement in some other areas. This includes outstanding actions to strengthen our second line assurance provision and to continue to embed risk maturity across MHCLG.

- We have completed proactive analysis of our core controls, setting out, in GIAA's opinion, a robust plan to address areas that require strengthening.

The GCIA highlighted that, going forward, we should continue to embed and enhance our processes for governance, risk management and control, including ensuring robust arrangements for assurance and challenge across our work. Building on current arrangements, we should ensure we maintain appropriate ways of working to enable successful delivery, including where that delivery is undertaken by other partner organisations.

External Scrutiny

In 2024-25, our work was the subject of three NAO reports and four Public Accounts Committee (PAC) evidence sessions, all of which are summarised below from the published reports.

NAO Reports

- **The effectiveness of government in tackling homelessness:** The department has policy responsibility for tackling homelessness and leads on implementing homelessness policies across government. MHCLG also distributes homelessness funding to local authorities, who have statutory duties to assist people who are homeless or threatened with homelessness. In 2022-23, local authorities spent £2.44 billion on delivering homelessness services.

The report set out the main trends and patterns in homelessness, observing that the situation has worsened since the NAO last examined homelessness in 2017 and that homelessness is now at record levels. It examined how well MHCLG is executing its policy responsibility for tackling homelessness – including leading on implementation across government – and assessed whether MHCLG is supporting local authorities to deliver their statutory duties efficiently and effectively.

The report found that homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Dealing with homelessness is creating unsustainable financial pressure for some local authorities. The report noted that while the department has developed much better homelessness data and stronger links with local authorities, the government had no strategy or public targets for reducing statutory homelessness.

The report concluded that the department would not be able to demonstrate it was delivering optimal value for money from its efforts to tackle homelessness until there was a strategy and public targets, key programmes on housing supply were being delivered, and short-term and fragmented funding was addressed. The current government has: committed to publish a cross-government Homelessness Strategy; increased funding by £233 million in 2025-26 (taking total spend to £1 billion); and consolidated funding streams in 2025-26, alongside setting out plans for further funding consolidation as part of a three-year settlement to local government from 2026-27. The government has also confirmed £39 billion for a successor to the Affordable Homes Programme, representing the biggest boost to social and affordable housing investment in a generation.

- **Dangerous cladding: the government's remediation portfolio:** On 14 June 2017, a fire broke out at Grenfell Tower and resulted in the deaths of 72 people. The subsequent inquiry found that the presence of aluminium composite material (ACM) cladding had played a significant role in the spread of the fire. MHCLG is the main government department responsible for building safety and is leading the government's activity to support the remediation of unsafe buildings.

  MHCLG does not fix buildings directly but has introduced programmes to help fund, oversee and monitor cladding remediation by building owners and developers. It also supports enforcement activity to compel owners and developers to remediate.

  This report assessed whether MHCLG's remediation portfolio in England is completing timely remediation of unsafe cladding at a reasonable cost to the taxpayer. It examined: how well MHCLG has designed its portfolio to maximise the identification and remediation of unsafe buildings; whether remediation is progressing as expected; and how well MHCLG is managing taxpayers' exposure to remediation costs across the lifetime of the portfolio

The report concluded that, seven years on from the Grenfell Tower fire, there has been progress, with remediation works on most tower blocks over 18 metres with the most dangerous form of cladding now complete or nearing completion. Of the 9,000 to 12,000 buildings over 11 metres that MHCLG estimates will need remediating, 4,771 buildings have been identified and included in its portfolio, leaving up to 60% of affected buildings still to be identified. Of all the buildings that may be in scope, work has completed on only 12–16%. To remain within its £5.1 billion cap in the long run, MHCLG needs to ensure that it can recoup any funds it spends above this through successful implementation of the proposed Building Safety Levy. As such, there remains considerable uncertainty about the number of buildings needing remediation, the cost of remediating them, and how long it will take to fix them and to recoup spending in the long run.

- **Local government financial sustainability:** This report focused on MHCLG as the department responsible for the framework within which local authorities operate. By examining the current finance system and context for local government finances, the NAO's aim was to help inform MHCLG's consideration of future local government funding and service reforms.

The report considered the context of local government finances in 2024, service and financial pressures and the government's approach to local government financial sustainability.

It concluded that funding for local government has increased in recent years, reversing the downward trend of the previous decade. However, the report also noted that while local government's core spending power has grown by 4% in real terms between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support. Some services are showing the strain and more local authorities are requesting financial support.

The report highlighted that in Autumn 2024, following repeated delays, the government committed to a set of reforms aimed at returning the local government sector to a sustainable position over the medium term, alongside the announcement of a return to multi-year finance settlements for local government in 2026-27.

The NAO went on to outline that, as government turns its attention to local government reforms, it is essential that this is part of a whole-system, cross-government approach to ensure local authorities are financially sustainable and can continue to provide essential services.

- **Departmental Overview 2024-25:** This overview was produced to provide an introduction to MHCLG and the NAO's examination of the department's spending and performance. It is intended to support the Housing, Communities and Local Government Committee and Members across the House in their examination of MHCLG.

  The studies and recommendations 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:

- Tackling homelessness (2 December 2024)
- Whole of Government Accounts 2022-23 (23 January 2025)
- The Remediation of Dangerous Cladding (3 February 2025)
- Tackling Violence against Women and Girls (17 March 2025)

Details of the PAC reports are 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

HCLG Select Committee

At the end of 2024-25, the HCLG Select Committee had five current inquiries, as follows:

- Children in temporary accommodation, opened 31 October 2024. Report published 3 April 2025
- Rough sleeping, opened 6 November 2024
- The funding and sustainability of local government finance, opened 11 December 2024
- Delivering 1.5 million new homes: land value capture, opened 22 January 2025
- Grenfell and building safety, opened 4 March 2025

Governance Assurance Process

As part of the department's annual reporting cycle, MHCLG completes an internal governance assurance exercise. This considers the extent to which the department implemented effective arrangements for governance, assurance and internal control during the last financial year, to ensure we are able to deliver our strategic objectives, manage and mitigate risks, and safeguard departmental assets and expenditure. The exercise does not scrutinise the department's policies, for which ministers are accountable.

The 2024-25 Governance Assurance Review ran from February to March 2025. Directors General, directors and teams provided evidenced assessments of the effectiveness of arrangements implemented within their areas, across nine core areas of control (mapped against the categories established in the Risk Control Framework in the Orange Book), via both a desk-based commission and a series of structured interviews. A final consolidated report, summarising the conclusions of the Review and recommended actions for 2025-26 was shared with the Principal Accounting Officer, Audit and Risk Assurance Committee (ARAC) and Internal and External Audit agencies for scrutiny and challenge in April. The process was validated by the Government Internal Audit Agency (GIAA) as part of their audit of departmental second-line assurance.

Overall, the process concluded that there is appropriate confidence that MHCLG implemented adequate structures, processes and controls during 2024-25, to identify and treat potential issues, risks and failures before they were able to materialise fully. The summary report and associated actions log, identifying targeted improvements for the 2025-26 financial year, were reviewed and approved by the ARAC. The Committee will continue to provide independent oversight of MHCLG's framework of governance, assurance and control, including a particular focus on departmental risk and appropriate support for internal and external Audit activity.

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, MHCLG continues to operate a sound system of governance, assurance, and internal control that is commensurate with the scale and complexity of our organisation and objectives. The department will continue to embed a programme of continuous improvements during the coming year, including actions to strengthen internal risk management processes and further consolidate our executive and portfolio governance.

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 http://civilservicecommission.independent.gov.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: https://www.gov.uk/government/organisations/office-for-the-pay-review-bodies.

Remuneration (including salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board Members) of the department who have been in post at some point in the current or prior year.

No benefits in kind were received by any minister or official named in the tables below in 2024-25 or 2023-24.

Ministers	Salary £		Full year Equivalent Salary if different £		Pension benefits[1] £ (to nearest £1,000)		Severance Pay £		Total remuneration £ (to nearest £1,000)	
Single total figure of remuneration (subject to audit)										
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
The Rt Hon Angela Rayner MP Appointed 05 July 2024	49,903	–	67,505	–	13,000	–	–	–	63,000	–
Matthew Pennycook MP Appointed 06 July 2024	23,334	–	31,680	–	6,000	–	–	–	29,000	–
Jim McMahon MP Appointed 06 July 2024	23,334	–	31,680	–	6,000	–	–	–	29,000	–
Alex Norris MP Appointed 09 July 2024	16,300	–	22,375	–	4,000	–	–	–	21,000	–
Rushanara Ali MP Appointed 09 July 2024	16,300	–	22,375	–	4,000	–	–	–	21,000	–
Lord Wajid Khan Appointed 09 July 2024	78,193	–	107,335	–	13,000	–	–	–	92,000	–
Baroness Sharon Taylor Appointed 09 July 2024[2]	–	–	–	–	–	–	–	–	–	–
The Rt Hon Michael Gove MP (Left 05 July 2024)	17,784	67,505	67,505	–	4,000	18,000	16,876	–	39,000	86,000
Felicity Buchan MP (Left 05 July 2024)	5,894	22,375	22,375	–	1,000	6,000	5,593	–	13,000	28,000
Baroness Jane Scott (Left 05 July 2024)	28,276	107,335	107,335	–	–	–	–	–	28,000	107,000
Lee Rowley MP (Left 05 July 2024)	8,346	25,942	31,680	31,680	2,000	7,000	7,920	–	18,000	33,000
Jacob Young MP (Left 05 July 2024)	5,894	11,348	22,375	22,375	1,000	3,000	5,593	–	13,000	14,000
Simon Hoare MP (Left 05 July 2024)	5,894	8,577	22,375	22,375	1,000	2,000	5,593	–	13,000	11,000

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)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Baroness Joanna Penn (Left 05 July 2024)	29,767	24,664	70,969	74,999	4,000	8,000	17,742	–	52,000	33,000
Baroness Kay Swinburne (Left 05 July 2024)	28,276	8,656	107,335	107,335	–	1,000	17,742	–	47,000	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.

(2) Baroness Taylor drew no salary from the department during 2024-25.

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	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Sarah Healey Permanent Secretary	190–195	180–185	–	–	15–20	15–20	–	–	107,000	59,000	315–320	255–260
Kate O'Neill Director, Strategy and Private Offices (Left 20 September 2024)	50–55	100–105	100–105	–	0–5	–	–	–	34,000	41,000	90–95	140–145
Matt Thurstan Director General, Chief Financial Officer and Corporate	180–185	170–175	–	–	10–15	15–20	–	–	103,000	74,000	295–300	260–265
Catherine Frances Director General, Local Government, Resilience and Communities (Left 06 January 2025)	110–115	140–145	150–155	–	10–15	0–5	–	–	53,000	45,000	180–185	185–190

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	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Richard Goodman Director General Safer & Greener Buildings (Left 09 March 2025)	135–140	135–140	140–145	–	5–10	0–5	–	–	53,000	53,000	190–195	190–195
Will Garton Director General, Local Government, Growth and Communities	140–145	130–135	–	–	10–15	0–5	–	–	93,000	56,000	250–255	190–195
Brendan Threlfall Director General, Strategy and Communications	135–140	125–130	–	–	5–10	10–15	–	–	70,000	50,000	210–215	185–190
Jo Key Director General, Regeneration, Housing & Planning (Appointed 30 August 2023)	135–140	70–75	–	125–130	5–10	0–5	–	–	160,000	125,000	300–305	200–205

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	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Jo Rodrigues Director of People Capability and Change	70–75	60–65	105–110	100–105	–	0–5	–	–	60,000	27,000	130–135	90–95
Claire Metcalfe Director of People Capability and Change	65–70	20–25	105–110	95–100	–	–	–	–	27,000	9,000	95–100	30–35
Manuela Solera-Deuchar Director of Finance	100–105	90–95	110–115	105–110	10–15	0–5	–	–	42,000	74,000	155–160	170-175
Alexandra Burns Director, Strategy and Private Offices (Appointed 28 October 2024)	45–50	–	95–100	–	0–5	–	–	–	20,000	–	65–70	–
Nick Coligan Director of Communications (Appointed 15 April 2024)	90–95	–	95–100	–	0–5	–	–	–	39,000	–	135–140	–

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	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Ray Tang Director of Communications (Appointed 04 September 2023, left 12 April 2024)	0–5	60–65	90–95	90–95	–	5–10	–	–	4,000	130,000	5–10	200–205

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

(2) The salary disclosed for Kate O'Neill is up to 20 September 2024, when she commenced maternity leave.

(3) Jo Rodrigues and Claire Metcalfe job share as Directors of People Capability and Change.

(4) Manuela Solera-Deuchar is 0.9 FTE.

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):

Non-Executive Directors	Fees (£)	
	2024-25	2023-24
Mo Baines (lead) (Appointed 21 October 2024)	3,936	-
Alison Nimmo (Left 7 July 2024)	12,050	20,000
Gary Porter (Left 7 July 2024)	9,038	15,000
Jeffrey Dodds (Left 7 July 2024)	9,038	15,000
Tom Taylor (Left 7 July 2024)	12,050	15,522

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 £91,346 (from 1 April 2024) 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 2024-25 relate to performance in 2023-24 and the comparative bonuses reported for 2023-24 relate to the performance in 2022-2023.

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 2024-25 was £205,000 – £210,000 (2023-24: Permanent Secretary, £200,000 – £205,000). This was 3.8 times (2023-24: 3.5 times) the median remuneration of the workforce, which was £54,531 (2023-24: £51,432). 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. The salary of the department's Permanent Secretary increased by 5% in 2024-25, with her bonus remaining the same as the prior year. By comparison, the average change in salary for employees as a whole was an increase of 6%, with the average bonus paid to staff at delegate grades (AO to G6) decreasing by 2.3%.

Remuneration of employees ranged from £20,000–£25,000 to £205,000 to £210,000 (2023-24: £20,000 – £25,000 to £200,000 – £205,000). 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 2024-25 has increased by £3,099 compared to the 2023-24 median salary.

In 2024-25, no employees (2023-24: no employees) received remuneration in excess of the highest-paid board member.

Pay Multiples	2024-25	2023-24
Band of highest paid board member's total remuneration	205-210	200-205
Median remuneration of the workforce	54,531	51,432
Ratio	3.8	3.5
75% Percentile Remuneration	62,469	60,808
Ratio	3.3	3.0
25% Percentile Remuneration	40,669	38,732
Ratio	5.1	4.7
Lowest paid individual	22,360	20,732

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 2024-25 reporting year:

	Accrued pension at age 65 as at 31/03/25	Real increase in pension at age 65	CETV(1) at 31/03/25	CETV(1) at 31/03/24	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
The Rt Hon Angela Rayner MP	0–5	0-2.5	12	–	7
Matthew Pennycook MP	0–5	0-2.5	6	–	3
Jim McMahon MP	0–5	0-2.5	6	–	3
Alex Norris MP	0–5	0-2.5	4	–	2
Rushanara Ali MP	0–5	0-2.5	5	–	3
Lord Wajid Khan	0–5	0-2.5	13	–	7
Baroness Jane Taylor	–	–	–	–	–
The Rt Hon Michael Gove MP	20–25	0-2.5	400	393	3
Felicity Buchan MP	0–5	0-2.5	12	11	1
Baroness Jane Scott	–	–	–	–	–
Lee Rowley MP	0–5	0-2.5	16	14	1
Jacob Young MP	0–5	0-2.5	7	6	–
Simon Hoare MP	0–5	0-2.5	4	3	1
Baroness Joanna Penn	5–10	0-2.5	71	67	2
Baroness Kay Swinburne	–	–	–	–	–
(1) CETV stands for Cash Equivalent Transfer Value.					

Ministerial pensions

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

CETV Figures

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2024-25 CETV figures.

Officials' Pension Benefits (subject to audit)

The tables below shows the PCSPS and CSOPS pension benefits accrued by officials who have served as board members of the department during the 2024-25 and 2023-24 reporting years.

	Accrued pension at pension age as at 31/03/25 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/25	CETV at 31/03/24	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sarah Healey	55 – 60 plus a lump sum of 135 – 140	5 – 7.5 plus a lump sum of 2.5 – 5	1,191	1,057	78
Kate O'Neill	35 – 40	0 – 2.5	581	549	22
Matt Thurstan	65 – 70	5 – 7.5	1,066	933	70
Catherine Frances	20 – 25 plus a lump sum of 10 – 15	2.5 – 5 plus a lump sum of 0 – 2.5	418	356	42
Richard Goodman	25 – 30	2.5 – 5	353	292	27
Will Garton	45–50	5–7.5	802	703	63
Brendan Threlfall	30–35	2.5–5	438	484	36
Jo Key	45 – 50 plus a lump sum of 115 – 120	7.5 – 10 plus a lump sum of 12.5 – 15	1,028	842	144
Jo Rodrigues	35 – 40 plus a lump sum of 90 – 95	2.5 – 5 plus a lump sum of 2.5 – 5	720	646	46
Claire Metcalfe	0–5	0–2.5	25	6	14
Manuela Solera-Deuchar	25–30	0–2.5	373	320	21
Alexandra Burns	20–25	0–2.5	220	208	9
Nick Colligan	20–25	0–2.5	265	229	22
Ray Tang	35–40	0–2.5	699	692	4

	Accrued pension at pension age as at 31/03/24 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/24	CETV at 31/03/23	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sarah Healey	50 – 55 plus a lump sum of 130 – 135	2.5 – 5 plus a lump sum of 0	1,057	930	33
Kate O'Neill	30 – 35	0 – 2.5	549	479	22
Matt Thurstan	60 – 65	2.5 – 5	933	800	44
Emran Mian	30 – 35	2.5 – 5	551	489	40
Catherine Frances	15 – 20 plus a lump sum of 10 – 15	2.5 – 5 plus a lump sum of 0	356	284	35
Richard Goodman	20 – 25	2.5 – 5	292	230	26
Will Garton	40 – 45	2.5 – 5	703	610	31
Simon Claydon	45 – 50 plus a lump sum of 120 – 125	0 – 2.5 plus a lump sum of 0	978	939	31
Brendan Threlfall	35 – 40	2.5 – 5	484	404	24
Jo Key	35 – 40 plus a lump sum of 100 – 105	5 – 7.5 plus a lump sum of 10 – 12.5	842	667	110
Jo Rodrigues	30 – 35 plus a lump sum of 85 – 90	0 – 2.5 plus a lump sum of 0 – 2.5	646	579	16
Claire Metcalfe	0 – 5	0 – 2.5	6	–	5
Manuela Solera-Deuchar	25 – 30	2.5 – 5	320	266	42
Ray Tang	35 – 40	5 – 7.5	692	554	115
Sharon Sawers	40 – 45	0 – 2.5	786	689	35

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

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

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Compensation for Loss of Office (subject to audit)

Following the General Election in July 2024, outgoing Ministers received compensation for loss of office in line with Cabinet Office guidance.

Please refer to the ministers' single total figure of remuneration table above.

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.

			2024-25	2023-24			2024-25	2023-24
				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
£25,000 – £50,000	–	–	–	–	–	–	–	3
£50,000 – £100,000	–	–	–	1	–	–	–	3
£100,000 – £150,000	–	–	–	–	–	–	–	1
£150,000 – £200,000	–	–	–	–	–	–	–	–
£200,001 onwards	–	–	–	–	–	–	–	–
Total number of exit packages	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**8**
			£'000	£'000			£'000	£'000
Total cost	–	–	–	**96**	**–**	**–**	**–**	**474**

Staff Report

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

Summary

Throughout a year of significant change in 2024-25, our aim was to ensure we had the right skills and knowledge in place to support and enable delivery of the department's business priorities. Our people objectives focused on providing high-quality, consistent people services; providing an inclusive employee experience that enabled and motivated people to deliver for the department; delivering our various strategies on workforce, capacity and capability; and supporting change by ensuring our managers and leaders were equipped with the right support and skills. A summary of the key areas of people-focused activity is set out in the report below.

Workforce Planning and Resourcing

The department's civil servant workforce grew to around 3,910 full-time equivalent (FTE) staff by the end of 2024-25, which reflected an increase of c.290 FTE over the 12-month period. This growth was prominently to support the delivery of this government's housing priorities, including leasehold reform, the Affordable Homes Programme and our work on planning reform, whilst also facilitating our wider work on local government.

The department filled c.700 roles through external appointments during 2024-25 in support of both new priorities and to replace staff lost through natural turnover. Our focus was on filling critical roles in our key policy teams, supporting the department's increased legislative requirements (i.e. delivering four Government Bills, including the complex Leasehold and Freehold Reform Bill, and a large secondary legislation programme) and continuing to invest in our in-house Digital capability, reducing our dependence on external suppliers.

Staff turnover has reduced over the last 12 months from 16.5% at the end of 2023-24 to 12.6% at the end of 2024-25. Whilst a modest reduction is helpful, bringing us closer to the Civil Service average and demonstrating a more stable workforce with fewer people leaving, this could have an impact on our ability to deliver on future workforce plans.

Innovation and Continuous Improvement

The department is committed to enabling delivery through high quality and cost-effective Human Resources (HR) services. In 2024-25, we have introduced further automation and improvement to improve and join up corporate processes to ensure that colleagues in the department are enabled to deliver. Building on the success of delivering the new core HR system "Employee Central", this year has seen MHCLG capitalise on this opportunity by making rapid and continued improvements to the functionality available to colleagues and managers (for example, automating standard letters and contracts, capturing security clearance information).

We have also transformed our approach to how we bring new starters into the department by changing the way we verify employment history and identify checks through introducing Identification Verification Technology (IDVT). We have further introduced single sign on for payslips, making it even easier for colleagues to access with one click.

MHCLG is committed to delivering innovative recruitment approaches to target underrepresented groups. In 2024-25, MHCLG launched a brand-new Civil Service Masterclass scheme under the cross-government Going Forward into Employment (GFiE) initiative, focused on enhancing social mobility for MHCLG and the wider Civil Service within the Liverpool City region, Greater Manchester, County Durham and Darlington locations. The department delivered five masterclasses in the first year. 103 individuals who identified as being from a lower socio-economic background were offered roles, with a median time-to-hire of 12 calendar days.

This year has also seen the introduction of a new Learning Management System (LMS) to deliver a mix of in-person, live-virtual, and on-demand learning opportunities to enhance capability. This included line management capability and security training. The LMS tool will make learning more user-friendly, tailored and accessible for all staff, ensuring both that staff can access the learning they need and that line managers are equipped to lead teams effectively and consistently.

Places for Growth

We have continued to increase and develop our workforce presence across the UK, with 45% of employees located outside London at the end of March 2025, compared to 23% in March 2020. This represents a 3% increase in the last 12 months. In November 2024 we announced our future workforce location strategy which includes the development of five larger offices in London, Wolverhampton (our second HQ), Darlington, Manchester and Bristol and a continued office presence in every English region and in each UK nation.

As part of our long-term strategy, we announced we would close six offices in Newcastle, Sheffield, Warrington, Birmingham, Exeter and Truro in the period up to December 2026. There will be no redundancies as a result of these changes, and we are working with the individuals affected to agree new working arrangements which will enable staff to continue working effectively in their roles. These changes will enable the department to embed its increased presence across the UK, make improvements to the quality of several offices, ensure more teams and individuals are working together, provide more consistent career opportunities outside London and ensure accessible senior leadership.

Capability

Work has progressed against the delivery of the department's capability priorities, with a particular focus on three core priorities:

1. creation of a learning offer for everyone which builds the skills and knowledge we need to deliver on MHCLG's priorities.
2. delivery of a leadership development offer, and a commitment to the capability of our line managers to deliver high-performing, inclusive, lifelong-learning teams.
3. the delivery of a new digital learning interface to ensure everyone can access the learning they need and get the most from the time they invest in growing their skills and knowledge.

In support of these priorities, this year has seen the refresh of our Brilliant Line Managers programme. We have also developed a peer-learning model comprising "Managers Teaching Managers" and "Leaders Teaching Leaders" sessions where managers and Senior Civil Servants have shared their experience and good practice on topics such as change management, building effective relationships and systems leadership. In addition to this, we have also provided individual executive coaching sessions to 51 Senior Civil Servants to support them in their role. Our 2024 People Survey "learning and development" and "my manager" scores both exceeded

Civil Service benchmarks and our efforts to enhance consistency of Line Management experience will continue with the launch of a new Line Management Pathway learning offer via the LMS in 2025-26.

We also delivered Disability Confident workshops to over 400 colleagues to foster an environment where everyone feels respected and valued. We used opportunities such as National Learning at Work Week to engage more of the department in opportunities available to them. This year, 105 MHCLG staff started apprenticeships, and two new apprenticeship programmes were added to our existing portfolio around Women in Technology and the Data Professional HR Pathway. The department has also continued to invest in the Fast Stream graduate scheme to foster the skills and leadership pipeline of the future; brought in new interns across a range of internship schemes (the *Civil Service Summer Internship* programme, the *Autism Exchange Internship* programme, and the *Change 100* programme); and continued to participate in the *Going Forward into Employment* schemes (for Care Leavers and Prison Leavers).

Diversity & Inclusion

Diversity and inclusion (D&I) continued to be a priority for the department in 2024-25. Our D&I strategy and plan are aimed to build diversity and inclusion in the workforce, ensuring we discharge our responsibilities within the Public Sector Equality Duty. We are delivering this through our three strategic aims which were “bring in", "bring on" and "inclusion" – including developing diverse talent and on building a fully inclusive culture.

Our aim through our strategy is to build a workforce that is representative of the people we serve in the fullest sense, encompassing different socio-economic backgrounds, geographical locations and diverse characteristics. In particular, we want to create a department that attracts and retains great talent and ensures that everyone is motivated and enabled to deliver the best possible performance for the department free from bullying, harassment and discrimination.

We use the Economically Active Population as our benchmark and over the last 12 months have seen representation rates improve for staff who are disabled, LGB+, and aged 50-64. We have also seen improvements for Senior Civil Servants who are LGB+, aged 50-64 and from a lower socio-economic background (the latter improving by 2.6 percentage points). Representation of ethnic minority staff and staff from a lower socio-economic background across the whole organisation remained fairly static over the 12 months.

A key achievement was MHCLG's gender pay gap which recorded a 0% pay gap for our core department (excluding agencies) for the first time ever. The Group (MHCLG core department and the Planning Inspectorate) has a mean pay gap of 2.5% and a median gap of 9.5%. Both gaps have decreased since the reporting exercise in 2023.

We continue to prioritise, and have 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. The Civil Service People Survey 2024 saw us record one of the lowest rates in the Civil Service of those who had experienced discrimination (7% unchanged compared to 2023). The same outcome was seen for those who say they had experienced bullying and or harassment (7% and also unchanged compared to 2023).

Employee Experience

Over the course of the year, we have worked to embed our Employee Experience Strategy (EES), which launched at the end of 2023-24. This sets out our ambition to be a great place to work and launched our 'Bold, Brilliant and One' ethos. To bring this to life and deliver on promises made in the strategy we have engaged widely on what Bold, Brilliant and One means for people, used communications campaigns to embed these values as core elements of our day to day working and made specific improvements to parts of the employee lifecycle to improve everyone's experience. The most significant project this year was the introduction of an online, self-serve induction process which provides bite-size and interactive learning modules for all new starters. We brought the year's work on EES to an end with very visible 'One Year of Bold, Brilliant and One' campaign in February.

We have also focused this year on developing communities throughout MHCLG, paying particular attention to colleagues in offices outside of London. To improve engagement and connection in these offices, and ensure some consistency of offer, we appointed senior leadership champions within each office who have responsibility to help drive engagement, with support from the central team. We are continuing to mature this model, but it is so far proving a successful initiative. In addition to this we hosted a People Event in June 2024 which put a spotlight on our regions and celebrated the achievements of colleagues through our People Awards.

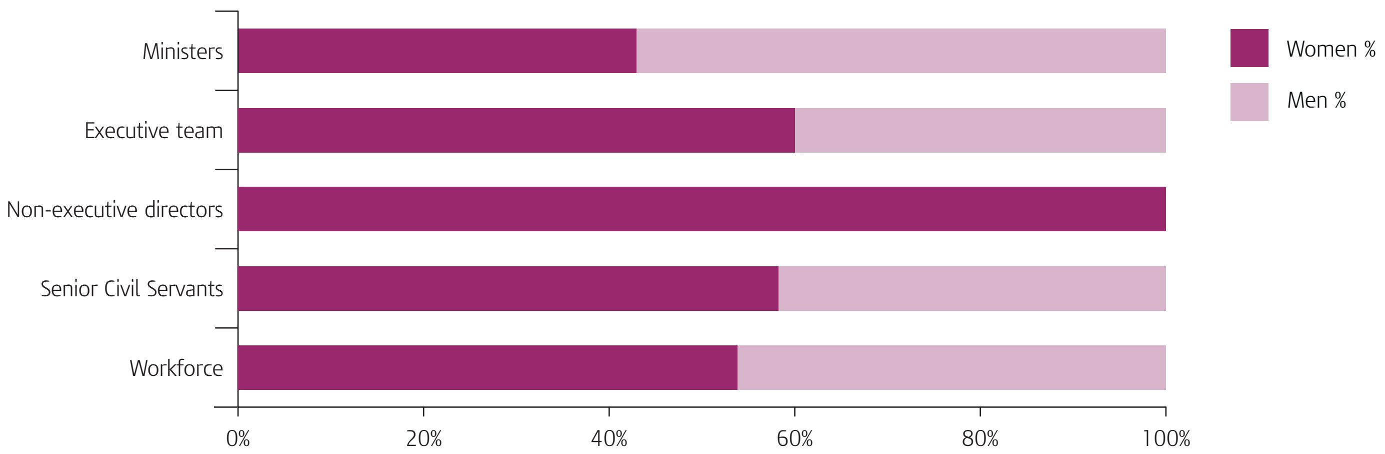
Our 2024 people survey results demonstrate that we are making positive progress, with our overall engagement score rising by 2% from 2023, to 64% (based on a response rate of 87%).

Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In November 2024 we published data on our gender pay gap in line with other employers . The MHCLG Group gender pay gap data for 31 March 2025 will be published in November 2025 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 2025



Health and Safety Management

The department's safety performance has remained consistent and diligent during 2024-25. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2023-24 or 2024-25. No accidents and one "near miss" were reported by employees in 2024-25, against two accidents in 2023-24. Working with facilities management colleagues, mitigations have now been put in place for the one near miss.

Average Working Days Lost (AWDL)		
	Jan – Dec 2024	Jan – Dec 2023
Core Department	5.6	5.0
Executive Agency	8.8	5.9

Staff with no sickness absence		
	Jan – Dec 2024	Jan – Dec 2023
Core Department	58%	63%
Executive Agency	41%	56%

Trade Union Facility time

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

Relevant union officials	
Number of employees who were relevant union officials during 1 April 2024 – 31 March 2025	**Full-time equivalent employee number**
	44

Percentage of time spent on facility time	
Percentage of time	**Number of employees**
0%	5
1-50%	39
51%-99%	–
100%	–

Percentage of pay bill spent on facility time	
	Figures
Total cost of facility time	£225,803
Total pay bill	£331,971,000
Percentage of the total pay bill spent on facility time	0.07%

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

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

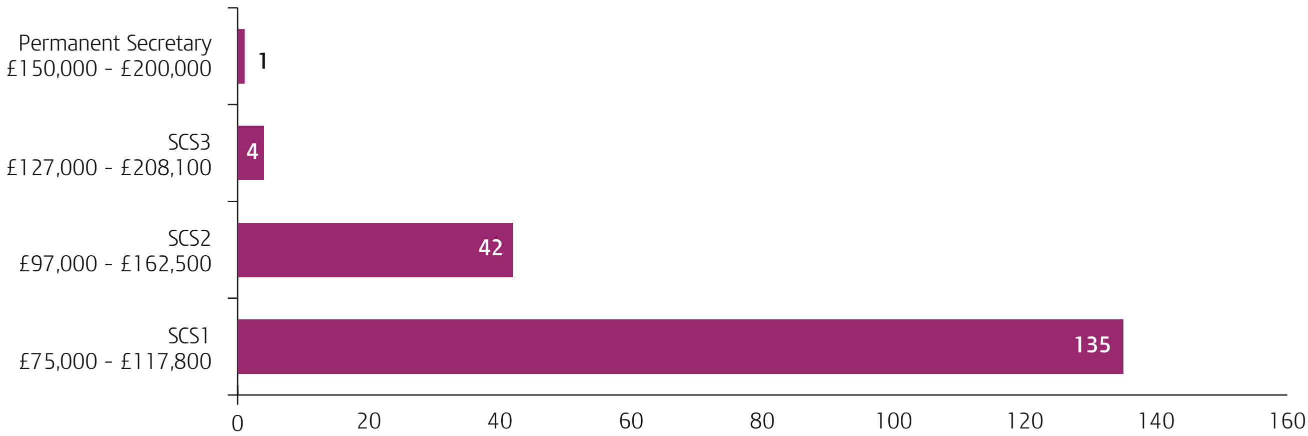
Staff Turnover Percentage

Staff turnover for the department for 2024-25 was 12.6% (2023-24: 16.5%), 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 2025 there were 182 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 2025



The bandings on this chart are based on SCS pay ranges for 2024-25 and are not an indication of the actual salaries paid to our SCS during the financial year.

Staff numbers and related costs

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 (subject to audit)

					£'000
				2024-25	2023-24
	Permanently Employed Staff	Others	Ministers	Total	Total
Wages & Salaries	342,782	19,708	399	362,889	342,973
Social Security Costs	43,960	–	38	43,998	38,764
Pension Costs	86,539	–	–	86,539	79,525
Other	973	–	–	973	15
Total Costs	**474,254**	**19,708**	**437**	**494,399**	**461,277**
Less Recoveries in respect of outward secondments	(2,570)	–	–	(2,570)	(2,638)
Total Net Costs	**471,684**	**19,708**	**437**	**491,829**	**458,639**
Of which:					
Core Department	260,920	7,050	437	268,407	243,062
Agency	63,121	359	–	63,480	58,641
Designated Bodies	150,213	12,299	–	162,512	159,574

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 (subject to audit)

					2024-25	2023-24
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	3,620	363	7	5	3,995	3,523
Agency	890	4	–	–	894	853
Designated Bodies	2,389	225	–	–	2,614	2,420
Total	**6,899**	**592**	**7**	**5**	**7,503**	**6,796**

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 2025 to ensure consistency of reporting with other government departments.

The growth in core department staff numbers was predominantly to support the delivery of this Government's housing priorities, including leasehold reform, the Affordable Homes Programme and our work on planning reform, whilst also facilitating our wider work on local government.

The average number of Special Advisors was 5.

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	–	–	–
Executive/Higher Executive Officers	–	–	–
Senior Executive Officers	–	1	1
Grade 7/6	–	6	6
Senior Civil Service	–	–	–
Total secondments	**–**	**7**	**7**

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

Expenditure on Consultancy and Temporary Staff

	2024-25	2023-24	2022-23	2021-22
	£000	£000	£000	£000
Cost of Contingent Labour				
Core Department	7,674	6,808	8,024	7,702
Executive Agency	1,996	2,940	3,303	1,872
NDPBs	15,317	24,195	21,335	16,113
Total	**24,987**	**33,943**	**32,661**	**25,687**
Cost of Consultancy				
Core Department	7,543	15,896	13,722	15,270
Executive Agency	77	57	10	–
NDPBs	–	334	923	1,483
Total	**7,620**	**16,287**	**14,655**	**16,753**
Overall Total	**32,607**	**50,230**	**47,316**	**42,440**

Contingent labour – the provision of workers to cover business-as-usual or service delivery activities within an organisation.

Consultancy – the provision to management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives.

Consultancy services supported programmes where specialist knowledge not held within the Department. 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.

Over the last year, the department has reduced the number of off-payroll engagements, reflecting its commitment to reducing our reliance on contingent labour. This reduction is linked to progress in building capability across key areas such as digital and data. While some specialist skills remain difficult to source from within the department or across the Civil Service due to ongoing market constraints and niche expertise requirements, overall reliance on contractors has declined. This shift has been supported by more targeted approaches to attracting and retaining individuals with the necessary expertise.

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 and scarce skills gaps.

Off-payroll engagements as of 31 March 2025, 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 2025	**36**	**19**	**96**
of which have existed for:			
less than one year at time of reporting	22	16	62
between one and two years at time of reporting	10	3	19
between two and three years at time of reporting	1	–	13
between three and four years at time of reporting	–	–	1
four years or more at time of reporting	3	–	1

All temporary off-payroll appointments engaged at any point during the year ended 31 March 2025 and earning at least £245 per day			
	Main Department	**Agency**	**ALBs**
No. of off-payroll workers engaged during the year ended 31 March 2025	**63**	**25**	**179**
Of which:			
Not subject to off-payroll legislation	–	–	162
No. determined as in-scope of IR35	43	25	4
No. determined as out-of-scope of IR35	20	–	13
No. of engagements reassessed for compliance or assurance purposes during the year	63	25	179
Of which:			
No. of engagements reassessed for consistency/ assurance purposes during the year	56	18	3
No. of engagements that saw a change to IR35 status following the consistency review	–	–	–

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025			
	Main Department	**Agency**	**ALBs**
No. of off-payroll engagements of board members, and/or senior official with significant financial responsibility, during the financial year	–	–	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	14	7	63

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.

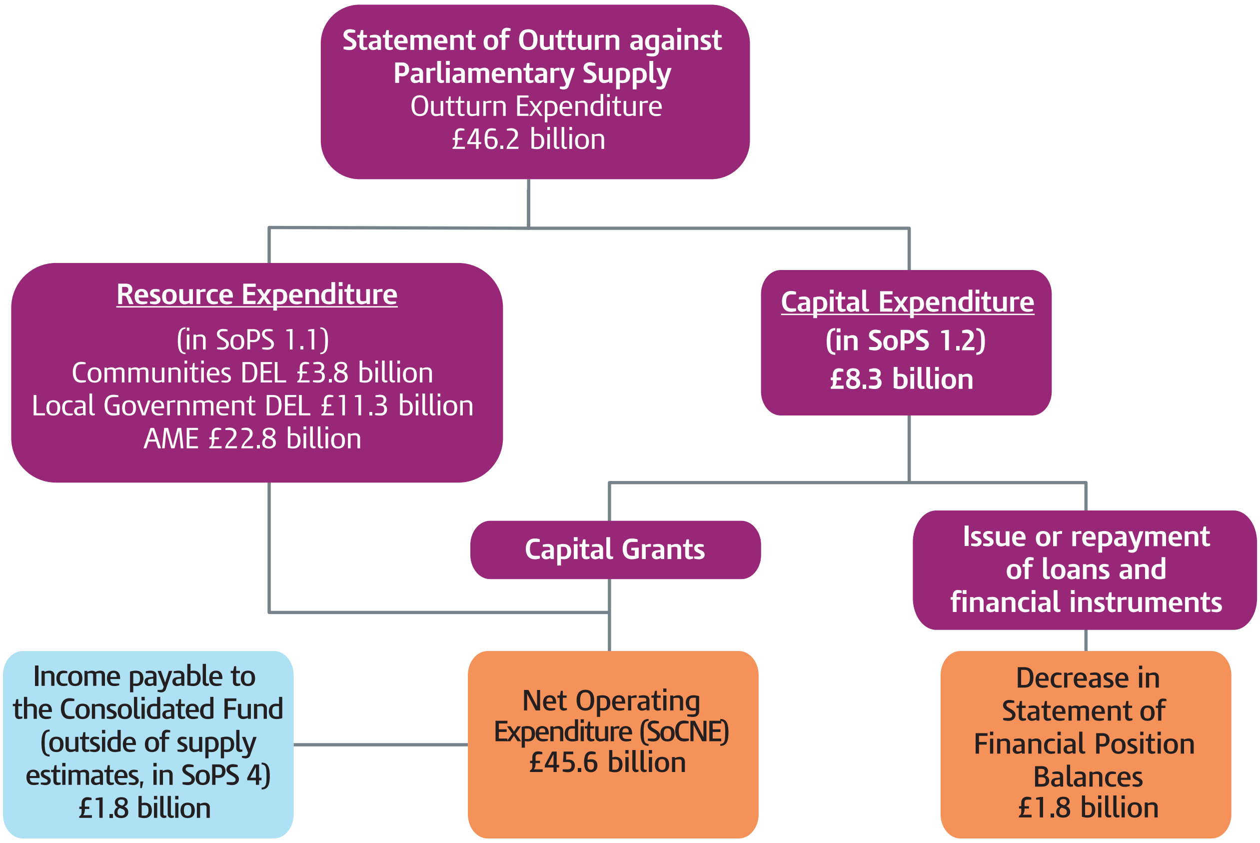
The department's spending is shown in two presentations in the Annual Report and Accounts.

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.

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.

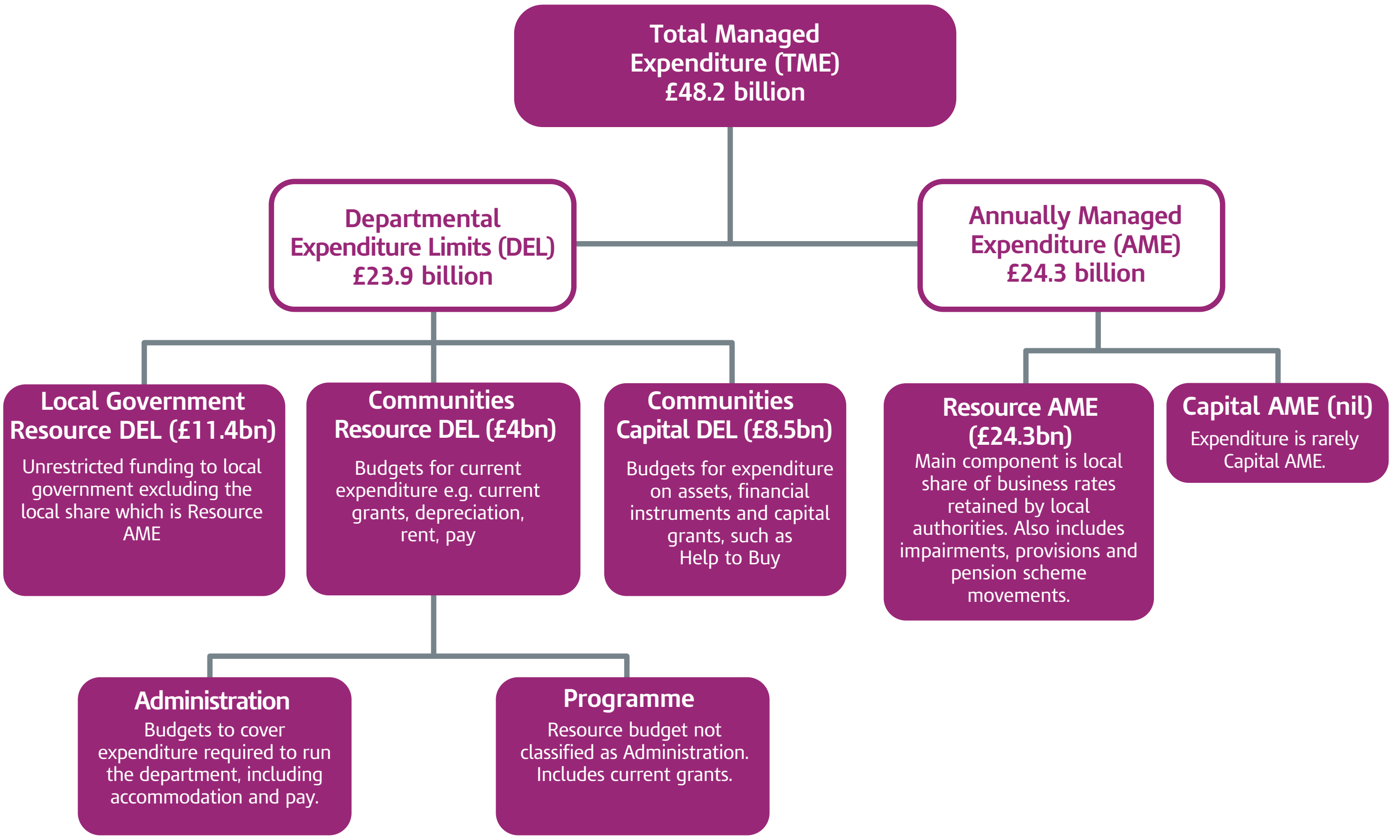
The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

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.



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 Decentralisation and Growth. 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 219 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 • Local Government Audit • Cambridge Op Cromwell • Grenfell Site and Programme
B: Housing and Planning	• Affordable Homes Programme • Homelessness • Building Safety Fund • New Homes Bonus • Rough Sleeping Delivery • Local Authority Housebuilding • Domestic Abuse • Planning Stewardship • Housing Infrastructure Fund
C: Local Growth and Devolution	• UK Shared Prosperity Fund • Levelling Up Fund • Towns Fund/Future High Streets Fund • Place Based Funding • Investment funds • Devo Deals • Brownfield, Infrastructure and Land Fund • Levelling Up Pathfinders • Freeports • Local Growth Fund
D: Elections, Union and Constitution	• Electoral Integrity Programme
F: Research, Data and Trading Funds	• Analysis and Data • European Regional Development Fund • Communications
G: Department Staff, Building and Infrastructure Cash (the majority is classified as administration expenditure)	• Staff Pay • Estates costs e.g. rent, rates, utilities
H: Local Government & Public Services (ALB)(Net)	• Expenditure of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE) – the majority of which is classified as Administration expenditure

Estimate Row	Main Expenditure Streams
I: Housing and Planning (ALB) (Net)	• Affordable Homes Programme • Existing Homes England Delivered Programmes • Brownfield, Infrastructure and Land Fund • Cladding Safety Scheme • Levelling Up Home Building Fund • Housing Supply & Markets Strategy and Policy
J: Elections	• Elections and Registration
Local Government DEL Estimate Rows	
K: Revenue Support Grant	• Central government funding provided to support local government services
L: Other Grants and Payments	• Business rates reliefs • Social Care grants (including improved Better Care Fund) • Other grants to support the local government finance settlement
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
T: Housing & Planning (ALB) (Net)	• Impairments and revaluations
P: Local Growth and Devolution	• Impairments and revaluations
Q: MHCLG Staff, Building and Infrastructure Costs	• Expenditure by the core department on creation and release/utilisation of provisions
R: Non-Domestic Rates Outturn Adjustment	• Expenditure relating to year-end adjustments for business rates retention outturn
S: Local Government & Public Services (ALB)(Net)	• Expenditure on pensions by the VTS and the CLAE
U: Business Rates Retention	• Includes the local share of business rates collected and retained by local authorities as well as 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 196 onwards and in the Our Expenditure section of the performance report on page 54. 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.[17]

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

17 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2024-to-2025

Summary of Resource and Capital Outturn

										£'000
									2024-25	2023-24
		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	**3,488,385**	**275,100**	3,763,485	**4,031,388**	**325,611**	4,356,999	**543,003**	593,514	3,022,455
Capital	SoPS1.2	**8,255,758**	**–**	8,255,758	**8,444,510**	**–**	8,444,510	**188,752**	188,752	6,844,410
Total		**11,744,143**	**275,100**	**12,019,243**	**12,475,898**	**325,611**	**12,801,509**	**731,755**	**782,266**	**9,866,865**
Departmental Expenditure Limit (DEL) – Local Government										
Resource	SoPS1.1	**11,329,864**	**–**	11,329,864	**11,356,109**	**–**	11,356,109	**26,245**	26,245	14,576,158
Capital	SoPS1.2	**–**	**–**	–	**–**	**–**	–	**–**	–	–
Total		**11,329,864**	**–**	**11,329,864**	**11,356,109**	**–**	**11,356,109**	**26,245**	**26,245**	**14,576,158**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**22,845,144**	**–**	22,845,144	**24,340,252**	**–**	24,340,252	**1,495,108**	1,495,108	16,250,960
Capital	SoPS1.2	**–**	**–**	–	**–**	**–**	–	**–**	–	–
Total		**22,845,144**	**–**	**22,845,144**	**24,340,252**	**–**	**24,340,252**	**1,495,108**	**1,495,108**	**16,250,960**

										£'000
									2024-25	2023-24
		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**
Total Budget										
Resource	SoPS1.1	**37,663,393**	**275,100**	37,938,493	**39,727,749**	**325,611**	40,053,360	**2,064,356**	2,114,867	33,849,573
Capital	SoPS1.2	**8,255,758**	–	8,255,758	**8,444,510**	–	8,444,510	**188,752**	188,752	6,844,410
Total Budget Expenditure		**45,919,151**	**275,100**	**46,194,251**	**48,172,259**	**325,611**	**48,497,870**	**2,253,108**	**2,303,619**	**40,693,983**
Total Budget and Non-Budget		**45,919,151**	**275,100**	**46,194,251**	**48,172,259**	**325,611**	**48,497,870**	**2,253,108**	**2,303,619**	**40,693,983**

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
				2024-25	2023-24
Item	**SoPS Note**	**Outturn**	**Estimate**	**Outturn vs. Estimate: saving/ (excess)**	**Prior Year Outturn**
Net Cash Requirement	3	**29,608,199**	**33,317,263**	**3,709,064**	**25,942,364**

Administration Costs

					£'000
				2024-25	2023-24
Type of spend	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/ (excess)	Prior Year Outturn
Administration Costs	1.1	**132,449**	**375,002**	**242,553**	**182,090**

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

Notes to the Statement of Outturn against Parliamentary Supply

SoPS 1. Outturn detail, by Estimate line

SoPS 1.1 Analysis of resource outturn by Estimate line

												£'000
											2024-25	2023-24
	Resource Outturn									Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme					Virements	Total inc. virements(2)		
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total				
Spending in Departmental Expenditure Limits (RDEL) – Housing and Communities												
Voted expenditure												
A Local Government & Public Services	–	–	–	346,982	(865)	346,117	346,117	342,568	2,969	345,537	(580)	200,276
B Housing and Planning	–	–	–	1,583,338	(33,009)	1,550,329	1,550,329	1,590,645		1,590,645	40,316	1,477,809
C Local Growth and Devolution	–	–	–	1,466,886	(102,142)	1,364,744	1,364,744	1,378,491	(3,486)	1,375,005	10,261	771,725
D Elections, Union and Constitution	–	–	–	45,238	(1)	45,237	45,237	48,985		48,985	3,748	29,731

												£'000
											2024-25	2023-24
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme					Virements	Total inc. virements[2]		
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total				
E Supporting Families	–	–	–	–	–	–	–	–		–	–	224,652
F Research, Data and Trading Funds	–	–	–	14,015	(365)	13,650	13,650	13,133	517	13,650	–	14,691
G Department Staff, Building and Infrastructure Costs	263,265	–	263,265	32,575	(2,648)	29,927	293,192	337,185		337,185	43,993	281,236
H Local Government & Public Services (ALB) (Net)[1]	18,039	–	18,039	–	–	–	18,039	18,145		18,145	106	16,891
I Housing and Planning (ALB) (Net)[1]	(148,855)	–	(148,855)	5,932	–	5,932	(142,923)	302,236		302,236	445,159	3,918
Total Voted DEL	**132,449**	**–**	**132,449**	**3,494,966**	**(139,030)**	**3,355,936**	**3,488,385**	**4,031,388**	**–**	**4,031,388**	**543,003**	**3,020,929**
Non-voted expenditure												
Returning Officers' expenses England, Wales and Scotland												
J Elections	–	–	–	275,924	(824)	275,100	275,100	325,611	–	325,611	50,511	1,526

												£'000
											2024-25	2023-24
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme					Virements	Total inc. virements[2]		
Type of Spend (Resource)	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**	**Total**	**Net Total**				
Total non-voted DEL	**–**	**–**	**–**	**275,924**	**(824)**	**275,100**	**275,100**	**325,611**	**–**	**325,611**	**50,511**	**1,526**
Total spending in RDEL – Housing and Communities	**132,449**	**–**	**132,449**	**3,770,890**	**(139,854)**	**3,631,036**	**3,763,485**	**4,356,999**	**–**	4,356,999	593,514	**3,022,455**

(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
											2024-25	2023-24
	Resource Outturn								Estimate		Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme					Virements	Total inc. virements[(2)]		
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total				
Spending in RDEL – Local Government												
Voted expenditure												
K Revenue Support Grant	–	–	–	2,117,964	–	2,117,964	2,117,964	2,117,964		2,117,964	–	1,905,436
L Other Grants and Payments	–	–	–	9,150,914	–	9,150,914	9,150,914	9,177,159		9,177,159	26,245	12,624,345
M Business Rates Retention	–	–	–	60,986	–	60,986	60,986	60,986	–	60,986	–	46,377
Total Spending in RDEL – Local Government	**–**	**–**	**–**	**11,329,864**	**–**	**11,329,864**	**11,329,864**	**11,356,109**	**–**	**11,356,109**	**26,245**	**14,576,158**
Total spending in RDEL	**132,449**	**–**	**132,449**	**15,100,754**	**(139,854)**	**14,960,900**	**15,093,349**	**15,713,108**	**–**	15,713,108	619,759	**17,598,613**

(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
											2024-25	2023-24
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn
	Administration			Programme					Virements	Total inc. virements[2]		
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total				Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
Other Grants and Payments	–	–	–	5,542,933	–	5,542,933	5,542,933	5,550,342	–	5,550,342	7,409	–
N Local Government and Public Services	–	–	–	(76,005)	–	(76,005)	(76,005)	50,393	(52,678)	(2,285)	73,720	66,327
O Housing and Planning	–	–	–	1,633	(15,734)	(14,101)	(14,101)	41,811	–	41,811	55,912	(64,919)
P Local Growth and Devolution	–	–	–	18,147	–	18,147	18,147	–	18,147	18,147	–	23,557
Q Department Staff, Building and Infrastructure Costs	–	–	–	34,381	–	34,381	34,381	(150)	34,531	34,381	–	18,117
R Non-Domestic Rates Outturn Adjustment	–	–	–	5,181	–	5,181	5,181	150,000	–	150,000	144,819	26,002

												£'000
											2024-25	2023-24
	Resource Outturn								Estimate		Outturn vs Estimate, saving/ (excess)	Prior Year Outturn
	Administration			Programme					Virements	Total inc. virements(2)		
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total				Total
S Local Government & Public Services (ALB) (Net)(1)	–	–	–	(63)	–	(63)	(63)	755	–	755	818	103
T Housing & Planning(ALB) (Net)1	–	–	–	(222,755)	–	(222,755)	(222,755)	901,745	–	901,745	1,124,500	332,961
U Business Rates Retention	–	–	–	20,504,064	(2,946,638)	17,557,426	17,557,426	17,645,356	–	17,645,356	87,930	15,848,812
Research, Data & Trading Funds												
Total spending in RAME	**–**	**–**	**–**	**25,807,516**	**(2,962,372)**	**22,845,144**	**22,845,144**	**24,340,252**	**–**	24,340,252	1,495,108	**16,250,960**
Total resource	**132,449**	**–**	**132,449**	**40,908,270**	**(3,102,226)**	**37,806,044**	**37,938,493**	**40,053,360**	**–**	40,053,360	2,114,867	**33,849,573**
TOTAL	**132,449**	**–**	**132,449**	**40,908,270**	**(3,102,226)**	**37,806,044**	**37,938,493**	**40,053,360**	**–**	**40,053,360**	**2,114,867**	**33,849,573**

(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
		2024-25							2023-24
		Outturn			Estimate				Outturn
	Type of spend (Capital)	Gross	Income	Net Total	Net Total	Virements	Total inc. virements	Outturn vs Estimate saving/ (excess)	Net
Spending in Departmental Expenditure Limit (CDEL) – Housing and Communities									
Voted expenditure									
A	Local Government & Public Services	147,373	–	147,373	152,869	–	152,869	5,496	55,639
B	Housing and Planning	2,189,675	(736,408)	1,453,267	1,569,588	(33,124)	1,569,588	116,321	2,188,697
C	Local Growth and Devolution	3,118,318	(248,479)	2,869,839	2,847,781	22,058	2,847,781	(22,058)	2,031,505
D	Elections, Union and Constitution	10,703	–	10,703	14,424	–	14,424	3,721	9,196
	Supporting Families	–	–	–	–	–	–	–	602
E	Research, Data & Trading Funds	11,128	(51)	11,077	14,339	–	14,339	3,262	11,546
F	Departmental Staff, Building and Infrastructure Costs	72,301	(22,665)	49,636	38,570	11,066	38,570	(11,066)	45,295
G	Departmental Unallocated Provision	182	–	182	250	–	250	68	697
H	Housing and Planning (ALB)(Net)	3,713,681	–	3,713,681	3,806,689	–	3,806,689	93,008	2,501,233
Total spending in CDEL – Housing andCommunities		**9,263,361**	**(1,007,603)**	**8,255,758**	**8,444,510**	**–**	**8,444,510**	**188,752**	**6,844,410**
Total spending in CAME		**–**	**–**	**–**	**–**	**–**		**–**	**–**
Total CDEL & CAME		**9,263,361**	**(1,007,603)**	**8,255,758**	**8,444,510**	**–**	**8,444,510**	**188,752**	**6,844,410**

(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.

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[18].

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.

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

SoPS 2 Reconciliation of outturn to net operating expenditure

				£'000
		SoPS Note	2024-25	2023-24
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	37,938,493	33,849,573
Add:	Capital grants		7,607,899	6,761,900
	Capital budget adjustments(1)		65,124	19,635
	Asset transfers		–	–
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(2,126)	(968)
	Prior Period Adjustment		–	–
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**45,609,390**	**40,630,140**

(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 for the year ended 31 March 2025

				£'000
				2024-25
	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
Total Resource Outturn	1.1	37,938,493	40,053,360	2,114,867
Total Capital Outturn	1.2	8,255,758	8,444,510	188,752
Adjustments to remove non-cash items:				
Depreciation and amortisation		(21,592)	(118,797)	(97,205)
Local Share (local authorities)				
New provisions and adjustments to previous provisions		58,477	(60,725)	(119,202)
Departmental Unallocated Provision		–	–	–
Supported capital expenditure (revenue)		–	–	–
Prior Period Adjustments		–	–	–
Other non-cash items		(14,499,344)	(16,351,522)	(1,852,178)
Adjustments for ALBs:				
Remove voted resource and capital		(3,368,035)	(5,029,820)	(1,661,785)
Add cash grant-in-aid		1,870,234	1,874,412	4,178
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		(250,362)	–	250,362
Increase/(decrease) in receivables		(792,345)	–	792,345
(Increase)/decrease in payables		685,445	4,821,674	4,136,229
Use of provisions and pension fund adjustments		11,344	9,782	(1,562)
Other Adjustments		(4,527)	–	4,527
Removal of non-voted budget items:				
Consolidated Fund Advance		–	–	–
Consolidated Fund Standing Services		(275,100)	(325,611)	(50,511)
Returning Officers' Expenses England and Wales		–	–	–
Net cash requirement		**29,608,446**	**33,317,263**	**3,708,817**

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]	2,126	*2,126*	968	*968*
Other amounts collectable on behalf of the Consolidated Fund[2]	1,787,968	*1,786,973*	1,336,756	*1,335,888*
Total amount payable to the Consolidated Fund	**1,790,094**	*1,789,099*	**1,337,724**	*1,336,856*

(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 380.

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 200 shows our 2024-25 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) – Housing and Communities				
G	MHCLG Staff, Building and Infrastructure Costs	293	337	-13%	Additional budget cover sought at Supplementary Estimates to cover an historic issue, but further investigation showed that the scale of the issue was far smaller than originally thought, leading to lower actual depreciation charge

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
I	Housing and Planning (ALB) (Net)	(143)	302	-147%	The variance is primarily driven by the Estimates budget being based on a ‘reasonable worst case’ approach. The outturn variance reflects the difference between this approach and the economic environment at the year-end
J	Elections	275	326	-16%	The variance is due to budget being based on the estimated costs of running the General Election and the Police & Crime Commissioners elections, with actual costs turning out lower than anticipated
	Resource Spending in Annually Managed Expenditure (RAME)				
N	Local Government and Public Services	(76)	50	-251%	The variance is linked to changes in provisions held for Grenfell Tower and the Audit Commission pension scheme
O	Housing and Planning	(14)	42	-134%	Budgets are held to manage expected losses on the Department’s guarantee programmes. Deterioration in credit quality was lower than initially expected
Q	MHCLG Staff, building and infrastructure costs	34	(0)	-23021%	The variance is linked to asset values following property revaluations
R	Non-Domestic Rates Outturn Adjustment	5	150	-97%	A year-end contingency was agreed at the Supplementary Estimate to cover any movement in business rate outturn
T	Housing & Planning(ALB) (Net)	(223)	902	-125%	The variance between budget and outturn reflects the difference between the ‘reasonable worst case’ at Supplementary Estimates and the economic environment at year-end

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
	Capital Spending in Departmental Expenditure Limit (CDEL) – Housing and Communities				
D	Elections, Union and Constitution	11	14	-26%	The variance is linked to slippage on Electoral Reform delivery, primarily due to delays in commissioning new suppliers while waiting for a firmer steer following the General Election and complication of the Spending Review immediately after
F	Research, Data & Trading Funds	11	14	-23%	The variance is linked to lower write off costs for ERDF (£2.3m)
G	MHCLG Staff, building and infrastructure costs	50	39	29%	The variance is linked to higher actual spend relating to right of use assets which had not previously been forecast

Core Tables – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department’s expenditure outturn for 2024-25 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
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Restated	*Restated*	*Restated*	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
Spending in DEL – Housing and Communities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Voted expenditure						
Of which:						
A: Local Government & Public Services	146,809	183,854	1,285,493	200,254	346,117	630,364
B: Housing and Planning	1,764,814	1,737,157	1,579,329	1,477,746	1,550,329	1,749,402
C: Local Growth and Devolution	413,796	365,063	520,932	771,727	1,364,744	970,775
D: Elections, Union and Constitution	-	(1)	33,193	27,934	45,237	21,450
F: Research, Data and Trading Funds	3,875	(25,810)	4,768	14,686	13,650	5,750
G: MHCLG Staff, Building and Infrastructure Costs	233,107	266,880	282,188	271,826	293,192	304,425
Departmental Unallocated Provision	-	-	-	-	–	30,324
H: Local Government & Public Services (ALB) (net)	17,956	17,907	17,388	16,857	18,039	23,567
I: Housing and Planning (ALB)(net)	(25,489)	(627)	(68,620)	4,012	(142,923)	353,451
Integrated Settlements for Established Mayoral Strategic Authorities	-	-	-	-	–	530,927
Total Voted	**2,554,868**	**2,544,423**	**3,654,671**	**2,785,042**	**3,488,385**	**4,620,435**
Non Voted Expenditure						

	Departmental Resource Spending					
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Restated	*Restated*	*Restated*	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
Spending in DEL – Housing and Communities	£'000	£'000	£'000	£'000	£'000	£'000
J: Elections	(5,485)	54,929	(88)	1,521	275,100	8,870
Total Non Voted	**(5,485)**	**54,929**	**(88)**	**1,521**	**275,100**	**8,870**
Departmental Expenditure Limit (DEL) – Housing and Communities	**2,549,383**	**2,599,352**	**3,654,583**	**2,786,563**	**3,763,485**	**4,629,305**
Voted expenditure						
Of which:						
K: Revenue Support Grant	1,612,634	1,621,554	1,672,054	1,905,434	2,117,964	2,217,355
L: Other grants and payments	8,551,981	12,109,691	5,934,219	7,627,810	9,150,914	11,557,600
M: Business Rate Retention	3,352	36,885	87,473	46,376	60,986	74,482
Total Spending in DEL – Local Govt	**10,167,967**	**13,768,130**	**7,693,746**	**9,579,620**	**11,329,864**	**13,849,437**
Total Resource DEL	**12,717,350**	**16,367,482**	**11,348,329**	**12,366,183**	**15,093,349**	**18,478,742**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
Other grants and payments	10,738,629	1,851,356	4,078,397	4,996,509	5,542,933	5,128,690
N: Local Government & Public Services	(9,360)	49,077	(36,222)	66,330	(76,005)	50,393
O: Housing and Planning	3,867	(8,029)	2,424	(64,920)	(14,101)	41,259
P: Local Growth and Devolution	(7,312)	7,040	(22,143)	23,557	18,147	-
Q: Department Staff, Building and Infrastructure Costs	(1,099)	(10,520)	12,751	18,123	34,381	(1,842)
R: Non-Domestic Rates Outturn Adjustment	9,520	-	-	26,002	5,181	350,000
S: Local Government & Public Services (ALB)(Net)	2,569	4,462	4,177	308	186	601
T: Housing and Planning (ALB)(Net)	(64,990)	(903,862)	(259,737)	330,171	(222,755)	897,363
U: Business Rate Retention	16,694,832	14,168,548	11,100,860	15,848,815	17,557,426	17,900,837
Total Resource AME	**27,366,656**	**15,158,072**	**14,880,507**	**21,244,895**	**22,845,393**	**24,367,301**

						Departmental Resource Spending
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Restated	*Restated*	*Restated*	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
Spending in DEL – Housing and Communities	£'000	£'000	£'000	£'000	£'000	£'000
Total Resource	**40,084,006**	**31,525,554**	**26,228,836**	**33,611,078**	**37,938,493**	**42,846,043**

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

						Departmental Capital Spending
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Restated	*Restated*	*Restated*	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
Spending in DEL – Housing and Communities	£'000	£'000	£'000	£'000	£'000	£'000
Voted expenditure						
Of which:						
A: Local Government & Public Services	65,666	85,670	74,185	55,640	147,373	48,786
B: Housing and Planning	1,067,484	940,748	1,326,243	2,188,696	1,453,267	3,213,602
C: Local Growth and Devolution	2,131,731	1,256,679	1,572,257	2,033,410	2,869,839	2,017,647
D: Elections, Union and Constitution	–	–	6611	9,196	10,703	26,000
E: Supporting Families	–	–	–	–	–	–
F: Research, Data and Trading Funds	3,160	6,344	1,229	9,637	11,077	15,080
G: MHCLG Staff, Building and Infrastructure Costs	7,125	18,183	20,157	43,146	49,636	65,346
Departmental Unallocated Provision	-	-	-	-		8,167
H: Local Government & Public Services (ALB)(Net)	125	189	869	696	182	1,050
I: Housing and Planning (ALB)(Net)	5,820,532	3,834,622	3,816,037	2,501,540	3,713,681	3,220,942
Integrated Settlements for Established Mayoral Strategic Authorities	–	–	–	–	–	438,060
Total Spending in DEL – Housing and Communities	**9,095,823**	**6,142,435**	**6,817,588**	**6,841,961**	**8,255,758**	**9,054,680**

Table 2: Administration budgets

						Administration budgets
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
			Restated	*Restated*		
	Outturn	Outturn	Outturn	Outturn	Outturn	Plan
	£'000	£'000	£'000	£'000	£'000	£'000
B: Housing and Planning	–	–	–		–	–
G: Department Staff, Building & Infrastructure Costs	221,555	248,092	260,253	257,650	263,265	295,951
H: Local Government & Public Services (ALB)(Net)	17,954	17,907	17,388	16,859	18,039	6,667
I: Housing and Planning (ALB)(Net)	31,351	9,863	(55,045)	(102,475)	(148,855)	56,107
Total Voted	**270,860**	**275,862**	**222,596**	**172,034**	**132,449**	**358,725**
Total Administration expenditure	**270,860**	**275,862**	**222,596**	**172,034**	**132,449**	**358,725**

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, with the increase in 2024-25 reflecting a budget exchange following a receipt from the European Social Fund.
- 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 increase in plans for 2025-26 is predominantly due to increases in funding to support homelessness and building remediation.
- C: Local Growth and Devolution – Spending has increased from 2021-22, reflecting new programme funding that had been put in place to support the levelling up and local growth agenda. Substantial additional funding for the UK Shared Prosperity Fund is reflected in figures for 2024-25, which is then set to reduce in 2025-26 as the fund is continued at a reduced level for a transitional year.
- D: Elections, Union and Constitution – This row records the Machinery of Government transfer of functions from the Cabinet Office in 2021-22. The

increase in 2024-25 is linked to activity on electoral integrity, with the subsequent decrease reflecting the conclusion of that programme.

- E: Supporting Families – now transferred to the Department of Education
- F: Research Data and Trading Funds – Outturn in 2023-24 and plans for 2024-25 are broadly consistent with most prior years. The differences from 2020-21 relate to 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. Increase seen from 2023-24 predominantly reflects budget to support local authorities in modernising service provision through IT and digital.
- 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) – Significant fluctuations reflect the impact of Expected Credit Losses (ECLs). 2025-26 plans now incorporate the full budget for ECLs, unlike previous years where ECL

budgets have been applied at the Supplementary Estimate.

- Integrated Settlements – 2025-26 plans reflect this new stream of work, providing substantial funding to established authorities.
- 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. Expenditure in 2024-25 incorporates substantial additional budget for the General Election, alongside Police and Crime Commissioner elections across England and Wales.

Resource DEL – Local Government

- K: Revenue Support Grant - Provides funding to local authorities for local services. The 2024-25 value is higher due to inflationary increase (CPI) and grant consolidation.
- L: Other Grants and Payments - Includes an increase of £1.9bn for Adult Social Care funding in 2024-25 and a reduction of £0.4bn for Services Grant.
- M: Business Rates Retention - Covers safety net on account payments to authorities with low business rate income. Take up increased to £61m in 2024-25. Also includes £13.3m for City of London Offset.

Resource AME

Other Grants and Payments - This relates to funding for business rate relief measures announced by the Exchequer. This demand led expenditure was reclassified as AME from April 2024.

- 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 and 2024-25, deterioration in credit quality has been less than expected. The budget planned for 2025-26 continues to be based on 'reasonable worst case' scenarios.
- P: Local Growth and Devolution – Variance in the outturn is predominantly due to the annual revaluation of the Greenwich Peninsula land asset. Funding required for 2025-26 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 linked to annual revaluation of the Department's estate.

- R: Non-Domestic Rates Outturn Adjustments - Includes year-end contingency for 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).
- 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 2025-26 is set based on 'reasonable worst case' scenarios, with variances reflecting these valuation changes.
- U: Business Rates Retention – Since 2013-14, local authorities retain at least 50% of collected business rates. Recorded as non-cash expenditure. Forecast for 2024-25 is £16.3bn.

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 the increase in 2024-25 reflecting additional funding for Homelessness and Rough Sleeping programmes. The decrease in 2025-26 is mainly linked to the Single

Homelessness Accommodation Programme coming to its conclusion.

- 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. The reduction in 2024-25 is primarily because the first two rounds of the Local Authority Housing Fund finished at the end of 2023-24. The significant increase in plans for 2025-26 is due to additional funding being provided for building remediation and affordable homes, and an uplift for the Local Authority Housing Fund.
- C: Local Growth and Devolution – Increased outturn in 2023-24 and into 2024-25 was primarily due to significant funding streams to support the local growth agenda, including Towns Fund and the Levelling Up Fund. The significant decrease in plans for 2025-26 is linked to some of the local growth programmes coming to their final stages, such as Levelling Up Partnerships and Future High Streets, alongside a substantial reduction in the UK Shared Prosperity Fund which is entering a transitional year ahead of an updated long-term local growth model.

- 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 – now transferred to the Department of Education
- 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. Increases from 2024-25 are predominantly linked to the capitalised lease costs under IFRS16 resulting from 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 2024-25 and 2025-26 have been set in line with latest delivery plans.

- Integrated Settlements – 2025-26 plans reflect this new stream of work, providing substantial funding to established authorities.

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.

	2024-25				2023-24			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£’000	Cases	£’000	Cases	£’000	Cases	£’000
Losses (general)	33	17	99	33	32	1,263	132	1,333
Losses due to fraud	1	536	7	3,071	–	–	–	–
Claims abandoned	1	3	48	54,245	7	9,716	61	129,520
Fruitless payments	–	–	1	324	–	–	–	–
Constructive losses	–	–	4	7,714	–	–	–	–

	2024-25				2023-24			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£’000	Cases	£’000	Cases	£’000	Cases	£’000
Special Payments	57	3,302	58	3,303	36	418	38	1,266

Losses

Cases over £300,000	£’000
Homes England losses and loans written off:	60,965
Homes England Affordable Housing Programme fraud	2,020
MHCLG Building Safety Fund fraud	536

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.

In Homes England, during 2024-25 there were eight (2023-24: nine) 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: six (2023-24: seven) write-offs of loans measured at amortised cost, and two (2023-24: two) movements in fair value below initial cost of loans measured at FVTPL. There were no write-offs of receivables measured at FVTPL (2023-24: two). There were also three modification adjustments on loans which exceeded £300,000, one (2023-24: no) fruitless payment and three constructive losses. The following table details these losses.

Loans measured at amortised cost	£’000
A development loan was provided under the Short-Term Fund for the delivery of 183 homes. An increase in project costs led to a funding shortfall, resulting in the site being mothballed since May 2024. The sale of completed units on the site has also been protracted. In 2024-25 insolvency administrators were appointed by the directors as a result of liquidity and project viability issues. Accounting write-offs of £13.1 million were recognised in 2023-24. In 2024-25, the investment was fully written off, resulting in further accounting write-offs of £16.1 million being recognised. As at 31 March 2025, total losses recognised were £29.2 million.	16,063

Loans measured at amortised cost	£'000
Funding was provided under the Short-Term Fund to provide 27 new homes on a brownfield site. Several issues, including site drainage, COVID-19 lockdowns, cladding issues and an increase in interest costs have affected the development which have resulted in an extended timeframe of delivery and an increase in costs. In addition, the pace of sales has been slower than initially expected. The borrower was placed into liquidation in May 2023 following the issue of winding up petition by HMRC. The Agency has appointed a Law of Property Act (LPA) Receiver to deal with the site and a trade sale is now envisaged. These issues have resulted in full repayment of the Agency's loan being at risk. Net accounting write-offs of £0.5 million were recognised in previous financial years. During 2024-25, further accounting write-offs of £2.2 million have been recognised. As at 31 March 2025, total losses recognised were £2.7 million.	2,174
Funding was provided under the Levelling Up Home Building Fund to support construction of a 4-storey block of flats. Work on the site has been stalled since May 2024. There have been several delays on the site to date, caused by issues with the quality of some work completed requiring rectification and a retaining wall being required on the site. These issues have also led to cost increases and the Operating Director has left the company. The remaining director has failed to provide updated workout plan or refunding proposal. The Agency is taking steps to enforce the security so it can be sold at auction. The five-unit development is part built and, as a result, there is also uncertainty over the market value of the site. There is a risk as to whether the Agency's debt can be repaid, therefore a full accounting write-off of the existing exposure was made in 2024-25. As at 31 March 2025, total losses recognised were £1.3 million.	1,287

Loans measured at amortised cost	£'000
Funding was provided under the Short-Term Home Building Fund to support the delivery of 44 properties on a former brownfield site. Project costs have increased because of remedial groundworks being required, a shortage of subcontractors and increased interest costs. Sales have been slower than anticipated and sales prices achieved have been below expectations, due to the nature of the configuration of the properties. These issues have impacted on project cash flows. In previous financial years, accounting write-offs of £1.9 million were recognised. In 2024-25 an additional accounting write-off of £1.1 million has been recognised. As at 31 March 2025, total losses recognised were £3 million.	1,048
The Agency provided funding under the Short-Term Home Building Fund for a 48-unit development. Slow build progress and increased costs as a result of several issues, including material supply issues, delay due to identification of a gas main and weather, have led to several amendments to the loan facility. It is not expected that the Agency's loan will be fully recoverable after all remaining security has been realised. As a result, an accounting impairment of £0.9 million has been recognised to reflect the potential estimated loss. As at 31 March 2025, total losses recognised were £0.9 million.	949

Loans measured at amortised cost	£'000
The Agency provided an infrastructure loan under the Long-Term Home Building Fund to support development of 3,000 homes. A series of delays prior to work commencing on site impacted timelines for delivery, and contracted equity investment did not materialise to meet future funding requirements. A review was commissioned by the Agency which suggested the scheme was no longer viable, and the borrower has subsequently gone into liquidation. An LPA Receiver has been appointed by the Agency to investigate development opportunities. Losses of £19.8 million have been recognised in previous financial years. Additional accrued interest during 2024-25 has resulted in an additional accounting write-off of £0.4 million in 2024-25. As at 31 March 2025, total losses recognised were £20.2 million.	389
Loans measured at FVTPL	
Market Abuse Regulations preclude further commentary. A movement in fair value below cost of £27 million has been recognised in 2024-25. The equivalent total movements in fair value below cost expected against contractual amount due (principal and interest) were £69.8 million at 31 March 2025. As at 31 March 2025, total accounting movements in fair value below initial cost recognised were £60.7 million.	26,981

Loans measured at amortised cost	£'000
The Agency provided funding under the Short-Term Home Building Fund for 36 homes on a brownfield former industrial site. There have been issues with cost overruns, slippage of the build programme, missed sales milestones, and poor contractor performance. In addition, there is uncertainty around the value and timing of the sale of the remaining security held by the Agency. A partial impairment of the existing exposure was made in 2024-25 to reflect this material uncertainty. A movement in fair value below cost of £1 million has been recognised in 2024-25, as well as reversals of previous fair value uplifts of £1.2 million. As at 31 March 2025, total accounting movements in fair value below initial cost recognised were £1 million.	2,148
Fruitless Payments	
Homes England entered into an agreement to acquire software licences for use on an investment project which was being taken forward under the Agency's Evolve Transformation Change Programme. During 2024-25 the project was in the initial stages of development. Delays in the progression of the project has resulted in a payment which could not be avoided, even though the Agency was not able to make use of the licences in 2024-25.	324
Irregular payments	
During quarter 4 2024-25, Homes England incurred expenditure with an external consultant to support the Agency's Evolve Transformation Change Programme without an approved commercial contract being in place. Digital expenditure must be subject to approval by the Portfolio Assurance Board and Cabinet Office. However, the approval for the estimated digital expenditure of £1.4 million was not secured ahead of the work being delivered and retrospective approval will not be provided. Further detail is provided within the "Risk Events and Near Misses Reporting" section of the Homes England Governance Statement within the Accountability Report.	1,403

Loans measured at amortised cost	£'000
Constructive losses	
Costs relating to the development of a Loans System which, at the balance sheet date was not in use, with no current plans to complete. Adoption of a loans solution into the new end to end operating model is still under review as part of the Evolve Transformation Change Programme.	4,843
Costs relating to the development of a Document Management System which, due to technological developments in this area, mean a more cost effective and efficient solution is now required.	1,109
Costs relating to the development of a Land Disposal Service which, due to an increase in the scope required, the new system was unable to deliver. Development of the existing software to support the increased scope was determined to be the preferred option.	360
Modification losses	
During 2024- 25 interest margins were reduced on 20 investments following an improvement in credit risk. Under IFRS 9, where an interest margin is modified we are required to continue accruing interest at the original interest margin and immediately recognise any loss (reduction to carrying value of the loan) which has occurred as a result of the modification to the interest margin. The losses disclosed reflect the difference between the discounted revised (reduced) future cash flows using the original interest margin when compared to the carrying value of the loan prior to the modification. Of the 20 investments, 3 are individually greater than £300,000, totalling £1.9 million. The remaining 17 are all individually below £300,000 and total £0.8 million. There were also modification gains recognised of £0.6 million on 3 investments.	1,887
	60,965

The £4,843k constructive loss in the table above requires HMT approval as it is outside MHCLG's delegated limits. HMT retrospective approval was obtained on 18 July 2025..

There were seven instances of detected fraud losses during the year totalling £3.1 million. This included one instance in Homes England of a £2 million detected fraud in the Affordable Housing Programme relating to a Registered Provider, for which a criminal investigation is ongoing. Another instance of fraud loss totalling £536k was identified in MHCLG in the Building Safety Fund relating to an applicant representative, which is also under criminal investigation. The other five instances were individually less than £300k.

Special Payments

Cases over £300,000	£'000
Grenfell Alternative Dispute Resolution	1,771

This is two individual payments of £550k and £1,221k, for payment of legal costs in relation to the Grenfell Alternative Dispute Resolution.

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 2024-25 (2023-24: nil).

Fees and charges

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

						£'000
			2024-25			2023-24
Objectives	**Full Cost**	**Income**	**Surplus/ (Deficit)**	**Full Cost**	**Income**	**Surplus/ (Deficit)**
MHCLG – Energy Performance Certificate Fees	(2,120)	2,880	760	(1,753)	2,845	1,092
Planning Inspectorate – Local Plans	(3,864)	2,943	(921)	(3,394)	2,179	(1,215)
Planning Inspectorate – National Infrastructure	(18,829)	16,728	(2,101)	(20,125)	11,515	(8,610)
Planning Inspectorate – Other Major Specialist Casework	(3,433)	1,683	(1,750)	(3,266)	1,515	(1,751)
THO – Membership of Housing Ombudsman scheme	(34,051)	34,051	–	(26,909)	27,795	886
RSH – The Regulator of Social Housing	(26,872)	26,872	–	(13,790)	13,790	–
Total	**(89,169)**	**85,157**	**(4,012)**	**(69,237)**	**59,639**	**(9,598)**

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 141.

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.

- 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 scheme is now closed to new policies. The risk is limited by the number of policies in issue, policy limits depending on the size of the building, insurance only being issued to qualified professionals and the audit of the certificates. Maximum liability totals £70m across 16 policies sold.

- Claims for repair or repurchase of defective Right to Buy homes sold by local authorities between 1980 and 1985. This is estimated at £250-750k per house.
- 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 £18.9 million. A second scheme was launched in 2020, guaranteeing debt of no more than £6 billion. At the accounting date £2.4 billion of borrowing had been approved, with £1.8 billion drawn down. The financial guarantee in the Statement of Financial Position had a value of £2 million.
- The department has reopened a guarantee scheme for the private rented sector (PRS), guaranteeing debt of no more than £2 billion. At the accounting date, the department has approved borrowing of circa £1.8 billion of which £1.46 billion has been drawn down, a further £109m has been repaid and a further £61m approved yet to be funded, all of which 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 £10.3 million.

- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. Capacity was increased to £2 billion during 2024-25. At the accounting date, £514 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 £78,000.
- 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.

- 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 for their pension scheme liabilities. Although Ebbsfleet Development Corporation is no longer part of the departmental group for accounting purposes, the department still oversees its governance and maintains the letter of comfort. This situation however creates a contingent liability for the department due to annual variability.
- 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.

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 2029.

- An indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner elections held on 6 May 2024. 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 2028.

- An indemnity to Petition Officers for any Recall Petition that may be held between the date the indemnity came into force, 5 February 2024, and 2 May 2029.. 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)

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	850	630	220
Right to Buy	250 to 750	250 to 750	–
Planning inspectorate: litigation	110	134	(24)
Planning Inspectorate Ex-gratia	155	394	(239)
ERDF corrections	2,300	2,300	–
AHGS 2013 drawn down	3,200,000	3,200,000	–
AHGS 2020 scheme size	6,000,000	6,000,000	–
AHGS 2020 approved	1,250,000	2,400,000	(1,150,000)
AHGS 2020 drawn down	1,200,000	1,760,000	(560,000)
PRS scheme size	3,500,000	3,500,000	–
PRS approved borrowing	1,800,000	1,800,000	–
PRS drawn down	1,570,000	1,460,000	110,00
ENABLE Build scheme size	1,000,000	1,000,000	–
ENABLE Build drawn down	420,000	420,500	(500)
Professional indemnity insurance	70,000	70,000	–

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 2025. 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	Yes	NA
Homes England: miscellaneous claims	Yes	Yes	NA
Professional indemnity insurance	Yes	Yes	NA
Joint inspection team	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.

Dame Sarah Healey DCB CVO 18 July 2025
Accounting Officer
Ministry of Housing, Communities & Local Government

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Housing, Communities and Local Government and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. 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 2024. The financial statements comprise the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2025;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated 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 2025 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 2025 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 (2024)*. 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 (2024)*. 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 may provide financial assistance to a local authority, person or charitable institution, such as the Local Government Act 2003.

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, or the significant risk relating to the complete and accurate disclosure of financial instruments; areas where my work has not identified any matters to report.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

I have identified a key audit matter relating to the valuation of defined benefit pension scheme liabilities and recognition of net pension assets. The liabilities are material and subject to a high degree of estimate uncertainty. The recognition of net pension assets, for those schemes that are in surplus, and the extent to which net assets can be recognised is an area of significant judgement.

I removed the previous key audit matter relating to the accuracy and regularity of grant expenditure. Such expenditure is paid through well established processes such that I considered the risk of material misstatement to be low. The regularity of grant expenditure is governed by statute and again the process for such payments is governed by mechanisms which are well established and transparent, involving the department and HM Treasury. I have continued to test grant expenditure as it represents significant expenditure stream, but I no longer consider it a key audit matter.

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 £600,000 through its Help to Buy schemes. The Help to Buy equity loans portfolio dominates the Departmental Group's statement of financial position, valued at £15.9 billion at 31 March 2025. 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. 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 £716.4 million as at 31 March 2025. 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 – Valuation of defined benefit pension scheme liabilities and recognition of net pension assets
Description of risk The Department Group accounts for its share of the assets and liabilities in five defined benefit pension schemes. At 31 March 2025 the assets were valued at £1.149 billion and the liabilities were estimated to be £1.468 billion. Significant estimates are made in determining the key assumptions used in valuing the Departmental Group's gross defined benefit pension scheme liabilities. When making these assumptions management take independent actuarial advice relating to their appropriateness. A small change in assumptions and estimates can have a significant financial impact on the Departmental Group's gross defined benefit pension liabilities. The most significant assumptions are discount rate, inflation rate and mortality/life expectancy. As part of my risk assessment, I determined that the gross defined benefit pension scheme liabilities have a high degree of estimation uncertainty, which is why I considered it a key matter for my audit. The defined benefit pension scheme assets have a low valuation risk, as the majority are quoted investments. However, where a scheme is in surplus, which was the case for three of the five schemes, at 31 March 2025, I have also identified a significant risk relating to the recognition of net pension assets. The extent to which net assets can be recognised under IFRIC 14 is an area of significant judgement, dependent on the specific scheme regulations.

How the scope of my audit responded to the risk	For the five pension schemes, I: • Assessed the design and implementation of processes and controls over the schemes. This included management's processes for providing complete and accurate data to the scheme actuaries and management's challenge and review of the assumptions used by the actuaries; • Challenged, with the support of actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data in the context of market practice and the macroeconomic uncertainties; • Reviewed data inputs for the pension liabilities, including membership data, benefits paid and contributions received; • Considered the adequacy of the group's disclosures in respect of the sensitivity of assumptions; • Engaged actuarial specialists, other than for the schemes closed to new entrants, to review the roll-forward methodology used to value the pensions liabilities based on the previous triennial valuation, considering the implications over the accounting estimate and demographic assumptions; • Tested scheme assets for the three schemes that were material to the Departmental Group; and • Considered whether it was appropriate for the Departmental Group to recognise the surplus calculated by the actuaries of the funds in surplus. **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	£441 million (2023-24: £395 million)	£440 million (2023-24: £394 million)
Basis for determining overall account materiality	1% of forecast gross expenditure of £44.1 billion (2023-24: 1% of £39.5 billion)	1% of forecast gross expenditure of £44.0 billion (2023-24: 1% of £39.4 billion)
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 issuing 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 expenditure in the group relates to the parent department, as components do not incur particularly significant expenditure, and therefore expenditure is also the primary area of interest to the users of the group financial statements.	

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 2024-25 audit (2023-24: 75%). In determining performance materiality, I considered the uncorrected misstatements identified in the previous audit.

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 Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000 as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total uncorrected audit differences reported to the Audit and Risk Assurance Committee would have decrease net expenditure and increase net assets by £254.0 million.

Audit scope

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

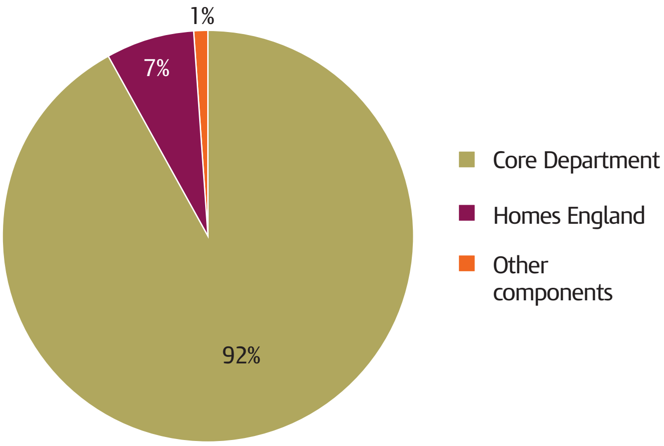
In 2024-25 the Departmental Group had gross operating expenditure of £49.9 billion. The vast majority of expenditure was in the Core Department, in the form of grant expenditure to local authorities. Gross assets were £21.6 billion at 31 March 2025. Most assets were in Homes England, which along with the Core Department, accounts for most of the Departmental Group's expenditure, income, assets and liabilities. The most significant asset in the Group is the Help to Buy equity loans portfolio, valued at £15.9 billion at 31 March 2025.

I have audited the financial information of the Core Department, as well as the group consolidation. My audit of 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 only material component (Homes England) and engaged regularly on the group significant risks such as the valuation of Help to Buy equity loans portfolio.

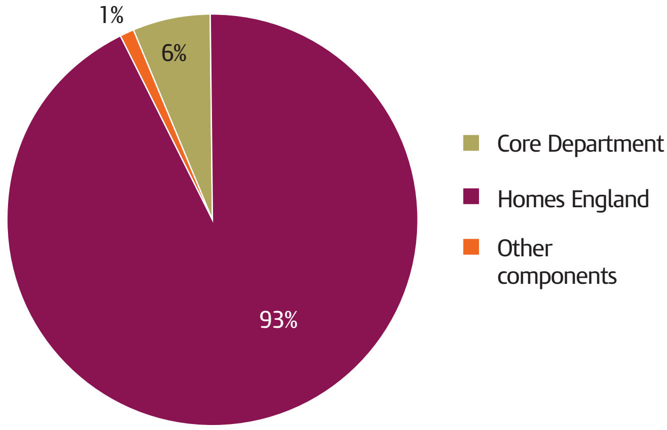
This work on the Core Department and Homes England covered over 99% of the Group's expenditure and over 99% of the Group's asset, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

The engagement director for the Group was heavily involved in setting the audit approach for Homes England and in reviewing key matters on the Homes England audit file, to ensure the Departmental Group audit file sufficiently documented the results from the Homes England audit.

Gross expenditure of components of the MHCLG group (2024-25)



Gross assets of components of the MHCLG group (as at 31 March 2025)



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 and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- 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 2024 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; and
  - they had knowledge of any actual, suspected, or alleged fraud.

- discussed with the engagement team, including the Homes England component audit team, including in relation to land and property assets, financial instruments and defined benefit pension scheme liabilities and assets, 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 2024, 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 and 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 a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- 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, and regularity.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and the Homes England 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 21 July 2025

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 2025

All material 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
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	331,887	494,399	301,703	461,277
Operating Expenditure	4	46,516,128	49,950,088	43,333,779	46,401,208
Operating Income	5	(4,115,250)	(4,835,097)	(5,854,406)	(6,232,345)
Grant-in-aid to ALBs	6	1,870,234	–	1,030,233	–
Net Operating Expenditure for the year ended 31 March		**44,602,999**	**45,609,390**	**38,811,309**	**40,630,140**
Total Expenditure		48,718,249	50,444,487	44,665,715	46,862,485
Total Income		(4,115,250)	(4,835,097)	(5,854,406)	(6,232,345)
Net Operating Expenditure for the year ended 31 March		**44,602,999**	**45,609,390**	**38,811,309**	**40,630,140**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					

					£'000
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Net (Gain)/Loss on:					
Pension Schemes	17	(108,688)	556,335	(30,508)	(107,944)
Income tax on items in other comprehensive expenditure		–	(946)	–	19,259
Total comprehensive expenditure for the year ended 31 March		**44,494,311**	**46,164,779**	**38,780,801**	**40,541,455**

The Notes on pages 295 to page 369 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2025

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 2025		31 March 2024	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency Restated	Departmental Group Restated
Non-current assets					
Property, plant and equipment		28,881	31,782	22,971	26,226
Right of use assets		48,692	60,589	58,440	66,642
Intangible assets		138,212	164,400	86,223	108,923
Investments in associates and joint ventures	7	5,000	61,948	5,000	64,303
Financial assets at fair value	8	103,070	16,736,537	121,217	18,218,703
Financial assets at amortised cost	10	296,655	1,170,293	276,250	1,108,981
Investment properties		30,500	30,500	51,100	51,100
Trade and other receivables	13	31,973	154,195	155,157	295,931
Total non-current assets		**682,983**	**18,410,244**	**776,358**	**19,940,809**
Current assets					
Inventories	12	–	1,156,091	250,362	1,314,995
Financial assets at fair value	9	–	78,766	–	107,502
Financial assets at amortised cost	11	703	543,917	–	354,343
Trade and other receivables	13	801,146	1,015,114	1,439,220	1,726,567
Cash and cash equivalents	14	(5,013)	424,260	1,295,863	1,488,180
Total current assets		**796,836**	**3,218,148**	**2,985,445**	**4,991,587**
Total Assets		**1,479,819**	**21,628,392**	**3,761,803**	**24,932,396**

					£'000
		31 March 2025		31 March 2024	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency Restated	Departmental Group Restated
Current liabilities					
Trade and other payables	15	1,905,125	2,400,660	3,695,824	4,204,992
Provisions	16	25,977	26,155	5,071	5,428
Total current liabilities		**1,931,102**	**2,426,815**	**3,700,895**	**4,210,420**
Total assets less current liabilities		**(451,283)**	**19,201,577**	**60,908**	**20,721,976**
Non-current liabilities					
Trade and other payables	15	128,073	155,744	283,649	304,985
Provisions	16	55,973	60,389	146,694	152,136
Pensions	17	614	318,927	101,957	(250,203)
Financial guarantees		31,289	31,289	47,667	47,667
Total Non-current liabilities		**215,949**	**566,349**	**579,967**	**254,585**
Total assets less total liabilities		**(667,232)**	**18,635,228**	**(519,059)**	**20,467,391**
Taxpayers' equity					
General fund		(667,232)	18,635,228	(519,059)	20,467,391
Total taxpayers' equity		**(667,232)**	**18,635,228**	**(519,059)**	**20,467,391**

As permitted by reporting standards the department has opted to include the pension reserve in the general fund for 2024-25 onwards, and has restated the prior year comparatives above.

Dame Sarah Healey DCB CVO 18 July 2025
Accounting Officer
Ministry of Housing, Communities & Local Government

The Notes on pages 295 to page 369 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

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
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(44,602,999)	(45,609,390)	(38,811,309)	(40,630,140)
Adjusted for:					
Finance (income)/ costs	4,5	(14,809)	(427,597)	(62,957)	(174,124)
(Profit)/loss on disposal of non-current assets	4,5	12,858	18,871	4,297	(32,437)
Depreciation and amortisation	4	21,592	31,025	26,367	32,796
Revaluation of non-current assets passing through the SoCNE	4	2,188	2,188	12,893	12,893
Impairment of non-current assets	4	17,536	(140,679)	25,319	219,511
Other non cash transactions	4,5	1,779	1,981	10,574	67,926
(Increase)/decrease in inventories	12	250,362	158,904	208,303	213,029
(Increase)/decrease in trade & other receivables	13	792,345	887,967	(953,574)	(862,319)
Increase/(decrease) in trade & other payables	15	(685,445)	(690,998)	143,502	69,336
Movement in provisions	4	(58,477)	(59,573)	68,009	65,439
Utilisation of provision	16	(11,338)	(11,447)	(12,504)	(12,955)
Pension fund adjustments	17	(5)	(6,351)	(5)	(1,985)
Local share (business rates retained by local authorities)	4	16,344,071	16,344,071	14,730,316	14,730,316
Adjustments for Corporation Tax		–	946	–	(19,259)
Net Cash outflow from operating activities		**(27,930,342)**	**(29,500,082)**	**(24,610,769)**	**(26,321,973)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(11,896)	(13,447)	(11,456)	(12,890)
Purchase of intangible assets		(58,859)	(74,104)	(45,113)	(59,282)

					£'000
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Financial assets issued		(20,000)	(669,179)	–	(388,052)
Proceeds from disposal of joint ventures		–	4,374	–	12,637
Proceeds on disposal of financial assets		7,000	1,926,456	6,795	1,362,377
Repayment of financial assets	8,9,10,11	–	435,159	–	572,055
Interest received	5	8,501	130,330	2,473	122,281
Other adjustments – investing activities		164	(7,324)	(416)	(711)
Net Cash inflow/ (outflow) from investing activities		**(75,090)**	**1,732,265**	**(47,717)**	**1,608,415**

					£'000
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) – current year		28,313,000	28,313,000	25,559,400	25,559,400
From the consolidated fund (non-supply) – current year		183,104	183,104	68,350	68,350
Capital element of payments in respect of finance leases		(2,429)	(2,429)	(14,380)	(14,380)
Interest paid	4	(12)	(671)	(37)	(499)
Foreign exchange movements		199	199	(2,961)	(2,961)
Other adjustments – financing activities		(208)	(208)	(448)	(448)
Net Cash inflow/ (outflow) from financing activities		**28,493,654**	**28,492,995**	**25,609,924**	**25,609,462**
Net increase/ (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**488,222**	**725,178**	**951,438**	**895,904**
Payments due to the Consolidated Fund		(1,789,098)	(1,789,098)	(1,337,689)	(1,337,689)
Net increase/ (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(1,300,876)**	**(1,063,920)**	**(386,251)**	**(441,785)**
Cash and cash equivalents at the beginning of the period	**14**	**1,295,863**	**1,488,180**	**1,682,114**	**1,929,965**

					£’000
			2024-25		2023-24
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash and cash equivalents at the end of the period	**14**	**(5,013)**	**424,260**	**1,295,863**	**1,488,180**

The Notes on pages 295 to page 369 form part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2025

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.

				£'000
	Note	General Fund Restated	Revaluation Reserve	Total Reserves
Balance at 31 March 2023		**21,719,073**	**(1)**	**21,719,072**
Comprehensive Net Expenditure	SOCNE	(40,541,455)		(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)
Total recognised income and expenses for 2023-24		**(25,924,672)**	**1**	**(25,924,671)**
Net Parliamentary Funding - drawn down		25,559,400	–	25,559,400
Net Parliamentary Funding - excess vote		1,659,173	–	1,659,173
Consolidated Fund Standing Services -non supply - drawn down:		68,350	–	68,350
Supply (payable)/receivable	13	(1,276,209)	–	(1,276,209)
CFERs payable to the Consolidated Fund	SoPS4.1	(1,337,724)	–	(1,337,724)

				£’000
	Note	**General Fund Restated**	**Revaluation Reserve**	**Total Reserves**
Transfers of asset and liabilities				
Sub Total		**24,672,990**	**–**	**24,672,990**
Balance at 31 March 2024		**20,467,391**		**20,467,391**
Balance at 1 April 2024		**20,467,391**		**20,467,391**
Comprehensive Net Expenditure	SOCNE	(46,164,779)	–	**(46,164,779)**
Non cash charges - auditor's remuneration	4	610	–	**610**
Local share (business rates retained by local authorities)	4	16,344,071	–	**16,344,071**
Other adjustments to reserves		(13,521)		**(13,521)**
Total recognised income and expenses for 2024-25		**(29,833,619)**	**–**	**(29,833,619)**
Net Parliamentary Funding - drawn down		28,313,000	–	**28,313,000**
Net Parliamentary Funding - deemed supply		1,276,209	–	1,276,209
Consolidated Fund Standing Services -non supply - drawn down:		183,104	–	183,104
Supply (payable)/receivable	13	19,237	–	19,237
CFERs payable to the consolidated fund	SoPS4.1	(1,790,094)	–	(1,790,094)
Sub Total of Net Parliamentary Funding and CFERs payable		**28,001,456**	**–**	**28,001,456**
Balance at 31 March 2025		**18,635,228**	**–**	**18,635,228**

As permitted by reporting standards the department has opted to include the pension reserve in the general fund for 2024-25 onwards, and has restated the prior year comparatives above and in the following Core Department and Agency Statement of Changes in Taxpayers’ Equity.

The balances previously presented in both the Statement of Financial Position and Statement of Changes in Taxpayers Equity as within the Pension Reserve, and the related movements in the Statement of Changes in Taxpayers Equity, are now included within the General Fund on those statements. This includes the balance on the Pension Reserve of £200,969k at 31 March 2023 (£118,832k at 1 April 2022).

The Notes on pages 295 to page 369 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2025

				£'000
	Note	General Fund Restated	Revaluation Reserve	Total Reserves
Balance at 31 March 2023		**(1,028,031)**	**(1)**	**(1,028,032)**
Comprehensive Net Expenditure (restated)	SOCNE	(38,780,801)	–	(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)
Total recognised income and expenses for 2023-24		**(24,164,018)**	**1**	**(24,164,017)**
Net Parlimentary Funding - drawn down		25,559,400	–	25,559,400
Net Parliamentary Funding - excess vote		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		**24,672,990**	**–**	**24,672,990**
Balance at 31 March 2024		**(519,059)**		**(519,059)**
Change in Accounting Policy			–	
Balance at 1 April 2024		**(519,059)**		**(519,059)**
Comprehensive Net Expenditure	SOCNE	(44,494,311)	–	(44,494,311)
Non cash charges - auditor's remuneration		610	–	610
Local share (business rates retained by local authorities)	4	16,344,071	–	16,344,071
Other adjustments to reserves		1	–	1
Total recognised income and expenses for 2024-25		**(28,149,629)**	**–**	**(28,149,629)**
Net Parliamentary Funding - drawn down		28,313,000	–	28,313,000
Net Parliamentary Funding - deemed supply		1,276,209	–	1,276,209
Consolidated Fund Standing Services -non supply - drawn down:		183,104	–	183,104

				£'000
	Note	General Fund Restated	Revaluation Reserve	Total Reserves
Supply (payable)/receivable		19,237	–	19,237
CFERs payable to the consolidated fund	SoPS4.1	(1,790,094)	–	(1,790,094)
Sub Total		**28,001,456**	**–**	**28,001,456**
Balance at 31 March 2025		**(667,232)**	**–**	**(667,232)**

The Notes on pages 295 to page 369 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 2024-25 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'. We are the ultimate parent of the Departmental Group and its results, along with those of the department's executive agency, are presented in columns labelled 'Core Department & Agency'. Transactions between, and balances with, entities included in the Departmental Group are eliminated. A list of all those entities within the departmental boundary is given in Note 24.

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

The department has adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2025. 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 18 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 18.

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 18.

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 18.

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 £1,640 million employer assets at 31 March 2025 disclosed in Note 17, only £94 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.

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 2025 and at 31 March 2024 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 18 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 Scheme and Other Pension Schemes

Past and present employees of the core department and agency are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This comprises several schemes which are unfunded defined benefit schemes with varying contribution rules and rates. The department recognises the expected cost of employers' contributions over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and not recognised in these accounts.

For details of other pension schemes the department holds, please see Note 17. 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 A. 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 B.

13. Going Concern

The financial statements of the Department have been prepared on the basis that the department is a going concern.

The Main Supply Estimates for 2025-26 have been approved by Parliament.

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 three operating segments (2023-24: four operating segments) following transfer of Troubled Families to the Department for Education. 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.

										£'000
		2024-25				2023-24				
	Note	Local Government and Public Services	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	37,849,562	7,165,209	4,585,204	49,599,975	34,893,360	225,254	7,377,076	3,842,991	46,338,681
Income	SoPS1.1	(2,947,504)	(1,195,478)	(350,621)	(4,493,603)	(4,083,326)	0	(804,752)	(1,032,968)	(5,921,046)
Net Expenditure		**34,902,058**	**5,969,731**	**4,234,583**	**45,106,372**	**30,810,034**	**225,254**	**6,572,324**	**2,810,023**	**40,417,635**

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.

			£'000
	Note	2024-25 Total	2023-24 Total
Total net expenditure reported for operating segments	2	**45,106,372**	**40,417,635**
Reconciling items:			
Income		(341,494)	(311,299)
Expenditure		1,384,099	435,119
Prior period adjustment			
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**46,148,977**	**40,541,455**

Note 3. Staff Costs

					£'000
		2024-25		2023-24	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		331,887	494,399	301,703	461,277

The Staff Report, page 175, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

					£'000
			2024-25		2023-24
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-Cash Items					
Depreciation and amortisation		21,592	31,025	26,367	32,796
Impairment of Property, Plant and Equipment		497	6,808	1,247	1,247
Impairment of other financial assets	7-11	17,039	(147,487)	24,072	218,264
Impairment of inventory	12	-	178,264	-	134,243
Impairment of investment assets	7-11	2,188	2,188	12,893	12,893
Impairment of right of use assets		18,590	18,557	4,297	4,297
ERDF write-offs and disallowances		1,240	1,240	-	-
Auditors remuneration[1]		610	610	623	623
Increase/Decrease in provisions (Provisions provided for in year less any release)	16	(58,477)	(59,573)	68,009	65,439
Write-off of bad debt		(71)	131	9,951	67,303
Net interest on pension scheme liabilities	17	4,999	3,088	6,011	(6,421)
Admin charge on pension assets	17	2,352	2,537	2,350	2,381
Share of Loss of Joint Ventures and Associates	7	-	7,767	-	5,317
Notional costs		291	291	224	224
Local share (business rates retained by local authorities)		16,344,071	16,344,071	14,730,316	14,730,316
Other non cash costs		713	713	398	398
Total Non Cash Items		**16,355,634**	**16,390,230**	**14,886,758**	**15,269,320**
Cash Items					
Rentals under leases		1,032	1,033	745	1,465
Accommodation including rentals under leases		65	5,777	(13,104)	(7,947)
Research and development		52,599	52,893	44,243	44,295

					£'000
		2024-25		2023-24	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Legal and professional services		94,046	161,202	80,796	142,213
Consultancy		7,336	7,408	7,535	7,585
Marketing and communications		4,170	4,744	8,120	9,046
Training and development		4,501	6,616	4,704	6,443
Auditors remuneration[1]		486	1,573	74	1,071
IT expenditure		88,804	101,006	84,634	95,158
Travel and subsistence		6,370	10,991	6,201	9,852
Returning Officer Expenses[2]		278,913	278,913	1,572	1,572
ERDF Financial Corrections		6,617	6,617	2,326	2,326
ERDF exchange rate losses (realised)		-	-	2,961	2,961
Interest payable		12	671	37	499
Taxation		3,531	5,174	4,741	(9,292)
ERDF grants		348,292	348,292	1,028,283	1,028,283
Revenue support grant and PFI grant		2,309,976	2,309,976	2,097,448	2,097,448
Business rates retention (top ups)		2,830,876	2,830,876	2,725,230	2,725,230
Other capital grants to local authorities		5,053,013	5,876,624	4,837,341	5,384,609
Other current grants to local authorities		18,928,345	18,939,668	17,418,716	17,430,411
Other grants		140,789	2,594,310	85,631	2,121,829
Other cash costs		721	15,494	18,787	36,831
Total Cash Items		**30,160,494**	**33,559,858**	**28,447,021**	**31,131,888**
Total		**46,516,128**	**49,950,088**	**43,333,779**	**46,401,208**

Footnotes

1 The external auditors total group fees (notional and cash) for all statutory audit work were £1.563 million. The remaining fees relate to other audit and 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.

3 A breakdown of significant grant programmes is provided below.

Grant Programme	Amount	Amount
	£'000	£'000
	2024-25	2023-24
BRR – Local Share	16,344,071	14,730,316
Revenue Support Grant and PFI grant	2,309,976	2,097,447
Social Care support	5,043,968	3,851,968
Business Rates 2% Inflation Cap	5,521,234	2,151,309
Better Care Fund	2,039,256	2,039,256
Expanded Retail Discount	–	1,705,872
Doubling of Small Business Rates	–	951,991
Market Sustainability	1,050,000	562,000
Services Grant	87,401	483,251
Homelessness Prevention Grant	443,361	432,179
Core UKSPF Grant Fund	927,092	384,258
Discharge Funding	500,000	300,000
New Homes Bonus	290,805	291,260
Funding Guarantee	268,570	–
Rough Sleeping Initiative	232,263	–
Other current grants to Local Authorities	2,523,817	4,265,374
ERDF Grants	348,292	1,028,284
Other current grants	140,788	85,630
Total current grants	**38,070,894**	**35,360,395**
Disabled Facilities Grant	711,000	623,000
Future High Streets Fund	78,750	234,321
Stronger Towns Capac	422,757	553,858
Affordable Homes Programme (2016-23)	532,154	391,151
Building Safety Fund	278,764	579,759
Levelling Up Fund	765,034	504,688
Affordable Homes Programme (2021-26)	109,702	243,788
LA Housing Fund	(36,724)	626,638
Core UKSPF Grant Fund	338,185	–
Local Authority Hous	236,621	–
Levelling Up Partnerships	232,310	–
Other capital grants to Local authorities	1,385,039	1,080,137
Total capital grants	**5,053,592**	**4,837,340**
Total grants	**43,124,486**	**40,197,735**

Note 5. Operating Income

					£'000
		2024-25		2023-24	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non Cash Items					
Gain on sale of non current assets and assets held for sale		5,732	48,253	–	81,284
(Decrease)/increase in fair value - FVTPL assets		–	297,659	–	(15,263)
Decrease in fair value - financial guarantees		14,185	14,185	62,298	62,298
ERDF exchange rate gains (unrealised)		–	–	2,895	2,895
Notional income		291	291	224	224
Total Non Cash Items		**20,208**	**360,388**	**65,417**	**131,438**
Cash Items					
CFER income		2,126	2,126	968	968
Grant income		738,543	798,418	630,722	682,314
Business rate relief returns		129,053	129,053	1,368,699	1,368,699
ERDF grant income		361,892	361,892	1,038,685	1,038,685
Business rates retention (tariff)		2,817,585	2,817,585	2,712,715	2,712,715
Goods and services		5,242	5,306	4,555	4,636
Accommodation		1,715	6,087	109	4,854
Fees		24,364	85,461	18,306	32,096
ERDF exchange rate gains (realised)		199	199	–	–
Interest and dividends		8,501	130,330	9,521	129,329
Other operating income		5,822	138,252	4,709	126,611
Total Cash Items		**4,095,042**	**4,474,709**	**5,788,989**	**6,100,907**
Total		**4,115,250**	**4,835,097**	**5,854,406**	**6,232,345**

Note 6. Contribution of Arm's Length Bodies to Departmental totals

					Permanently employed staff		Other Staff	
	Grant in aid to ALBs £000	Total Operating Income £000	Total Operating Expenditure £000	Total Net Expenditure £000	Number employed	Cost £000	Number employed	Cost £000
Core Department	(1,870,234)	(4,092,929)	46,768,896	42,675,967	3,620	260,920	363	7,050
Commission for Local Administration in England	12,500	(161)	12,853	12,692	184	11,892	–	–
Homes England	1,845,000	(658,138)	3,514,922	2,856,784	1,332	82,042	189	11,341
Leasehold Advisory Services	2,027	(51)	1,940	1,889	25	1,503	5	–
Planning Inspectorate	–	(22,321)	79,119	56,798	890	63,121	4	359
Regulator of Social Housing	3,107	(27,209)	30,110	2,901	295	26,022	4	–
The Housing Ombudsman	313	(34,288)	29,489	(4,799)	479	23,836	25	638
Valuation Tribunal Service	5,571	–	5,284	5,284	60	3,856	1	183
The Office for Place	1,716	–	1,874	1,874	14	1,062	1	137
Departmental Group	**-**	**(4,835,097)**	**50,444,487**	**45,609,390**	**6,899**	**474,254**	**592**	**19,708**

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.

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 281 and in the table of Average Number of Persons Employed on page 188.

Note 7. Investments in associates and joint ventures

	£'000
	Investment in Associates & Joint Ventures
Opening balance at 1 April 2023	**66,932**
Additions	15,325
Disposal	(12,637)
Profit/(loss) on JV or Associate	(5,317)
Balance at 31 March 2024	64,303
Additions	16,464
Write down/Impairments	(6,678)
Disposal	(4,374)
Profit/(loss) on JV or Associate	(7,767)
Balance at 31 March 2025	**61,948**
Of which:	
Core Department	**5,000**
Agencies	**–**
Designated bodies	**56,948**

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 2025 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
MADE Partnership LLP	33%	Property development
Habiko LLP	33%	Property development
Juniper JVCO Limited	20%	Property development

Note 8.1. 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 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)
Balance at 31 March 2024	**17,441,103**	**656,383**	**121,217**	**18,218,703**
Additions	629	119,349	–	119,978
Write down/Impairments	165,733	(24,213)	(18,147)	123,373
Fair value gains/(losses)	235,079	58,766	–	293,845
Disposal	(1,925,503)	(122,595)	–	(2,048,098)
Transfers in/(out)	–	28,736	–	28,736
Balance at 31 March 2025	**15,917,041**	**716,426**	**103,070**	**16,736,537**
Of which:				
Core Department	–	–	103,070	103,070
Agencies	–	–	–	–
Designated bodies	15,917,041	716,426	–	16,633,467

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 18.

Homes England is exposed to credit risk in relation to loans classified to Fair Value through Profit or Loss (FVTPL).

Note 8.2 Financial Instruments – Recognised fair value measurements

Level 1, 2 and 3 are explained in Note 18.

				2024-25
£'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	–	15,917,041	–	15,917,041
Other property investments		–	819,496	819,496
Investments	61,948	–	–	61,948
Total financial assets	**61,948**	**15,917,041**	**819,496**	**16,798,485**
of which				
Core Department	5,000	–	103,070	108,070
Agencies	–	–	–	–
Designated bodies	56,948	15,917,041	716,426	16,690,415
Total financial assets	**61,948**	**15,917,041**	**819,496**	**16,798,485**
Financial liabilities at fair value through profit or loss				
Financial guarantees	–	–	(31,289)	(31,289)
Other financial liabilities	–	–	(2,961,875)	(2,961,875)
Total financial liabilities	**–**	**–**	**(2,993,164)**	**(2,993,164)**
of which				
Core Department	–	–	(2,147,051)	(2,147,051)
Agencies	–	–	–	–
Designated bodies	–	–	(846,113)	(846,113)
Total financial liabilities	**–**	**–**	**(2,993,164)**	**(2,993,164)**

				2023-24
£'000	Level 1	Level 2	Level 3	Total
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	–	17,441,103	–	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)**

Changes in level 3 Instruments Financial assets £'000	**Other property investments**	
	2024-25	**2023-24**
Balance 1 April	**777,600**	**1,112,641**
Additions	119,349	36,234
Repayments/disposals	(122,595)	(84,339)
Reclassifications	28,736	(239,403)
Gains/losses recognised in SOCNE	16,406	(47,533)
Balance 31 March	**819,496**	**777,600**
of which		
Core Department	103,070	121,217
Agencies	–	–
Designated bodies	716,426	656,383
Balance 31 March	**819,496**	**777,600**

Changes in level 3 Instruments Financial liabilities £'000	**Financial guarantees**	
	2024-25	**2023-24**
Balance 1 April	**(47,667)**	**(110,899)**
Additions	16,378	63,232
Balance 31 March	**(31,289)**	**(47,667)**
of which		
Core Department	(31,289)	(47,667)
Agencies	–	–
Designated bodies	–	–
Balance 31 March	**(31,289)**	**(47,667)**

Note 9. Financial assets at fair value through profit or loss: due within one year

	Current financial assets at fair value through profit or loss	
	2024-25	**2023-24**
Balance at 1 April	**107,502**	**121,959**
Transfers in/(out) >1 year	(28,736)	(14,457)
Balance at 31 March	**78,766**	**107,502**
Of which:		
Core Department	–	–
Agencies	–	–
Designated bodies	78,766	107,502

Note 10. 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 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)/from receivables < 1 year	216,223	106,781	–	323,004
Balance at 1 April 2024	**901,494**	**206,666**	**821**	**1,108,981**
Additions	530,433	2,304	–	532,737
Write down/Impairments	(23,774)	–	–	(23,774)
Expected loss allowance	53,379	1,108	–	54,487
Repayments	(312,515)	(49)	–	(312,564)
Transfer (to)/from receivables < 1 year	(260,887)	71,313	–	(189,574)
Balance at 31 March 2025	**888,130**	**281,342**	**821**	**1,170,293**
Of which:				
Core Department	20,000	275,834	821	296,655
Agencies	–	–	–	–
Designated bodies	868,130	5,508	–	873,638

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 2025, a sensitivity analysis has been performed in Note 18, which also provides an overview of the key modelling assumptions and how they are applied.

Note 11. 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 2023	**570,566**	**106,781**	**677,347**
Additions	–	–	**–**
Disposals	**–**	**–**	**–**
Transfer from receivables > 1year	(216,223)	(106,781)	**(323,004)**
Balance at 1 April 2024	**354,343**	**–**	**354,343**
Transfers in/(out)	(2,732)	2,732	–
Transfer from receivables > 1year	188,871	703	189,574
Balance at 31 March 2025	**540,482**	**3,435**	**543,917**
Of which:			
Core Department	–	703	703
Agencies	–	–	–
Designated bodies	540,482	3,435	543,917

Note 12. Inventories

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

				£'000
		2024-25		2023-24
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April	**–**	**1,064,633**	**–**	**1,069,359**
Additions	–	322,478	–	202,273
Disposals	–	(52,756)	–	(72,757)
Impairments	–	(178,264)	–	(134,242)
Closing balance Land and buildings as at 31 March	**–**	**1,156,091**	**–**	**1,064,633**
ERDF Work in Progress				
Opening balance as at 1 April	250,362	250,362	458,665	458,665
Payments to Projects	13,780	13,780	650,109	650,109
Disposals	(264,142)	(264,142)	(858,412)	(858,412)
Closing balance ERDF as at 31 March	**–**	**–**	**250,362**	**250,362**
Total inventory closing balance as at 31 March	**–**	**1,156,091**	**250,362**	**1,314,995**

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 13. Trade and other receivables

				£'000
	2024-25		2023-24	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:				
Trade receivables	2,578	96,756	2,398	9,476
Deposits and advances	–	4	–	4
VAT receivables	5,709	5,798	5,537	5,650
Other receivables	523,564	620,828	1,091,006	1,370,276
ERDF accrued income	(21,654)	(21,654)	(5,014)	(5,014)
Prepayments and accrued income	81,884	104,317	248,252	249,134
Elections Advances	189,828	189,828	97,041	97,041
Amounts due from the Consolidated Fund in respect of supply	19,237	19,237	–	–
Sub Total	**801,146**	**1,015,114**	**1,439,220**	**1,726,567**
Amounts falling due after more than one year:				
Trade receivables	–	111,211	–	–
Other receivables	31,933	42,944	26,125	166,899
ERDF advances	–	–	128,972	128,972
Prepayments and accrued income	40	40	60	60
Sub Total	**31,973**	**154,195**	**155,157**	**295,931**
Total	**833,119**	**1,169,309**	**1,594,377**	**2,022,498**

Note 14. Cash and cash equivalents

				£'000
	2024-25		2023-24	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	1,295,863	1,488,180	1,682,114	1,929,965
Net change in cash and cash equivalent balances	(1,300,876)	(1,063,920)	(386,251)	(441,785)
Cash Balance at 31 March	**(5,013)**	**424,260**	**1,295,863**	**1,488,180**
The following balances at 31 March were held at:				
Cash held with third parties	-	112,751	-	92,207
Commercial banks and cash in hand	-	24,733	-	17,307
Government Banking Service	(10,682)	281,107	1,283,769	1,366,572
Government Banking Service (Elections)	5,669	5,669	12,094	12,094
Balance at 31 March	**(5,013)**	**424,260**	**1,295,863**	**1,488,180**

The departmental bank balance is showing as overdrawn, although the account as a whole was in credit due to the Business Rates Retention balance being held in the same account.

Note 15. Trade and other payables

				£'000
	2024-25		2023-24	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:				
Taxation and social security	7,019	7,917	6,366	5,039
Trade payables	148	449,905	66,833	539,967
Other payables	327,021	345,889	831,716	854,683
Accruals	1,174,183	1,178,226	1,040,081	1,044,087
Accruals - Elections	231,120	231,120	40,955	40,955
Leases	21,213	21,702	19,422	20,190
Deferred income	53,533	75,013	54,420	64,040
ERDF deferred income	84,847	84,847	353,780	353,780
Amount issued from the Consolidated Fund for supply but not spent	–	–	1,282,239	1,282,239
NNDR payable to the Consolidated Fund	6,028	6,028	–	–
Consolidated fund extra receipts to be paid to the Consolidated Fund	13	13	12	12
Sub Total	**1,905,125**	**2,400,660**	**3,695,824**	**4,204,992**
Amounts falling due after more than one year:				
Leases	104,843	105,539	109,223	110,366
ERDF deposits held	19,944	19,944	171,984	171,984
Other payables	–	26,975	–	20,193
Deferred income	772	772	924	924
CFER Liability	2,514	2,514	1,518	1,518
Sub Total	**128,073**	**155,744**	**283,649**	**304,985**
Total	**2,033,198**	**2,556,404**	**3,979,473**	**4,509,977**

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 16. Provisions for liabilities and charges

				£'000
		2024-25		2023-24
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	151,765	157,564	96,273	105,093
Increase	16,767	17,006	69,514	69,925
Utilisation	(11,338)	(11,447)	(12,504)	(12,955)
Reversal	(75,244)	(76,763)	(1,518)	(4,197)
Unwinding of discount	-	184	-	(302)
Balance at 31 March	**81,950**	**86,544**	**151,765**	**157,564**
Of which:				
Current liabilities	25,977	26,155	5,071	5,428
Non-current liabilities	55,973	60,389	146,694	152,136
Balance at 31 March	**81,950**	**86,544**	**151,765**	**157,564**

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. We continue to support the community-led process to determine a fitting memorial to honour those who lost their lives in the tragedy. The department is responsible for any significant operational decisions on site. 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.

In February 2025, following engagement with the community, to understand their views and considering independent expert advice, the Deputy Prime Minister reached a decision that Grenfell Tower will be carefully taken down. The government is preparing for work to start in the autumn. The timeline means that provision for the cost of maintenance and deconstruction is included up to the 2027/28 financial year. There is also a revised estimate of total cost of works.

The department are working with the independent Grenfell Tower Memorial Commission and the community towards the creation of a fitting and lasting memorial.

(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	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**
Not later than one year	16,434	9,721	26,155
Later than one year and not later than five years	36,845	20,946	57,791
Later than five years	–	2,598	2,598
Balance at 31 March 2025	**53,279**	**33,265**	**86,544**

Note 17. 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
		2024-25		2023-24
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	847,489	1,677,236	884,164	1,731,616
Current service cost	–	16,040	–	20,917
Interest charges	40,091	79,835	41,597	77,377
Contribution by members	–	6,638	–	5,664
Remeasurement of (gains) /losses on liability	(137,391)	(248,787)	(42,822)	(94,393)
Past service cost/(gains)	–	–	–	7
Losses/(gains) on curtailment	–	(141)	–	(142)
Transfers	–	13,522	–	–
Benefits paid				
Funded benefits paid	(42,166)	(76,307)	(35,445)	(63,473)
Unfunded benefits paid	(6)	(423)	(5)	(337)
Closing defined benefit obligation	**708,017**	**1,467,613**	**847,489**	**1,677,236**
Reconciliation of fair value of employer asset				
Opening balance	(745,532)	(1,927,439)	(760,055)	(1,867,447)
Interest income on scheme asset	(35,092)	(76,747)	(35,586)	(83,798)
Admin charge on pension assets	2,352	2,537	2,350	2,381
Contributions by members	–	(6,638)	–	(5,664)
Contributions by employer	–	(25,028)	–	(25,147)
Remeasurement of (gains)/losses on asset	28,703	805,122	12,314	(13,551)
(Losses)/gains on curtailment	–	2,764	–	2,717
Assets distributed on settlement	42,166	76,743	35,445	63,070
Closing fair value of employer asset	**(707,403)**	**(1,148,686)**	**(745,532)**	**(1,927,439)**
Closing net pension liability/ (asset)	**614**	**318,927**	**101,957**	**(250,203)**
of which:				
Funded	579	315,142	101,916	(252,367)
Unfunded	35	3,785	41	2,164

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 (2023-24: 18 years).

The valuation of the scheme liabilities as at 31 March 2025 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	**2024-25**	**2023-24**
Diversified Growth Funds/Return Seeking Assets	499	482
Liability Driven Investments	0	0
Gilts	122	149
Infrastructure	7	4
Property	33	58
Cash	35	52
Protection strategies	11	0
Total	**707**	**745**

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.

	2025	2024
Principal assumptions	**% pa**	**% pa**
Rate of inflation	3.2	3.3
Rate of salary increase	n/a	n/a
Discount rate for liabilities	5.80	4.85
Rate of increase of pensions in payment	3.2	3.3
Rate of increase of deferred pensions	3.2	3.3

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2023-24: 29 years), for females retiring today, 30 years (2023-24: 30 years) and for males retiring in 20 years, 30 years (2023-24: 30 years), for females retiring in 20 years, 32 years (2023-24: 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

Homes England pension schemes

The pension net asset in Homes England's financial statements was restated at 31 March 2024, reducing the net pension asset in Homes England at 31 March 2024 from £318.5m to £1.6m. As this was not material to the Group the net pension asset shown in these financial statements at 31 March 2024 is not restated.

During the year Homes England employees were able to participate in one of three contributory pension schemes, the following two being material for the group:

- The Homes and Communities Agency Pension Scheme (HCAPS)
- The City of Westminster Pension Fund

All three schemes are multi-employer defined benefit schemes as described in paragraph 8 of IAS 19 Employee Benefits. Only HCAPS is open to new employees.

The following information, including weighted average of key assumptions, includes Homes England's third, non-material pension scheme.

Financial overview

Fair value of scheme assets	2024-25 £'000	2023-24 £'000
Equities - quoted	408	405
Equities - unquoted	3	3
Bonds - quoted	223	231
Property	61	59
Other assets - quoted (incl cash)	145	148
Other assets - unquoted	93	89
Total	**933**	**935**

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations are as follows:

Financial assumptions	2024-25 £'000	2023-24 £'000
Inflation and pension increases rate (CPI)	2.9%	2.8%
Salary increases	3.5%	3.5%
Discount rate	5.9%	4.9%

The following table shows the impact of a change in each of the principal assumptions used to value the schemes' liabilities:

			£'m
Financial assumptions	**Change in assumption**	**Impact on scheme liabilities**	**Impact on scheme liabilities**
Discount rate	-0.25%	3%	19
Rate of inflation	0.25%	3%	18
Rate of mortality	-1 year	3%	(16)

Further details of all three schemes can be found in the Homes England Annual Report and Accounts for the year ended 31 March 2025.

Note 18a. 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 risk 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 B. 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[19]).

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2025	(21,653)	(25,878)
Total assets at 31 March 2024	290,033	329,771
Total liabilities at 31 March 2025	(19,944)	(23,835)
Total liabilities at 31 March 2024	(171,984)	(201,066)

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.

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

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 2025	Rate at 31 March 2025	Impact of rate change to			
	£'000	£:Euro	1:1.00	1:1.10	1:1.30	1:1.40
Assets	(21,653)	1:1.1951	£4m loss	£1m loss	£1m gain	£3m gain
Liabilities	(19,944)	1:1.1951	£3m loss	£1m loss	£1m gain	£3m gain
Net gain/loss	(41,598)		£8m loss	£3m loss	£3m gain	£6m gain

Market risk

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

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

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

Sensitivity analysis is performed to measure the change in fair value of the financial assets held for hypothetical changes in market prices. The sensitivity analysis is based on a proportional change to all prices applied to the relevant financial instrument balances existing at the year end. Stress-testing is performed which looks at exposure to adverse scenarios to ensure that the financial risks are understood.

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

The table below shows the effect on net expenditure arising from movements in the fair value of these portfolios at 31 March 2025, 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 (£'million)	Incremental change in fair value recognised in net expenditure ((£'million)	% Incremental change in fair value (recognised in net expenditure)
20.0%	19,330.2	3,232.6	20.1%
10.0%	17,714.2	1,,616.6	10.0%
0.0%	16,097.6	-	0.0%
-5.0%	15,287.9	(809.7)	-5.0%
-10.0%	14,456.4	(1,641.2)	-10.2%
-20.0%	12,399.6	(3,698.0)	-23.0%
-30.0%	9,542.5	(6,555.1)	-40.7%

Private sector developments, overage and infrastructure – market risk

At 31 March 2025, 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 £26.4 million/£26.4 million from that stated.

Land portfolio – market risk

The table below shows the effect on net expenditure at 31 March 2025, before the effects of tax, if at 31 March 2025 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	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%	1,288.4	(132.3)	11.4%
10.0%	1,227.5	(71.4)	6.2%
0.0%	1,156.1	–	0.0%
-5.0%	1,117.0	39.1	-3.4%
-10.0%	1,074.0	82.1	-7.1%
-20.0%	976.6	179.5	-15.5%
-30.0%	876.3	279.8	-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 241. 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 8.2.

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	**2025**	**2024**
Opening balance	**82,355**	**74,710**
Net movements in Expected Credit Loss Allowances	(51,143)	7,645
Closing balance	**31,212**	**82,355**

		£’000
Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	**2025**	**2024**
Net movements in Expected Credit Loss Allowances	(51,143)	7,645
Amounts written-off loan balances as irrecoverable under IFRS 9	(23,774)	(52,891)
Total credit impairment loss charge	**(74,917)**	**(45,246)**

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	75,227	(3,611)	-4.6%
Weighting of 60% : 5% : 35% applied	76,706	(2,132)	-2.7%
Base assumption of 60% : 10% : 30% applied	78,838	-	0.0%
Weighting of 60% : 20% : 20% applied	83,101	4,263	5.4%
Weighting of 65% : 25% : 10% applied	86,712	7,874	10.0%

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 2025, the department had approved and saw drawdown of £3.2 billion worth of debt finance raised by Affordable Housing Finance (2013 scheme) and £6 billion (2020 scheme, expanded in 2024) on behalf of Private Registered Providers, of which £2.4 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 2025 is £18.8 million for the 2013 scheme and £2 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 2013 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 2025, 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 this, £1.5 billion has been drawn and is covered by the Private

Rented Sector financial guarantees issued by the department. A further £109 million has been repaid. The valuation of the liability is £10.3 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 50.76% (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 2025 accounted for £985 million of the total exposure (51.7%). 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 97.8% of the £196.4 million receivables balances due from disposal of land and property assets.
- Cash is generally held with the Government Banking Service, except where commercial reasons necessitate otherwise, for example when cash is held by solicitors around completion of property sales or purchases or by a mortgage administrator pending allocation to accounts.
- Further information can be found in Homes England’s Annual Report and Accounts.

There are no other significant concentrations of credit risk in other financial instruments in the Departmental Group.

Interest rate risk

The Departmental Group has no material interest rate risk on its financial assets.

Fair values

The estimated fair values of the financial instruments held by the department approximate to their book values at 31 March 2024 and 31 March 2025. 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 15 and 13) and Public Dividend Capital (Note 10)	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 15 and 13)	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.
Non-current payables and receivables (Note 15 and 13)	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 8)	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 8)	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.	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.

Financial Instrument	Basis of fair value estimation
Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 13.	Discounted future cash flows using discount rates set by HM Treasury or the rate intrinsic to the financial instrument if higher.
Equity investments in private sector developments and infrastructure projects (Note 8)	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.	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.
Managed funds (Note 8)	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 18b. 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 which 1.5% might be an increase in accounts likely to be repossessed). In this situation Homes England would model a fair value of £15,364m: a reduction of £3,570m or 18.9% on the base assumption.

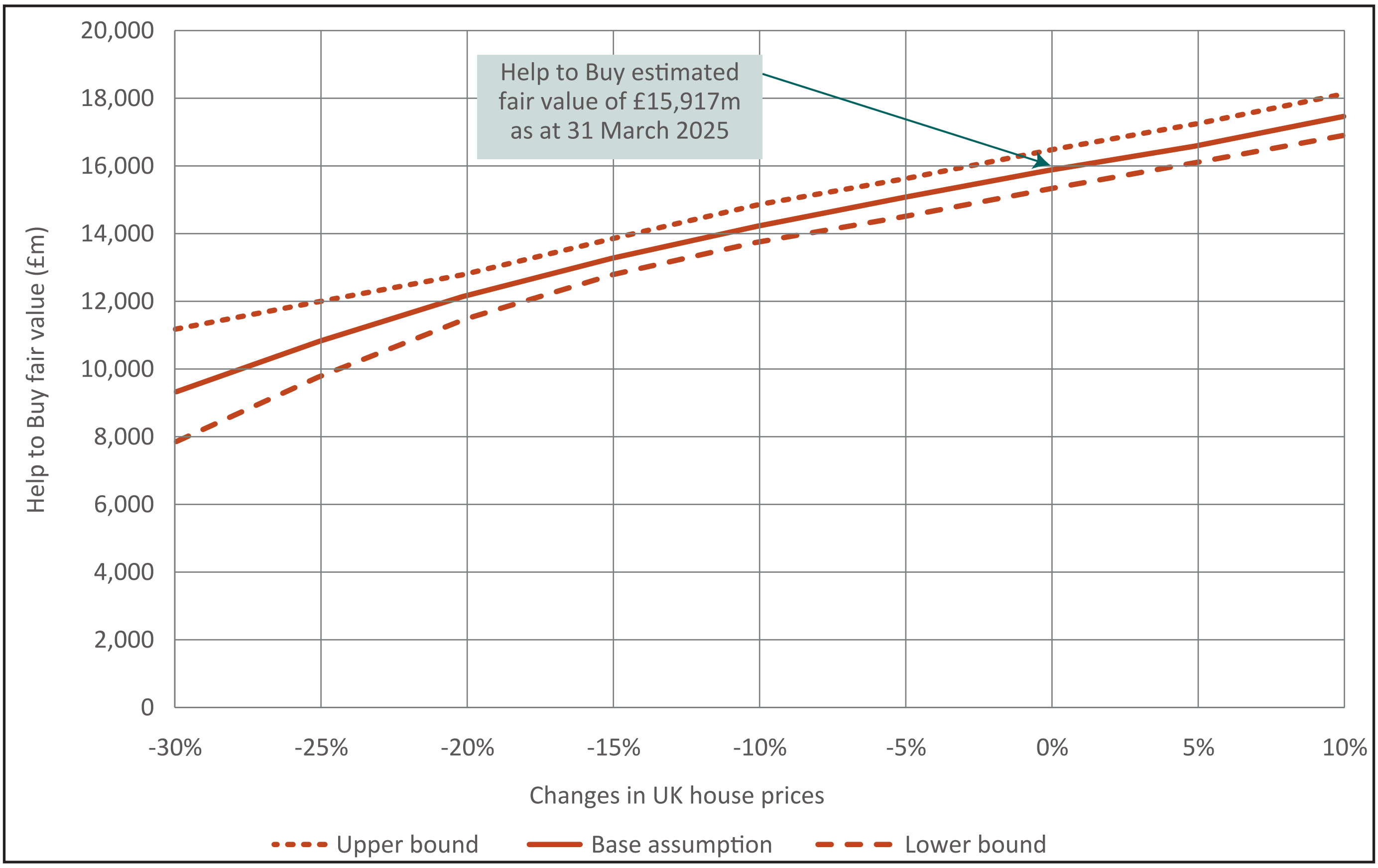
The below graph illustrates a potential spread of fair value from the combined impact of assumptions at different market prices. The upper and lower bounds correspond to assumptions within the following ranges:

- 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

The combined impact of assumptions generates a spread in estimated fair value of £1.1bn at current market prices. This spread would increase in a falling market, reaching approximately £3.4bn should market prices fall by 30%. The combined impact of assumptions is therefore more sensitive in a falling market. This is primarily due to the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.

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



Note 19. Other Financial Commitments

Homes England has made financial commitments in relation to programmes for investments in loan and equity assets, and infrastructure grants, 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 £2,834 million at 31 March 2025 (31 March 2024: £2,885 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 £1,627 million at 31 March 2025 (31 March 2024: £3,391 million). None of these grants is individually material to the Group (31 March 2024: none individually material to the Group).

Homes England has entered into financial commitments in relation to the Cladding Safety Scheme totalling £488 million at 31 March 2025 (31 March 2024: £nil).

In addition to the above, Homes England has entered into financial commitments in relation to land development of £145 million (31 March 2024: £136 million), leases of £3 million (31 March 2024: £2 million) and software licences of £1 million (31 March 2024: £nil).

Note 20. Contingent liabilities disclosed under IAS 37

In accordance with government policy, properties included in non-current assets in the Statement of Financial Position are not insured. Other contingent liabilities are set out below.

£'000			
		2024-25	2023-24
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.	630	850
b	Potential losses arising from inability to recover any ineligible expenditure from individual projects in the 2014-20 programme	Unquantifiable	Unquantifiable
c	Homes England: At 31 March 2025,The West Sussex County Council Pension Fund had 11 employees (31 March 2024: 11 employees) who were active members of the West Sussex County Council Pension Fund. 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
d	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
e	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	134	177
f	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.	394	163

£’000			
		2024-25	2023-24
g	Following the completion of the final 23/24 EPCA calculation the previously estimated £1.9 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 £2.3m.	-	1,908
h	Grenfell Home Ownership Scheme - A scheme which enables residents to purchase a share of their current home that is equivalent to the value of their Grenfell home. Estimated uptake is 20% of eligible residents and we anticipate majority to come forward within the first 4/5 years.	48,000	-

Note 21. Contingent assets disclosed under IAS 37

£’000			
		2024-25	2023-24
a	Homes England has in certain instances disposed of land or made grant payments with certain conditions attached, which if no longer fulfilled will result in a payment to the Homes England. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain, therefore it is not possible to quantify the likely income which may ultimately be received by the Agency.	Unquantifiable	Unquantifiable

Note 22. 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.

- Matthew Pennycook MP, Minister of State for Housing and Planning, his wife serves as the joint Chief Executive for the Law Commission. During 2024-25, MHCLG made total payments of £662,787 to the Law Commission. These payments were for the reimbursement of the cost of Law Commission staff in relation to various aspects of the Department’s programmes
- Chandru Dissanayeke, Director of Regulatory Stewardship & Reform in Building Safety, is a Trustee of the Church Urban Fund (CUF). The CUF works with and invests in people, churches, and community groups to tackle urgent issues and provide life-changing support. During 2024-25, we paid total

grants of £1,093,778 to the CUF – £515,000 for the Near Neighbourhoods Programme and £578,778 for the Windrush Day Grant Scheme. Chandru was not involved in any decisions or discussions regarding the bidding or awarding of the funding either within CUF or MHCLG.

- Caroline Crowther, Joint Director for Leasehold, Private Renting, and Digital, her brother is an equity partner at Womble Bond Dickinson (UK) LLP. During the year 2024-25, the department made total payments of £142,428 to Womble Bond Dickinson (UK) LLP for legal support and advisory services provided in relation to the Building Safety Fund. Caroline did not have any role in the procurement process for the appointment of Womble Bond Dickinson (UK) LLP

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 23. Events after the reporting period

The department's financial statements are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

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

Note 24. Entities within the Departmental Boundary

The department has one executive agency and 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).

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.

Executive Agencies

Planning Inspectorate

Queen Elizabeth II Conference Centre (trading fund)

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

Public Corporations

Architects Registration Board

Subsidiaries of designated bodies are disclosed in the relevant entity's accounts.

*Office for Place was wound up with effect from 31 March 2025.

Annex A: Section 70 Grant Payments to Charities

Section 70 of the Charities Act 2006 (the Act) sets out the powers for ministers to give financial assistance to charitable, benevolent or philanthropic institutions and requires that payments made under this power are reported.

Institution	Payments £'000	Purpose
Antisemitism Policy Trust **Secretariat for Antisemitism Adviser**	120	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
Association of Jewish Refugees **80 objects – 80 lives digital project**	15	Project to commemorate the 80th anniversary of the Holocaust
Association of Jewish Refugees **Holocaust Testimony Portal**	121	Project to commemorate the 80th anniversary of the Holocaust
Beacon Family Services CIC **Children and Young People's Resettlement Fund**	39	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.
Bradford Foundation Trust **Children and Young People's Resettlement Fund**	145	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.
Catalyst Psychology CIC **Children and Young People's Resettlement Fund**	128	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.

Institution	Payments £'000	Purpose
Church Urban Fund **Near Neighbours programme**	515	The Near Neighbours programme brings people together in communities that are religiously and ethnically diverse, building relationships of trust, and collaborating on initiatives that improve their local community.
Drive 2 Survive Community Interest **Youth conference about the Roma Genocide**	2	Supporting a 5 day educational programme learning about the Roma Genocide
Faith & Belief Forum **Carry out research and analysis into Interfaith**	60	A comprehensive research project to diagnose the fault lines in effective interfaith engagement
Faith Matters **Tell MAMA Project**	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 **Children and Young People's Resettlement Fund**	160	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.
Holocaust Memorial Day Trust **Support for UK's annual Holocaust Memorial Day**	980	Contribution to the filming of the national UK Holocaust Memorial Day Ceremony
Holocaust Survivors' Friendship Association **Engaging with Holocaust history through the arts**	10	Support for Holocaust Centre North for artists to work with Holocaust survivors.
Hong Kong Well UK CIC **Children and Young People's Resettlement Fund**	175	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.
International Rescue Committee UK **Children and Young People's Resettlement Fund**	159	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.
Muscular Dystrophy UK **Changing Places Toilets Fund**	25	To support the installation of Changing Places Toilets in existing buildings in England that are funded through Ministry of Housing, Communities & Local Government (MHCLG) £30.5M Fund.

Institution	Payments £'000	Purpose
Path Yorkshire (Ltd) **Children and Young People's Resettlement Fund**	113	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.
Protection Approaches **Support of the integration of HK British nationals**	400	Protection Approaches leading a consortium to deliver a hate crime reporting service to East and South East Asians in the UK
Roma Access Newcastle Upon Tyne Association **Commemoration event for the Roma Genocide**	5	Delivery of an event in Newcastle commemorating Roma Genocide Memorial Day, 2 August 2024
Royal Town Planning Institute **Update of Planning Enforcement Handbook**	5	To fund the updating of the Royal Town Planning Institute's Planning Enforcement Handbook for England to reflect reforms to the planning enforcement regime introduced through the Levelling-up and Regeneration Act 2023.
SHiFT Organisation Ltd **Funding to SHiFT Organisation Ltd**	1,800	Funding for the expansion of SHiFT pilots in areas most in need of intervention to support young people who are hard to reach and at risk of falling into crime
Stoke on Trent and North Staffs Theatre **Children and Young People's Resettlement Fund**	175	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.
The Linking Network **Schools Linking Programme**	75	The Schools Linking programme develops and facilitates effective links between schools of different demographic backgrounds, creating sustained social mixing and supporting them to develop a positive, cohesive ethos.
Ukrainian St Mary's Trust Ltd **Children and Young People's Resettlement Fund**	269	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.
Ummah Help **Remembering Srebrenica programme**	150	Grant funding to established cohesion partner. Remembering Srebrenica raises awareness of the 1995 genocide of Bosnian Muslims, tackling hatred and intolerance through educational resources.
Wiener Library Institute of Contemporary History **International Tracing Service Digital Archive**	396	Provide support and access to Holocaust survivors and their families to the Arolsen Archive (the world's most comprehensive archive on the victims and survivors of National Socialism.)

Institution	Payments £'000	Purpose
Women's Aid Federation **Funding to Women's Aid for the Routes to Support initiative**	78	MHCLG funds the Women's Aid Routes to Support initiative, which is a UK-wide database providing detailed information on local services available for victims of domestic abuse.
Total	**7,121**	

Annex B: 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 acted as Managing Authority (the organisation responsible for the efficient management and implementation of the programme) for the 2014-20 programme. In London, ERDF was delivered by an intermediate body, the Greater London Authority (GLA). A more limited range of Managing Authority functions was 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 continued to participate in the EU programmes funded through the 2014-20 Multiannual Financial Framework (which includes ERDF). The final ERDF annual accounts for 2023-24 were sent to the European Commission (EC) at the end of February 2025 and the accounts were accepted by the EC on 25 April 2025.

The main payments to projects were completed by the end of March 2024 with the final EC payment application (ECPA) being sent to the EC at the end of April 2024. Payments to projects that were made by the department have been treated as current asset inventories on the Statement of Financial Position and only transferred to expenditure when the ECPA is completed and sent to the EC (31 March 2025: £0 (nil), 31 March 2024: £250 million). Within ERDF when project expenditure was not in accordance with ERDF regulations it becomes ineligible for ERDF grant funding. The department seeked to recover such ineligible expenditure from grant recipients in the first instance. Where recovery was not possible or feasible, the liability ultimately fell 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. The reason expenditure and income are now shown as much-reduced balances is that the last ECPA was made in April 2024 as the final part of the programme's payments to beneficiaries and only one ECPA was submitted (normally there are at least three) and this was 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 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 2025: £85 million, 31 March 2024: £354 million). This balance is beginning to reduce as the programme starts to come to an end. The intervention balance is being used to cover overbooking on various priority axes/category of regions where we have been allowed 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 and has been included in the overbooking calculations.

The department has now started to utilise the initial advance to cover the last payments made to beneficiaries and we are awaiting the final calculations from the EC (in Euros) relating to the balances on the advances. We will then convert these to sterling balances and any advance not used by the Department will have to be paid back to the EC once this final calculation is completed. The advance is held as a payable until utilised (31 March 2025: £20 million, 31 March 2024: £25 million). 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 EC hold back 10% of each requested amount from each ECPA 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 March 2025: £nil, 31 March 2024: £354 million). The amount has decreased to zero as we have already cleared the 10% held back balances to zero against the advances.

From December 2020 the Department decided to take up the EC regulation changes to the way Technical Assistance (TA) was calculated and has, from the December 2020 EC payment application, been calculating TA using 4% of eligible expenditure where appropriate. An agreed amount has been released from the TA account for this financial year to cover the TA amount calculated by the department as income.

The Audit Authority (AA) function is delivered by the Government Internal Audit Agency. It is the designated UK body that audits the ERDF programme in England. In accordance with EU regulation, the AA concluded all of its work for the final year of the ERDF programme, which included some additional assurance activity to support a timely and smooth closure of the programme. As part of their operational audits, the AA tested a sample of 83 expenditure claims, covering €786 million declared by the department to the EC during the ERDF final accounting period. The AA's findings revealed that 80% of claims contained less than 1% of error (2% is the EC's materiality threshold), which is broadly similar to earlier years. Most claims (65%) contained zero error, accounting for over 90% of the value of expenditure examined. Where errors were identified, these were corrected by the department; most had limited financial impact although there was one moderate impact issue relating to public procurement breaches (by ERDF beneficiaries). A "residual total error rate" for the final ERDF accounting period was confirmed at 0.287%, significantly below the EC's 2% materiality threshold. The AA also examined and verified various other elements of the ERDF programme, as part of the final programme closure arrangements; they provided an overall unqualified assurance on the ERDF accounts submitted to the EC, and the legality and regularity of expenditure presented in the accounts.

Business Rates Retention and Non-Domestic Rates Trust Statement

Foreword

Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to HM Treasury's Consolidated Fund where the entity undertaking the collection acts as agent rather than principal.

MHCLG 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 the Exchequer and Audit Departments Act 1921.

Scope

MHCLG 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 rateable properties or assets 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 the Exchequer and Audit Departments Act 1921. The audit certificate is on page 385. The auditor’s notional fee of £23,325 (2023-24: £22,500) 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 the Exchequer and Audit Departments Act 1921, 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 105.

Dame Sarah Healey DCB CVO 18 July 2025
Accounting Officer
Ministry of Housing, Communities & Local Government

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

Opinion on financial statements

I certify that I have audited the financial statements of the Business Rates Retention and Non-Domestic Rates Trust Statement for the year ended 31 March 2025 under the Exchequer and Audit Departments Act 1921.

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

- Statement of Financial Position as at 31 March 2025;
- Statement of Revenue, Other Income and Expenditure, and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Business Rates Retention and Non-Domestic Rates Trust Statement's affairs as at 31 March 2025 and its net revenue for the Consolidated Fund Account for the year then ended; and

- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. 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 2024*. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK.

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

The going concern basis of accounting for the 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 the Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance Statement in Respect of the Trust 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 the Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance Statement in Respect of the Trust 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 the Accounting Officer's Responsibilities in Respect of the Trust Statement and Governance Statement in Respect of the Trust 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 Ministry of Housing, Communities and Local Government 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 in Respect of the Trust 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 the 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 Ministry of Housing, Communities and Local Government 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 Exchequer and Audit Departments Act 1921;
- preparing the Governance Statement in Respect of the Trust Statement in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921; and
- assessing the Business Rates Retention and Non-Domestic Rates Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services accounted for within these financial statements 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 Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Ministry of Housing, Communities and Local Government's policies and procedures relevant to the Business Rates Retention and Non-Domestic Rates 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 Ministry of Housing, Communities and Local Government's controls relating to compliance with the Exchequer and Audit Departments Act 1921, the Local Governance Finance Act 1988 and Managing Public Money.
- inquired of management, the Ministry of Housing, Communities and Local Government'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 Ministry of Housing, Communities and Local Government 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. 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 business rates and non-domestic rates system. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, the Local Governance 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 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; and
- 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 a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting

Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain 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 21 July 2025
Comptroller and Auditor General

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

Statement of Revenue, Other Income and Expenditure

For the period ended 31 March 2025

			£'000
	Note	2024-25	2023-24
National Non Domestic Rates		2,085,048	1,940,595
Business Rates Retention		28,062,751	25,820,552
Local Share			
Deduction of Local Share		(16,344,071)	(14,730,316)
Total Revenue after deduction of Local share	3	13,803,728	13,030,831
Net Revenue for the Consolidated Fund Account		13,803,728	13,030,831

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

The notes at pages 400 to 403 form part of this Statement.

Statement of Financial Position

as at 31 March 2025

			£'000
	Note	2024-25	2023-24
Current Assets			
Accrued Revenue Receivable		226,686	387,973
Cash and Cash Equivalents	SoCF	133,260	95,879
Total Current assets		**359,946**	**483,852**
Current Liabilities			
Accrued Revenue Payable		94	99,474
Total Current Liabilities		**94**	**99,474**
Total assets less current liabilities		**359,852**	**384,378**
Balance on Consolidated Fund Account	2	**359,852**	**384,378**

Dame Sarah Healey DCB CVO 18 July 2025
Accounting Officer
Ministry of Housing, Communities & Local Government

The notes at pages 400 to 403 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2025

			£'000
	Note	2024-25	2023-24
Cash flows from operating activities		13,865,635	13,143,781
Cash paid to the Consolidated Fund		(13,828,254)	(13,174,855)
CFERs payable to the Consolidated Fund			114,156
Increase/(decrease) in cash in this period		**37,381**	**83,082**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	13,803,728	13,030,831
(Increase)/Decrease in receivables		161,287	26,275
Increase/(Decrease) in payables		(99,380)	86,675
Net Cash Flow from Operating Activities		**13,865,635**	**13,143,781**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		37,381	83,082
Net funds at 1 April		95,879	12,797
Net Funds as 31 March		**133,260**	**95,879**

The notes at pages 400 to 403 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 for 2024-25 issued by HM Treasury under DAO (03/04).
- 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 provisional and audited figures in local authority NNDR3 claim forms.

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 2023-24).

Trust Statement Note 2 Balance on the Consolidated Fund

		£'000
Consolidated Fund	**2024-25**	**2023-24**
Balance on Consolidated Fund Account as at 1 April	384,378	414,246
Net Revenue of the Consolidated Fund	13,803,728	13,030,831
Less amount paid to the Consolidated Fund	(13,828,254)	(13,174,855)
CFERs payable to the Consolidated Fund	–	114,156
Balance on Consolidated Fund Account as at 31 March	**359,852**	**384,378**

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

		£'000
Revenue	2024-25	2023-24
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	2,085,048	1,940,595
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	11,718,680	11,090,236
	13,803,728	**13,030,831**

Trust Statement Note 4 Cash at Bank

The cash and cash equivalents and net funds disclosed in the Statement of Cash Flows are held with the Government Banking Service.

Trust Statement Note 5 Events after the reporting period

The department's financial statements which includes this Trust Statement are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General. There have been no such events.

Accounts Direction Given by HM Treasury in accordance with section 2 of the Exchequer And Audit Departments Act 1921

This direction applies to MHCLG 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 2025 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual (“FReM”) 2024-25.

The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

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 (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

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.

The Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Kevin Pertaub
Deputy Director, Government Financial Reporting
HM Treasury

19 December 2024