Ministry of Housing,
Communities &
Local Government

Annual Report and Accounts 2025-26

This report is filed in respect of the accounts up to 31 March 2026 incurred by Ministry of Housing, Communities & Local Government (MHCLG).

MHCLG has discharged the responsibilities set out in the Accounts Direction and Supply Estimate in respect of MHCLG in the preparation of this Annual Report and Accounts.

HC 484

Ministry of Housing, Communities & Local Government
Annual Report and Accounts 2025-26

(For the year ended 31 March 2026)

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000 and Section 2 of the Exchequer and Audit Departments Act 1921

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

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This is part of a series of Departmental publications which, along with the Main Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2025-26 and planned expenditure for 2026-27.

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Foreword from the Secretary of State

As Secretary of State for Housing, Communities and Local Government, it is my mission to build good homes and strong communities where people can live, work and thrive.

Together, we have achieved a lot in the past year - so much of which is down to the hard work and dedication of the talented officials in this department and its arm's length bodies. I want to give you all my heartfelt thanks as we look back on a successful year, and ahead to what we can achieve in future.

Ensuring Everyone has a Safe, Secure and Affordable Home

We have been working to build homes people feel proud to live in. We passed the landmark Planning and Infrastructure Act, enabling us to accelerate housing delivery while ensuring new communities are supported by the infrastructure and public services they need, and secured a once-in-a-generation £39 billion Social and Affordable Homes Programme at the Spending Review.

At the same time, we have worked to ensure no one will be left behind in this mission. We published our National Plan to End Homelessness, secured equal access to government remediation funding for social housing landlords for the first time, and oversaw passage of the Renters' Rights Act - the most far-reaching reform of the private rented sector in decades.

This year, our focus will shift to delivery: ensuring that the new homes and infrastructure we need can be built quickly, and improving our existing homes so everyone can feel safe and secure.

Giving People Greater Control Over their Lives

We have been committed to helping communities take back control of their future by devolving more power, budgets and services to councils and mayors. This is recognition that local leaders know their areas best. In the year ahead, we will continue with our permanent shift of power out of Whitehall into every region, town, village and community in this country. The passage of the English Devolution and Community Empowerment Bill this Spring was a significant milestone.

We have accelerated work to replace our inefficient two-tier system of local government with single-tier unitary councils and begun to fix the foundations of local government finance. Our vision is of local councillors once again becoming agents of renewal, not just caretakers. As part of our commitment to power at the most local level, we are embracing neighbourhood governance and the development of co-operatives.

A renewed focus on reforming locally delivered public services will mean they evolve to meet the needs of the day, and the public they serve. We are putting people at the heart of local public services, so that they become more responsive to user needs. This year we will also carry on delivering our promise to strengthen our democracy and uphold the integrity of elections. We have now published our landmark Representation of the People Bill and will progress it through Parliament in the months ahead. This means defending democracy by removing barriers to legitimate voters participating in our electoral system.

Strengthening Community Resilience with Restored Pride in Place

Finally, we have been creating change that people can see and feel in their local community, after the combined effects of austerity, deindustrialisation and an uncritical embrace of globalisation. The Pride in Place programme is now being deployed in neighbourhoods across almost 300 constituencies, with a total commitment of £5.8 billion over a decade - with investment overseen by neighbourhood boards so that local people can decide for themselves how their money is spent.

In the year ahead we will place a renewed focus on town and city centres, with the publication of the cross-government high streets strategy. High streets are the heart of our communities - they should be vibrant centres where people come together, where local businesses take root and flourish, and a source of pride in place. The strategy will be backed by at least £150 million of support to help turn the tide on the high streets most in need.

Next year is when people around the country will begin to see and feel the changes we have made. I look forward to working with you all to make this renewal a reality.

The Rt Hon Steve Reed OBE MP
Secretary of State for Housing, Communities and Local Government

Foreword from the Permanent Secretary

As Permanent Secretary, I am proud of the breadth and quality of work delivered by the department and its arm's length bodies over the past year. Colleagues across the organisation have supported ministers to design and implement an ambitious programme of reform, while continuing to deliver essential services and work closely with local authorities, partners and communities across the country. Their professionalism and commitment have been central to the progress set out in this Annual Report.

The department has made significant strides in addressing some of the most pressing issues facing communities today. We have supported the delivery of major housing and planning reforms, backed by unprecedented levels of long-term investment in social and affordable homes. The passage of the landmark Planning and Infrastructure Act will accelerate housebuilding and the construction of vital infrastructure, including transport and clean energy. The consultation on a revised National Planning Policy Framework - which closed in March 2026 - and the announcement of City Investment Funds worth £2.3 billion constitute further steps towards tackling the housing crisis and generating growth. In parallel, the department has strengthened protections for renters via the Renters' Rights Act and published a Remediation Acceleration Plan which will expedite the remediation of unsafe buildings. The scale of these achievements speaks to the talent and commitment of colleagues, who can feel assured that they have made real progress towards our shared objective: improving the lives of citizens across the UK.

Alongside this vital work, the department has played a leading role in advancing devolution and local government reform. The department's English Devolution and Community Empowerment Act has received Royal Assent, and will deliver on government's commitment to widen and deepen devolution across England. This work has been accompanied by a renewed focus on democratic participation, neighbourhood governance and the responsiveness of locally delivered public services. The department's support for local government has been further improved via reforms to the local government funding process, including the introduction of the first multi-year Local Government Finance Settlement in over a decade. Taken together, the department's work across these areas will return power and resources to the people and places we serve.

Throughout the year, the department has continued to strengthen how it operates as an organisation. We have undertaken a number of parallel reform programmes to ensure that the department's approach to delivery, risk, and governance is streamlined and effective. These reform processes highlight the department's commitment to continuous improvement in the pursuit of our central purpose: ensuring that public funding is managed responsibly, delivering real change which aligns with ministerial priorities. Throughout the year, we have also worked to deepen collaboration across the local government, housing and community sectors, recognising that durable change depends on strong partnerships and local leadership.

Finally, following a successful recruitment round in 2025-26, I am delighted to welcome the full board of non-executive directors to the department. The board will provide vital oversight as the department works to deliver on its strategic objectives, and I have no doubt that the department will benefit hugely from their expertise and experience.

None of this progress would have been possible without the dedication and expertise of colleagues across the department and our arm's length bodies. While the past year has seen substantial achievement, the coming period will be defined by delivery and implementation. The department will continue to support ministers in turning reform into measurable improvements for communities, and remain focused, resilient and effective in meeting the challenges ahead.

Dame Sarah Healey DCB CVO
Permanent Secretary

Foreword from the Lead Non-Executive Director

During this financial year, the department continued to deliver its priorities in a challenging and constrained operating environment, supported by strong governance, clear accountability and effective oversight by the departmental board. The non-executive director team reached full complement in September 2025, with governance arrangements further stabilised by my substantive appointment as Lead Non Executive Director in March 2026.

The departmental board and sub-committee have remained central to setting strategic direction and overseeing performance, risk and delivery. The board has continued to make effective use of the department's delivery dashboard, providing a clear and consistent view of progress, risks and dependencies across priority programmes, and strengthening collective oversight and timely intervention where needed. I am satisfied that the board has operated effectively during 2025-26, supported by transparent information, open discussion and a strong culture of constructive challenge. The non executive directors have also played an active and engaged role since their appointment, bringing a breadth of experience from across the public, private and voluntary sectors, and working closely with the highly committed executive team, enabling them to provide challenge and support on strategic priorities, major programmes, organisational capability and financial sustainability.

The Audit and Risk Assurance Committee (ARAC) continues to play a vital role in the department's governance framework, providing independent scrutiny of financial reporting, risk management and the system of internal control. During the year, the Committee progressed a focused improvement initiative to strengthen its effectiveness, including clearer assurance mapping, sharper prioritisation of risks and more targeted 'deep dive' discussions on areas of greatest exposure. This work has further strengthened oversight of the department's key risks and controls, improving the quality of assurance provided to both the board and the accounting officer.

As the department enters 2026-27, it will continue to face significant delivery, financial and capacity challenges. The board and non-executive directors remain committed to supporting the department through strong governance, clear priorities and effective assurance.

Across MHCLG the work of all staff, wherever they are based in the UK, is reflected in the focus on delivery, integrity and innovation in often challenging circumstances. On behalf of the non-executive directors, I would like to thank the MHCLG Secretary of State, Ministers, the Permanent Secretary, and the executive team for their professionalism, openness and engagement throughout the year.

Mo Baines
Lead Non-Executive Director

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Section 1 Performance Report

Overview

The Annual Report comprises the Performance Report, the Accountability Report and the Financial Statements which together set out the progress we made in 2025-26 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, have affected the department's ability to deliver on its objectives.

Performance Summary

Our role and Purpose

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

How we are organised

The departmental group consists of the department, its executive agencies, and its sponsored non-departmental and other arm's length public bodies. During 2025-26 the department consisted of the core department and fourteen other arm's length bodies (ALBs). A full list of bodies included in the MHCLG Group is listed in Note 21 to the accounts.

The Secretary of State heads the department's ministerial team, which is accountable to Parliament. He 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 continuously review our portfolio management framework to ensure it is designed 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. During 2025-26, the department recruited four new non-executive directors and a Lead non-executive director, resulting in a complete cohort of five non-executive directors.

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

Our strategic priorities

The period covered by this report saw significant progress against departmental priorities. The Secretary of State and his ministerial team have identified nine priority outcomes, which contribute to the department's overall objectives to build good quality homes, drive economic growth and facilitate strong communities where people can live, work, and thrive. These priorities are grouped under three core goals:

Goal I: Ensuring everyone has a safe, secure, and affordable home

1. Accelerating housing delivery to make progress towards the 1.5 million homes target, while ensuring new communities are supported by the infrastructure and public services they need to thrive;
2. Reforming the leasehold and private rented sectors to give people more security in their homes;
3. Tackling homelessness and rough sleeping;
4. Accelerating the remediation of dangerous cladding so that people are safe in their homes as quickly as possible.

Goal II: Giving people greater control over their lives

5. Devolving more power, budgets and services to local leaders and mayors to strengthen local economic growth and drive up living standards;
6. Reforming locally delivered public services in local authorities and mayoral areas, so people have greater control over how decisions are made and greater trust in the democratic system;
7. Defending democracy by removing barriers to legitimate voters participating in our electoral system and upholding better standards in public life.

Goal III: Strengthening community resilience with restored pride in place

8. Creating visible change and tangible opportunities for growth in our most deprived areas, underpinned by increased investment;
9. Strengthening social cohesion by working with partners to support integration and reduce the risk of future unrest.

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

Strategic enablers

During 2025-26, we have continued to strengthen our corporate centre. Initiatives to improve the department's delivery system, risk function and governance processes have progressed significantly, with improvements beginning to embed across the department.

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

Key risk summary

In 2025-26, the department has instituted a new approach to risk reporting, moving away from a focus on principal risk categories. The department now groups its risks based on the departmental objective to which the risk represents a threat. While our classification system has changed, the issues underpinning these risks remain relatively consistent, with funding pressures continuing to challenge the department to prioritise efficiently and effectively, making the maximum use of resources. Our ability to achieve outcomes is also somewhat affected by global events and the associated economic challenges.

Our key 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.

Our highlights in 2025-26

As noted above, the department is working to make progress toward three broad goals: ensuring everyone has a safe, secure and affordable home; giving people greater control of their lives, and strengthening community resilience with restored pride in place. This section outlines a number of key achievements that have served to advance these goals.

Laying the groundwork for 1.5 million new homes

- Passed the landmark Planning and Infrastructure Act, which will remove delays in the planning system to speed up housebuilding and major infrastructure.
- Launched a once-in-a-generation £39 billion Social and Affordable Homes Programme. This grant funding programme for social and affordable housing delivery will work toward its ambition of delivering around 300,000 social and affordable homes over the programme's lifetime.
- Published a five-step plan to deliver a decade of renewal for social and affordable housing. Key measures include a stable social rent policy for the next decade and a £2.5 billion package of low-interest loans for private registered providers.
- Established a new, permanent National Housing Bank, which will act as the Government's housing investment arm and will help build over 500,000 new homes.

Giving people more security in their homes

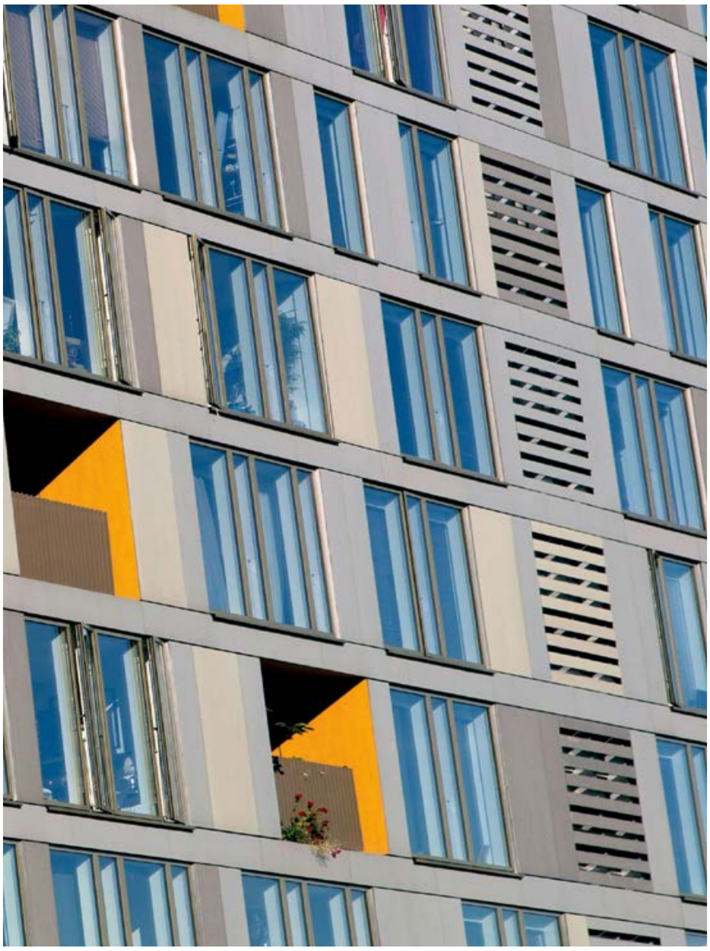
- Oversaw passage of the Renters' Rights Act: the most far-reaching reform of the private rented sector in decades. This will transform the experience of private renting, giving renters much greater security and stability.
- Published a draft Commonhold and Leasehold Reform Bill. When implemented, this Bill will deliver the Government's commitment to take steps towards bringing the leasehold system to an end.
- Addressed dangerous hazards in homes by bringing Awaab's Law into force in the social rented sector, ensuring that social landlords must address a range of hazards which pose a significant risk of harm within fixed timeframes.

Tackling homelessness and rough sleeping

- Published the National Plan to End Homelessness: a cross-government strategy which sets out a long-term vision to end homelessness and rough sleeping. The strategy sets out an action plan for this Parliament.
- Provided over £1 billion funding for homelessness and rough sleeping, which constitutes a record figure.
- Delivered a 54% reduction in the number of families with children in B&B accommodation for longer than 6 weeks.

Accelerating remediation and responding to the Grenfell tragedy

- Secured equal access to government remediation funding for social housing landlords for the first time.
- Published a Remediation Acceleration Plan update which laid out measures to fix buildings faster, including a commitment to introduce a Remediation Bill to help drive progress.
- Established the Building Safety Regulator as a standalone arm's length body from the 27 January 2026 with new leadership. This will help to provide a more singular focus on building safety.
- Published our first annual report to Parliament on the implementation of the Grenfell Tower Inquiry's Phase 2 recommendations.
- Commenced work to carefully take down Grenfell Tower in 2025.
- Appointed a design team for the Grenfell Tower memorial. This team have begun work to develop the design of a permanent Grenfell Memorial to honour those who lost their lives and those whose lives were forever changed, engaging continually with bereaved and survivor families and the local community as a result.



Devolving more power, budgets and services to strengthen local economic growth and drive up living standards

- Introduced the English Devolution and Community Empowerment Bill. It has since proceeded through both Houses and achieved Royal Assent, becoming an Act of Parliament.
- Established three new Mayoral Strategic Authorities in Cumbria, Cheshire and Warrington, and Sussex & Brighton. Laid legislation to create a fourth in Hampshire and the Solent. Together, these will receive £3.5 billion over 30 years.
- Devolved over £1 billion in funding to Greater Manchester and West Midlands Combined Authorities through the first Integrated Settlements.

Reforming locally delivered public services in local authorities and mayoral areas, so people have greater control over how decisions are made and greater trust in the democratic system

- Made major progress on Local Government Reorganisation, announcing plans to establish two new unitary authorities in Surrey and decisions for reorganisation in Essex, Hampshire, Norfolk and Suffolk.
- Published the Local Government Finance Settlement, the first multi-year Settlement for local government in a decade. The 2026-27 settlement makes available £78 billion in Core Spending Power for local authorities in England, a 6.1% increase compared to 2025-26.
- Took forward new measures to tackle foreign interference in elections and strengthen our protections against illegitimate and opaque money entering UK politics.

Defending democracy by removing barriers to legitimate voters participating in our electoral system and upholding better standards in public life

- Introduced the landmark Representation of the People Bill to Parliament. This Bill will defend democracy by removing barriers to legitimate voters participating in our electoral system.
- Published the Elections White Paper, which will work to futureproof our democracy, secure our elections, uphold our democratic values and make clear our commitment to restoring trust in our political system.

Creating visible change and tangible opportunities for growth in our most deprived areas, underpinned by increased investment

- The Pride in Place programme is now being deployed in neighbourhoods across almost 300 constituencies, with a total commitment of £5.8 billion over a decade. Investment is overseen by neighbourhood boards so that people can decide for themselves how their money is spent.
- Worked toward the planned publication, coming in the year ahead, of the cross-government high streets strategy. The strategy will be backed by £150 million of support to help turn the tide for high streets most in need.

Strengthening social cohesion by working with partners to support integration and reduce the risk of future unrest

- Published a new Social Cohesion Action Plan, laying out the initial actions government will take to create confident, cohesive and resilient communities across the UK. This plan will be implemented by a new Social Cohesion Taskforce.
- Announced the Common Ground Resilience Fund, providing up to £3 million to local communities to tackle threats to social cohesion and resilience.

Focus for the coming year

Throughout 2026-27 and beyond, MHCLG will continue to build good homes and strong communities where people can live, work and thrive. The department's overarching strategic goals for the rest of this Parliament are clear and established:

- To build a country where everyone has access to a safe, affordable and decent home;
- To give people greater control over their lives;
- To strengthen community resilience with restored pride in place.

MHCLG's published Main Estimate and associated explanatory memorandum set out the department's plans for expenditure for 2026-27, the changes compared with 2025-26, 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 its core objectives and allowing MHCLG to create a Britain with quality homes and resilient communities where people are able to live, work, and flourish.

Performance Analysis

Overview

This section sets out the department's performance against its priority outcomes and its strategic enablers for 2025-26, organised by each Director General-led portfolio (as they were at the end of the financial year). Any significant events and challenges that had an impact on delivery activity and outcomes are also specified where applicable.

Delivering in a complex environment

Social context

MHCLG is spearheading action to reduce social inequality and bolster local economies, with the ultimate aim of creating safe, secure and thriving communities across the UK. We recognise the need to work closely with the communities we serve, which is why we are continuing to collaborate closely with local authorities, faith leaders, community organisations, and government partners to promote and strengthen community cohesion. These efforts are complemented by our work to roll out devolution, restore pride in place and provide visible change in the places that need it most. The department continues to work with stakeholders to respond to the deeply worrying increase in incidents of hate related violence and abuse. We have played a leading role in the Government's response to episodes of social unrest in local communities throughout 2025-26, while also addressing the effects of emerging and ongoing global challenges, particularly those stemming from conflict in the Middle East.

Inflationary and economic pressures

While inflation has continued to ease over the period, cost pressures have remained a feature of the economic environment, presenting ongoing challenges across our portfolios. Elevated input costs, alongside pressures in construction and labour markets, and continued constraints in rental and mortgage affordability, have affected the housing market and the capacity of local authorities to deliver against their priorities, including the provision of homes and homelessness support. The department has continued to work closely with stakeholders to make use of available levers to mitigate these impacts where possible and support delivery of our outcomes. Support measures have included the provision of Exceptional Financial Support for local authorities to assist with budget setting and the launch of a National Housing Bank to provide purpose-led finance for housing delivery.

Delivering outcomes across complex systems

The department delivers its objectives within complex systems that require sustained collaboration across a wide range of partners and institutions. Our placebased approach involves close working with local authorities, devolved administrations, arm's length bodies, community organisations, delivery partners and other parts of government, enabling interventions to be tailored to local needs. Over the past year, we have continued to provide targeted support to places while also reforming the systems in which we operate, including through the Local Government Reorganisation (LGR) programme and our public sector reform work. This has included announcing plans to establish two new unitary authorities in Surrey, improving accountability and efficiency. Delivery is shaped by a complex institutional landscape, with outcomes shared across a broad portfolio of arm's length bodies, including the Building Safety Regulator and Homes England. Given the breadth and complexity of the department's remit, working with specialised delivery partners enables us to be more effective in delivering our priority outcomes across housing, local growth, finance, resilience and social cohesion.

The department has also taken steps to strengthen the effectiveness of arm's length bodies, including supporting BSR's transition to a standalone body, while continuing to work with partners to drive progress and longterm system reform.

Departmental Outcome Performance

Regeneration, Housing and Planning

The Regeneration, Housing and Planning (RHP) group is central to the Government's efforts to ensure everyone has a safe, secure and affordable home. The ambition is to accelerate housing delivery to make progress towards delivering 1.5 million new homes and ensure new communities are supported with the infrastructure and public services they need to thrive. We are also responsible for supporting those without a home and we have set out a long-term vision to end homelessness and rough sleeping. The RHP group is working to achieve the biggest increase in social and affordable housing for a generation, looking to make housing affordable for all households. Finally, the group also works to improve standards and security in housing.

What we achieved in 2025-26

- Delivered landmark legislation to reform the private rented sector. The Government secured Royal Assent for the Renters' Rights Act 2025, fundamentally overhauling regulation of the PRS and introducing a comprehensive package of tenant protections and system reform.
- Successfully implemented Phase 1 of PRS reforms. The first phase of the Act was delivered on 1 May 2026, introducing a new tenancy system and abolishing Section 21 'no fault' evictions.
- Strengthened enforcement powers and tools for local authorities.

Published a clear implementation roadmap for sector reform. Set out a phased approach to delivering reforms, providing clarity to landlords, tenants, and local authorities and supporting orderly transition.

Housing Supply

Planning Reforms

- Housing cannot be delivered without a planning system that enables that development to take place. Fundamental to housing delivery has been far-reaching planning reform. We have consulted on the most fundamental rewrite of the National Planning Policy Framework since its creation. Proposed reforms include a permanent presumption in favour of suitably located development; a 'default yes' for building homes around stations within settlements and around 'well-connected' stations; driving urban and suburban densification; the introduction of a new 'medium development' category which will predominantly support SME builders; and boosting local and regional economies by supporting crucial sectors named in the Industrial Strategy, AI Growth Zones, and beyond. We are currently analysing the feedback from the consultation and will publish our response in due course.
- Received Royal Assent for the Planning and Infrastructure Act. This will remove delays in the planning system to speed up housebuilding and major infrastructure, including transport and clean energy. As part of implementing the Act's measures, we have since consulted on introducing reforms to planning application fees to boost capacity in local planning departments and launched a consultation on a National Scheme of Delegation. This will focus planning committees on large scale schemes that matter most to communities, removing minor schemes from time-consuming committee debates that can stall developments.
- Continued to drive forward Local Plan coverage. We are continuing to drive local planning authorities to prioritise the preparation of local plans, whether in the current system or in the new system. The new regulations came into force on 25 March 2026. We have intervened in four local plans since the Government took office and will continue to use our intervention powers as necessary.

- Consulted on updated national design guidance to illustrate the Government's priorities for well-designed places, ensuring design quality in the planning process. This consolidated guidance will help local authorities prepare local design policies and design tools, supporting the creation of streamlined local plans and consistent decision making on design matters.

- Introduced a more strategic approach to nature recovery through the Nature Restoration Fund. An implementation plan has been published setting out our plans for legislation and the publication of the first Environmental Delivery Plans. This will move away from project and site-specific mitigations by pooling contributions from developers to fund interventions that actively drive nature recovery at scale.

- Speeding up the Nationally Significant Infrastructure Project (NSIP) Regime. We are delivering a faster and more certain consenting process for infrastructure by reforming the NSIP regime. As part of this effort, we have published an implementation plan which sets out timings for the full range of reforms. We have consulted on updating regulations and guidance to streamline the pre-application process, as well as on reforms to address delays caused by judicial reviews and ensure National Policy Statements are updated regularly when in place. Regulations to give Local Authorities hosting NSIPs the power to recover costs for the services they provide in the DCO process will also be laid before Parliament. This keeps us on track to meet the commitment to decide on 150 major infrastructure projects this Parliament, with 36 decisions made to date.

- Speeding up buildout of homes. We set out reforms to speed up the buildout of homes - including developers committing to timeframes before permission is granted, alongside annual progress reports. We have also set out plans to back SME builders, including a more proportionate planning system that streamlines and removes requirements on small and medium sites.

- Expanding the planning workforce through the Planning Capacity and Capability Programme. We've recruited around 200 professionals through graduate and mid to senior routes in the 2025-26 financial year, with ambitions increased to 1,400 planners by the end of this Parliament, supported by additional cross-government investment and development of a new planning careers hub to boost recruitment and retention.

- Investing over £50 million in local authorities to accelerate planning reform. This investment supports development management, local plan implementation and the preparation of spatial development strategies

- Announcing a final package of time-limited emergency measures for housebuilding in London with the Greater London Authority. This package will improve the viability of housing schemes. It includes a new fast-track planning route for sites delivering at least 20% affordable housing; temporary and partial relief from the Community Infrastructure Levy for eligible schemes that meet affordable housing targets; removal of targeted Greater London Authority guidance that can constrain density, and the permanent expansion of the mayor's planning powers.

Social and Affordable Housing

- In July 2025, we published a five-step plan to deliver a decade of renewal for social and affordable housing. This plan is committed to delivering the biggest increase in social and affordable housebuilding in a generation, alongside a transformational and lasting change in the safety and quality of social housing. Key measures include the new 10-year £39 billion Social and Affordable Homes Programme (SAHP), a stable social rent policy for the next decade, a £2.5 billion package of low-interest loans for private registered providers (e.g. housing associations) and a roadmap for Section 106 (s106) delivery.

- We have also taken decisive action to 'reinvigorate council housebuilding'. This includes reform of the Right to Buy scheme to protect existing stock; launching the multi-year Council Housebuilding Skills and Capacity Programme; raising the threshold at which authorities are required to open a Housing Revenue Account from 200 to 1,000 homes, and extending the 'preferential' borrowing rate for council housebuilding from the Public Works Loan Board for another year (until March 2027).

- Launched the Social and Affordable Homes Programme (SAHP): a new, £39 billion grant funding programme for social and affordable housing delivery. In July, we confirmed the headline parameters of the new 10-year SAHP, to kickstart social and affordable housebuilding at scale across the country. In November, the Greater London Authority and Homes England published their detailed prospectuses for this fund, for London and the rest of England respectively, alongside government's policy statement for the programme. This re-confirmed the programme's core supply objectives. Our ambition is to deliver around 300,000 social and affordable homes over the programme's lifetime, with at least 60% for social rent. Bidding for the new SAHP opened in February 2026.

Other housing supply policies:

- Established a new, permanent National Housebuilding Bank. This body, established from 1 April 2026, acts as the Government's housing investment arm, seeking to accelerate housebuilding across England. It will help build over 500,000 new homes and unlock over £53 billion of private investment. The Bank has been granted an initial allocation of up to £16 billion of new financial capacity, which it will use to deliver a range of products, including direct lending to Small and Medium-sized Enterprises (SMEs) to help them grow, equity investments to support new platforms that can bring new capital into housing, and guarantees to leverage private investment into complex development projects.
- Established a new £5 billion capital grant fund, the National Housing Delivery Fund (NHDF), which will be operational in April 2026. The National Housing Delivery Fund (NHDF) will support the Government's ambition to build 1.5 million new homes, through interventions that will accelerate housing supply in this Parliament and sustain a step change in housing supply in future Parliaments. The programme builds on existing capital interventions and supports delivery of integrated funding to empower delivery partners such as Homes England, Mayoral Strategic Authorities, Greater London Authority, and One Public Estate to deploy investment with greater flexibility and ambition.
- Published the New Towns Taskforce Report in September 2025, which set out recommendations for delivering a new generation of new towns and large-scale urban extensions.
- In March of 2026, launched a public consultation on the new towns draft programme and its environmental implications. Each proposed location is expected to deliver at least 10,000 homes. The proposed locations are:
  - Tempsford, Bedfordshire
  - Crews Hill and Chase Park, Enfield
  - Leeds South Bank, West Yorkshire
  - Manchester Victoria North, Greater Manchester
  - Thamesmead, Greenwich
  - Brabazon and West Innovation Azon and West Innovation Arc, South Gloucestershire
  - Milton Keynes, Buckinghamshire
- Made significant progress in delivering the Government's growth ambitions in the OxCam Corridor. This includes publicly confirming that a total of £800 million of investment will be available across the Spending Review period to support land acquisition and infrastructure delivery, kickstarting development around Oxford and Cambridge. In March, MHCLG also launched a consultation on a new Urban Development Corporation in Greater Cambridge and announced its intention to consult on a Development Corporation for Greater Oxford. Subject to consultation outcomes, these proposed delivery vehicles would enable a transformational, long-term approach to growth across both areas, unlocking new enabling infrastructure and delivering large strategic sites for the benefit of existing and new communities alike. To support delivery and sustainable growth, the MHCLG-appointed Oxford Growth Commission published its interim report on how to unlock accelerated growth in the city, with its final report due in autumn 2026. We also launched the second phase of the Cambridge Water Efficiency Programme to support sustainable growth in Greater Cambridge.

- The New Homes Accelerator (NHA) is a partnership with Homes England and the Greater London Authority, working to unblock and accelerate the delivery of housing developments. Since the programme's inception, the NHA has accelerated more than 130,000 homes to the next stage of the development process. The programme has now adopted 28 sites that will benefit from direct government support, with combined capacity to deliver over 63,000 homes. Phase 2 of the New Homes Accelerator was launched in January 2026 and expanded the programme's focus to support sites of all sizes by removing the lower threshold of 500 homes per site and allowing applications for support to be submitted on a continuous basis. Alongside launch of NHA National Phase 2, we expanded operations in London by launching 'NHA LDN' and a new planning service supporting London boroughs, 'ATLAS LDN', both led by the Greater London Authority (GLA) on behalf of the Mayor of London. These new services will help to accelerate the delivery of sites which are facing significant delays or obstacles to progression but which, if supported, could deliver homes in this Parliament.

Housing Quality

- Brought Awaab's Law into force in the social rented sector to address dangerous hazards in homes, starting with Phase 1, which focuses on damp and mould. As of 27 October 2025, within fixed timeframes, social landlords must address all emergency hazards and all damp and mould hazards that present a significant risk of harm to tenants. We will extend these requirements out to other hazards in further phases in 2026 and 2027, which will allow us to take a 'test and learn' approach.

- Published a new Decent Homes Standard (DHS) that will provide a common minimum quality standard for both the private and social rented sectors. Key changes to the DHS that will come into effect by 2035 include a focus on the condition of the home rather than age profiles for components, introducing a new requirement that homes should be free from damp and mould, and requiring that window restrictors be installed where windows present a fall hazard to children.

- Introduced Minimum Energy Efficiency Standards to make warmer, healthier homes with lower energy bills. By 2030, social landlords will be required to reach EPC C or equivalent against either the Fabric Performance, Smart Readiness or Heating System metric on reformed domestic EPCs, followed by meeting any one of the remaining metrics by 2039.

- Extended Electrical Safety regulations from the Private Rented Sector to the Social Rented Sector. The regulations require landlords to inspect all electrical installations and equipment every five years to ensure tenants are safe in their homes.

- Directed the Regulator of Social Housing to set a new Competence and Conduct standard and introduce a new access to information scheme. Together, these set clear qualification standards to drive improved professionalism of staff and give tenants more information about the management of their home to increase transparency and accountability.

- Launched a £2 million Social Housing Innovation Fund in October 2025. This fund will support innovative projects which improve tenants' engagement with their landlords and grant them influence over decisions affecting their homes.

- Introduced new powers in the Renters' Rights Act for improving the standards of privately rented homes. These include new financial penalties of up to £7,000 for private landlords when their properties are dangerously unsafe, and powers to introduce Awaab's Law to the private rented sector.

Housing Security

- Passed the Renters' Rights Act, which will transform the experience of private renting. The Act will give renters much greater security and stability, meaning they can stay in their homes for longer, build lives in their communities, and avoid the risk of homelessness. The first phase of implementation commenced on 1 May 2026, introducing a transformative new tenancy system. Phase 2 will introduce a PRS Database and Ombudsman.

- We will begin rolling out the Private Rented Sector Database from late 2026 and continue work to establish an ombudsman, whilst delivering the introduction of the Decent Homes Standard and Awaab's Law to the private rented sector for the first time.

- Published the draft Commonhold and Leasehold Reform Bill. When implemented, this Bill will deliver the Government's commitments to take steps towards bringing the feudal leasehold system to an end. It does this by reinvigorating the commonhold tenure and banning the use of leasehold for most new flats, so that commonhold can become the default tenure for the future. The Bill will also enhance the rights, powers and protections of existing homeowners. It will cap ground rents at £250 a year, changing to a 'peppercorn' after 40 years, and will also abolish the draconian system of forfeiture: replacing it with a fairer, proportionate enforcement regime that works for both leaseholders and landlords. In addition, it will make it easier for existing leaseholders to convert their buildings to commonhold and protect homeowners on freehold estates by repealing draconian powers relating to rent charges.

- Published proposals to reform the home buying and selling process. Our consultations on this issue were launched on 6 October 2025 and included measures to speed up the long and costly process of moving home, saving people money and unnecessary stress, alongside wider reforms to improve a system which has become a barrier to homeownership. Our analysis suggests these changes could speed up home buying by a month, save first-time buyers £700 per transaction and halve the proportion of transactions that fall through. We will respond to these consultations with a reform roadmap later this year.

Homelessness and Rough Sleeping

- In 2025/26 we provided more than £1bn of funding for homelessness and rough sleeping: a record figure.

- We published the National Plan to End Homelessness. This cross-government strategy sets a long-term vision to end homelessness and rough sleeping. This means that where homelessness does occur, these experiences should be; rare, because homelessness is prevented wherever possible, brief, in that people should have access to support quickly, and non-recurring, because no-one should have to experience homelessness more than once in their life. The strategy sets an action plan for this Parliament, including driving long-term sustainable change to address the root causes of homelessness; medium-term change to shift from crisis to prevention, and immediate action to tackle the worst forms of homelessness now.

- The new Homelessness Strategy announced £3.6 billion in funding for homelessness prevention and rough sleeping services from 2026/27 to 2028/29. Over £3.3bn of this funding is being delivered to councils through the multi-year local government finance settlement as part of the wider funding simplification programme. This will help local authorities to provide the services their communities need, put a stronger focus on prevention and deliver their outcomes. (Explanatory note on funding simplification: consolidated grants and draft conditions: final - GOV.UK)

- Additional funding was also announced for targeted programmes to tackle specific policy issues, including the Single Homelessness Accommodation Programme (SHAP), the Emergency Accommodation Reduction Pilots (now a programme built on the success of the pilots) and the Long-Term Rough Sleeping Accommodation Pilots (LTRSIP), which is a new grant to pilot a targeted approach to tackle long term rough sleeping.

- Announced the fourth and largest round of funding via the Local Authority Housing Fund (LAHF). Building on the success of previous rounds, this £950 million round will provide funding to councils to enable them to grow their own stock of quality temporary accommodation, reducing the reliance on expensive and unsuitable nightly paid or B&B accommodation. The fund will also provide safe and suitable housing for some families on the Afghan Resettlement Programme (ARP). LAHF investment will provide local authorities with a lasting affordable housing asset for the future, increasing the number of homes in the wider social and affordable housing system. This adds to the £500 million already invested under the third round of the Local Authority Housing Fund to support local authorities in England, which will deliver at least 2,700 homes by 2026.

- Delivered a 54% reduction in the number of families with children in B&B accommodation for longer than 6 weeks, between September 2024 and September 2025. This outcome has been supported by Emergency Accommodation Reduction Pilots that have provided targeted support to councils with high numbers in B&Bs.

- Announced a new £55.8 million phase of the cross-government Changing Futures programme, improving how local health, homelessness, social care, domestic abuse, criminal justice and voluntary sector services collaborate to support people experiencing multiple disadvantage and placing high demand on services. Building on the success of the previous phase, the programme will work with cross-sector partnerships in 18 of the most deprived areas from 2026-2029.

- Announced £499 million over the next three years for local authorities to deliver on their statutory duty to commission specialist, accommodation-based support for victims of domestic abuse and their children. This will contribute to the Government's ambition to halve violence against women and girls within the next decade with improved support for victims.
- Published a three-year independent evaluation of how local authorities have implemented these duties, which showed that the duty has made a meaningful difference - helping victim-survivors feel safer and rebuild their lives, whilst improving support for children and how services work together.
- Provided £761 million to local authorities in England for the Disabled Facilities Grant (DFG), which helps cover the cost of adapting eligible individuals' homes, ensuring they are safe and suitable for their needs.
- Announced a new approach to allocation of DFG funding, to help ensure crucial DFG funding reaches more of those who need it the most, enabling more disabled people to live as independently as possible.

Resettlement

- Continued to provide Ukrainians with temporary sanctuary in the UK through the Homes for Ukraine Scheme, with c178,000 so far supported through locally-led accommodation schemes for individuals and families escaping the conflict.
- Delivered the Afghan Resettlement Programme, working jointly with the Ministry of Defence, Home Office and other departments. This programme and its predecessors have so far resettled around 38,000 Afghans in the UK. In 2025-26, MHCLG supported Afghans to find long-term accommodation via the Local Authority Housing Fund, the Communities for Afghans scheme (which funds community groups to help Afghans settle) and the Find Your Own pathway.
- Delivered accommodation via local authorities for 50 children and their families brought to the UK under the cross-government Gaza Medevac scheme, enabling these children to receive specialist medical treatment under the NHS.
- Continued to strengthen integration and access to employment for Ukrainian and other resettlement communities through English language and employability support, including a new round of the Specialist Training and Employment (STEP) programme launched in September 2025 - attracting over 10,000 applicants - and a £3 million Strategic Migration Partnerships investment to expand English language learning capacity.

Key Delivery Risks

Housing supply

Delivering more homes at the pace required remains challenging. Higher construction costs, interest rates and wider economic uncertainty have impacted buyer demand and development viability. These challenges affect development across the country and are particularly acute in London.

Demand-side pressures also play a role: affordability constraints and access to mortgage finance can limit the ability of first-time buyers to purchase new homes, reducing sales rates and increasing risk for developers, particularly in higher-cost markets. In addition, some affordable homes agreed through Section 106 planning obligations have been delayed where a complex range of factors has led to a drop-off in demand for s106 homes. Challenges faced by the Building Safety Regulator, including processing times and the quality of applications, have led to a backlog of decisions on high-rise developments. These pressures are compounded in London by high land values, complex sites and the large number of developments subject to building safety requirements, factors which together further constrain delivery.

To mitigate these risks, the Government has committed £39 billion through the Social and Affordable Homes Programme, supported by £5 billion through the National Housing Delivery Fund and a new National Housebuilding Bank with £16 billion financial capacity. The Government has already taken a number of steps to support demand for s106 units, including measures to rebuild the capacity of Registered Providers (RPs), with a long-term rent settlement and a programme of low-interest loans for private RPs. In January, we published a s106 roadmap which sets out the steps the Government will take to lay the foundations for a simpler, more transparent and more resilient s106 system, and deal with the legacy problem of existing unsold and uncontracted units. The implementation of the Planning and Infrastructure Act and publication of the revised NPPF in 2026 will remove delays in the planning system to speed up housebuilding and major infrastructure. Measures to support first-time buyers, including changes to mortgage affordability rules, a permanent mortgage guarantee scheme and government-backed ownership products, are in place to help sustain demand and support delivery across the market. To support housing delivery in London, MHCLG and the GLA announced emergency measures to improve site viability and unlock stalled sites in London. The department has also worked closely with the Building Safety Regulator to design reforms aimed at clearing the backlog of applications. The New Homes Accelerator (NHA) - a partnership between MHCLG, Homes England and the GLA - works to accelerate housing developments through a combination of direct site intervention and brokering solutions across government and with statutory consultees on system frictions which slow down delivery, e.g. unblocking the provision of new schools and hospitals, addressing local transport issues and resolving issues on utilities' access.

Homelessness, rough sleeping and temporary accommodation

There is a risk that rising demand for homelessness support puts pressure on councils' ability to provide suitable temporary accommodation, particularly for families. Rough sleeping and poor-quality or unsuitable accommodation can have serious impacts on health and wellbeing and can increase long-term costs for public services.

To mitigate this risk, the Government has announced long-term, streamlined funding worth £3.6 billion for 2026/27 to 2028/29 to provide multi-year certainty and greater flexibility to help authorities plan more effectively, provide the services their communities need and put a stronger focus on prevention. These changes are part of the government's commitment to funding simplification to enable local authorities to act flexibly according to local circumstances. This approach recognises that local areas are best placed to assess their own need, and that challenges and responses can vary in different areas. The government has also published its new National Plan to End Homelessness in December 2025. The plan sets out how this government will end homelessness in the long-term by shifting the focus away from crisis intervention towards prevention, supported by a new target on increasing prevention rates. It also set out how, in the short term, government will tackle the most dangerous and egregious forms of homelessness by ending the use of B&Bs for families over 6 weeks and halving long-term rough sleeping by the end of this parliament. The department continues to actively engage with local authorities and other government departments on proposed policy interventions, joint working plans and changes to strengthen legislation. Engagement includes hosting webinars to share key messages and a ministerial webinar with frontline staff.

Local Government, Growth and Communities

The Local Government, Growth, and Communities portfolio 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 building community cohesion and resilience.

Our achievements in 2025-26

Rolling out devolution and kickstarting economic growth

- Introduced the English Devolution and Community Empowerment Bill to Parliament. It has since proceeded through the Commons and entered the Lords, and is now an Act.
- Established three new Mayoral Strategic Authorities in Cumbria, Cheshire and Warrington, and Sussex and Brighton. We have also laid legislation to create a fourth in Hampshire and the Solent. Together, they will receive £3.5 billion of MHCLG Investment Funding over 30 years, meaning that the entire North of England now has a Strategic Authority.
- Made strong progress towards establishing Mayoral Strategic Authorities in Greater Essex and Norfolk and Suffolk, remaining committed to concluding this process as quickly as possible. We also took a big step towards delivering devolution in all parts of England by inviting those places without it to come forward and agree a (non-mayoral) Foundation Strategic Authority.
- Announced a new Local Growth Fund to invest in growth priorities and unlock potential between 2026 and 2029, including over £900 million for mayors in the North and Midlands and over £815 million across Scotland, Wales and Northern Ireland.
- Announced the £500 million Mayoral Revolving Growth Fund, designed to empower Strategic Authorities in the North and Midlands to accelerate investment, unlock development, and bring confidence back to markets in some of our key city regions.
- Devolved over £1 billion in funding to Greater Manchester and West Midlands Combined Authorities through the first Integrated Settlements, and confirmed future Integrated Settlements for the Northeast, South Yorkshire, West Yorkshire Mayoral Combined Authorities, Liverpool City Region Combined Authority, and the Greater London Authority.
- Announced City Investment Funds worth £2.3 billion for mayors in the largest city regions, focused on the North and Midlands, to boost regional strengths and growth.
- Supported development and delivery of Local Growth Plans with 12 Mayoral Strategic Authorities, demonstrating our shared commitment on each region's most significant opportunities for economic growth.
- Created the Local Regeneration Fund, combining previous Town Deals, Pathfinders, and Levelling Up Funds to reduce bureaucracy and increase local flexibility, enabling local authorities to allocate resources based on their own priorities.

Creating fewer, stronger councils and fixing the funding system

- Made significant progress on Local Government Reorganisation, announcing plans to establish two new unitary authorities in Surrey and decisions for reorganisation in Essex, Hampshire, Norfolk and Suffolk. Work continues on proposals for East Sussex and Brighton and Hove, and West Sussex, and the statutory consultation on proposals for the remaining 14 areas concluded in March 2026.
- Published the Local Government Finance Settlement, the first multi-year Settlement for local government in a decade. The final 2026-27 Local Government Finance Settlement makes available £78 billion in Core Spending Power for local authorities in England, a 6.1% increase compared to 2025-26. By the end of the multi-year Settlement in 2028-29, government will have provided a 15.5% increase in Core Spending Power for local authorities in England, worth over £11.4 billion, compared to 2025-26.

- Reformed the local government finance system through the Fair Funding Review 2.0. As a result of the changes, nine in ten local councils in England will receive funding that broadly matches their assessed need by the end of the multi-year Settlement (2028-29), up from around a third of local councils before our reforms.
- Simplified 36 revenue funding streams worth nearly £57 billion over the three years (2026-27 to 2028-29) of the multi-year Settlement to provide greater certainty and flexibility for local leaders to focus on longer term financial planning and opportunities.
- Provided high-quality, focused support to nine councils in statutory intervention but also earlier support through a range of best value and financial support measures to enable councils to avoid failure and improve outcomes.
- Published a response to the consultation to overhaul local audit, including Local Audit Office responsibilities.
- Published 99% of local bodies' audit opinion for all years up to 2022-23. As of March 2026, 97% had published opinions for 2023-24, with the figure for 2024-25 sitting at 93%.
- Announced support to local authorities for Dedicated Schools Grant (DSG) deficits to address historic High Needs-related deficits accrued up to the end of 2025-26. These are subject to approval of a local SEND reform plan that sets out a clear pathway towards an inclusive system in line with the wider vision for SEND reform.
- Published the Local Outcomes Framework in February 2026 to empower local leaders to make decisions that most effectively serve their communities, while demonstrating the essential role local government plays in supporting national priorities.

Strengthening democratic integrity

- Published government's response to the strengthening of the standards and conduct framework for local authorities in England in November. This sets out the ambition to introduce a clearer and consistently applied conduct system that will help local elected members to hold themselves and their colleagues to account in meeting the high standards and conduct that their roles demand, and that the public have a right to expect.
- Published the Elections White Paper to futureproof our democracy, secure our elections, uphold our democratic values and make clear our commitment to restoring trust in our political system.
- Introduced the Representation of the People Bill to Parliament, which seeks to protect and strengthen our democracy by legislating for reforms proposed in the Elections White Paper, including by making provision to extend voting rights to 16- and 17-year-olds. Not only will these changes help to keep our elections secure, but they will also consolidate public trust and encourage greater participation and engagement across society.
- Published our response to the independent Rycroft Review, including recommendations to cap political donations from overseas electors and ban cryptocurrency for use in political donations to protect UK democracy against foreign actors and financial influence.

Making a visible change in the places that need it most

- Launched the Pride in Place programme, a £5 billion investment in neighbourhood regeneration over ten years, with up to £20 million per neighbourhood. The fund targets 284 of the UK's most deprived communities to deliver improvements to high streets, community spaces, parks and public areas, and local cultural activity.
- Announced an £800 million expansion to the Pride in Place programme, enabling 40 additional areas across England to benefit from up to £20 million of neighbourhood investment, significantly increasing the programme's reach.
- Launched the £150 million Pride in Place Impact Fund, delivered by 95 targeted local authorities across England, Scotland, and Wales over 2 years. This aims to help build strong, resilient, prosperous, and inclusive communities through immediate improvements to high streets and by enhancing places and spaces of community value.

- Announced a £301 million commitment to High Streets Innovation Partnerships which will support local communities to reimagine and revive struggling high streets.
- Announced policy packages for four new Community Regeneration Partnerships, bringing the total value of packages to nearly £480 million across 24 selected areas.

Building community cohesion and resilience

- Published 'Protecting What Matters', a new Social Cohesion Action Plan which lays out the initial actions government will take to create confident, cohesive, and resilient communities across the UK.
- Announced the creation of a new Social Cohesion Taskforce which will work with all government departments to implement the commitments in the Action Plan, as well as bringing forward new policies and approaches.
- Announced the Common Ground Resilience Fund, providing up to £3 million funding to local communities to insulate them against threats to local social cohesion and resilience. This includes the £2.1 million Common Ground Award to fund the voluntary, community and social enterprise sector to continue and expand its work to bring together people from different backgrounds.

Key Delivery Risks

Local Government Financial Stability and Accountability

Financial instability impacts on 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 could hinder the delivery of local services and statutory duties.

While we do not hold all levers to fully mitigate this risk, in 2025-26 we announced a comprehensive package to strengthen local government finances. We published the first multi-year settlement for local government in over a decade; are implementing the Fair Funding Review 2.0 reforming the way funding is allocated to councils; and have rolled 38 funding streams worth nearly £57 billion into the Local Government Finance Settlement to provide greater certainty and flexibility to local authorities.

To help local authorities set forward-looking budgets and deliver public service reforms, we have announced a plan to resolve 90% of local authorities' Dedicated Schools Grant deficits accrued to the end of the 2025-26 financial year (subject to approval of a local SEND reform plan). We are also delivering the largest reform of children's social care in a generation and launching a cross-government strategy setting out government's long-term vision to prevent homelessness before it occurs.

The local audit reform strategy also commits to stronger accountability, including scrutiny and reporting of issues and high standards of financial reporting to promote public accountability.

Local Government Capacity

Local government is operating in a period of significant transition, with reforms and wider system pressures reshaping the sector. At the same time, some authorities are experiencing organisational, political and leadership change, alongside workforce capacity challenges, which can affect resilience and delivery. Together, these factors create a more complex operating environment across local government.

As the department responsible for stewardship of the sector, we continue to monitor these risks closely and support resilience through this transition. In particular, we are working with the Local Government Association to deliver funded support to councils at risk to understand how early support can deliver improvements; we are working with other government departments to help councils to transform their high-cost services and move towards financial sustainability by the end of the multi-year Settlement; and we are strengthening our approach to identifying and mitigating local risks through a programme of stewardship policy reform.

Delivery of Devolution

It is vital that we deliver on the Government's commitment to expand and deepen devolution, ensuring that all strategic authorities, both new and existing, have the institutional capacity and delivery capability needed to drive growth and improve local public services.

We are working to identify routes to strengthen institutional capacity and capability, including an uplift to capacity funding in 2026/27 and a stronger in-house and external support offer. We are also strengthening our processes for working with Strategic Authorities to better understand and collaboratively respond to challenges, including earlier identification of issues and subsequent support.

Further to this, our Integrated Settlement Outcomes Frameworks will allow government to track delivery of outcomes and identify where delivery is falling short. Through the English Devolution and Community Empowerment Act, we are also implementing a new system of strengthened accountability through Local Scrutiny Committees, which will hold mayors, their Commissioners and Strategic Authority senior officers to account to ensure that the right outcomes are delivered to local people across the country.

Social Cohesion

Rapid technological, demographic, and economic change is putting social cohesion in the UK under strain. With rising tensions in communities comes an increased risk of civil unrest and hate crime incidents.

Our Community Cohesion Unit works across central and local government and with local and community stakeholders to support places to build capacity and tackle division. Through the Social Cohesion Taskforce, we will also work with all government departments to implement the Social Cohesion Action Plan.

To help build further community resilience and provide local places with the infrastructure required to respond to tensions, we have provided £800 million over ten years through the Pride in Place Programme to a further 40 areas where social cohesion is under pressure; we are continuing to deliver the Common Ground Resilience Fund with up to £5 million over financial year 2026/27 to deliver targeted cohesion and integration interventions; we will establish a cross-government Cohesion Support and Interventions Function (CSIF) to provide rapid, joined-up support to councils and communities facing serious tensions or unrest; we will work with Belong and the Local Government Association to embed shared guidance on social cohesion, and we will develop a Social Cohesion Measurement Framework.

Buildings, Fire and Resilience

The Buildings, Fire and Resilience portfolio (previously the Buildings and Resilience Group) works to ensure that people are safe in their homes and communities, with a particular focus on responding to the Grenfell Tower Inquiry and leading on the remediation of unsafe cladding on buildings. The portfolio also works to commemorate the lives lost in the tragedy of Grenfell, and to establish a national Holocaust Memorial in the heart of Westminster. On 1 April 2025, responsibility for all fire and rescue related policy and operational functions transferred from the Home Office to MHCLG and its Buildings, Fire and Resilience portfolio.

Our achievements in 2025-26

Continued action to drive the progress of the remediation of unsafe buildings

- Published a Remediation Acceleration Plan update which set out measures to fix buildings faster, identify those 11m+ buildings still at risk and ensure residents are supported in the process - including a commitment to introduce a Remediation Bill to help drive forward the remediation of historic unsafe cladding.
- Announced a joint plan with social landlords and regulators that will accelerate remediation of social housing in England, alongside a commitment by the Government to over £1 billion of new investment to give social landlords equal access to Government remediation schemes for the first time.
- Designed and launched a new Remediation Enforcement Unit within the Building Safety Regulator, which will intervene on the most high-risk 18 metres and higher residential buildings with unsafe cladding. This provides additional capacity in the system and thus support local regulators to shift their focus and address risks for 11 to 18 metre buildings.
- Improved remediation pathways for new buildings by enabling the Cladding Safety Scheme (CSS) to become the main scheme for Government funded remediation, with ~90% of future Government remediation funding and all new applications now flowing through the new scheme.
- Increased funding to ensure local regulators have the capacity to focus on developing a system that prevents problems from arising. We have also empowered mayors to develop regional plans (10 have published plans to date), bringing greater coordination and engagement across the regulator sector.
- Issued £120 million in invoices to developers and recovered £55 million in repayments as part of the Developer Debt Collection. A further £46.2 million in value of invoices have been issued and are pending payment.

Building Safety Regulator

- Established the Building Safety Regulator (BSR) as a standalone arm's length body on the 27 January 2026 with new leadership aimed at providing a more singular focus on building safety. This is also a key step towards implementing the recommendation from the Grenfell Tower Inquiry to reduce fragmentation with the formation of a Single Construction Regulator. Driven significant improvements in operational performance over the year, with the Building Safety Regulator (BSR) clearing the majority of the legacy backlog of newbuild Gateway 2 cases and significantly reducing processing times.
- Introduced the BSR Innovation Unit, bringing multidisciplinary capability inhouse and reducing decision times for new-build applications, with cases progressing much closer to the 12week service standard. These improvements contributed to an increase in housing activity towards the end of the year, with BSR performance supporting a sharp rise in reported housing starts, particularly in London.
- Expanded engagement between the BSR, industry and residents. Published guidance with the Construction Leadership Council and improved transparency through regular data releases.

How are we ensuring the building safety regulations are applied proportionately?

- Established a programme of work to review the higher risk regime: in particular, to refine the application of the regime for high volume, low complexity work and to ensure that the system operates in a proportionate manner. We have recently delivered a consultation to review the categorisation and associated procedural requirements for minor works. We have also completed a consultation on the requirements for telecoms work and works to mobile masts.
- Reviewing how future changes to guidance or Building Regulations can be accompanied with clearer communication of effective dates and transition periods that provide adequate opportunity for industry to put in place suitable plans to meet the changes. Thereby helping to minimise impact on current projects and support continued housing supply.

Progress against recommendations in response to the Grenfell Tower Inquiry

- Published our first annual report to Parliament in February 2026, on the implementation of the Grenfell Tower Inquiry's Phase 2 recommendations. We also published quarterly progress updates throughout the year. Accepting the Inquiry's findings in full, the Government committed to taking forward all recommendations in its February 2025 response. Since then, we have completed the remaining 2 Phase 1 recommendations (see Fire section below) and a further 10 Phase 2 recommendations. We expect to have completed 70% of all recommendations by the end of 2026.
- Remain on track to deliver all recommendations by the end of 2029. We expect it will take this amount of time as some recommendations cannot be delivered without passing new legislation, which will be brought forward as soon as parliamentary time allows.

Grenfell Community and Memorial

- Commenced work to carefully take down Grenfell Tower in 2025. Work is progressing and is due to be completed in 2027. We continue to engage and share information with the bereaved, survivors and the immediate community during this sensitive piece of work.
- Appointed Freehaus as the Memorial Multi-Disciplinary Design Team in November 2025, and they have begun work to develop the design of a permanent Grenfell Memorial. The Memorial will honour those who lost their lives, and those whose lives were forever changed, through continual engagement with bereaved and survivor families and the local community.
- Introduced The Grenfell Tower Memorial (Expenditure) Bill to the House of Commons on 25 February 2026. This passed without opposition and has now received Royal Assent (29 April 2026). The Act gives the Secretary of State the authority required for long-term public expenditure on the memorial, second site, archive and exhibition under the 1932 PAC Concordat and Managing Public Money. This provides the legislative basis on which the delivery of the Memorial programme can progress.

Holocaust Memorial

- Secured Royal Assent for the Holocaust Memorial Act 2026. The Act removes a statutory obstacle to construction of a national Memorial and Learning Centre at Victoria Tower Gardens in Westminster. The Centre will honour the six million Jewish people who were murdered and will deepen understanding of the facts of the Holocaust.

Fire

- Fulfilled a Grenfell Inquiry recommendation to move responsibility for all fire and rescue related policy and operational functions from Home Office to MHCLG. This change enables a more integrated approach to building safety and strengthens alignment on fire reform across the department and wider government, including on devolution and resilience.
- Progressing Phase 1 of the New Dimensions 2 (ND2) Capital Refresh programme to replace the essential vehicles and equipment necessary for fire and rescue service to respond to complex and large-scale incidents. Phase 2 of the ND2 programme awaits final clearance by Investment Sub-Committee before we commence procurement activity in early April.

- Laid regulations mandating Residential Personal Emergency Evacuation Plans (RPEEPs) and building-level evacuation plans for high rise residential buildings and for medium-rise residential buildings with a simultaneous evacuation plan in place (in England). These Regulations address outstanding phase 1 recommendations from the Grenfell Tower Inquiry and came into force on 6 April 2026. A final element of the policy will be enacted through primary legislation when parliamentary time allows.
- Launched a consultation on 26 March as part of our commitment to introduce mandatory certification and strengthen standards for fire risk assessors in the wake of the Grenfell Tower tragedy.
- Established the Ministerial Advisory Group and used this vital forum to provide the strengthened collective system leadership needed to identify and drive overdue reforms, including developing a shared vision and system goals and providing the input needed to progress the College of Fire and Rescue (another Grenfell recommendation).
- Bolstered the financial sustainability of Fire and Rescue Authorities across England over the next three years and launched a comprehensive review of the fire funding formula.

Resilience

- Delivered and prepared effective response to crises and emergencies, providing a strong join-up between local and central systems. This included our response to Middle East crises and the outbreak of Meningitis B. We also supported community recovery, disbursing over £1.22 million in flood recovery grants following Storm Babet (2023) and Storm Henk (2024) to 51 eligible local authorities and 18 associated precepting bodies.
- Invested £6.3 million in capacity and capability for all 38 Local Resilience Forums in England. These bodies plan and prepare for localised incidents and catastrophic emergencies.
- Provided a further £2.55 million in five trailblazer areas (London, Manchester, Cumbria, Suffolk and Northumbria). Lessons from these areas will be used to strengthen leadership, accountability, and the use of data and AI to strengthen the local resilience tier in the future.
- Supported Cabinet Office in the publication of the UK Resilience Action Plan, which sets out a clear vision and commitments for the future of local resilience.
- Accelerated actions to strengthen assurance across Local Resilience Forums, including codeveloping and testing a sectorled peer review model with the sector, and developing a partnershipled assurance framework to strengthen national oversight of local preparedness. Both the peer review model and the LRF Assurance Framework are due to be published by the autumn of 2026.
- Advanced Grenfell Inquiry recommendation 49, which recommends that all local authorities train their employees, including chief executives, to regard resilience as an integral part of their responsibilities by funding and developing a local resilience training programme for all local authority Chief Executives with LGA, SOLACE and the UK Resilience Academy. The pilot for this training programme was delivered in March.

Construction Products

- Published the Construction Products Reform White Paper in February 2026, which sets out proposals for ambitious system wide reforms. The white paper addresses the regulatory gaps and critical issues in the construction products sector, which has been largely unreformed since the Grenfell tragedy. Reform proposals will help to build renewed confidence and trust in the construction products sector for residents and communities.
- Published a consultation on the General Safety Requirement. The General Safety Requirement will mean that, for the first time, all construction products will be subject to regulatory oversight.
- We've appointed an interim Chief Construction Adviser, who's now been in post for almost six months. Over that time, she's met with the Minister for Building Safety, along with key industry stakeholders and officials leading our building safety reforms.

- She published a statement on her work on 25 February, took part in an interview with *Building Magazine* in April, and took a board paper on clients to the Building Outcomes and Delivery Board in May.

- Published our partial response to the Energy Performance of Buildings consultation in January 2026, where we confirmed our intent to introduce four new headline metrics on reformed domestic EPCs: fabric performance, heating system, smart readiness, and energy cost. These metrics will provide more useful and actionable information for consumers, by better representing distinct elements of a home's energy performance. Subject to agreement on a shared implementation plan with industry and parliamentary approvals, we will launch reformed EPCs in the second half of 2027.

- Committed to address all 58 recommendations from the Grenfell Inquiry phase 2 report. In March 2026, the Building Safety Regulator launched a consultation on further proposed updates to Approved Document B (fire safety). The consultation seeks views on matters including evacuation lifts in tall residential buildings, fire safety in specialised housing, disapplication of Approved Document B for structures taller than 11m where combustible material is used in structural elements, fire spread across external walls and balconies, solar panel placement on roofs and fire resistance in car parks. These proposals represent important support for inclusive design, safe evacuation strategies and robust fire safety standards in new building work.

- Published the final technical specifications for the Future Homes and Buildings Standards in March 2026 and laid a Statutory Instrument to make the necessary changes, alongside issuing updated statutory guidance (Approved Documents L and F).These standards will generally come into force from March 2027 and will drive up energy performance standards for new homes and buildings, to lower energy bills, boost our energy security with clean power and ensure that new buildings require no further retrofitting to meet net zero.

Impact

Remediation of unsafe cladding: number of buildings monitored, started and completed.

- The number of buildings which have completed cladding remediation by the end of March 2026 was 1,531, which is 35% of all 4,322 buildings monitored. Remediation work has commenced or completed on 56% of buildings monitored.

- In the 2025-2026 financial year, across government funded schemes and the developer remediation contract, around 400 buildings are reported to have started remediation and around 100 buildings have completed remediation. For the cohort of buildings where social housing providers are self-funding, annual remediation progress is not currently available due to an in-year change in remediation monitoring. From September 2023 to June 2025, social housing remediation data was collected via a quarterly building level survey administered on MHCLG's behalf by the Regulator of Social Housing (RSH). This data collection was migrated over to a digital platform, the National Remediation System (NRS), which is owned by Homes England. These changes have led to a methodology change for reporting on remediation progress and MHCLG have been receiving social remediation data from the NRS since December 2025. However, comparisons cannot be made to the previous building-level data collection as migration work is still underway and we expect buildings are yet to migrate over to the NRS. While this work is underway, fluctuations in the remediation progress figures for social buildings where registered providers are self-funding cladding remediation is expected.

- 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.

Source: Building Safety Remediation: monthly data release -March 2026 - GOV.UK

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 improving the energy efficiency of new-build homes through Part L of the Building Regulations. Updates to these regulations over time have helped reduce carbon emissions.

- In March 2026, the Government published the Future Homes and Building Standard (FHBS). This will require all new homes and buildings to have high levels of insulation, low-carbon heating systems and, in most cases, solar panels. Homes built to these standards will be 'zero carbon ready', meaning they will not need further retrofitting to meet Net Zero.
- The FHBS will come into force in March 2027, followed by a one-year transitional period. It builds on the previous update to Part L in 2021, which acted as a stepping stone towards the new standard.
- Since 2010, carbon emissions from new dwellings (per m^2) have reduced significantly, falling from 21 $kgCO_2/m^2$ in 2010 to 10 $kgCO_2/m^2$ in 2025.

Source: Energy Performance Certificates Open Data.

Key Delivery Risks

Missing Remediation Acceleration Plan targets

Progress in remediating unsafe cladding on residential buildings over 11 metres may not accelerate at the pace required by the Remediation Acceleration Plan, due to regulatory bottlenecks, capacity pressures across the remediation system and uneven incentives for some actors. Failure to maintain momentum could prolong safety risks for residents or require some residents to remain in buildings that have mitigations in place to make them safe for longer.

A clear strategy to respond to this risk is in place through the Remediation Acceleration Plan. Key mitigations include introducing the Remediation Bill to strengthen incentives and accountability for delivery; targeted action to reduce regulatory backlogs and improve system throughput; and streamlining and consolidating delivery, where appropriate, under the Cladding Safety Scheme as a more efficient delivery model, alongside closer working with social housing providers to support credible, multiyear remediation programmes. Support is in place for regulators to ensure appropriate interim safety measures and enforcement interventions are in place where remediation is delayed.

Building Safety Regulator operational performance causing delays to housebuilding and remediation of unsafe cladding

There is a risk that the operational performance of the Building Safety Regulator (BSR) could affect the delivery of new homes and the remediation of unsafe cladding, as well as reduce confidence in the building safety system. The department has worked closely with the BSR to strengthen leadership, governance and improve its operational capability, with progress made in addressing the legacy backlog of cases and improving engagement with industry.

We will continue to support the BSR through strengthened sponsorship, oversight and targeted operational improvements to ensure that performance gains are sustained. This is underpinned by the recruitment of an expanded BSR leadership team; agreed funding to support increasing operational capacity; and enhanced departmental oversight to drive forward accountability and performance. Alongside this, BSR has introduced its External Remediation Improvement Plan in April 2026 which sets out how effective measures from new build applications will be applied to remediation cases. The plan aims to increase the speed of essential higher-risk building safety works across England, reducing delays and improving the management of application caseloads.

General Degradation of the Grenfell Tower Structure

Work began to carefully take down the Grenfell Tower in September 2025. The Tower is classified as a 'dangerous structure', and though this risk will reduce as the works progress, the process for taking down the Grenfell Tower will lead to increased degradation due to structural elements being exposed to the external environment. Multiple health and safety and visual (condition) inspections are undertaken on a regular basis and will continue until the works are complete. This is in addition to environmental monitoring which is published monthly.

Mitigation activity is progressing well: 1) the deconstruction programme is progressing ahead of schedule (and has resumed after a brief pause to conserve elements from the tower). 2) The Tower is full height propped to strengthen the structure with regular inspections by technical experts and constant monitoring to ensure its ongoing safety and stability during works. 3) The ventilation and waterproofing of the tower have been increased and are monitored to control degradation, concrete repairs are conducted where necessary. 4) The risk is being actively managed and kept under continuous review, with plans to reassess its position once deconstruction reaches key milestones.

Resilience

As national risks increase, MHCLG may be unable to respond effectively to major or concurrent emergencies - both as Lead Government Department (LGD) for 11 National Security Risk Assessment (NSR) risks and in supporting local resilience - due to limited capacity and sustained system pressures. Failure to maintain effective response could affect public safety, service continuity, public confidence, MHCLG delivery and staff wellbeing.

A clear strategy to respond to this risk has been agreed with the Executive Team, including establishing a MHCLG wide surge model for emergencies by July 2026. Further mitigations include strengthening the local resilience tier through delivery of the UK Resilience Action Plan 2025 over the spending review period; implementing a cross-department resilience risk assurance framework, completing a series of LGD plan reviews by April 2027, with five plans exercised by October 2026.

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, People, AI, Analysis, Estates and Security. The group ensures 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.

Our achievements in 2025-26

Workforce, skills and locations

- The department has continued to evolve our organisational design with a focus on efficient and impactful ways of working that support our departmental mission. We have also brought into the department the responsibilities for fire and rescue related policies from the Home Office through a Machinery of Government change.
- To ensure that we have the skills and capabilities required to deliver our priorities, the department has delivered a Voluntary Exit Scheme to refresh skills and generate efficiencies, exiting over 250 staff through this process during the financial year. In parallel, we have secured a cost-efficient and targeted pay settlement to improve our ability to attract and retain the skills we require for our ambitious delivery agenda over the coming years.
- We have delivered on the Locations Strategy, which seeks to introduce a more strategic approach to our future office locations and regional workforce. We are maintaining 16 offices with a presence in all Nations and English Regions. The strategy included a plan to close 6 offices, four of which we have now completed, with the remaining two on track to close before the end of the calendar year. We continue to focus on recruiting numbers of staff outside London, in line with our ambitions for expanding opportunities in the Civil Service across the country.
- We have launched a new, cross-government 'Going Forward into Employment' scheme called 'Civil Service Masterclasses'. This scheme uses innovative approaches to recruit individuals who would typically face barriers when applying for Civil Service roles and focuses on enhancing Social Mobility. Since accreditation in February 2025, the scheme has scaled significantly, delivering 13 cohorts across Liverpool and Manchester. A total of 298 candidates have completed the programme, with 293 offered roles.

Innovation, Technology and Data

- Launched the Homes for Ukraine (HfU) data 'Share' tool, which moved the department off supplier-owned software and facilitated expected savings of circa £15 million over the next 3 years. The Share tool now underpins delivery beyond the department, with adoption in Northern Ireland and further rollout underway in Wales and Scotland.
- Funding Service supported delivery of 23 new grants across government in 2025-26, in addition to 59 recurring grant rounds already using the service. We estimate that the development of a digital platform for grants saved the department £15 million in 2025-26, as well as improving the user experience of grant recipients in local authorities, community groups and charities.
- Supported 90 councils to assess and assure their cyber resilience through the Cyber Assessment Framework for local government and provided £6 million of funding to councils to support improvement. Our approach is aligned to and informed by the Government's Cyber Action Plan (GCAP).
- Launched the Cyber Incident Response (CIR) service to support English councils experiencing severe cyber incidents, providing access to an NCSC-assured supplier to help contain and eradicate threats, reducing disruption to critical systems and public services.
- Continued to advance departmental uptake of Artificial Intelligence by making Co-Pilot available across the department.

Delivery, evaluation and collaboration

- Following the Autumn Budget announcement of reforms to the spending control and accountability framework, the department worked with HM Treasury and NISTA to assess implications and began to align with the revised GMPP framework and strengthen internal assurance ahead of implementation from April 2026.
- The department has established a more clearly defined Major Programmes Portfolio (MPP) and a new Major Programmes Portfolio Board to provide strengthened internal assurance, senior challenge and delivery confidence across the department's most complex and strategically important programmes. Operating as a subboard of the Delivery SubCommittee, the MPP Board seeks to improve grip on major programme delivery risk, support effective escalation, and reinforce Accounting Officer assurance as external programmelevel oversight narrows.
- During 202526, the department made tangible progress in strengthening its approach to risk management through the Risk Improvement Initiative. This included clearer articulation and calibration of risks against departmental objectives, a reframed departmental risk register, and improved consistency in scoring. These changes have strengthened the quality of information available to senior leaders and committees, supporting more informed, timely and proportionate decision-making on delivery priorities and systemic risks.
- Delivered £11.3 million of cashable commercial savings in 2025-26, exceeding our target and representing a 14% improvement on the prior year. We also exceeded our non-cashable target with commercial activity delivering £36 million of value against a £29 million target. Robust review, challenge and use of benchmarking data has avoided £18 million of cost pressure in building remediation.
- Published the Indices of Deprivation for 2025. These seek to provide a consistent, accurate and robust measure of relative deprivation at a small area level across England.

Financial Forecasting and Management

- Worked in close partnership with departmental Strategy teams to secure and allocate funding across the department. This included agreeing a spending Review settlement with HMT for 2026-29, ensuring strong delivery of our strategic priorities.
- Continued to improve forecasting accuracy and proactive budget management. Our outturn spending against non-ringfenced RDEL and CDEL grant budgets was within 1%, ensuring maximum impact of available resources.
- Implemented significant improvements to our financial transactional processes, including more use of automation.
- Launched a Productivity and Efficiencies Programme which aims to maximise the department's delivery within its budgets and further embed 'efficiency thinking' across the department.

Key Delivery Risks

Skills and capability

There is a risk 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.

The department is mitigating people and capability risks through a coordinated approach to workforce planning, leadership development and organisational clarity. This includes aligning a clear departmental and people narrative with delivery priorities, strengthening leadership and line management capability, and embedding clearer roles and spans of control. Alongside this, we are delivering workforce adjustments (including VES), revising staffing targets, and implementing regular performance and threshold reviews. A longer-term strategic workforce plan is being developed to support smarter recruitment, better resource use, and improved capability within affordability constraints.

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.

To mitigate this risk we are continuing to strengthen financial management and value for money by improving core systems and processes to enable transparency, efficiency and better self-service. Finance continues to act as a critical friend scrutinising forecasts whilst building capability across the business and supporting more informed decision-making. We are also investing in stronger data ownership and governance identify trends and secure opportunities for better use of resources.

Cyber security

There is a risk that we fail to keep pace with this threat which continues to evolve for both the department and Local Government.

The department is strengthening cyber resilience across its own systems and local government through a coordinated programme of assurance, capability building and investment. This includes independent assessment against the NCSC Cyber Assessment Framework, targeted improvements to critical systems, and enhanced business continuity arrangements. We are upgrading our security operations capability including expanding continuous monitoring and threat response whilst embedding 'Secure by Design' through the Cyber Assurance Programme. Investment in endpoint and cloud protection, alongside robust backup and recovery, is improving resilience to incidents. We are also supporting councils to assess and improve their cyber maturity by providing funding and expert services (including incident response and penetration testing) and setting clearer expectations for supply chain security to drive consistent improvement across the sector.

Counter Fraud Risk

Counter fraud, bribery and corruption arrangements may not effectively identify, prevent, detect and respond to fraud risks. This could result in financial loss, reduced delivery of priorities, criminal activity and reputational damage.

The department is mitigating this risk by strengthening its counter fraud capability and progressing delivery against the Counter Fraud Functional Standards, prioritising prevention activity across major programmes. This includes developing an Enterprise Fraud Risk Assessment to provide a clearer view of risks and mitigations supported by Thematic Risk assessments in core functions, alongside targeted fraud measurement and detection activity in key areas. We are increasing proactive assurance through financial testing and monitoring of high-risk areas (including ALBs), and following-up actions on identified issues. Whilst supporting local areas and programmes through improved oversight, the function is building incident response capability, networks across wider government to support fraud mitigation and control, clearer processes, and embedding a more consistent and robust approach to fraud prevention, detection and response.

Strategy, Elections and Communications Group

The Strategy, Elections and Communications Group (SECG) is responsible for setting out the department's strategy, ensuring that it delivers the Government's priorities and Plan for Change commitments. SECG provides direct support to ministers 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 2025–26

Strategy

- Collaborated with departmental finance teams and HM Treasury to agree the department's first multi-year funding settlement in four years at Spending Review 2025. This reflected key ministerial priorities, including the biggest boost to social and affordable housing investment in a generation and the new £16 billion National Housing Bank.
- Supported Ministers to agree and communicate a tiered set of ministerial priorities and departmental milestones, enabling a clearer framework for the prioritisation of resources and delivery.
- Coordinated the departmentwide multi-year business planning process, providing endtoend oversight of delivery and financial planning. This included finalising the department's overall budget and resourcing position, ensuring alignment with strategic priorities, and an internal savings and efficiencies drive which enabled the Secretary of State to free up funding for a new £300 million High Streets Fund.
- Provided clear strategic oversight, communications support, and advice on a range of high-profile cross-cutting areas. These areas included the publication of the Child Poverty Strategy, allocating the National Housing Delivery Fund, updates to the National Planning Policy Framework, the Regulatory Action Plan, and local public services reform.
- Provided Ministers with robust, data-driven insights on key priorities through the departmental dashboard, offering clear visibility of progress and emerging risks. We have equipped Ministers to overcome delivery barriers through targeted interventions to accelerate delivery and drive momentum across priority areas, and coordinated activity across the department to ensure MHCLG's policies and levers are aligned to support delivery of the crossgovernment Plan for Change.
- Delivered a strategic shift in MHCLG's delivery reporting process, moving toward a more insight-led and outcome-focused approach. This involved strengthening bottom-up reporting at programme and portfolio level and overhauling top-down reporting processes, ensuring clearer and more consistent strategic oversight of departmental activity at the executive level.

Communications

- Supported ministers' priorities, enabling effective operation of public services and improving people's lives by ensuring social housing tenants understand their rights and private landlords are ready for legal changes, improving fire safety and tackling homelessness.

Elections

- Publication of the Elections White Paper (July 2025), setting the strategic framework for electoral reform to strengthen integrity, transparency and security of the system, including participation, registration and political finance.
- Introduction of the Representation of the People Bill (February 2026), taking forward a legislative programme to modernise electoral law and strengthen system integrity, including reforms to eligibility, registration and political finance.
- Supporting delivery of local and mayoral elections (May 2025), maintaining effective electoral administration and public confidence through information and support to the elections sector and robust security arrangements to identify and mitigate physical and cyber risks.

Key Delivery Risks

Governance

SECG has responsibility for maintaining governance arrangements across the department. There is a risk that our decision-making structures and reporting processes become complicated or unclear, which could slow things down or make it harder for the department to keep track of performance, risks and priorities.

To mitigate this risk, we are simplifying and strengthening our governance arrangements. This includes continuing to run regular governance reviews, improving the consistency of reporting to our main boards and committees, and making sure roles and responsibilities in decisionmaking forums are clear. These actions will help us maintain strong oversight, improve how issues are escalated, and ensure governance supports delivery across the department.

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.

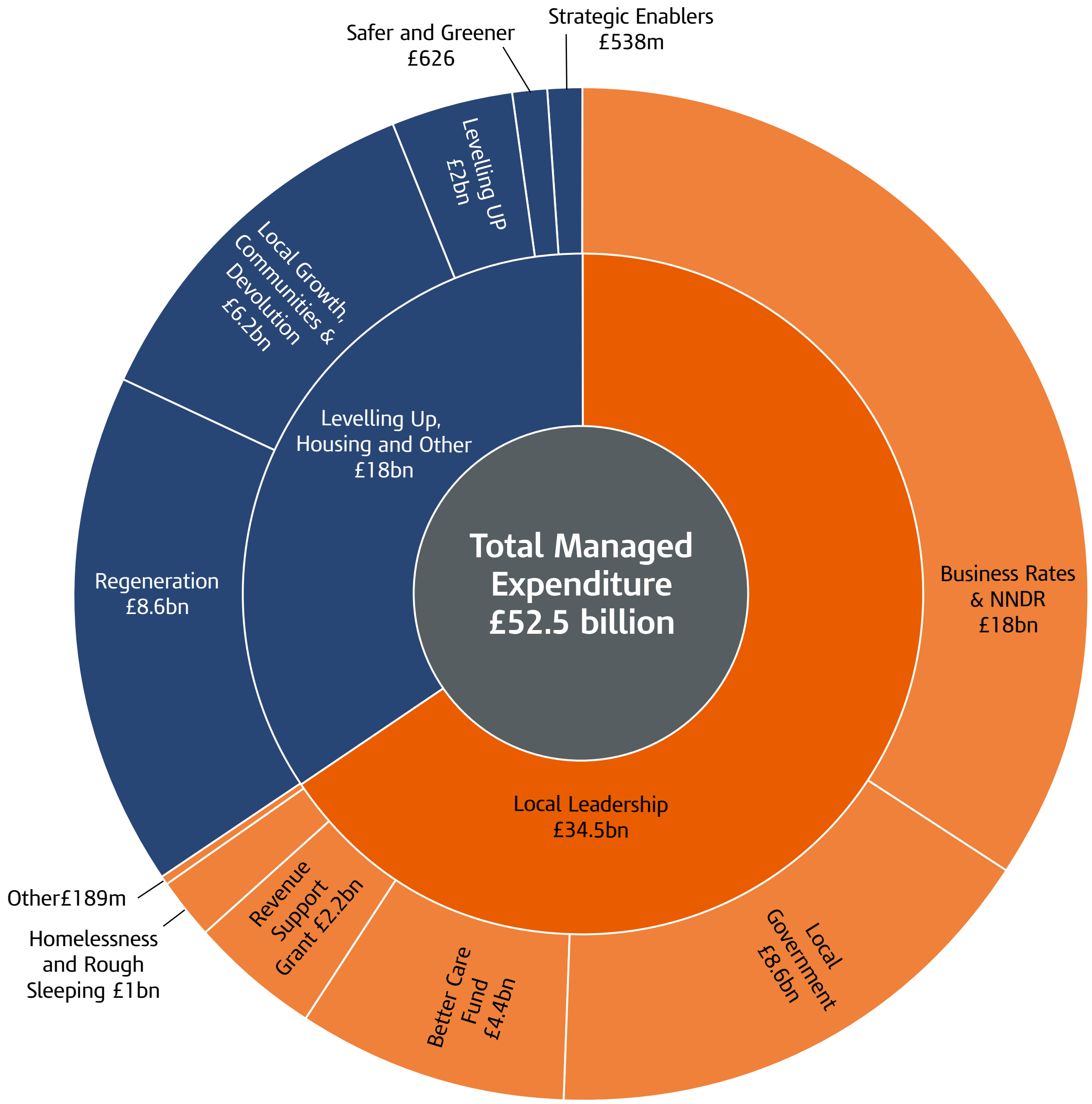
Portfolio / Goal identifier	Local Government, Growth & Communities	Buildings, Resilience & Fire	Regeneration, Housing & Planning
SDG1: End poverty			
SDG3: Health			
SDG8: Growth			
SDG9: Infrastructure			
SDG10: Reduce inequality			
SDG11: Safe, sustainable cities and communities			
SDG13: Climate change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

Our expenditure and financial position

Group Budget

This section and the diagram below represent the 2025-26 Departmental Group budget. Actual expenditure compared to budget can be found on page 108. Our total net expenditure budget of £52.5 billion is shown in the centre of the diagram. This is then split between two segments: local leadership (£34.5 billion) and other priority outcomes (£18 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 110, which shows core and local government budgets as separate control totals rather than classifying by priority outcome.

Figure 1: Net Expenditure Budget 2025-26

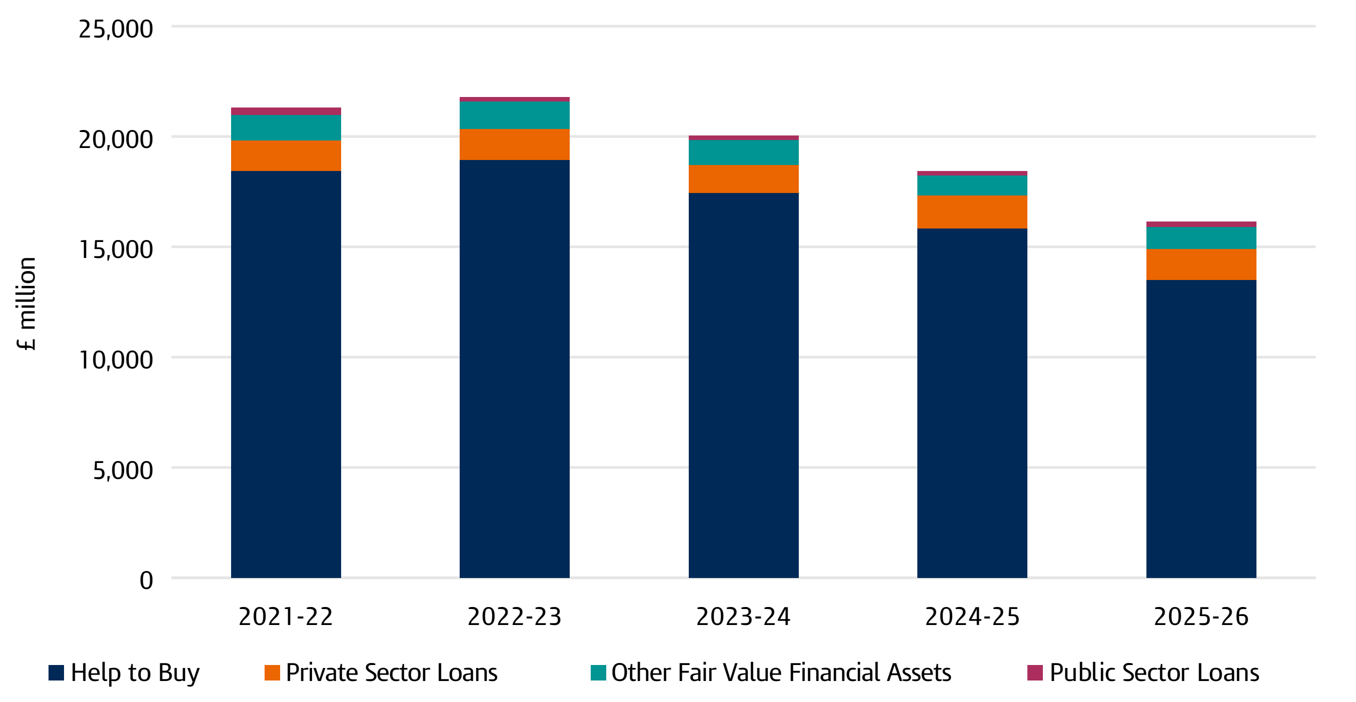


Group Loans and Investments

In order to achieve its objectives more efficiently, the department has made investments or given loans instead of grants, sometimes from its own balance sheet and sometimes by guaranteeing loans made from other entities. All loans are due to be repaid in full with an appropriate rate of interest. However, as with any investment product, there is a risk of loss and expected credit loss provisions are recorded as required. The department aims to lend in situations where commercial lending would be unavailable and as a result by their very nature our loans may be higher than average risk.

Equity loans under the Help to Buy scheme are provided for a period of 25 years, finance extended under the guarantee programmes have maturities of up to 30 years, and the majority of the department's direct loans mature in less than 10 years.

Figure 2: MHCLG Financial Assets

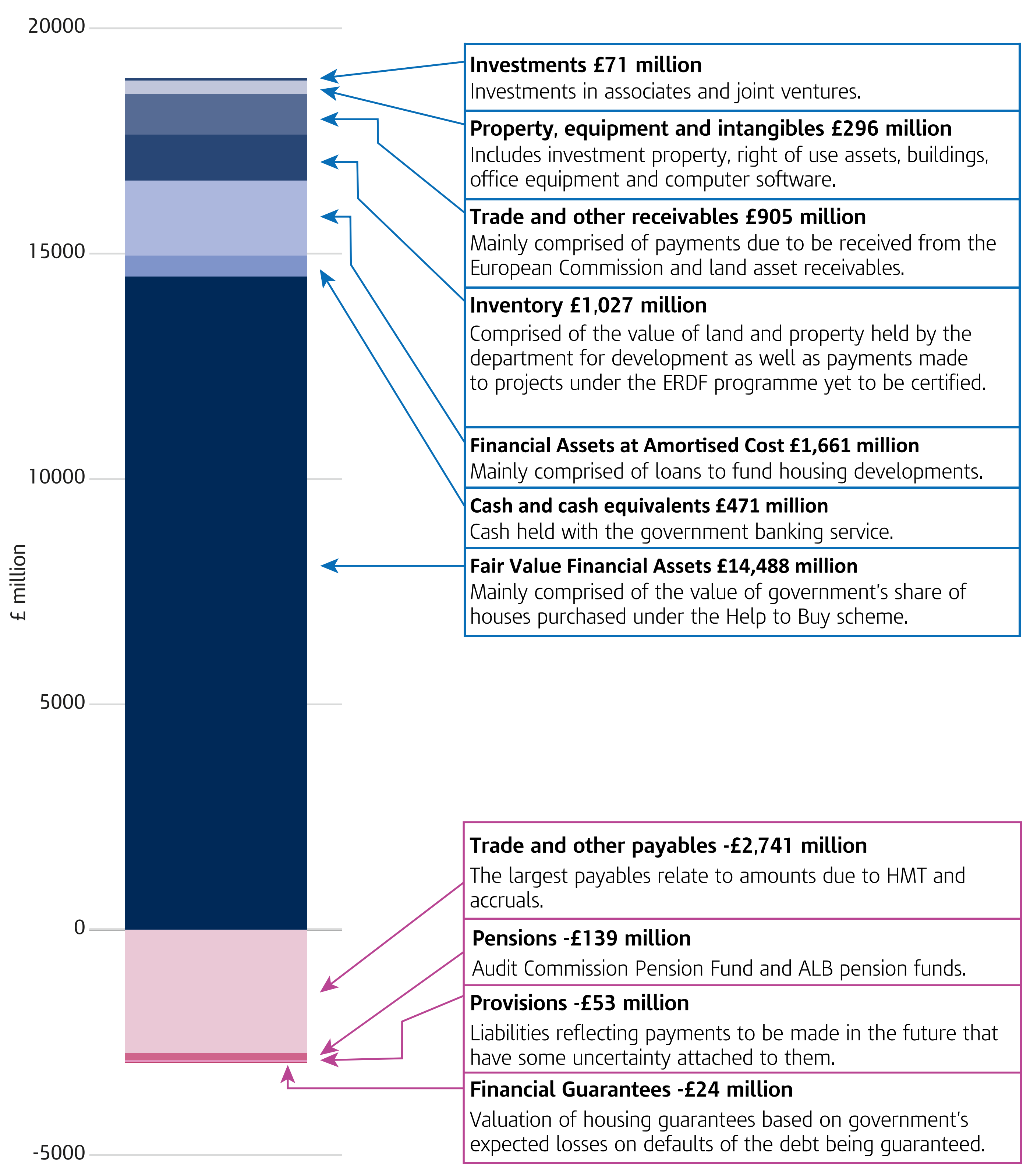


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2026 (page 140) 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 2026



Sustainability Report

Sustainability Report

This Sustainability Report outlines the environmental performance of the MHCLG estate during the 2025-26 financial year and demonstrates the department's ongoing commitment to improving sustainability outcomes across its operations and arm's length bodies (ALBs). The report supports transparency and accountability by providing an overview of environmental impacts, operational performance, and progress against wider government sustainability objectives.

As the department responsible for housing, communities, local growth and the planning system in England, MHCLG plays an important role in supporting sustainable development and the transition to a lower-carbon future. While this report focuses primarily on the environmental impacts associated with the department's operational estate, it also reflects the wider importance of sustainability within public sector leadership and long-term resilience, demonstrating the department's role in supporting and delivering against wider UK Government sustainability commitments.

The MHCLG Estate comprises all office locations occupied by the department and its ALBs, including freehold and leasehold properties used for administrative and operational purposes. The department is a minor tenant in most of the buildings it occupies and generally shares space with other government departments and a broad range of public and private sector organisations.

The MHCLG Property Team is responsible for setting the strategic direction of the estate, including estate rationalisation, sustainability objectives, and alignment with wider government property and environmental policies. This includes defining the estate's strategy, overseeing sustainability performance, and ensuring alignment with the quarterly Greening Government Commitments (GGC) submission to The Department for Environment, Food and Rural Affairs (Defra).

The Government Property Agency (GPA), as the department's delivery partner, is responsible for the day-to-day management and operation of the estate. This includes facilities management, maintenance, and implementation of agreed initiatives. Operating under the strategic direction of the MHCLG Property Team, the GPA leads the delivery of actions and interventions to improve the environmental performance of the estate. The GPA is also responsible for providing the estate utility and resource data required for sustainability reporting.

This Sustainability Report includes data from the "MHCLG Estate". This refers to the core department (for which, data is provided by the GPA) and MHCLG's ALBs, which include:

- Homes England
- HM Land Registry (HMLR)[1],
- Planning Inspectorate (PINS)
- Regulator of Social Housing (RSH)
- Housing Ombudsman (HO),
- Valuation Tribunal Service (VTS),
- Queen Elizabeth II Centre (QEII),
- Local Government and Social Care Ombudsman (LGSCO).

1 HMLR is a non-ministerial department and has been included within the ALB dataset for reporting purposes. HMLR sits outside MHCLG's financial reporting boundary and is not consolidated within MHCLG's group accounts.

Data from some of MHCLG's ALBs is excluded within this report, due to having pre-agreed Defra-approved exemptions[2]. Full details are available in the Appendix.

This report adheres to the 2025-26 Sustainability Reporting Guidance, issued by HM Treasury (HMT), which defines the minimum reporting requirements for central government bodies, detailing performance for the financial year 2025-26, which now serves as the new baseline for the GGCs. However, for contextual understanding, changes from the previous 2017-18 baseline are noted where available. Disclaimers regarding data limitations and the use of interim GGC reporting guidance are noted throughout the report, with full details available in the Appendix.

Throughout the year, MHCLG continued to review and optimise its operational estate. This included the closure of offices in Newcastle, Truro, Exeter, and Sheffield. Additionally, in April 2025, the department relocated its Nottingham office from Tolhouse Hill to Loxley House. These changes reflect a continued focus on estate rationalisation and more efficient use of office space, supporting the Government Property Strategy 2022-2030 and its ambition for a greener and more sustainable public estate.

In 2025-26, MHCLG also made tangible progress on climate resilience and decarbonisation. Working through the GPA, a Climate Change Adaptation Strategy and Action Plan was completed, including a preliminary Climate Change Adaptation Risk Assessment conducted in accordance with the Office for Government Property Framework. During the year, flood risk assessments across relevant sites were reviewed and further site-level data collected, with rollout of the action plan continuing into 2026 as risks are further defined and any required interventions identified.

Alongside this work, MHCLG benefited from the GPA's Net Zero Programme, which supports decarbonisation investment across both GPA-managed properties and the wider government office estate. During 2025-26, a total of £1.3 million was invested across MHCLG sites, delivering carbon emission and energy savings through several targeted projects. These included heating and ventilation improvements at Rosebery Court in Norwich, heating improvements at Renaissance House in Warrington, and the progression of solar panel installation at Seaton Court in Plymouth. These investments reflect the department's commitment to reducing its environmental footprint and contributing to the government's broader net zero ambitions.

Overall Greenhouse Gas Emissions (GHG) Performance

Understanding greenhouse gas emissions is essential to assessing the environmental impact of the department's operations and identifying opportunities for improvement. Monitoring emissions across Scope 1, Scope 2 and relevant Scope 3 categories enables MHCLG to track operational performance, support government net zero ambitions, and improve the efficiency of the estate.

The guidance mandates reporting against Scope 1 and Scope 2 emissions, with Scope 3 emissions reported where deemed material. Reporting across these scopes provides a comprehensive overview of the department's operational carbon footprint. This year, reporting has been further improved by disaggregating each metric between MHCLG and its ALBs, providing a clearer picture of where emissions arise across the group. For a more detailed breakdown of individual ALB performance, refer to the sustainability reports published by each ALB directly. It should be noted that no carbon credits were purchased within 2025/26.

In alignment with the Greenhouse Gas (GHG) Protocol, the emissions scopes are defined as follows:

- **Scope 1**: Refers to the direct emissions from sources owned or controlled by MHCLG's Estate, such as on-site fuel combustion (e.g. gas heating) and fleet vehicles.
- **Scope 2**: Refers to the indirect emissions from the consumption of purchased energy, primarily electricity used throughout MHCLG's Estate.
- **Scope 3**: Refers to all other indirect emissions arising from MHCLG's value chain activities (i.e., not owned or controlled by MHCLG), such as business travel, waste management, water management, procurement of goods and services, and supply chain activities.

2 At the start of 2025/26, VTS was within the scope of GGC reporting. However, midway through Q2, VTS relocated and subsequently fell below the minimum threshold for reporting. Therefore, all data presented below includes VTS figures for Q1 and Q2 only.

The gross expenditure for GHG emissions during 2025-26 is as follows:

	Scope 1		Scope 2		Scope 3[3]	
	MHCLG	ALBs	MHCLG	ALBs	MHCLG	ALBs
Total CO_2 emitted (tonnes)	678	1,362	1,235	1,459	508.5	1,042.2
Gross GHG Expenditure	35,767	£432,434[4]	£749,547	£2,100,840	£3,681,514	£7,677,760

Scope 1 – Direct Greenhouse Gas Emissions

Scope 1 emissions arise from direct sources owned or controlled by the department, primarily relating to natural gas consumption and fleet operations. Reducing these emissions supports wider government decarbonisation objectives and contributes to lowering the environmental impact of the public estate. The following table shows the last five years of Scope 1 emissions produced across the estate against the 2017-18 baseline.

The following table shows the last five years of Scope 1 emissions produced across the estate against the 2017-18 baseline.

Combustion Fuels

		2017-18 baseline	2023-24	2024-25	2025-26
Total consumption (kWh)	**Total**	**14,975,968**	**12,630,601**	**10,843,598**	**11,155,495**
	MHCLG				3,707,679
	ALB				7,447,816
Total CO_2 emitted (tonnes)	**Total**	**2,911**	**2,311**	**1,980**	**2,040**
	MHCLG				678
	ALB				1,362

Scope 1 emissions from natural gas consumption in 2025-26 saw an increase of approximately 2.9% compared to the previous year. Despite this slight year-on-year rise, the overall trajectory since the 2017-18 baseline remains positive, with emissions reducing by around 25.5% over the period. The marginal increase in 2025-26 reflects variability in heating demand and operational factors and does not detract from the significant long-term reduction achieved.

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

Fleet Emissions

Fleet emissions refer to the GHG emissions generated by all vehicles owned or leased by the department.

The data in the following tables on fleet emissions shows Homes England's only (they are the only ALB in the department that has a fleet).

3 This includes costs associated with business travel only.
4 Data relates only to HMLR and QEII. For the other ALBs, costs are incorporated within their contracts with GPA and cannot be reported separately.

Petrol Cars

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**501,680**	**294**	**9,782**	**6,740**
	MHCLG				0
	ALB				6,739.9
Total CO_2 emitted (tonnes)	**Total**	**96**	**51**	**2**	**1**
	MHCLG				0
	ALB				1.2

Diesel Cars

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**1,024,165**	**18,425**	**9,881**	**747**
	MHCLG				0
	ALB				746.8
Total CO_2 emitted (tonnes)	**Total**	**182.5**	**3**	**1.6**	**0.1**
	MHCLG				0
	ALB				0.1

Ultra-Low Emissions Vehicles (ULEVs)[5]

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**0**	**758,329**	**1,103,662**	**1,374,245**
	MHCLG				0
	ALB				1,374,245
Total CO_2 emitted (tonnes)	**Total**	**0**	**56**	**104.1**	**111**
	MHCLG				0
	ALB				111

In 2025-26, Homes England reduced its use of both diesel and petrol vehicles for business travel as it continued the transition of its fleet to 100% electric vehicles (EVs). As a result, 99% of all fleet travel was undertaken using ULEVs, supporting the GGC target for departmental car and van fleets to be fully zero-emission by 2027.

Despite this transition, the total distance travelled increased during the year. This was primarily due to several Homes England projects being in locations with limited access to public transport, necessitating greater use of fleet vehicles.

The core department does not own or lease any vehicles. Instead, MHCLG uses an external vehicle hire provider through which employees can book cars for business travel. Further details are provided in the Scope 3 section on non-fleet emissions.

5 Includes hybrid and battery electric vehicles

Scope 2 – Indirect Greenhouse Gas Emissions

Scope 2 GHG emissions refer to the indirect emissions from the consumption of purchased energy, primarily electricity used throughout MHCLG's Estate.

The following table shows the last five years of estate related scope 2 emissions generated, against the 2017-18 baseline:

Electricity consumption

		2017-18 baseline	2023-24	2024-25	2025-26
Mains standard grid electricity consumption (kWh)	**Total**	**13,069,507**	**11,214,329**	**702,932**	**8,747,348**
	MHCLG				4,637,095
	ALB				4,110,253
Green tariff/zero carbon electricity consumption (kWh)	**Total**	**15,960,258**	**3,073,658**	**12,367,716**	**6,354,311**
	MHCLG				2,340,008
	ALB				4,014,303
Total electricity consumption (kWh)	**Total**	**29,029,765**	**14,287,987**	**13,070,648**	**15,101,659**
	MHCLG				6,977,103
	ALB				8,124,556
Other (kWh)[6]	**Total**				**120,407**
	MHCLG				2,381
	ALB				118,026
Total CO_2 emitted (tonnes)	**Total**				**2,694**
	MHCLG				1,235
	ALB				1,459

This reporting period marks the first time that Scope 2 emissions, relating to electricity consumption, have been calculated and reported. By including these emissions alongside energy usage figures, we are now able to provide a more comprehensive view of our environmental impact going forward.

In 2025-26, mains standard grid consumption increased significantly compared to the notably low level in 2024-25, whilst green tariff consumption reduced by approximately 48.6% from the previous year. The portfolio of sites is managed by GPA, and this shift is largely attributable to changes in the building portfolio over the period, including the addition of new sites and adjustments to existing locations. This is an area that will be reviewed and improved in the next reporting cycle, with the aim of increasing the proportion of green tariff consumption going forward.

Scope 3 – Indirect Greenhouse Gas Emissions

Scope 3 emissions relate to indirect emissions generated through the department's wider operational activities and value chain. Within this report, Scope 3 reporting focuses on business travel emissions.

Business travel remains operationally necessary to support delivery, stakeholder engagement and collaboration across geographically dispersed teams. However, MHCLG continues to encourage more sustainable travel choices where appropriate, including prioritising rail travel over domestic flights and promoting the use of digital collaboration tools.

6 CHP bought electricity and district heating

Total Business Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**16,289,919**	**14,378,413**	**21,871,345**	**24,851,044**
	MHCLG				8,764,919
	ALB				16,076,352
Total CO_2 emitted (tonnes)	**Total**	**1,390**	**579**	**927**	**1,550.7**
	MHCLG				508.5
	ALB				1,042.2

Rail Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**15,596,670**	**14,247,059**	**21,205,621**	**19,271,656**
	MHCLG				7,064,081
	ALB				12,197,802
Total CO_2 emitted (tonnes)	**Total**	**730**	**505**	**755**	**684**
	MHCLG				251
	ALB				433

Taxi Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**32,539**	**6,231**	**7,935**	**21,963**
	MHCLG				0
	ALB				21,963
Total CO_2 emitted (tonnes)	**Total**	**532**	**1.3**	**1.7**	**4.6**
	MHCLG				0
	ALB				4.6

Bus Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**7,710**	**1,871**	**2,309**	**3,444**
	MHCLG				0
	ALB				3,444
Total CO_2 emitted (tonnes)	**Total**	**0.8**	**0.2**	**0.2**	**0.4**
	MHCLG				0
	ALB				0.4

London Underground Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**23,670**	**4,952**	**7,200**	**4,347**
	MHCLG				3,648
	ALB				699
Total CO_2 emitted (tonnes)	**Total**	**1.1**	**0.1**	**0.2**	**0.11**
	MHCLG				0.1
	ALB				0.01

Domestic Air Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**				**476,376**
	MHCLG				242,122
	ALB				234,254
Total CO_2 emitted (tonnes)	**Total**	**46**	**59**	**92**	**65**
	MHCLG				33
	ALB				32

International Air travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**599,140**	**108,060**	**514,785**	**398,651**
	MHCLG				397,344
	ALB				1,307
Total CO_2 emitted (tonnes)	**Total**	**81**	**13**	**77**	**74**
	MHCLG				73.8
	ALB				0.2

Eurostar Travel

		2017-18 baseline	2023-24	2024-25	2025-26
Distance travelled (km)	**Total**	**30,190**	**10,240**	**13,774**	**9,773**
	MHCLG				9,773
	ALB				0
Total CO_2 emitted (tonnes)	**Total**	**0.4**	**0.1**	**0.1**	**0.3**
	MHCLG				0.3
	ALB				0

Non fleet

The following tables show emissions associated with non-fleet hire vehicle usage.

Petrol Cars

		2017-18 baseline	2024-25	2025-26
Distance travelled (km)	**Total**	**No baseline**	**2,756,254**	**3,057,940**
	MHCLG			105,719
	ALB			2,952,221
Total CO_2 emitted (tonnes)	**Total**	**No baseline**	**450**	**500**
	MHCLG			15
	ALB			485

Diesel Cars

		2017-18 baseline	2024-25	2025-26
Distance travelled (km)	**Total**	**No baseline**	**545,621**	**1,318,642**
	MHCLG			939,000
	ALB			379,642
Total CO_2 emitted (tonnes)	**Total**	**No baseline**	**89**	**199**
	MHCLG			135
	ALB			64

Ulta-Low Emissions Vehicles (ULEVs)[7]

		2017-18 baseline	2024-25	2025-26
Distance travelled (km)	**Total**	**No baseline**	**202,232**	**288,252**
	MHCLG			3,232
	ALB			285,020
Total CO_2 emitted (tonnes)	**Total**	**No baseline**	**18**	**23.3**
	MHCLG			0.3
	ALB			23

Overall distance travelled increased in 2025-26 compared to the previous year, now exceeding the 2017-18 baseline. Total CO_2 emissions also rose, surpassing the baseline level. A portion of this increase reflects improved data collection and reporting accuracy, rather than solely a rise in travel activity. Of the 2025-26 total, MHCLG directly accounted for approximately 33% of emissions, with ALBs contributing the remaining 67%.

The primary driver of the emissions increase is car travel, particularly diesel, where distance travelled and associated emissions rose by approximately 142% and 124% year-on-year, respectively. This is an area under active review, and the incorporation of the department's travel contract in 2027 is expected to provide greater oversight and support improvements in future reporting periods.

Business travel remains necessary due to operational demands, a geographically dispersed workforce, and the requirements of stakeholder engagement and cross-site delivery. Whilst digital collaboration tools such as Microsoft

7 Include hybrid and battery vehicles

Teams continue to reduce some travel needs, in-person working remains integral to effective delivery. MHCLG books official travel through a Crown Commercial Services framework and requires that sustainability considerations, including prioritising rail over flights where possible, are factored into all travel planning. The department continues to encourage the use of virtual meetings at all levels to reduce the need for travel, and will work with the Digital Front Door to meet any commitments set out in the forthcoming MHCLG Digital Sustainability Strategy, which is currently in development.

Water

Water is a fundamental resource required to support the day-to-day operation of the estate. Responsible water management contributes to reducing operational costs, improving environmental performance, and supporting broader sustainability objectives.

MHCLG works collaboratively with the GPA and its ALBs to manage water consumption responsibly across the estate. This includes promoting efficient use of water resources and identifying opportunities to reduce avoidable consumption.

Water Usage

		2017-18 baseline	2023-24	2024-25	2025-26
Total consumption (m^3)	**Total**	**100,095**	**62,247**	**69,461**	**69,188**
	MHCLG				23,358
	ALB				45,830

Water Cost

		2025-26
Gross Expenditure	**Total**	**£182,677**
	MHCLG	£42,270
	ALB	£140,407[8]

Total water consumption in 2025-26 stayed broadly in line with the previous year's figure, representing a substantial reduction of around 31% against the 2017-18 baseline.

Water use across the estate is monitored by GPA, with meters now rolled out across most sites. In 2025, GPA developed a new Sustainability Strategy covering energy, waste and water reduction, delivered through collaborative projects across the portfolio and underpinned by an ISO 14001 accredited Environmental Management System. The stability in consumption year-on-year, combined with the significant long-term reduction from baseline, reflects the ongoing efforts to manage water use efficiently, and GPA's strategy is expected to support further improvements going forward.

Waste minimisation and management

Effective waste management is an important part of reducing the environmental footprint of the estate and supporting the transition toward a more circular economy. MHCLG is committed to reducing waste generation, increasing reuse and recycling rates, and promoting more sustainable resource management practices.

Examples of circular economy initiatives already in place include the reuse and donation of surplus furniture and electrical items, helping to extend product lifecycles and reduce unnecessary waste.

Homes England manages surplus furniture and electrical items from offices and home workers through a combination of external disposal partnerships and internal reuse initiatives.

8 Data provided from QEII, HMLR and Homes England

Waste Management

	MHCLG	ALB
Recycled (tonnes)	298	2,121
Anaerobic Digestion (tonnes)	88	28
Composting (tonnes)	0	93
Incinerated with energy recovery (tonnes)	109	15,566
Incinerated without energy recovery (tonnes)	0	0.1
Waste to landfill (tonnes)	0	4.8
Other (tonnes)	0.5	0
Total (tonnes)	495.5	17,812.9

Waste management across the MHCLG estate is overseen by GPA under its ISO 14001 accredited Environmental Management System. In 2025, GPA introduced a new Sustainability Strategy focused on minimising waste; in 2025-26, 56% of waste from MHCLG occupied office space was recycled.

In 2025-26, MHCLG's waste management costs totalled £4,826, while ALBs incurred £186,853. The majority of MHCLG waste was recycled, with the remainder primarily incinerated with energy recovery or processed through anaerobic digestion. Notably, no MHCLG waste was sent to landfill during the period. For ALBs, incineration with energy recovery was the predominant disposal route, with a smaller proportion recycled and only a minimal amount sent to landfill.

Regarding hazardous waste, GPA has not reported any incidents originating from the MHCLG estate during the year. However, hazardous waste was identified at the QEII site, specifically including batteries, white goods, and screens and monitors. Looking ahead, we remain committed to continually enhancing our hazardous waste tracking processes across our ALBs to improve accuracy.

Paper Purchased

Although digital working practices continue to increase across government, paper remains an operational resource within some parts of the estate. Monitoring paper consumption supports broader waste reduction objectives and provides insight into progress toward more efficient and digital ways of working.

		2017-18 baseline	2023-24	2024-25	2025-26
Reams of A4 paper purchased	**Total**	**34,226**	**13,472**	**8,923**	**15,274**
	MHCLG				64
	ALB				15,210

Paper purchases across the group increased year-on-year in 2025-26, largely due to one ALB, HM Land Registry (HMLR), which accounted for the majority of usage due to the nature of its operations. MHCLG itself purchased a minimal amount, representing a significant reduction compared to the previous year and reflecting continued progress in reducing paper consumption at the core department level.

Consumer Single Use Plastics (CSUP)

Reducing the purchase and use of single-use plastics remains an important element of the department's wider waste reduction and sustainability agenda. Limiting unnecessary plastic consumption supports efforts to reduce waste generation and minimise environmental impacts associated with disposable products.

		2017-18 baseline	2023-24	2024-25	2025-26
Number of Consumer Single-Use Plastics purchased	**Total**	**No baseline**	**59,325**	**26,542**	**6,551**
	MHCLG				0
	ALB				6,551

The Planning Inspectorate purchased 6,544 items; this includes items such as stationery and overshoes. Homes England purchased dispatch packaging, biodegradable wipes and stationery and have, in this financial year, enhanced their environmental commitment by transitioning from plastic bubble wrap to an eco-friendly paper alternative for packaging digital equipment.

Environmental Impacts of ICT and Digital

The reliance on ICT and digital devices across the estate presents an environmental consideration for reporting.

The table below details the lifecycle management of our ICT assets during 2025-26, focusing on their end-of-life destinations to ensure responsible disposal, maximise reuse, and promote recycling, thereby mitigating their environmental impact.

	MHCLG	ALB[9]
End-user devices (e.g., desktops, laptops, tablets, smartphones)	2,126	803
Peripherals (e.g., monitors, keyboards, mice)	254	3,006
Networking and telephony equipment	311	170
Audio-visual devices (e.g., projectors, screens, videoconferencing units)	0	4
Imaging devices (e.g., printers, scanners)	5	181
Total units	6,696	4,164
Total weight (tonnes)	4.7	5.3
Reuse (items donated within government, to charities, schools, or other NGOs) or sold.	1,479	1,545
Total recycled	1,217	561

The use of ICT and digital devices across the estate presents an ongoing environmental consideration, and responsible lifecycle management of assets remains a priority. Environmental impact is considered in all ICT procurement decisions, with service requirements from the Government Greening: ICT and Digital Strategy incorporated into new contracts. The department's disposal service is delivered at zero cost, with service costs offset through revenue resale and a portion of assets donated to charity.

In 2025-26, MHCLG and ALBs disposed of ICT equipment in line with departmental sustainability objectives. MHCLG reused approximately 22% of its disposals through donation or sale to government bodies, charities, schools, or other organisations, and recycled a further 18%. ALBs achieved reuse for around 37% of their disposals and recycled 13%. Importantly, no ICT equipment was sent to landfill, demonstrating the department's commitment to its zero waste to landfill objective.

Environmental Incidents

Transparent reporting of environmental incidents supports effective risk management and continuous improvement across the estate.

The core department did not record any environmental incidents during the reporting period. However, Homes England reported 15 level 1 or level 2 environmental incidents relating to dust, fire, waste, pollution and protected species.

9 Data relates to PINS and HMLR only

Sustainable Procurement

MHCLG is committed to embedding sustainability considerations into procurement activity across the estate. Sustainable procurement practices support environmental objectives, encourage social value, and help ensure that public expenditure delivers long-term value.

All commercial staff who are CIPS qualified or undertaking CIPS qualifications are required to complete annual Ethical and Sustainable Procurement training provided by CIPS.

We also adhere to the Procurement Policy Note 001 (PPN001), supporting a diverse supply chain by engaging with Small and Medium-sized Enterprises (SMEs) and Voluntary, Community, and Social Enterprises (VCSEs). Our SME Action Plan, which details our direct spend for FY24-25, is currently being finalised and spend data for FY25-26 will follow in a subsequent report. A dedicated VCSE Action Plan is also under development, with baseline spend, targets, and actions being established for future publication.

High procurement standards are maintained across the estate. These include:

- Using Forest Stewardship Council (FSC) certified timber in capital projects
- Sourcing fabrics from UK supply chains for office refurbishments
- Applying Government Buying Standards across procurement activity
- Incorporating social value and carbon reduction requirements into major contracts

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 applies the National Procurement Policy Statement to deliver against Government procurement priorities.

Nature Recovery

MHCLG recognises the importance of nature recovery and works with GPA and its ALBs to support biodiversity across the estate. The GPA has published an updated Biodiversity and Nature Recovery Annex to its Government Workplace Design Guide, which sets out key actions to protect and enhance biodiversity, comply with legal requirements including mandatory Biodiversity Net Gain (BNG), and demonstrate GPA's commitment to nature recovery across the portfolio. MHCLG continues to liaise with GPA regarding nature recovery opportunities within the buildings it occupies.

MHCLG's ALBs have also been active in this area, with Homes England launching its Nature Positive Plan in 2025, HM Land Registry integrating biodiversity plans into its facilities management contract, and the QEII Conference Centre maintaining a beehive and courtyard planting on site.

Sustainable Development

Sustainable development remains integral to MHCLG's policy work, particularly in planning policy and economic growth. MHCLG plays a pivotal role in shaping sustainable development nationally through the National Planning Policy Framework (NPPF), which requires local planning authorities to prepare plans and make decisions that contribute to sustainable development, integrating environmental, social, and economic objectives at a local level across England.

This commitment extends to the department's own estate. GPA's new Government Hubs are designed to meet stretching sustainability targets through both new construction and sustainable retrofitting, underpinned by an updated Net Zero and Sustainability Annex to the Government Workplace Design Guide. Two projects directly relevant to MHCLG's estate demonstrate this in practice. The Brunswick Street hub is targeting BREEAM "Excellent" and is on track to achieve a NABERS 5-star rating for operational energy performance. At Temple Quay House in Bristol, the redevelopment has placed sustainability and the circular economy as a core focus, with over 4,000m^2 of carpet tiles donated to charities, educational institutions, and community organisations, saving an estimated 400 tonnes of CO_2 and diverting 45 tonnes of waste from landfill. The project also created 72 local jobs and 23 apprenticeship opportunities in Bristol.

MHCLG's ALBs are similarly progressing their sustainable development agendas. Homes England launched its interim Sustainable Placemaking Passport tool in December 2025 and has refreshed its Sustainability and Design KPIs as part of its Strategic Plan 2025-30, whilst the new Social and Affordable Homes Programme 2026-2036 incorporates updated design quality guidance to support high-quality, sustainable homes and communities.

Focus for the coming year

MHCLG is committed to building on the progress made this year and continuing to strengthen its approach to sustainability reporting. Several positive developments are anticipated in the coming year, including:

- Continued improvements in the completeness and accuracy of data collection across the estate, following the reporting enhancements made this year.
- Greater oversight and management of business travel emissions through the incorporation of the department's travel contract in 2027.
- Ongoing improvements in energy, water, and waste performance across the portfolio, supported by GPA's Sustainability Strategy.

MHCLG is also taking steps to further enhance the rigour of its reporting framework. Government sustainability reporting requirements include the disclosure of material items, and the department intends to review and consider the application of a formal materiality assessment in the next financial year, which will help ensure future reports are as comprehensive and robust as possible.

In addition, MHCLG intends to explore climate adaptation more fully in the coming year, including its governance, key features, and associated commitments. This work will help inform what is appropriate to include in future reporting cycles, supporting a more complete picture of the department's approach to managing climate-related risks.

Appendix

Appendix A: Reporting Scope – Included Entities and DEFRA Exemptions

Body	Agreed DEFRA Status	Subset Reporting Requirement
HM Land Registry	In scope – no exemptions [full reporting]	
Homes England		
MHCLG (core)		
Queen Elizabeth II Conference Centre		
Local Government and Social Care Ombudsman	In scope – tiered exemptions	• commitment 2.1 – reducing direct (scope 1) emissions • commitment 2.2 – reducing overall (scope 1, 2 and business travel) emissions • commitment 2.4 – making the car and van fleet zero emission • commitment 4.6 – reducing the overall amount of waste • commitment 4.10 – reducing potable water use
Planning Inspectorate		
Regulator of Social Housing		
Valuation Tribunal Service		
Housing Ombudsman		
Ebbsfleet Development Corporation	Out of scope – not reported	
Land Registration Rule Committee		
Leasehold Advisory Service		
UK Holocaust Memorial Foundation		
Valuation Tribunal for England		
Boundary Commission for England		
Boundary Commission for Wales		
Building Control Independent Panel		
Architects Registration Board		
Cambridge Growth Company		
Building Safety Regulator[10]		

10 The Building Safety Regulator, established on 27 January 2026, was not considered in this year's reporting. Its status and relevance will be assessed ahead of next year's reporting to determine whether it falls within the scope of our disclosures.

Taskforce on Climate-related Financial Disclosures

Task Force for ClimateRelated Financial Disclosures (TCFD)

The Financial Stability Board established the Task Force on Climate Related Financial Disclosures (TCFD) in 2015 to improve transparency on the financial implications of climate change. HM Treasury has issued TCFD aligned application guidance for the UK public sector, which departments are implementing on a phased basis.

Compliance Statement

The Ministry of Housing, Communities and Local Government (MHCLG) has prepared climate related financial disclosures consistent with HM Treasury's TCFD aligned application guidance for the UK public sector. MHCLG's arm's length bodies (ALBs) within scope report on climate related financial risks within their own Annual Report and Accounts.

As part of preparing these accounts, the department assessed the relevance and potential materiality of climate related financial risks and opportunities in the context of its operating model, risk profile and decision making responsibilities. This included consideration of both direct exposures (such as estate and operational activity) and indirect exposures, including impacts on policy delivery, system performance, and the organisations and sectors for which MHCLG provides funding and oversight.

Climate related considerations are recognised across a number of these areas, including the built environment, resilience, and local government systems. This includes consideration of the department's resilience responsibilities, where climate related hazards such as extreme weather events are recognised, but are primarily managed through established national and local resilience frameworks and are not currently assessed as materially changing the department's own risk exposure.

In making its assessment, the department considered the extent to which climate related factors could materially affect the likelihood or impact of its principal risks, including through impacts on delivery outcomes, overall risk exposure, or the need for additional departmental intervention or funding.

Based on this assessment, MHCLG has concluded that climate related financial risks do not currently meet the threshold for designation as a standalone principal risk at departmental level.

This reflects the department's judgement that, while climate related factors are present across a number of areas, they do not currently have a sufficiently significant or direct impact on the department's financial position or overall risk profile to warrant classification as a principal risk.

Where climate related financial risks are more clearly material - particularly within ALBs with significant asset bases and delivery responsibilities - those risks are owned and managed by the relevant organisations. The department uses these disclosures as part of its sponsorship and assurance activity and considers whether they could give rise to material financial, delivery or system level impacts. This includes assessing whether such risks could reasonably be expected to require additional departmental funding, intervention, or changes to delivery priorities at scale. At the reporting date, the department has not assessed these risks as meeting the threshold for escalation to a principal risk.

While these impacts are recognised, they are currently assessed as either being managed within delivery bodies, absorbed within existing policy and funding frameworks, or not of a scale that would materially alter the department's financial position or overall risk profile.

Consistent with this position, the department has also considered whether climate related factors represent a component of any existing principal risk. While such considerations are present across a number of risk areas, they are not currently assessed as a material driver of the likelihood or impact of those risks at departmental level, reflecting the distributed nature of delivery and the current evidence base.

The department recognises that evidence in this area is evolving and will continue to review its assessment as data, capability and system level understanding develop.

As climate change is not judged to be a principal risk, the strategy disclosures and metrics and targets disclosures (a) and (c) are not deemed to be material.

TCFD Governance: Disclosures (a) and (b)

Responsibility for oversight of climate related risks and opportunities is embedded across the department's existing governance framework, with clear routes for monitoring, challenge and escalation.

Primary oversight is exercised at portfolio level, with Directors General responsible for ensuring that risks—including those relating to climate change—are appropriately identified and managed. Director Generalchaired Portfolio Boards provide oversight of risks, delivery and performance, including emerging and crosscutting factors such as climaterelated considerations.

Within this structure, a number of forums play a key role in coordinating and assessing climaterelated activity:

- The New Build Quality and Climate Change (NBQCC) team coordinates MHCLG's approach to climate change in the built environment and supports integration into policy and delivery.
- The Energy Performance of Buildings Board and Group Stewardship and Reform Board oversee relevant risks and report into the Building Safety and Performance Portfolio Board.
- The Net Zero Buildings Joint Group, jointly led with DESNZ, provides a cross government forum to assess risks and delivery issues relating to decarbonisation of the built environment.
- The Local Government Oversight and Accountability Board provides oversight of system performance, including areas where climate may influence delivery or resilience outcomes.
- The Fire Directorate Board provides an escalation route for delivery, strategic and policy project risks and issues.

At an executive level, overall assurance is provided by the Executive Team and its sub committees. The Investment Sub Committee considers social and environmental impacts as part of investment decisions, while the Audit and Risk Assurance Committee (ARAC) provides independent oversight and challenge on the department's risk assessment and disclosures.

Together, these arrangements embed climate related considerations within existing governance and ensure they are systematically surfaced and tested alongside other risks. The department's assessment that climate is not currently a principal risk, nor a material driver of one, is kept under active and continuous review through these structures. Any change in the scale, nature or financial implications of climate related risks would be identified and escalated appropriately, and reflected in the department's principal risk assessment where warranted.

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

The department's processes for identifying, assessing and managing climate related risks are integrated into its overall risk management framework, as set out in the Governance Statement.

Where climate related risks arise within areas owned by the NBQCC team, they are considered through the Net Zero Buildings Joint Group and related governance structures. Cross cutting risks are escalated through established portfolio and executive governance routes, in line with the department's risk escalation policy.

Resilience

The department has considered in detail the interaction between climate change and its resilience related responsibilities, including its oversight of the Fire and Rescue Service and wider national and local resilience systems. Climate related hazards, including flooding, heatwaves and wildfires, are recognised as an increasingly relevant factor influencing the operating environment for these systems.

However, responsibility for the management of these risks and operational response sits primarily with locally governed bodies, including fire and rescue authorities, local resilience forums and local authorities. MHCLG's role is focused on framework setting, system oversight and support, including through the National Framework for Fire and Rescue Authorities and wider resilience governance arrangements.

The department has assessed whether climate related factors materially alter its exposure to resilience risks. This includes consideration of whether changes in hazard frequency or severity could significantly increase the likelihood or impact of principal risks, require additional departmental intervention or funding, or fundamentally change the department's role within the resilience system.

At the reporting date, the department's assessment is that these risks are largely managed within existing national and local resilience frameworks and do not currently materially change the department's own risk exposure or risk profile.

On this basis, climate related factors are not currently assessed as a material driver of the department's resilience related principal risks. This position is kept under review in light of evolving evidence.

TCFD Metrics and Targets: Disclosure (b)

Disclosures on Scope 1, Scope 2 and Scope 3 (where appropriate) greenhouse gas emissions are included in the Overall Greenhouse Gas Emissions (GHG) Performance section of the Sustainability Report.

In line with the department's assessment that climate related risks are not currently a principal risk, nor a material driver of one, MHCLG has not disclosed the majority of Scope 3 emissions this year. This reflects the judgement that additional disclosures would not materially enhance understanding of the department's financial risk exposure at this stage. This position will be kept under review.

The department's central risk function will continue to monitor emerging risks, and additional disclosures may be introduced in future where climate related risks are assessed as meeting the threshold for a principal risk.

Other Reporting Requirements

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:

Financial Assistance

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 2025-26, totalling £6.0 million (2024-25, £7.1 million).

Complaints

There have been no **complaints** accepted for investigation by the Parliamentary Ombudsman this year. A singular complaint from 2024-25 was upheld in full and concluded in June 2025.

The streamlined two stage, public facing complaints process introduced in the 2024-25 financial year has continued to deliver a more effective and timely service. The high volume of emails previously received by the complaints team has been replaced by a smaller number of more structured and concise webform submissions. During this period, the department investigated and met its target for a total of twenty-one complaints. The outstanding investigation by the Parliamentary Ombudsman from 2024-25 was concluded. We investigate all complaints relating to the standard of service we provide, including concerns about the conduct of our staff. The complaints process does not cover matters relating to Freedom of Information requests, planning issues, local authorities, or objections to government policy.

Correspondence

In 2025-26, the department received 10,328 items of correspondence from members of the public that required an official response. This compares to 11,904 in 2024-25. Of these, 91% were responded to within our target of twenty working days. In 2024-25, this figure was 92%.

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

10 July 2026

Section 2: Accountability Report

Introduction

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

Corporate Governance Report

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

Remuneration & Staff Report

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

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Corporate Governance Report

The Directors' Report

During 2025-26, the department consisted of the core department and 14 other arm's length bodies (ALBs). The accounts provide a full list of public bodies sponsored by the department and identify those that are consolidated into the accounts of the Departmental Group ('the Group').

The departmental board, chaired by the Secretary of State (SoS), 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. During 2025-26 the board met on 3 occasions. 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 2026

The Rt Hon Steve Reed OBE MP
Secretary of State for Housing, Communities and Local Government

Matthew Pennycook MP
Minister of State (Minister for Housing and Planning)

Alison McGovern MP
Minister of State (Minister for Local Government and Homelessness)

Baroness Taylor of Stevenage
Parliamentary Under-Secretary of State (Lords Minister for Housing and Local Government)

Paid as a whip

Miatta Fahnbulleh MP
Parliamentary Under-Secretary of State (Minister for Devolution, Faith and Communities)
[replaced by Nesil Caliskan MP on 12 May 2026].

Samantha Dixon MBE MP
Parliamentary Under-Secretary of State (Minister for Building Safety, Fire and Democracy)

Our non-executive directors as of 31 March 2026

Mo Baines
Lead Non-Executive Director

Harris Bokhari OBE
Non-Executive Director and ARAC Chair

Ada Burns
Non-Executive Director

Lord Forbes of Newcastle CBE
Non-Executive Director

Sarah Longlands
Non-Executive Director

Our executive directors as of 31 March 2026

Dame Sarah Healey CDB CVO
Permanent Secretary & Chair of the Executive Team

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

Joanna Key CBE
Director General, Regeneration, Housing & Planning

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

Matt Thurstan CB
Director General, Chief Finance Officer & Chief Operating Officer

Katie Farrington CB
Director General, Buildings, Fire and Resilience (Jobshare)

Ben Rimmington
Director General for Buildings, Fire and Resilience (Jobshare)

Other ministers who served in the department during 2025-26

- The Rt Hon Angela Rayner MP
- Rushanara Ali MP
- Alex Norris MP
- Jim McMahon OBE MP
- Lord Khan of Burnley

Other non-executive directors who served in the department during 2025-26

N/A

Other executive directors who served in the department during 2025-26

- Ben Llewellyn (Acting Director General)

Departmental Board Attendance

Record of meeting attendance for 2025-26:

	Total meetings held	Total meetings attended
Ministers		
The Rt Hon Angela Rayner MP (Chair)	2	2
The Rt Hon Steve Reed OBE MP (chair)	1	1
Baroness Taylor of Stevenage	3	3
Lord Khan of Burnley	2	1
Matthew Pennycook MP	3	3
Jim McMahon OBE MP	2	2
Alison McGovern MP	1	1
Rushanara Ali MP	2	2
Alex Norris MP	2	2
Miatta Fahnbulleh MP	1	1
Samantha Dixon MBE MP	1	1
Non Executive Directors		
3	3	3
1	1	1
1	1	1
1	1	1
1	1	1
Executive Team		
Sarah Healey CB CVO	3	2
Will Garton	3	3
Ben Llewelyn	1	1
Joanna Key CBE	3	3
Brendan Threlfall	3	3
Matt Thurstan CB	3	3
Katie Farrington CB	2	1
Ben Rimington	0	0

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.

Comparable arrangements are in place for Special Advisers, with declarations of interest managed in line with relevant Codes of Conduct and departmental processes. In line with the current Declaration of Interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Accounting Officer has considered these returns and the following relevant interests are set out in public:

Name	Interest
Jamie Williams	Mr Williams' brother held ministerial positions in the Cabinet Office and the Department for Science, Innovation and Technology.
Liz Bates	Ms Bates' spouse/partner holds a ministerial position in the Ministry of Justice.
Joe Corry-Roake	Mr Corry-Roake's family member is Chair of the London Housing Panel.
Eve Mason	Ms Mason held a part-time paid role at the Labour Party until 8 May 2026. Ms Mason's work as a special adviser was a part-time contract and the work for this organisation was performed outside these hours.

Any significant Related Party Transactions associated with the interests of ministers or board members, are shown in note 18.

Personal Data

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 the Information Security section within the Governance Statement.

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 £1,858,000 of which £1,023,000 is a cash charge and £835,000 is a notional charge (2024-25: £1,563,467 of which £959,642 was a cash charge and £603,825 was a notional charge).

The audit fee for the core department is £460,000 (2024-25: £410,000).

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: £90,000 (2024-25: £79,825), split as follows:
  - Main Rating Account: £50,000 (2024-25: £46,250)
  - Trust Statement: £28,000 (2024-25: £23,325)
  - Levy Account: £12,000 (2024-25: £10,250)
- Building Safety Trust Statement: £110,000 (2024-25: £110,000)

The Building Safety Trust Statement 2024-25 was certified on 2 June 2026.

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 21 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

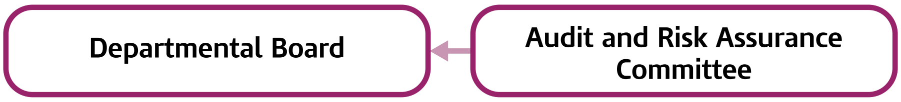
The accounting officer is responsible to Parliament for the stewardship of the resources given to MHCLG, including those allotted to our arm's length bodies (ALBs) and for funding which is devolved to local bodies such as local authorities (LAs). This Governance Statement sets out our range of measures for effective control across the department and the sources of assurance available to the accounting officer to support the conclusions drawn. We consider that our governance arrangements comply with the principles set out in the Orange Book.

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, chaired by the Secretary of State (SoS), is comprised of all ministers, non-executive directors, the Permanent Secretary, the Chief Finance Officer and Directors General. Attendance of individual members is set out in the Directors' Report.

The board provides overall leadership for the department's business, offering advice, support and constructive challenge on the delivery and performance of key policy areas and programmes against departmental priorities and objectives. Board meetings focus on the use of data and insights to review progress against ministerial targets and to agree targeted actions to improve delivery confidence.

Board discussions are supported by a Ministerial Priorities Dashboard, which brings together current and forecast performance information and, where available, leading indicators to assess whether delivery is on track. This approach has been designed in line with recognised best practice in delivery assurance.

To support compliance with the Corporate Governance Code of Good Practice, the department undertakes periodic evaluations of board effectiveness and maintains robust arrangements for identifying and managing conflicts of interest. During 2025-26 we carried out a further light touch review of the board and implemented all actions arising from the previous Board Effectiveness Review. This included:

- stabilising board membership through the appointment of four non-executive directors and strengthening training and induction for new members;
- strengthening the board's oversight and challenge of arm's length body (ALB) delivery, including closer alignment with other governance and assurance structures such as the Audit and Risk Assurance Committee (ARAC); and
- formalising the use of "deep dives" to support more focused and robust discussions on delivery performance.

All Board members are required to declare any actual or potential conflicts of interest so that they can be appropriately considered and managed. In line with the Ministerial Code, ministers publish details of their interests. The department maintains an uptodate register of interests for all executive and non-executive board members, ensuring that any material conflicts identified are mitigated and managed appropriately.

The department also applies equivalent arrangements for identifying and managing conflicts of interest for Special Advisers. In line with the Code of Conduct for Special Advisers, all Special Advisers are required to declare any relevant interests on appointment and to keep these under regular review. Any potential conflicts are assessed and, where necessary, appropriate mitigations are put in place to ensure they are managed effectively.

Further information on the responsibilities of ministers, non-executive directors and the executive team is available at: www.gov.uk/government/organisations/ministry-of-housing-communities-local-government

Audit and Risk Assurance Committee

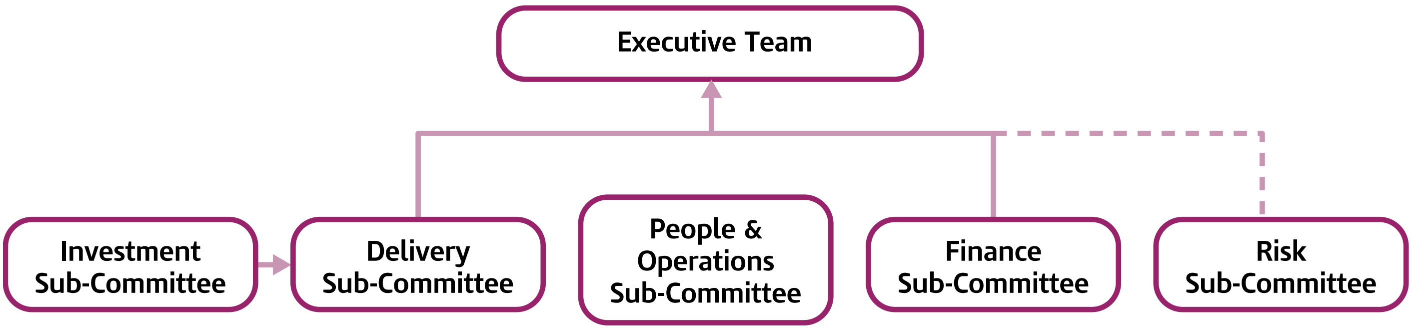
The Audit and Risk Assurance Committee (ARAC) is chaired by a non-executive director and comprises the Lead Non Executive Director and an independent member. Two other non-executive directors attend the Committee, alongside the Chief Finance Officer, Director of Finance, Head of Enterprise Risk, and representatives from the National Audit Office (NAO), the Government Internal Audit Agency (GIAA) and Homes England.

From April to September 2025, an Independent ARAC member stepped in to undertake the role of Interim ARAC Chair, and the Chair of the HM Land Registry ARAC, joined the ARAC on a temporary basis. while a new cohort of Non Executive Directors was recruited. A new ARAC Chair and new members were appointed in September 2025.

During the financial year, the focus and impact of the Committee have been kept under ongoing review, with an 'ARAC improvement plan' implemented to strengthen the Committee's overall effectiveness. This has included enhancing capability and assurance in relation to cyber security, improving visibility and escalation of risks arising from arm's length bodies, and sharpening the focus on strategic risk discussions. A full ARAC effectiveness evaluation is planned for December 2026.

The ARAC met five times during the year to review and advise on strategic risks; governance arrangements (including the Governance Statement); accounting policies and the Annual Report and Accounts; internal and external audit activity (including value for money work); risk management; cyber security, and counter fraud and whistleblowing arrangements.

The Executive Team and its Sub-Committees



The department implemented a new executive-level governance framework at the start of the 2024-25 financial year. Over the course of 2025-26, this framework has been further strengthened through a series of iterative improvements led by the Executive Governance Team and signed off by the Permanent Secretary, including a structured governance maturity programme. This work has focused on enhancing clarity of roles and responsibilities, strengthening alignment between committees, and improving the quality and consistency of information flowing through governance forums.

Executive Team

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

Delivery Sub-Committee is chaired by the Director General for Regeneration, Housing and Planning. Membership comprises Directors from relevant corporate and policy areas, alongside the Central Delivery Director. The committee has gone through significant iterative improvements throughout the 2025-26 financial year, as the focus of the committee has been strengthened to prioritise delivery performance and ensure that programmes and projects are aligned to, and effectively delivering against, the department's strategic objectives. This approach has been iteratively developed and embedded over the course of the year. Representation from the National Infrastructure and Service Transformation Authority (NISTA) is included within the committee to support delivery oversight.

Finance Sub-Committee

The Finance Sub-Committee is chaired by the Chief Finance Officer, who is also the Director General for all corporate functions, and comprises Directors from relevant corporate and policy areas, including representation from each Director General-led portfolio. The Committee provides strategic oversight of the department's financial position, performance and sustainability. It takes decisions and makes recommendations to the Executive Team on financial planning, in-year management and prioritisation of resources, ensuring alignment between funding allocations and the department's strategic objectives. The Committee also oversees financial risks and pressures, supporting effective financial control and value for money across the department.

People and Operations Sub-Committee

The People and Operations Sub-Committee is chaired by the Chief Finance Officer, who is also the Director General for all corporate functions, and comprises Directors from relevant corporate and policy areas, including representation from each Director General-led portfolio. The Committee provides a decision-making forum for matters relating to people, workforce and core operational delivery. It oversees workforce planning, capability and capacity, organisational performance and key operational enablers, ensuring that the department has the people, systems and structures in place to deliver its strategic objectives.

Investment Sub-Committee

The Investment Sub-Committee (ISC) is chaired by the Chief Finance Officer, who is also the Director General for all corporate functions. It 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 an ancillary committee chaired by the Chief Finance Officer, who is also the Director General for all corporate functions. It comprises Directors from across the department, the Head of Enterprise Risk, and the Head of Internal Audit . The RSC reviews departmental risks and provides oversight of risk management arrangements, including oversight of key risks to delivery. As part of the Risk Improvement Initiative, the Committee has strengthened its focus on portfolio-level risks and the quality of risk information, supporting a more structured and consistent approach to risk management across the department.

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.

Arm's Length Bodies (ALB) Governance

ALB Landscape

Arm's length bodies (ALBs) are a specific category of central government public bodies that underpin the delivery of key objectives of a 'sponsoring' department. There are three main types of ALBs, Executive Agencies, Non-Departmental Public Bodies (NDPBs) and Non-Ministerial Departments (NMD)s. The department sponsors fourteen ALBs. Below is a list of our current ALBs and their classification.

TYPE	ALB
Non-Ministerial Department	His Majesty's Land Registry (HMLR)
Executive Agency	Planning Inspectorate
Executive Agency and trading fund.	Queen Elizabeth II Conference Centre
Non-Departmental Public Bodies (NDPB's)	Boundary Commission for England Boundary Commission for Wales Building Safety Regulator Ebbsfleet Development Corporation Homes England Housing Ombudsman Service Leasehold Advisory Service Local Government and Social Care Ombudsman Regulator Of Social Housing Valuation Tribunal Service
Public Non-Financial Corporation	Architects Registration Board

The department's arm's length bodies support the delivery of key government priorities, including housing delivery, land and property registration, and the planning system, with the Regulator of Social Housing and the Housing Ombudsman providing oversight and protections within the social housing sector. The Building Safety Regulator became part of the department's arm's length body landscape in January 2026 with the Local Audit Office expected to follow in Autumn 2026. These new ALBs, alongside other bodies, undertake specialist statutory functions.

The department has an ambition to build an efficient and coherent arm's length body landscape that supports economic growth and the delivery of 1.5 million new homes, strengthens ministerial accountability for public bodies, and better serves citizens across the UK. As part of the Government's programme to consolidate arm's length bodies, the department will endeavour to streamline the ALB landscape whilst recognising the need to maintain delivery.

ALB Sponsorship

The department operates a decentralised arm's length body sponsorship model, where Sponsor Teams embedded within portfolios hold the primary relationships with our ALBs. Sponsor Teams are led by Senior Sponsors, mainly at director level, who hold delegated responsibility for ALB performance and alignment with departmental objectives. Authority is delegated by the Permanent Secretary, as principal accounting officer, who remains ultimately accountable to ministers for ALB performance. Senior Sponsors are responsible for risk management and may escalate significant risks through portfolio boards and, where necessary, to the Executive Team via the Risk Sub Committee. Accountability is primarily exercised through regular meetings between the ALB accounting officer and the Senior Sponsor, providing oversight of performance, risk, finance, governance and assurance.

A small number of gaps were identified in governance and assurance information for some ALBs during the year, largely relating to incomplete supporting documentation or delays in the production of updated governance artefacts. In addition, some risks relating to control effectiveness were identified through other assurance routes, including counter fraud processes, which operate alongside the department's sponsorship and governance framework. These were subject to separate monitoring and oversight. This highlights the importance of ensuring alignment across the department's assurance functions, and work is ongoing to strengthen the integration of governance, risk and fraud assurance. None of these issues materially affected the department's overall ability to gain assurance. In addition, issues around the classification and reporting of fraud were identified through parallel assurance routes and are being addressed through separate monitoring and oversight.

Governance Assurance Process

The department maintains proportionate and structured arrangements to monitor, review and gain assurance over its arm's length bodies. Oversight is exercised through the ALB assurance framework, which sets clear expectations for governance, performance, finance and risk oversight in line with the Cabinet Office Sponsorship Code of Good Practice. Sponsor Teams engage in regular monitoring through monthly touchpoints with each ALB, supported by a standard set of core assurance activities undertaken throughout the year. Progress is reviewed through quarterly performance and risk updates agreed with Sponsor Teams and considered at established portfolio level governance forums. An annual Sponsorship Maturity Assessment provides a year end evaluation of each ALBs adherence to sponsorship expectations, identifying any assurance gaps and actions required. These processes collectively provide structured and consistent oversight for the department.

The department's ALB assurance framework is designed to align with the Cabinet Office Sponsorship Code of Good Practice and incorporates principles from relevant HMT guidance, including the Orange Book, where they relate to ALB oversight. The framework embeds expectations on governance, accountability, transparency and proportionate assurance. Sponsor Teams complete core activities that reflect these standards, including annual updates to framework agreements, issuance of Delegation and Chair's letters, and regular structured engagements with ALB accounting officers.

Some gaps were identified in governance and assurance information for some ALBs during the year, largely relating to incomplete supporting documentation or delays in the production of updated governance artefacts. These issues were flagged through regular engagement with Sponsor Teams and continuous scrutiny of the maturity of sponsorship. Sponsor Teams have agreed follow up actions with ALBs, and reliable information is expected to be in place for the next reporting cycle. None of these gaps materially affected the department's ability to gain assurance.

Central Reporting

Quarterly reporting on arm's length body performance and risk is coordinated across the department and agreed by Senior Sponsors. These updates provide an assessment of delivery confidence, risks that are increasing or outside appetite, performance against key objectives, and any decisions required, and are reviewed through established governance forums on a regular cycle. Clear escalation arrangements are in place to ensure that significant risks are reviewed at portfolio level and, where necessary, escalated to the department's strategic risk register.

Governance and assurance risks relating to arm's length bodies are reported through quarterly updates to the relevant directorate risk register. These risks are reviewed and, where appropriate, escalated through portfoliolevel risk management arrangements.

Continuous Improvement

The department undertook a proportionate assessment of ALBs adherence to Cabinet Office Functional Standards in 2024. An assessment was carried out to assess adherence and identify gaps. This assessment was shared with Delivery Sub-Committee for review in July 2025. The department will undertake a follow up assessment to ensure actions have been completed. This assessment will be shared for review in Q1 of 2026/27.

Risk Management Framework

The department's system of risk management is shaped by the principles of the cross-government *Orange Book*, our Risk Management Framework and application of a 'three lines of defence' approach, framed within a clearly-defined risk oversight governance structure.

Roles and responsibilities for risk are documented in our Risk Management Framework and in the Terms of Reference for relevant risk oversight bodies, such as our Risk Sub-Committee and our Audit and Risk Assurance Committee. The overarching aim of our Risk Management Framework is to reinforce the importance of managing risk in a proactive way, of empowering our teams and people to take responsibility for identifying, managing and reporting the risks caused by their team's activities, and to foster a culture where consideration of risk is integral to delivery of the department's activities.

Our Risk Management Framework sets out the principles which underpin how we go about managing the risks we face. It has two separate but consistent purposes:

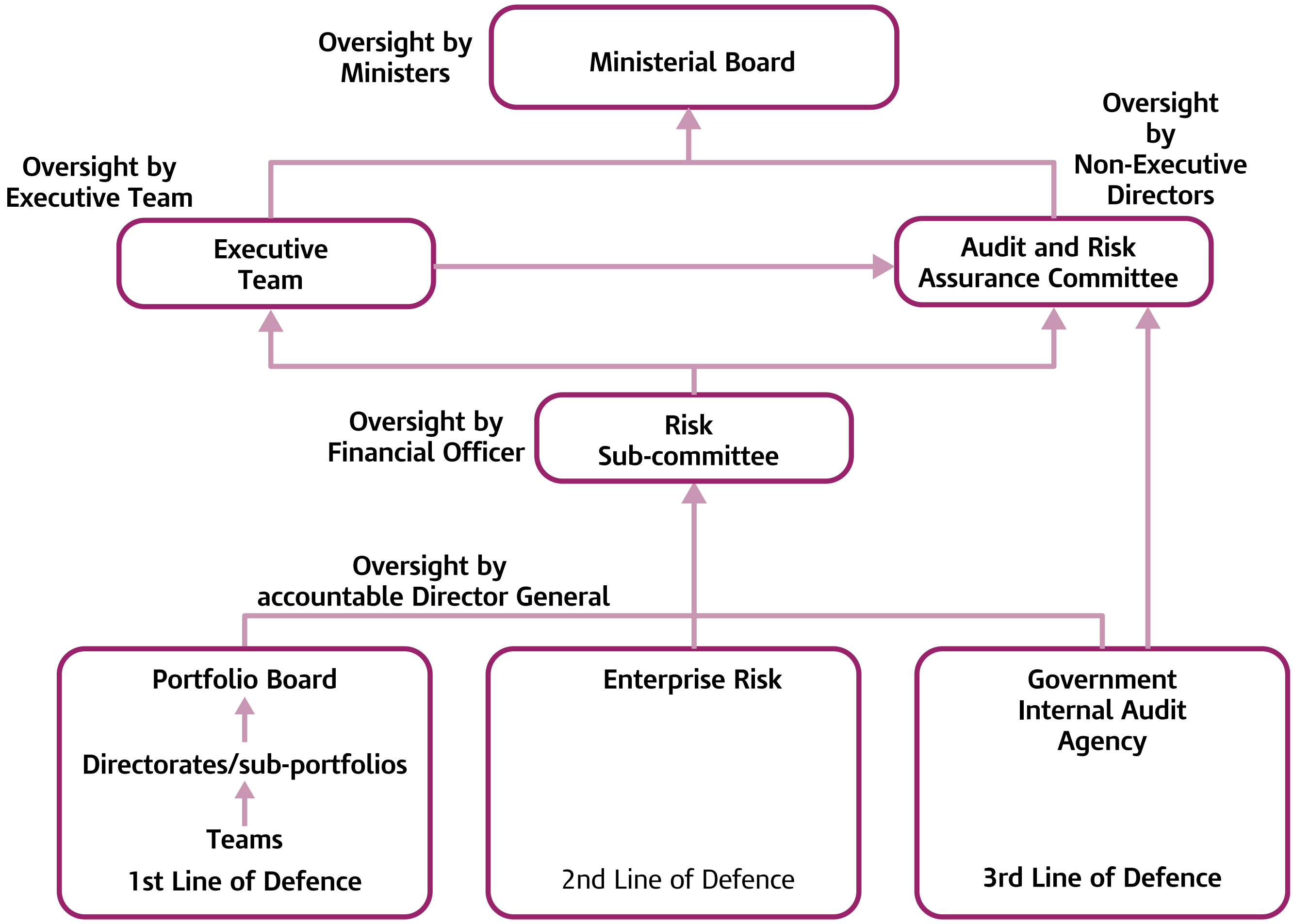
- Supporting our decision making, to increase confidence our strategic and operational objectives will be achieved by helping to ensure those decisions are risk-aware, and
- Ensuring our approach to risk management is aligned with the principles of the *Orange Book*, so we are compliant with risk management good practice across government.

Our risk management arrangements are also consistent with the requirements set out in other relevant standards, such as Chapter 20 (Risk Management) of the Teal Book and s.7.6 (Risk and Issue Management) of the Government Functional Standard GovS 002 on Project Delivery.

We operate a 'Three Lines of Defence' risk management approach, seeking to manage risks in an integrated and mutually supportive manner. Each line of defence contributes to the overall assurance around risk management:

- **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 also through the effective monitoring and co-ordinating of reporting of risk information. A core part of the second line of defence is the department's Enterprise Risk team, and
- **Third line of defence:** comprises audit activity, which for the department is undertaken by the Government Internal Audit Agency.

Our internal control systems for risk management and reviewing its effectiveness are built around escalating levels of seniority of risk oversight, with individual risks able to be escalated both up and down that oversight structure. Oversight of risk management and its effectiveness starts with the risk-owning team but, where required, can be escalated up to the Ministerial Board. That risks governance structure can be depicted as follows:



This risks governance structure supports the monitoring, review and assurance of our risks by way of risk review discussions at each stage of oversight. The accountable Director General will oversee the risks discussions for their portfolio at their portfolio board. Risk Sub-Committee is the forum for reviewing key cross-departmental risks that impact the ministerial objectives. This work is supported by the use of risk review techniques such as deep dives.

The effectiveness of our risk management and internal control systems is evaluated through several means. Each portfolio has an allocated Risk Business Partner, who engages regularly with key risk stakeholders in their respective portfolios. This enables them to make a 'second line' judgement of the effectiveness of the risk management being undertaken in that portfolio and provide a second line view and recommendation for senior committees.

The effectiveness of our risk management is also tested at the 'third line' by the Government Internal Audit Agency in an annual audit of the risk function (either as a stand-alone audit or within a wider governance audit). Any areas for improvement of our risk management practices which are identified in those audits result in audit actions, with a specified action owner and action due date. This ensures that the improvement sought by the action is implemented.

Our risks assurance approach is supplemented by drawing on external sources of assurance, which sit outside of our formal Risk Management Framework structure, such as the National Audit Office or reference to Government Functional Standards.

Aligned with Principal E (Continual Improvement) of the *Orange Book*, the department is implementing a *Risk Improvement Initiative* to enhance risk management and governance. Its workstreams have looked at refining articulation of key risks, strengthening the linkage between risks and relevant departmental objectives, standardising risk scoring, identifying cross-cutting risk themes and improving understanding of risk profiles across the department. These improvements support more robust decision-making and prepare the department to seize opportunities and meet its objectives.

The systems and approaches which underpin our risk management were in place throughout 2025-26. Our risk management IT system, the Delivery & Risk Manager, has operated throughout 2025-26 and is planned to be retired later in 2026. Work is underway to identify a replacement system, with an alternative currently being trialled. The annual review of our Risk Management Framework has been deferred until mid-2026 to reflect revised processes and approaches following completion of the *Risk Improvement Initiative*.

Key Risks

The department operates in a complex and evolving environment, influenced by a range of external factors. The department's key risks reflect the most significant risks to the delivery of its objectives during the year and are informed by ongoing risk identification and assessment activity across the organisation.

During 2025-26, the department reviewed its approach to identifying and articulating key risks to ensure they accurately reflected the key challenges associated with delivering ministerial priorities.

When identified by the portfolio boards as having a significant impact on the delivery of departmental objectives, each key risk is escalated to the departmental level by a member of the Executive Team. Each key risk is owned and managed within the relevant area, with portfolio boards providing oversight of risk management arrangements, including the effectiveness of controls and mitigating actions. This is supported by director members of the Risk Sub-Committee and the central Enterprise Risk team.

Key risks are reviewed regularly through established governance arrangements, including the Risk Sub-Committee, Executive Team and the Audit and Risk Assurance Committee. These forums provide oversight of the department's risk profile and assurance on the effectiveness of risk management arrangements. A programme of deep dives and horizon scanning helps identify opportunities to strengthen risk management, maintain visibility of emerging issues and ensure risks remain reflective of the department's dynamic operating environment.

As of March 2026, the department identified twelve key risks which have a direct and significant impact on delivery of our priorities and reflect the interconnected nature of the risks faced in our complex operating environment.

Departmental Objective	Risk Title	Risk Description	Key Mitigations
Safe, Secure and Affordable Homes	Demand and cost pressures result in a shortage of temporary accommodation meeting suitable standards.	Demand and cost pressures in the temporary accommodation system create a risk that local authorities are unable to consistently secure suitable accommodation for households in need, potentially affecting statutory compliance, resident outcomes, and public confidence.	• Delivery of the 4th round of the Local Authority Housing Fund • Launch of Emergency Accommodation Reduction pilots • Implementation of the Homelessness Strategy's commitment to eliminate the worst forms of temporary accommodation • Use of data from the National Child Mortality Database to address underlying causes.
	Local authorities' ability to prevent homelessness is undermined by increasing demand.	Sustained growth in homelessness demand risks overwhelming local authority prevention activity, increasing reliance on temporary accommodation with potential impacts on resident outcomes, local authority financial sustainability, and delivery of statutory duties.	• Securing of £50m of underspend funding for 2025-26 • Undertaking of B&B reduction plans with Local Authorities • Publication, in December 2025, of the Homelessness Strategy, setting a new direction on prevention • Increase in data sharing with the Home Office.
	A reduction in London housebuilding means new housing starts targets are missed.	Ongoing weakness in housing starts and stalled sites in London increases the risk of lower housing completions in future, with potential implications for overall housing supply and delivery of national housing commitments.	• Launch of Emergency Measures package in October 2025 • Engagement with the Building Safety Regulator, to clear existing backlogs • Use of devolved NHDF funding, through a City Hall Developer Investment Fund.
	Affordable 'Section 106' homes remain unsold, delaying housing delivery.	Market constraints affecting the transfer of Section 106 homes increase the risk that affordable housing units remain unsold or stalled, delaying wider housing delivery and impacting progress against national housing supply objectives.	• Announcement of a £2.5 billion loan package in the Spending Review, to boost Registered Provider capacity to acquire s106 homes • Launch of the Homes England clearing service, to link s106 buyers and sellers • Launch of the affordable housing emergency stalled sites package.
	The Building Safety Regulator failing to meet performance targets may slow the pace of new housebuilding and buildings remediation.	Timeliness of regulatory decision making by the Building Safety Regulator may affect the pace of housing delivery and remediation activity, with potential impacts on housing supply, resident safety outcomes and confidence in the building safety system.	• Recruitment of an increased BSR leadership team • Funding of an additional 114 posts for operational staff • Increased oversight of the BSR by the department.

Departmental Objective	Risk Title	Risk Description	Key Mitigations
Safe, Secure and Affordable Homes *continued*	Funding pressures inhibit delivery of our public commitments towards building safety.	Funding pressures across remediation, building safety and fire programmes could limit the department's ability to meet key commitments within agreed timescales, with implications for resident safety, delivery of housing objectives and public confidence.	• Regular engagement with Finance and HM Treasury as necessary • Ongoing tracking of performance vs forecasts, via monthly director-led reviews • All spend governed by business cases and delegation frameworks.
	The complexity of our remediation programme means Remediation Acceleration Plan targets are missed.	The complexity and scale of the remediation programme create a risk that remediation activity does not accelerate sufficiently to meet published targets, prolonging safety and financial impacts for residents.	• Proactive engagement with responsible parties to identify all remaining buildings and pull them into remediation programmes • Scaling up and consolidating delivery under the Cladding Safety Scheme programme • Proactive engagement with HM Treasury to manage any potential funding constraints • Remediation bill and support for enforcement bodies to tighten powers and ensure effective enforcement measures to incentivise remediation • Ongoing engagement with the Building Safety Regulator to manage any bottlenecks.
Giving People Greater Control	Financial pressures on Local Government adversely affect their delivery of key services.	Largescale funding reform and ongoing financial pressures increase the risk that some local authorities are unable to maintain financial sustainability, potentially affecting service delivery and requiring increased central intervention.	• Publication of the final funding settlement set out the details of funding reform • Additional funding for Recovery Grant, Recovery Grant Guarantee and Adjustment Support Grant • Continued close engagement with local authorities at risk of funding pressures.
	The number of reforms in the Local Government sector adversely affects their delivery of key services.	The scale and pace of reform across local government may increase pressures on governance, leadership and financial management arrangements in some authorities during implementation, with potential implications for service delivery and stewardship responsibilities.	• Working with the Local Government Association on sector support • Ongoing work with local authorities to help them transform their high-cost services • Reforming our stewardship policies to help prevent failure before it occurs.

Departmental Objective	Risk Title	Risk Description	Key Mitigations
Strengthening Community Resilience	The department's capacity to respond to major emergencies may be undermined should there be multiple or sustained emergencies.	Concurrent or sustained major emergencies increase the risk that the department is unable to maintain effective crisis response while continuing delivery of core priorities, placing pressure on staff, systems and governance arrangements.	• Further development of the department's 'Emergency Surge' readiness • Maintenance of the plans in place for our 'Lead Government Department' responsibilities • Continued strong engagement with Local Resilience Forums.
Other	Delivery of our programmes may be undermined should the effectiveness of our assurance and risk management approaches be insufficient	The scale and complexity of the department's delivery portfolio increase the risk that existing systems for oversight, assurance and risk management do not provide senior leaders with sufficient insight to support effective decisionmaking and delivery.	• Increased collaboration across and strengthening of our delivery and strategy leadership teams • Enhanced role for our Delivery Sub-Committee • Increased investment in our delivery capability • Strengthen our enterprise risk management approach through our Risk Improvement Initiative.
	The deconstruction plan for the Grenfell Tower may be undermined if its structural condition is worse than expected.	Deconstruction works at Grenfell Tower may carry risks related to structural condition during delivery, with potential implications for safety management, programme delivery and cost.	• Avoid or minimise delays to the deconstruction delivery timetable • A programme of regular inspections of the Tower • Ongoing risk management review of the deconstruction programme.

Counter Fraud

Our internal counter fraud function leads the preparation of the quarterly fraud and error return 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. This supports continuous improvement activities to target improvements.

In 2025-26, the department and Homes England continued to perform strongly against the PSFA financial impact measure, which looks at how much value is delivered for every £1 invested in counter fraud work, referred to as a return on investment (ROI). The agreed joint target for the year was a minimum ROI of 3:1, or £3 for every £1 spent, equivalent to £4.6 million of fraud and error impact, based on a joint counter fraud investment of approximately £1.5 million. The estimated position as of 31 March 2026 shows a financial impact of £27 million, representing an ROI of 17.8:1, or a return of £17.80 for every £1 invested, and a continued improvement on performance once anomalies are excluded. To ensure a fair and consistent picture of performance, one off or exceptional cases are referred to as anomalies and are removed from the calculation, in line with current guidance. Final figures will be confirmed following completion of year end reporting and assurance processes. Recovered anomalies are excluded from the financial impact calculation.

The financial impact of £27 million comprises £17.6 million from two cases of prevented fraud by Homes England, where due diligence on funding applications identified false representation, and £0.3 million from a prevented error, where a developer's claim was overstated. It also includes £9 million of recovered fraud and error, including a £6.7 million Building Safety Fund (BSF) error attributable to applicant level governance failures rather than departmental controls, that was identified, corrected and recovered, with learning applied to strengthen assurance arrangements.

During the year, the Building Safety Fund (BSF) was formally removed from the PSFA High Fraud Risk Portfolio (HFRP) and placed onto a reduced level of monitoring. This followed sustained improvements over the last 18 months in governance arrangements, control design and counter fraud capability, and the PSFA commended the BSF approach as good practice. While this represents a significant milestone, this monitoring remains conditional on continued delivery against agreed actions and commitments, with a continued focus on embedding fraud risk management, learning from assurance activity and tightening controls as risks evolve.

The Affordable Housing Programme (AHP), including the Social Affordable Housing Programme (SAHP), remains on the PSFA High Fraud Risk Portfolio, as does the Freeports programme. Counter fraud single points of contact have been assigned to both programmes, and exploratory work is underway to strengthen fraud risk management capability and support progress towards comparable standards of maturity.

Further to last year's position, where fraud loss measurement was actively being considered within the remediation portfolio, a feasibility assessment has now been completed, with Homes England developing an approach to measurement for the Cladding Safety Scheme (CSS). Departmental staff will be trained in fraud loss measurement during 2026-27 to build internal capability and support further development in this area. Building on this, the BSF intends to explore proportionate sampling and proactive testing, although this work remains at an early stage.

Through the year, the counter fraud function continued to support the activities of the department as a subject matter expert, providing assurance on programmes progressing through investment approval stage gates. Investment business cases were subject to counter fraud SME input and approval, including through Initial Fraud Impact Assessments (IFIAs) and Fraud Risk Assessments (FRAs), to ensure fraud prevention was appropriately considered and aligned with government counter fraud standards. We will continue to refine this approach to strengthen oversight and ensure fraud risks remain actively identified, assessed and managed throughout the investment lifecycle.

Alongside this we continued to develop the counter fraud function over the year, strengthening fraud risk management arrangements across programmes and delivery partners. This included publishing refreshed guidance and tools via the Counter Fraud Hub and maintaining close engagement with Homes England. Within the BSF, further mitigations were implemented and reactive fraud detection activity continued, with learning used to strengthen controls and assurance arrangements.

During the year, the BSF counter fraud team merged with the central counter fraud function, alongside a change in leadership, marking a significant step in implementing the counter fraud Target Operating Model. Further refinement of the operating model will continue during 2026-27 to ensure counter fraud arrangements remain aligned to evolving risks and represent the most effective deployment of counter fraud capability.

Proactive fraud detection activity continued through controls testing of financial transactions. No instances of fraud were identified, though a small number of irregularities and control weaknesses were detected, with recommendations made and subsequently acted on to strengthen processes and improve assurance.

Following the PSFA's December 2024 assessment, which identified three areas of the Counter Fraud Functional Standard as 'in development', activity to address these areas has progressed during 2025-26 but is not yet complete. Development of an initial Enterprise Fraud Risk Assessment and a risk informed counter fraud strategy will therefore be a priority for 2026-27, to better target counter fraud capability and strengthen prevention efforts in areas of highest risk.

Whistleblowing

The department has a whistleblowing policy and procedure in place and multiple routes for people to raise concerns.

In January 2025 an internal audit 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."

The policy is overseen by the department's Audit and Risk Committee, which takes reports on the effectiveness of the policy. Annual staff survey results indicate both high levels of Civil Service Code awareness and knowledge of how to report a Civil Service Code concern. We report annually on closed cases. Data is still being finalised at the time of writing. During 2025-26 there were five cases (or fewer) which were reported through whistleblowing routes (note, given the low number of cases received, the actual number is not reported, to protect confidentiality).

MHCLG will review its policy and procedures to reflect updated legal requirements under the Employment Rights Act in 2026.

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.

MHCLG reported one personal data breach to the Information Commissioner's Office (ICO) in the financial year 2025-26.

This year we have continued to align with HMG Security Strategy across our department, strengthening our cyber maturity at both departmental and arm's length body level. We have embedded Secure by Design principles and continue to deliver against mandated policy requirements, improving our GovAssure compliance and assurance coverage across the organisation. Several key security policies have been updated and reissued to reflect both our current operating environment and our future target state.

Cyber leadership has been strengthened through the recruitment of a Head of Cyber Security, who is driving implementation of Government Cyber Action Plan (GCAP) at MHCLG and a department wide cyber improvement programme aligned to the Cyber Assessment Framework (CAF). Cyber risk is tracked and managed at corporate level, with investment prioritised towards the highest risk areas, including GovAssure remediation, security operations, the cyber assurance programme, threat protection, and backup and recovery, contributing to a improvement in overall cyber resilience.

Cyber resilience has been increased through improvements to our 24/7 Security Operations Centre (SOC) capability, enhancing continuous monitoring, detection and response across the estate. These improvements materially enhance our ability to prevent, detect and respond to cyber threats at pace, aligned to CAF expectations and the evolving threat landscape.

Business Appointment Rules

The Business Appointment Rules (BAR) is part of the Civil Service Management Code and regulates the movement of civil servants and ministers into other business sectors. Civil servants must consider if the BAR requires them to seek departmental permission before applying for or accepting a job outside of the service. Most moves do not require an application, but some will, and in some cases, approval is subject to conditions.

- The aims of the Rules are to avoid:
- suspicion that an appointment might be a reward for past favours
- the risk that an employer might gain an improper advantage by appointing a former civil servant or minister who holds sensitive information about its competitors, or about impending government policy
- the risk of a former civil servant or minister improperly exploiting privileged access to contacts in government

unfair questioning or criticism of the integrity of former ministers or civil servants

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 Civil Service Commission.

In 2025-26, we received 7 Civil Service BAR applications (one SCS2, one SCS1 and five 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.

Details of any applications and the outcome are published on the GOV.UK website for staff at Senior Civil Service (SCS) Pay Band 1 and 2 level and Special Advisers of equivalent level, and on the Civil Service Commission Business Appointment Rules website for SCS Pay Band 3 or above and Ministers.

BAR applications and outcomes are reported to the Audit and Risk Assurance Committee on an annual basis.

We had 22 senior civil servants (SCS) who left the Civil Service in 2025-26 - of which nine were resignations. The total number of SCS leavers from the department was 35, including those who remained civil servants.

Delegated Authority Levels

As part of HM Treasuryled Project RESET, MHCLG's Delegated Authority Limits were increased for 2026-27, reflecting reforms to the crossgovernment spending control and accountability framework. Under the updated delegations, the department's limits are £250 million for resource expenditure, £750 million for capital grant expenditure, and £100 million for capital financial transactions. Additional delegated authority was also provided for smaller categories of spend, alongside new delegated limits for the National Housing Bank.

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 department will be supported in this role by the new Local Outcomes Framework which was published on 9 February 2026 alongside the full Local Government Finance Settlement for 2026-2029. The Local Outcomes Framework enables outcomes-based performance measurement against key national priorities delivered at the local level and driven by councils as local leaders of place. The outcomes framework will be accompanied by a digital tool to help increase transparency and enable the public, government, local government and local partners to have a shared view of progress.

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.

In autumn 2024, a series of statutory backstop dates were introduced to clear the backlog of unaudited local authority accounts in England and help to build back assurance. Three backstops have now passed, and, as of 9 March 2026, 99% of local bodies had received and published audit opinions for all years up to 2022/23, 97% had published opinions for 2023/24 and 93% for 2024/25. The backstops have successfully cleared the local audit backlog, enabling auditors to focus on recent transactions, where assurance is most valuable. The time constraints of backstops have led to auditors issuing a significant number of disclaimed opinions and qualified opinions, where full assurance will need to be rebuilt in subsequent audits. Despite the significant efforts of all parties, progress on the rebuilding of audit assurance has been slower than anticipated. It has now become clear that the previous aspiration for the majority of disclaimed opinions driven by backstop dates to be limited to the first two years of this period (up to and including the 2024/25 backstop date of 27 February 2026) will not be realised. The Government is, however, committed to working with all those in the system to ensure that assurance is rebuilt within the five-year build-back period in the vast majority of cases. At the most recent backstop (27 February 2026), there has been evidence of rebuilding of assurance, with nine per cent of opinions moving from disclaimed to qualified, and close to three percent fully rebuilding assurance, returning to unmodified opinions. Irrespective of the type of opinion issued, auditors' statutory duties - to report on Value for Money (VfM) arrangements, make statutory recommendations and issue Public Interest Reports - remain a high priority.

In parallel, the Government has committed to a series of measures to overhaul and strengthen the local audit system. These measures include establishing the Local Audit Office to provide clear and independent central coordination, supporting audit firms' capacity and reducing systemic complexity. The English Devolution and Community Empowerment Act includes clauses to implement many of the measures, including the establishment of the Local Audit Office.

- During 2025-26 there were further interventions in individual councils where there had been best value failure: commissioners continued to be in place in Slough Borough Council, Thurrock Council, Nottingham City Council (until February 2026), Woking District Council, Birmingham City Council and Spelthorne Borough Council. Envoys were in place in the London Borough of Tower Hamlets, and Warrington Borough Council (from July 2025) following a Best Value Inspection, and were appointed to Nottingham City Council in March 2026, to support and challenge the authorities and to provide assurance on progress to the Secretary of State. A non-statutory intervention was in place until July 2025 in Liverpool City Council. Ministers announced the appointment of Commissioners to the London Borough of Croydon, following a report from the Improvement and Assurance Panel in July 2025. Best Value Inspections were begun in West Midlands Fire and Rescue Authority and Bedford Borough Council. 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 August 2024, ministers confirmed a continued oversight role for MHCLG and in July 2025, ministers announced they were minded to end the non-statutory board and the end of involvement from MHCLG.

- Slough: Following an external assurance review that found significant governance and financial failings, Commissioners were appointed in December 2021. 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. The sixth report from commissioners was published in July 2025. The seventh report from commissioners was published in March 2026, along with the announcement of a review of the intervention by Dame Mary Ney and Will Godfrey.
- 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 and reports from commissioners came in March 2024, March 2025 and June 2025. In July 2025 Ministers extended the intervention until April 2028. The sixth report from commissioners was published in January 2026.
- Nottingham: Improvement and assurance arrangements were put in place in December 2020 following a non-statutory review that found significant failings. In September 2022, the Nottingham Board was to be put on a statutory footing and escalated again in February 2024, with the appointment of commissioners. The second report from commissioners published in May 2025 and the third report in November 2025. In March 2026 extended the timeframe of the intervention to September 2027, reduced its scope and appointed envoys.
- 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. In October 2025, Ministers announced the confirmation to implement the proposal for two unitary councils in Surrey. Subject to Parliamentary approval, the area of Woking Borough Council will be within the new West Surrey Council. Ministers wrote to Woking Commissioners to clarify their role in this next stage of local government reorganisation. The fifth report from commissioners was published in December 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. In July 2025 Ministers announced the appointment of commissioners in response to the ninth report from the Panel published in June 2025.
- 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. The third report from commissioners was published in December 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. In October 2025 ministers announced the confirmation to implement the proposal for two unitary councils in Surrey. Subject to Parliamentary approval, the area of Woking Borough Council will be within the new West Surrey Council. Ministers wrote to Spelthorne Commissioners to clarify their role in this next stage of local government reorganisation. The first report from Commissioners was published in February 2026.
- 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. The first report from envoys was published in July 2025. In January 2026, Ministers announced they were minded to strengthen the intervention package as a result of concerns over insufficient progress and deterioration in financial management and governance. Ministers announced a strengthened package of statutory intervention until March 2028, following the second report from Envoys in March 2026.

- 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 were minded to intervene and appoint envoys. In July 2025, Ministers announced an intervention package and the appointment of envoys until July 2030.
- West Midlands Fire and Rescue Authority: A best value inspection began in July 2025 following serious allegations made relating to the conduct of senior leaders. Ministers agreed to extend the inspection to April 2026.
- **Bedford:** A best value inspection began in February 2026 following concerns relating to broad decision-making, and whether the standards expected for effective and convenient local government were being upheld.

Exceptional Financial Support

We agreed Exceptional Financial Support (EFS) totalling £1.9 billion for some local authorities, the details of which were published on 23 February 2026. Nearly a third of the support agreed relates to six of local authorities with severe local failure, where the Government has had to step in and take the most serious action through statutory intervention.

We published details of support agreed with some councils that have requested financial support on an exceptional basis, due to specific local issues that they are unable to manage themselves. Details of the support provided for all councils is published on GOV.UK.

In line with the normal EFS process, the department has agreed to provide these local authorities with in-principle support in the form of a capitalisation direction, subject to conditions. These include an independent external review (for those local authorities not currently subject to the additional assurance and scrutiny of a best value intervention) to assess the reasons for the local authority needing support and the action needed locally to restore financial sustainability.

Alongside in-principle capitalisation support through the Exceptional Financial Support, Government also provided flexibility for a small number of local authorities to increase their Council Tax beyond the standard principles without the need to hold a referendum. This support was only provided to seven local authorities that had requested it and have below average council tax levels.

Additionally, Government has also announced extraordinary and unprecedented debt repayment support in 2026/27 for two local authorities in statutory intervention, Woking (debt repayment support of £500 million) and Thurrock (support of £200 million). In both these cases, the Government recognises that these councils hold significant unsupported debt, linked to historic capital practices, that cannot be managed locally in its entirety. Government continues to work with these councils and best value commissioners to ensure that all action is taken at a local level to manage the financial pressures in these authorities. Any debt support for these councils must consider broader value for money considerations for both local and national taxpayers.

Domestic Grants

To support effective risk mitigation within Local Growth Grant Programmes and to comply with the Government Functional Standard for Grants (GovS 015), as well as Managing Public Money requirements, the Ministry of Housing, Communities & Local Government (MHCLG) In-Flight Funds Assurance Team delivers assurance activities in accordance with relevant Assurance Frameworks.

Assurance Framework and Lines of Defence

- The Local Authority Assurance Framework sets out clear lines of defence to ensure propriety, regularity, and value for money:

- First Line of Defence: The Chief Finance Officer (CFO) of each local authority provides operational management assurance.
- Annual Assurance: Each year, the CFO submits a Statement of Grant Usage to the Accounting Officer to confirm the appropriate use of funds.
- Deep Dive Reviews: Targeted evaluations focus on governance, counter-fraud measures, subsidy control/State Aid and procurement practices.

Local Regeneration Fund

The Statement of Grant Usage is operated through a digital platform, easing the administrative burden on local authorities and enabling improved data quality for further review processes.

The process has further evolved in 2025-26 to recognise the consolidation of the Levelling Up Fund (LUF), Town Deals, Levelling Up Capital Projects (LUCP), Capital Regeneration Projects (CRP), and Simplification Pathfinder Pilot into a single Local Regeneration Fund. Any remaining payment recommendations for this fund consider both financial and delivery performance, as well as findings from Statements of Grant Usage and any deep dives.

- Other grant funding covered by the Statement of Grant Usage return for 2025-26 includes:
- Future High Streets Fund (FHSF)
- Levelling Up Culture Projects
- Borderlands Inclusive Growth
- Tata Steel/Port Talbot Transition Board Fund
- Barrow Transformation Fund
- Local Audit 'Build Back' Audit Grant 2024/25 (this applies to all eligible bodies who have received payment of this grant, including non-local authority organisations such as Police, Fire and Rescue, and National Park Authorities, and those local authorities acting as accountable bodies for pension funds).

During the 2025-26 assurance period, 285 (82%) of relevant authorities confirmed their first line of defence, representing a 7% increase compared to the previous year (as of 20 April 2026).

Given the transition to a simplified Local Regeneration Fund with a higher level of devolved responsibility, domestic grant funding has moved away from a programme of risk-based deep dive reviews to a reactive service. This also reflects that in previous years, 27% of local authorities in receipt of the former Levelling Up Fund, Town Deals, and the Future High Street Funds have been tested via deep dives.

One deep dive review was conducted in 2025-26 in response to concerns raised by the Programme Delivery and Area Teams. Recommendations were made to the relevant local authority to improve decision making, risk management and transparency.

Northern Ireland Grant Recipients

For all non-public sector recipients of Levelling Up Fund and UK Social Prosperity Fund (UKSPF), initial assurance was undertaken by Delivery Teams through claims checking before payment. Onsite assurance testing was conducted on one UKSPF NI project including asset verification, documentation review, and claims sampling. Three Levelling Up Fund non-public sector projects underwent similar onsite reviews.

Community Ownership Fund:

The Delivery Team conducted first-line assurance to inform payments. Following second-line assurance reviews completed for 20 projects in 2024-25, no further assurance testing has been conducted in 2025-26.

Freeports/Industrial Strategy Zones

The eight operational English Freeports received ongoing assurance, involving first line returns from local authority accountable body CFOs. These activities informed the Annual Performance Report.

Oversight of Local Assurance Frameworks (LAFs)

MHCLG is responsible for overseeing the cross-government review and approval of Local Assurance Frameworks (LAFs) for Mayoral Combined Authorities (MCAs).

This work has accelerated in 2025-26 with the Royal Assent of the nascent English Devolution and Community Empowerment Act. The In-Flight Funds Assurance Team have worked with the 6 Devolution Priority Places forming new Combined Authorities, 7 MCAs moving to Established MCA status and 7 existing MCAs either on the review of existing or the development of new LAFs. These are being developed and/or reviewed to ensure compliance with the English Devolution Accountability Framework.

MHCLG have reviewed and facilitated reviews and approvals from the department for Education and Department for Transport. This enables the initial release of Investment Funding and, where applicable, Integrated Settlements.

Audit and Continuous Improvement

The Government Internal Audit Agency (GIAA) audited the Domestic Grant Assurance Team's activities during 2024-25 and provided a "Moderate" assurance rating. the department accepted the GIAA's recommendations to further strengthen assurance processes. No GIAA audits have been conducted in 2025-26.

Ministerial Directions

There were no ministerial directions provided in 2025-26.

Internal Audit Opinion

Internal Audit Opinion

The GIAA's internal audit function provides independent assurance of our governance, risk management and control environment, in compliance with the Global 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 2025-26 was assessed as 'Moderate'. This means that some improvements are required to enhance adequacy and effectiveness.

- 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 further development, enhancement and embedding of risk management processes.
- We have taken action to address areas requiring further development, including to strengthen our internal control environment. Whilst GIAA made various recommendations across its audit activity, no significant pervasive weaknesses were identified.
- There continues, as with recent years, to be 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, remains pivotal to our portfolio management strategy and structure. This creates a platform to continue to drive performance, including through delivery partners, whilst managing the financial, capacity and capability risks which may impact our strategic objectives.

GIAA reaffirmed that we should continue to embed and enhance our processes for governance, risk management and control, including ensuring there are robust arrangements for assurance and challenge across our work.

External Scrutiny

In 2025-26, our work was the subject of three National Audit Office (NAO) reports focused on MHCLG, alongside additional NAO work where the department had a significant contribution. These are summarised below from the published reports.

NAO Reports

- **Improving local areas through developer funding (June 2025)**:
  This report examined how effectively the department oversees the use of developer contributions (including Section 106 agreements and the Community Infrastructure Levy) to support local infrastructure and development. It assessed whether the framework enables local areas to secure and deploy funding efficiently and transparently. The report highlighted challenges in the complexity of funding mechanisms and variability in local capability, which can affect the timely delivery of infrastructure. It emphasised the importance of improving data, strengthening local capacity, and ensuring reforms support more effective and consistent use of developer funding to deliver sustainable local growth.

- **Unlocking land for housing (February 2026)**:
  This report assessed the department's effectiveness in supporting the release and development of land ready for house building. It considered the extent to which government interventions are addressing barriers to land supply and enabling housing delivery at pace. The NAO found that unlocking land remains complex, involving multiple actors and dependencies across the planning system, infrastructure provision and market conditions. The report highlighted the need for a more coherent, long-term approach, with clearer objectives, improved coordination across government, and stronger monitoring of outcomes to ensure value for money. It also recommended that the department and Homes England track the number of houses ultimately built on all land they unlock.

- **Investigation into shared ownership (March 2026)**:
  This investigation examined the shared ownership scheme, including its design, delivery and outcomes for leaseholders. It explored issues relating to affordability, transparency and the experience of residents. The report identified concerns around the complexity of the scheme and the financial and practical challenges faced by some shared owners. It emphasised the importance of ensuring that the scheme delivers intended benefits, is clearly understood by participants, and is supported by effective oversight and consumer protections.

- **Home to school transport (October 2025)**:
  This report, led by the department for Education, included a significant MHCLG element given the role of local authorities in delivering transport services. It examined the rising cost pressures associated with home-to-school transport and the impact on local government finances. The report highlighted increasing demand and expenditure, placing pressure on local authority budgets, and reinforced the importance of cross-government working to address systemic challenges affecting local service delivery.

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 with MHCLG participation on the following subjects:

- Local Government Financial Sustainability (session held in April 2025)
- Improving local areas through developer funding (session held in June 2025)
- Home-to-school transport (session held in December 2025)
- Whole of Government Accounts 2023-24 (session held in December 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

- Throughout 2025-26, the HCLG Select Committee had seven live inquiries. Four of these remain ongoing at the end of the year:
- The Funding and Sustainability of Local Government Finance: opened 11 December 2024. Report published on 23 July 2025.9
- Delivering 1.5 million New Homes - Land Value Capture: opened 22 January 2025. Report published on 28 October 2025.
- Grenfell and Building Safety: opened 4 March 2025. Recommendations published on 14 May 2025.
- Housing Conditions in England: opened 3 July 2025. First report published on 9 February 2026 [ongoing].
- Affordability of Home Ownership: opened 17 July 2025 [ongoing].
- Pre-legislative Scrutiny of the draft Commonhold and Leasehold Reform Bill: opened 3 February 2026 [ongoing].
- Modernising Elections: opened 17 March 2026 [ongoing].

Further details can be found on the Committee website: Housing, Communities and Local Government Committee - Summary - Committees - UK Parliament.

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 can 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 2025-26 Governance Assurance Review ran from January to March 2026. Directors General, directors and teams across twelve core areas of control 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 2026-27 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 2025-26, 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 2027-27 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.

Remuneration and Staff Report

Remuneration Report

The Remuneration Report provides detail on the remuneration and pension interests of the department's board members. The Remuneration Report refers to the core department only. Similar Remuneration Reports are available in the Annual Reports and Accounts of the individual ALBs.

All tables and the pay multiples section of the Remuneration Report have been subject to audit.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on 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: Office for the Pay Review Bodies - GOV.UK.

Remuneration (Including Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board Members) of the department.

Single total figure of remuneration (subject to audit)

Ministers	Salary £		Full year Equivalent Salary if different £		Benefits in kind (to nearest £100)		Pension benefits[1] £ (to nearest £1,000)		Severance Pay £		Total remuneration £ (to nearest £1,000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Rt Hon Steve Reed OBE MP Appointed 05 September 2025	33,753	-	67,505	-	-	-	10,000	-	-	-	44,000	-
Matthew Pennycook MP	31,680	23,334	-	31,680	-	-	8,000	6,000	-	-	40,000	29,000
Alison McGovern MP Appointed 06 September 2025	15,840	-	31,680	-	-	-	5,000	-	-	-	21,000	
Miatta Fahnbulleh MP Appointed 06 September 2025	11,187	-	22,375	-	-	-	3,000	-	-	-	15,000	-
Samantha Dixon MBE MP Appointed 06 September 2025	11,497	-	22,375	-	-	-	3,000	-	-	-	15,000	-
Baroness Jane Taylor[2]	-	-	-	-	-	-	-	-	-	-	-	-
Rt Hon Angela Rayner MP Left 05 September 2025[3]	29,065	49,903	67,505	67,505	5,200	2,000	7,000	13,000	16,876	-	58,000	65,000
Jim McMahon OBE MP Left 06 September 2025	13,728	23,334	31,680	31,680	-	-	3,000	6,000	7,920	-	25,000	29,000
Alex Norris MP Left 06 September 2025[4]	11,187	16,300	22,375	22,375	-	-	2,000	4,000	-	-	13,000	21,000
Rushanara Ali MP Left 07 August 2025[5]	7,879	16,300	22,375	22,375	-	-	2,000	4,000	-	-	10,000	21,000
Lord Wajid Khan Left 06 September 2025	46,512	78,193	107,335	107,335	-	-	7,000	13,000	17,742	-	71,000	92,000

(1) The value of 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 increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights

(2) Baroness Taylor drew no salary from the department during 2025-26 and 2024-25.

(3) See Benefits in Kind narrative section below. The figure for 2024-25 has been re-presented. This disclosure was omitted from the previous year's Annual Report and Accounts due to a departmental administrative error. The benefit in kind was reported to HMRC to allow settlement of appropriate PAYE tax and NICs.

(4) Alex Norris was not entitled to severance pay as moved roles within 3 weeks

(5) Rushanara Ali was entitled to, but did not accept, their severance pay entitlement

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	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Sarah Healey Permanent Secretary	195-200	190-195	-	-	15-20	15-20	-	-	70,000	107,000	285-290	315-320
Matt Thurstan Director General, Chief Financial Officer and Corporate	185-190	180-185	-	-	5-10	10-15	-	-	44,000	103,000	235-240	295-300
Katie Farrington Director General, Buildings, Fire and Resilience (Jobshare)[2][3] (Appointed 2 June 2025)	110-115	-	150-155	-	0-5	-	-	-	41,000	-	150-155	-
Ben Rimmington Director General, Buildings, Fire and Resilience (Jobshare)[2][4] (Appointed 23 Feb 2026)	5-10	-	145-150	-	-	-	-	-	5,000	-	10-15	-
Ben Llewellyn Director General Safer & Greener Buildings (Left 1 June 2025)[5]	15-20	5-10	110-115	110-115	-	0-5	-	-	7,000	-	25-30	10-15
Jo Key Director General , Regeneration, Housing & Planning	140-145	135-140	-	-	10-15	5-10	-	-	70,000	160,000	225-230	300-305
Will Garton Director General for Local Government, Growth and Communities	145-150	140-145	-	-	5-10	10-15	-	-	65,000	93,000	220-225	250-255
Brendan Threlfall Director General, Strategy and Communications[6][10]	130-135	135-140	145-150	-	5-10	5-10	-	-	52,000	53,000	185-190	190-195
Alexandra Burns Director of Strategy and Private Office (Left 31 March 2026)[7][10]	105-110	45-50	-	95-100	5-10	0-5	-	-	43,000	18,000	160-165	65-70
Jo Rodrigues Director of People, Capability and Change (Jobshare)[8]	70-75	70-75	110-115	105-110	0-5	-	-	-	30,000	60,000	105-110	130-135
Claire Metcalfe Director of People, Capability and Change (Jobshare)[8]	70-75	65-70	110-115	105-110	0-5	-	-	-	28,000	27,000	100-105	95-100
Manuela Solera-Deuchar Director of Finance (Left 2 March 2026)[9][10]	95-100	100-105	115-120	110-115	10-15	10-15	-	-	59,000	50,000	170-175	165-170
Nick Coligan Director of Communications[10]	100-105	90-95	-	95-100	0-5	0-5	-	-	39,000	37,000	140-145	130-135

(1) Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive

benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022. The value of 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 increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights

(2) Ben Rimmington and Katie Farrington job share as Directors General, Buildings, Fire and Resilience.

(3) Katie Farrington joined the Board on 1 June 2025 at 0.90FTE and moved to 0.65FTE as of 23 Feb when her jobshare partner joined.

(4) Ben Rimmington works 0.65FTE.

(5) Ben Llewellyn temporarily stepped up into his Board member role between 10 March 2025 and 1 June 2025, before the new Director General, Buildings, Fire and Resilience started in role. Ben was not included in the 2024-25 Annual Report due to the mid March date he joined the Board. This report represents for 2024-25 his pro-rated salary, bonus and total, but does not state his 2024-25 pension data. For 2025-26, his pension information is disclosed to 30 May 2025, with his remaining data pro-rated to 1 June 2025

(6) Brendan Threlfall salary includes a period of parental leave

(7) Alexandra Burns left MHCLG on 31 March 2026 to go on loan

(8) Jo Rodrigues and Claire Metcalfe job share as Directors of People Capability and Change (both 0.65FTE)

(9) Manuela Solera-Deuchar is 0.9FTE. Her salary is calculated up to and including 2 March 2026 - from 3 March 2026 Manuela stepped down from the Board and moved to another role in MHCLG. Manuela's pension calculation is to 31 March 2026.

(10) 2024-25 Pension Data (and total remuneration) updated to reflect amended information from pensions provider.

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

	Fees (£)	
Non-Executive Directors	2025-26	2024-25
Mo Baines (lead)	20,000	3,936
Harris Bokhari OBE (Appointed 29 Sept 2025)	5,111	-
Ada Burns (Appointed 29 Sept 2025)	3,833	-
Nick Forbes CBE (Lord Forbes of Newcastle) (Appointed 29 Sept 2025)	3,833	-
Sarah Longlands (Appointed 29 Sept 2025)	3,833	-

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 and has been paid to the individual. 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 £93,904 (from 1 April 2025) 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 HMRC as taxable. The former Secretary of State had use of an official residence, with associated costs (such as heating and lighting) chargeable to tax under the terms of the Income Tax (Earnings and Pensions) Act 2003. This disclosure was omitted from the prior year's annual report and accounts due to an administrative error.

Bonuses

End of year bonuses for Senior Civil Servants are based on end of year performance ratings as agreed as part of the Performance management framework for the Senior Civil Service. Some bonuses are also paid "in-year". All members of the SCS may be considered for an in-year award, unless they are subject to formal poor performance measures. Bonuses reported relate to the financial year in which they were paid to the individual. For example, the bonuses reported in 2025-26 relate to bonuses paid during the 2025-26 financial year, though this includes some end of year bonuses paid in respect of performance during 2024-25. This is because of the time difference between agreeing a performance rating at the end of the performance year that may warrant an end of year performance bonus, and then agreeing and paying that bonus.

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 2025-26 was £215,000-£220,000 (2024-25: Permanent Secretary £205,000 - £210,000. This was 3.7 times (2024-25: 3.8 times) the median remuneration of the workforce, which was £58,098 (2024-25: £54,531). 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 and changes to grade distribution and joiners and leavers. The salary of the department's Permanent Secretary increased by 4.8% in 2025-26, 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 7.8%, with the average bonus paid to staff at delegated grades (AO to G6) increasing by 43.4% (equivalent to £59).

Remuneration of employees ranged from £25,000 - £30,000 to £215,000 - £220,000 (2024-25: £20,000 - £25,000 to £205,000 - £210,000). 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 2025-26 has increased by £3,567 compared to the 2024-25 median salary.

In 2025-26, no employees (2024-25: no employees) received remuneration in excess of the highest-paid board member.

Pay Multiples	2025-26	2024-25
Band of highest paid board member's total remuneration	215-220	205-210
Median remuneration of the workforce (salary element)	58,098 (58,092)	54,531
Ratio	3.7	3.8
75% Percentile Remuneration (salary element)	66,998 (63,571)	62,469
Ratio	3.2	3.3
25% Percentile Remuneration (salary element)	44,004 (44,004)	40,669
Ratio	4.9	5.1

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 2025-26 reporting year:

	Accrued pension at age 65 as at 31/03/26 £'000	Real increase in pension at age 65 £'000	CETV[1] at 31/03/26 £'000	CETV[1] at 31/03/25 £'000	Real increase in CETV £'000
Rt Hon Steve Reed OBE MP	0-5	0-2.5	40	26	9
Matthew Pennycook MP	0-5	0-2.5	13	6	4
Alison McGovern MP	0-5	0-2.5	14	9	3
Miatta Fahnbulleh MP	0-5	0-2.5	10	6	2
Samantha Dixon MBE MP	0-5	0-2.5	11	7	3
Baroness Jane Taylor	-	-	-	-	-
Rt Hon Angela Rayner MP	0-5	0-2.5	19	12	4
Jim McMahon OBE MP	0-5	0-2.5	9	6	2
Alex Norris MP	0-5	0-2.5	6	4	1
Rushanara Ali MP	0-5	0-2.5	7	5	1
Lord Wajid Khan	0-5	0-2.5	20	13	4

(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 https://mypcpfpension.co.uk/

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).

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Officials' Pension Benefits (subject to audit)

The table below shows the PCSPS and CSOPS pension benefits accrued by officials who have served as board members of the department during the 2025-26 reporting year.

	Accrued pension at pension age as at 31/03/26 and related lump sum(1) £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/26 £'000	CETV at 31/03/25(2) £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Sarah Healey	65 - 70 plus a lump sum of 140 - 145	2.5 - 5 plus a lump sum of 0	1,309	1,191	43	-
Matt Thurstan	70-75	2.5-5	1,145	1,066	16	-
Katie Farrington	50 - 55 plus a lump sum of 110 - 115	0 - 2.5 plus a lump sum of 0	1,072	991	27	-
Ben Rimmington	60 - 65 plus a lump sum of 145 - 150	0 - 2.5 plus a lump sum of 0	1,366	1,357	3	-
Ben Llewellyn	35 - 40 plus a lump sum of 90 - 95	0 - 2.5 plus a lump sum of 0	745	736	4	-
Jo Key	50-55 plus a lump sum of 120-125	2.5 - 5 plus a lump sum of 0 - 2.5	1,144	1,028	53	-
Will Garton	50-55	2.5-5	893	802	38	-
Brendan Threlfall	35-40	2.5-5	498	450	25	-
Alexandra Burns	20-25	2.5-5	254	220	19	-
Jo Rodrigues	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0 - 2.5	780	720	18	-
Claire Metcalfe	0-5	0-2.5	46	25	14	-
Manuela Solera-Deuchar	30-35	2.5-5	443	383	22	-
Nick Colligan	20-25	0-2.5	305	266	23	-

(1) Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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

Civil Service Pensions

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

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

In **alpha**, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to **alpha** from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of **classic**, **premium**, and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. The pension figures in this report show pension earned in PCSPS or **alpha** - as appropriate. Where a member has benefits in both the PCSPS and **alpha**, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

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

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

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or **alpha** benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Compensation for loss of office (subject to audit)

Please refer to the ministers' single total figure of remuneration table above for details of compensation for loss of office during 2025-26 following changes in Cabinet.

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 in the year of departure. 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.

253 staff left MHCLG under Voluntary Exit terms between 31 Jan - 31 March 2026. They received compensation payments between £6,590 - £95,000.

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
			2025-26	2024-25			2025-26	2024-25
	Core Department			Core Department and Agency	Departmental Group			
<£10,000	-	2	2	-	-	2	2	-
£10,000 - £25,000	-	37	37	-	-	38	38	-
£25,000 - £50,000	-	52	52	-	1	52	53	-
£50,000 - £100,000	-	162	162	-	-	162	162	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-	-	-
Total number of exit packages	**–**	**253**	**253**	**–**	**1**	**254**	**255**	**–**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total cost	**–**	**15,300**	**15,300**	**–**	**37**	**15,310**	**15,347**	**–**

Staff Report

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

Summary

MHCLG has an ambitious agenda, and our people are at the heart of how we deliver it. We are building a department we can all be proud of, one that is inclusive, diverse and where everyone's contribution enables us to deliver critical policies and services. We are committed to improving outcomes for the communities we serve and to behaving in ways that strengthen our department. We take pride in our work and hold ourselves, and each other, to high standards. Throughout 2025/26, we ensured that we had the underpinning people support to enable delivery of the department's business priorities. Our work has focused around 5 pillars - pride and standards, our managers, our culture, our workforce and our offer. A summary of the key areas of people-focused activity is set out below.

Workforce planning and resourcing

By the end of 2025-26, the department's civil servant workforce had reduced to 3,756 full-time equivalent (FTE) staff, a net decrease of 155 FTE over the year.

During the year, around 400 external appointments were made to support delivery of strategic objectives and priority outcomes, and to replace critical roles lost through natural turnover. All recruitment took place within a tightly controlled headcount envelope aligned to fiscal plans, with new appointments offset by departures through the voluntary exit scheme and natural attrition.

Recruitment was targeted at priority areas aligned with agreed delivery plans. This included additional capacity for local government programmes to support modern, sustainable public services and placebased growth, and the transfer of fire functions from the Home Office, reinforcing the government's commitment to safer homes, buildings and communities. Limited growth in digital teams reflected focused investment in AI and technology to improve productivity, transform service delivery, and reduce reliance on highercost external suppliers, delivering improved value for money.

Voluntary Exit Scheme (VES) 2025-26

The department plays a central role in delivering the Government's Plan for Change and supporting major ministerial ambitions within a tightened fiscal environment. This requires a workforce that is appropriately sized, agile, and equipped with the right skills for the future.

To support this, the department implemented a voluntary exit scheme, with departures finalised by the end of March 2026. The scheme was designed to reduce workforce numbers in a planned and value-for-money way, while enabling the department to reshape its skills profile and improve efficiency and productivity. A total of 253 staff left the department under the scheme between January and March 2026.

Applications were assessed against strict criteria to ensure exits aligned with future capability needs and did not undermine delivery. Decisions were informed primarily by value-for-money considerations for the taxpayer and an assessment of the impact of exits on business delivery, including the loss of skills, knowledge, and expertise. This approach ensured the department remains appropriately sized and able to refresh its skills and capability profile to deliver priorities efficiently and sustainably.

Management spans

MHCLG has also been making improvements to our operating structures, ensuring that we are set up to deliver in the most effective way. Following the introduction of new principles in July 2025, we have been widening line management spans and reducing the number of line managers we have overall. This is supporting our ambition to increase the quality and consistency of our management cadre, as well as creating larger, more flexible teams equipped to respond effectively to new priorities.

With fewer managers we can invest more per person in their training and support. Wider spans also mean that we avoid unnecessary hierarchies and siloes being created, enabling work to be done more seamlessly with less bureaucracy. Our average management span (i.e. the average number of direct reports each manager has) has increased from 1.7 in April 2025 to 2.7 in March 2026, and we will continue to embed these changes throughout 2026/27 with a view to achieving a ratio of at least 3 direct reports to each line manager.

Staff remuneration

For the 2025/26 annual pay award, MHCLG submitted a pay flexibility business case to the Cabinet Office and HM Treasury, seeking approval to make pay awards above the standard Civil Service Pay Remit limits within tightly defined parameters. Such flexibility is subject to rigorous scrutiny, and the approval of the business case reflected the strength of MHCLG's pay case and recognition of colleagues' contribution to delivering the government's mission.

The additional flexibility enabled MHCLG to implement further targeted pay awards above the 2025/26 Pay Remit Guidance, which would otherwise have capped the overall award at 3.75%. HM Treasury's approval was based on a clearly defined approach, focused on targeted investment in priority areas. Key measures included improving the positioning of pay band minimums (starting salaries) relative to the wider Civil Service and shortening pay bands to reduce pay variation within grades. The award is effective from 1 August 2025 and will be implemented in April 2026.

As part of the business case, approval was secured to double the non-consolidated performance bonus pot for the Exceptional Performance Scheme (EPS), increasing it from 0.65% to 1.3% of the delegated paybill. The EPS year operates from August to July, aligned with the pay settlement cycle, rather than the financial year. Due to the timing of business case approval, the additional funding will be used to make a one-off performance payment of £300 (gross) for each eligible individual, to be paid before the end of the 2025/26 EPS year.

MHCLG location strategy

Work commenced to implement the departments new workforce location strategy, announced in 2024/25, which includes the development of five larger offices in London, Wolverhampton (our second HQ), Darlington, Manchester and Bristol. This saw the closure of 4 offices in Truro, Exeter, Newcastle and Sheffield during the year (a further two offices, Birmingham and Warrington, will close in 2026/27) and preparatory work to either refurbish or relocate to expanded new premises in Darlington, Bristol, Manchester and Wolverhampton. Once complete, estimated to be in 2028, the department will have a total of 16 offices (reduced from 22 in March 2025) including at least one in every English region and in each UK Nation, as well as four specialist offices. MHCLG employees affected by the closure of an office have been supported to continue their careers in the department with no redundancies. Our target remains to further increase the proportion of staff based outside London to 50% by 2030 (from 23% in 2020) - we are currently at 45% of employees located outside London at the end of March 2026.

Moving towards Shared Services (Unity) and continuous improvement.

The Shared Services strategy for Government aims to modernise the back office of Government by replacing siloed department-based systems and provide HR and Finance shared services through a unified platform. During 2025/26 colleagues have been actively engaged in helping to shape the Unity design and build, working collaboratively with HMRC and DfT. This is a high profile/high risk programme and we are committed to ensuring that MHCLG's transition to Unity runs smoothly. Due to challenges in delivering the programme, we have agreed our transition date will be no earlier than April 2029 to ensure that the service is stable, consistent and ready for our transition. MHCLG Shared Services colleagues are receiving periodic updates and Trade Union engagement started in February 2025 along with Organisational Design and change impact work.

The department continues to be committed to enabling delivery through high quality and cost-effective HR services. The delay in onboarding to Unity gives us a great opportunity to deliver changes to build on what we have achieved to date. Alongside the Unity programme, the team have a continuous improvement plan to automate and improve processes, to ensure that colleagues in the department are enabled to deliver and focus their time on value-add activities. Specifically, we've made claiming excess fares easier through an online form and improved accessibility to payslips.

Skills and capability

Work has continued at pace across the department's Capability priorities, with a sustained focus on creating a learning offer for everyone that builds the skills and knowledge needed to deliver MHCLG's ambitions. This includes growing our AI capability; strengthening the capability of our line managers to lead high performing, inclusive, lifelong learning teams; and launching a new digital learning interface so colleagues can more easily access the learning they need and maximise the value of the time they invest in developing their skills. In support of these priorities, we launched our Prompting with Purpose training, enabling over 400 colleagues to build confidence in crafting effective Copilot Chat prompts.

We also introduced our new Learning Management System, transforming how staff access and engage with learning. This included launching our new Line Manager Pathway, allowing staff to complete e-learning on topics such as giving feedback, supporting people to perform and managing change at a time and pace that works for them.

Building on the success of our Senior Civil Servant executive coaching offer, we have expanded access to more than 180 Grade 6 colleagues. This continues to strengthen our leadership and management capability across the organisation.

Our 2025 People Survey saw MHCLG's "learning and development" and "my manager" results exceed Civil Service benchmarks. We have continued to improve our Line Manager Capability Offer in order to provide a clearer, more consistent and professional standard of line management across the department.

The department continues to support our staff to upskill through use of the apprenticeship levy. The department has also sustained investment in the Fast Stream to strengthen our future leadership pipeline; welcomed new interns from the Civil Service Summer Internship Programme, and invested in placements on the Civil Service Beyond Boundaries Programme.

Performance management

The department's Performance and Development (P&D) approach is simple, forward-looking, inclusive and continuous. This means that staff receive the right support at the right time in the right way, contributing to our ambition of being a high-performing organisation.

Changes to strengthen our underperformance process were announced in September 2025 to ensure that the P&D process provides support to underperforming colleagues sooner and more consistently; gives managers the tools they need to manage confidently; and is clear and easy to navigate. Key changes included reducing the minimum timeframe for moving from informal underperformance to formal poor performance from three consecutive quarters to a minimum of three months. Updated guidance and a new e-learning package are now in place to support managers in navigating this successfully. We will continue to monitor and review our P&D process, ensuring that staff are supported throughout.

Employee Experience

We remain committed to making MHCLG a great place to work because a positive employee experience is fundamental to delivering our ambitious agenda. Our 2025 People Survey overall engagement score showed a slight drop from 64% in 2024 to 61% in 2025 based on a response rate of 76%. However, over the past year, we have worked to strengthen how colleagues feel connected to the department's purpose, priorities and to each other, with understanding organisational objectives and purpose increasing from 77% to 79% in the 2025 People Survey.

We made further progress this year in embedding our Bold, Brilliant and One ethos across the organisation. We focused on helping colleagues understand how their work contributes to our priorities, building pride, clarity of purpose and a shared sense of endeavour. A highlight of the year was the MHCLG People Event, which brought colleagues together from across the department. The Deputy Prime Minister shared her vision for the department, inspiring colleagues and reinforcing our direction of travel. The event also celebrated outstanding contributions through the MHCLG Awards, a meaningful moment of recognition that strengthened engagement and pride.

We have also continued to invest in building strong, connected workplace communities. Our Office Champions are now a well-established part of MHCLG and have played a pivotal role in strengthening local engagement, and ensuring our workplaces feel welcoming, inclusive and connected. This has been supported by regional engagement activity and roadshows, showcasing the breadth and quality of work being delivered across the department and strengthening connections between teams and locations.

Diversity and Inclusion

Our 2023-25 Diversity and Inclusion strategy and action plan aimed to build diversity and inclusion of the workforce, ensuring we discharge our responsibilities within the Public Sector Equality Duty. We continued to prioritise delivery through our three strategic aims: bring in; bring on; and inclusion.

Our continuing focus 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 developing our refreshed strategy and action plan for 2026-27 we will prioritise data-led actions that improve the diversity of our workforce and maximise opportunities at each stage of the employee lifecycle, taking account of best practice. We will identify and break down barriers, offering targeted support to enable each person to deliver the best possible performance for the department, free from bullying, harassment and discrimination.

We use the Economically Active Population as our benchmark. Over the last 12 months representation rates have improved for staff who are disabled and aged 25-49. Representation for staff of all other protected characteristics across the whole organisation remain fairly static over the 12 months.

We have continued to maintain MHCLG's gender pay gap which recorded a 0.0% median earnings pay gap for our core department (excluding agencies), though the mean earnings gap has increased slightly to 0.7%. The Departmental Boundary (MHCLG core department, the Planning Inspectorate, and Queen Elizabeth II Centre) has a mean pay gap of 3.4% and a median gap of 0.5%. The median gap has significantly decreased since the reporting exercise in 2024, whilst the mean gap has increased since the last reporting exercise.

For the first time, along with other government departments, we published department-level ethnicity and disability pay gap figures based on pay data at 31 March 2025. The data demonstrates low diversity of colleagues at senior grades, relating to ethnicity and disability, and this is not a scenario we want to maintain. We take this issue seriously and we are committed to taking action to deliver change. We will analyse the figures and work with stakeholders across the department to commit to actions, including actively embedding diversity in leadership to harness the benefits that brings.

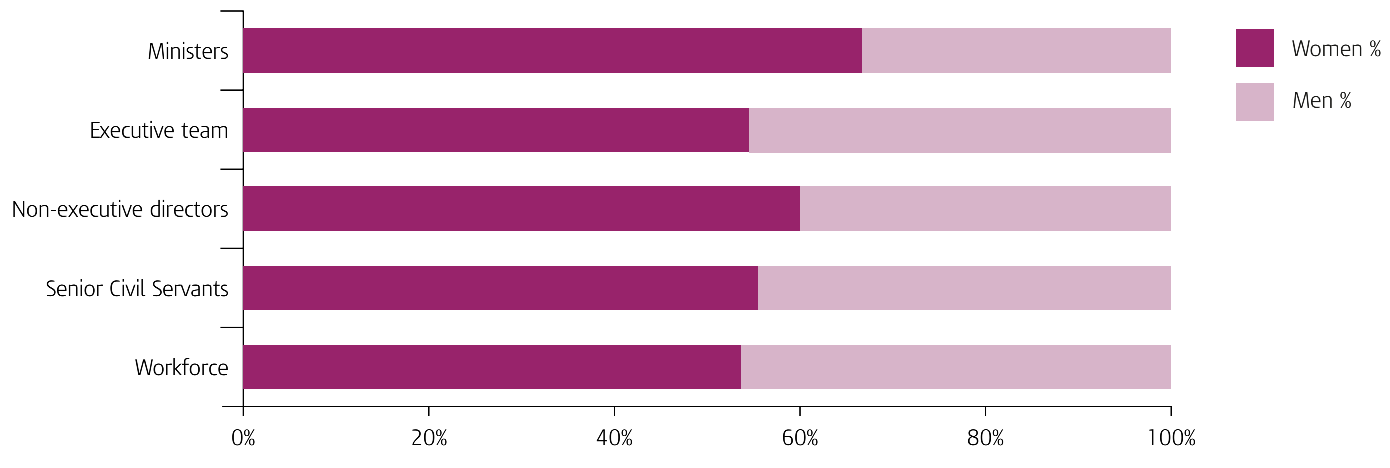
We continue to have a clear commitment to reducing bullying, harassment, and discrimination and to improving our fair treatment scores and safe to say scores as measured in the annual Civil Service People Survey. The Civil Service People Survey 2025 saw us maintain one of the lowest rates in the Civil Service of those who had experienced discrimination (7% unchanged since 2023). The same outcome was seen for those who say they had experienced bullying and or harassment (7% unchanged since 2023).

Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In December 2025 we published data on our gender pay gap in line with other employers (https://www.gov.uk/government/publications/mhclg-gender-pay-gap-report-and-data-2025). The MHCLG Group gender pay gap data for 31 March 2026 is expected to be published in late 2026 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 31 March 2026



Health and Safety Management

The department's safety performance has remained consistent and diligent during 2025-26. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2024-25 or 2025-26. Four accidents and three "near misses" were reported by employees in 2025-26, against zero accidents and one near miss in 2024-25. Working with facilities management colleagues, mitigations have now been put in place for the accidents and near misses.

Average Working Days Lost (AWDL)

	Jan - Dec 2025	Jan - Dec 2024
Core Department	5.5	5.6
Executive Agency	7.1	8.8

Staff with no sickness absence

	Jan - Dec 2025	Jan - Dec 2024
Core Department	54%	58%
Executive Agency	47%	41%

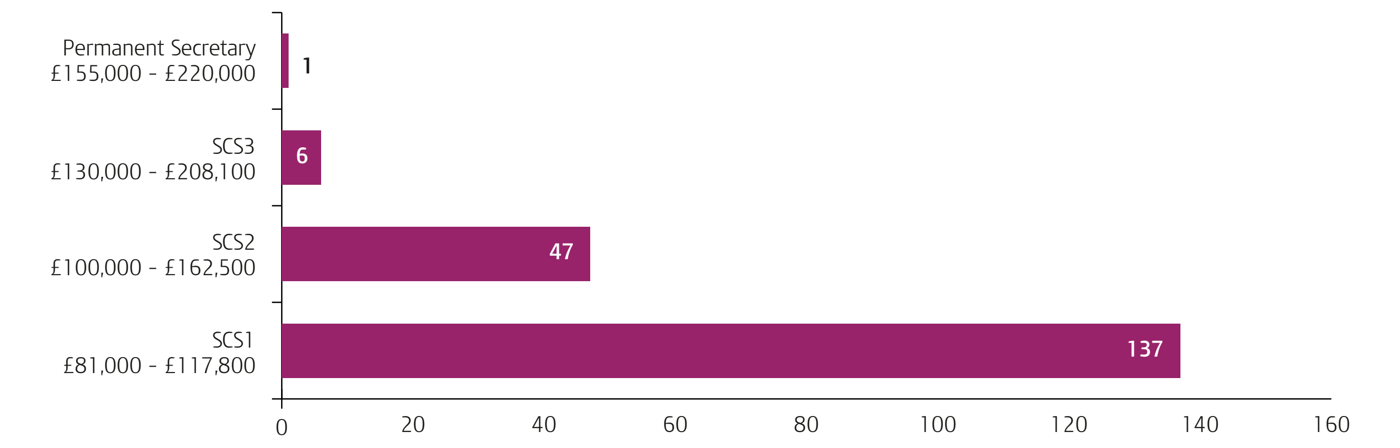
Staff Turnover Percentage

Staff turnover has reduced over the last 12 months from 12.6% at the end of 2024-25 to 11.1% at the end of 2025-26. This is a like-for-like comparison and excludes anyone leaving through the Department's Voluntary Exit Scheme (VES) between January and March 2026. Staff turnover including those leaving under the VES scheme was 17.6% in 2025-26. This is based on the Cabinet Office definition which includes all staff who have left the department including those on voluntary exit scheme terms.

Senior Civil Service salaries and staffing

At 31 March 2026 there were 191 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 2026



The bandings on this chart are based on SCS pay ranges for 2025-26 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

	2025-26				2024-25 Restated
	Permanently Employed Staff	Others	Ministers	Total	Total
Wages & Salaries	375,012	16,518	212	391,742	370,379
Social Security Costs	58,286	-	28	58,314	43,998
Pension Costs	97,856	-	-	97,856	86,539
Other	-	-	-	-	973
Total Costs	**531,154**	**16,518**	**240**	**547,912**	**501,889**
Less Recoveries in respect of outward secondments	3,326	-	-	3,326	(2,570)
Total Net Costs	**534,480**	**16,518**	**240**	**551,238**	**499,319**
Of which:					
Core Department	286,631	6,055	240	292,926	275,897
Agency	72,246	526	-	72,772	63,480
Designated Bodies	172,277	9,938	-	182,214	162,512

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)

	2025-26					2024-25 Restated
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	3,630	339	6	7	3,982	4080
Agency	968	5	-	-	973	894
Designated Bodies	2,618	232	-	-	2,850	2,614
Total	**7,216**	**576**	**6**	**7**	**7,805**	**7,588**

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 2026 to ensure consistency of reporting with other government departments.

The average number of staff employed in the Department has reduced over the last 12 months, reflecting tight controls and increased scrutiny on workforce growth to support delivery of the 15% real terms administration savings target agreed with HMT through the Spending Review period to 2029. Growth was approved only where essential, including for the delivery of strategic priorities, Machinery of Government changes, or agreed delivery plans, such as targeted capacity for local government programmes and the transfer of fire functions from the Home Office.

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	2	2	4
Senior Executive Officers	2	-	2
Grade 7/6	6	5	11
Senior Civil Service	-	-	-
Total secondments	**10**	**7**	**17**

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

Expenditure on Consultancy and Temporary Staff

	2025-26 £000	2024-25 £000	2023-24 £000	2022-23 £000
Cost of Contingent Labour				
Core Department	4,938	7,674	6,808	8,024
Executive Agency	2,248	1,996	2,940	3,303
NDPBs	11,518	15,317	24,195	21,335
Total	**18,704**	**24,987**	**33,943**	**32,661**
Cost of Consultancy				
Core Department	4,048	7,543	15,896	13,722
Executive Agency	636	77	57	10
NDPBs	-	-	334	923
Total	**4,684**	**7,620**	**16,287**	**14,655**
Overall Total	**23,388**	**32,607**	**50,230**	**47,316**

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 with the majority of contingent labour roles supporting digital delivery and systems transformation on a temporary basis.

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 maintained a reduced level of off-payroll engagements, reflecting its continued commitment to limiting reliance on contingent labour. This position builds on the reductions achieved in previous years, supported by ongoing investment in 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 market constraints and niche expertise requirements, overall reliance has stabilised at a lower level. This approach continues to be supported by targeted strategies to attract and retain individuals with the necessary expertise.

Agency numbers relate to offpayroll engagements within the Planning Inspectorate. These engagements include nonsalaried Inspectors, providing necessary flexibility in the Inspector workforce, as well as agency staff engaged to cover vacant substantive posts. The remaining engagements supported delivery requirements associated with organisational transformation activity.

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

Off payroll engagements as of 31 March 2026, 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 2026	**52**	**7**	**74**
of which have existed for:			
less than one year at time of reporting	11	5	32
between one and two years at time of reporting	27	2	20
between two and three years at time of reporting	5	-	13
between three and four years at time of reporting	4	-	7
four years or more at time of reporting	5	-	2

All temporary off payroll appointments engaged at any point during the year ended 31 March 2026 and earning at least £245 per day	Main Department	Agency	ALBs
No. of off-payroll workers engaged during the year ended 31 March 2026	**61**	**32**	**138**
Of which:			
Not subject to off-payroll legislation	-	-	133
No. determined as in-scope of IR35	40	32	1
No. determined as out-of-scope of IR35	21	-	4
No. of engagements reassessed for compliance or assurance purposes during the year	35	22	2
Of which:			
No. of engagements that saw a change to IR35 status following the consistency review.	3	-	-

Off payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or senior official with significant staff reportfinancial responsibility, during the financial year[11]	-	-	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	13	13	54

11 The ALB off payroll board member relates to Homes England, the board member is considered to have significant financial responsibility. They were employed on an interim basis whilst permanent recruitment took place. Their position ended on 31 August 2025.

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.

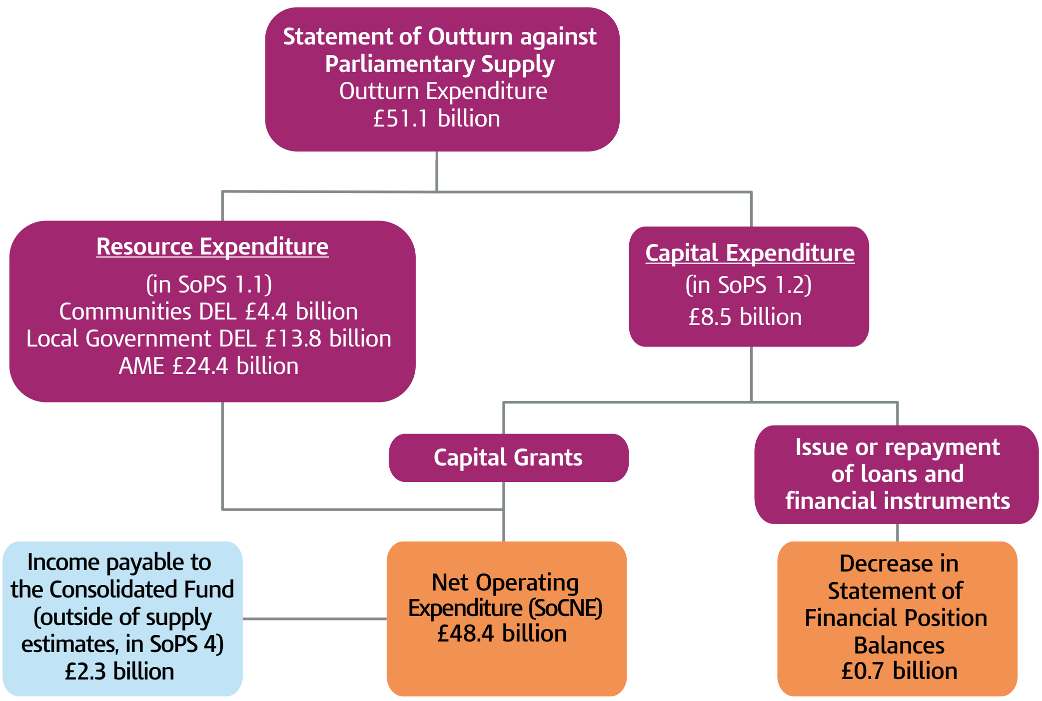
The department's spending is shown in two presentations in the Annual Report and Accounts.

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.

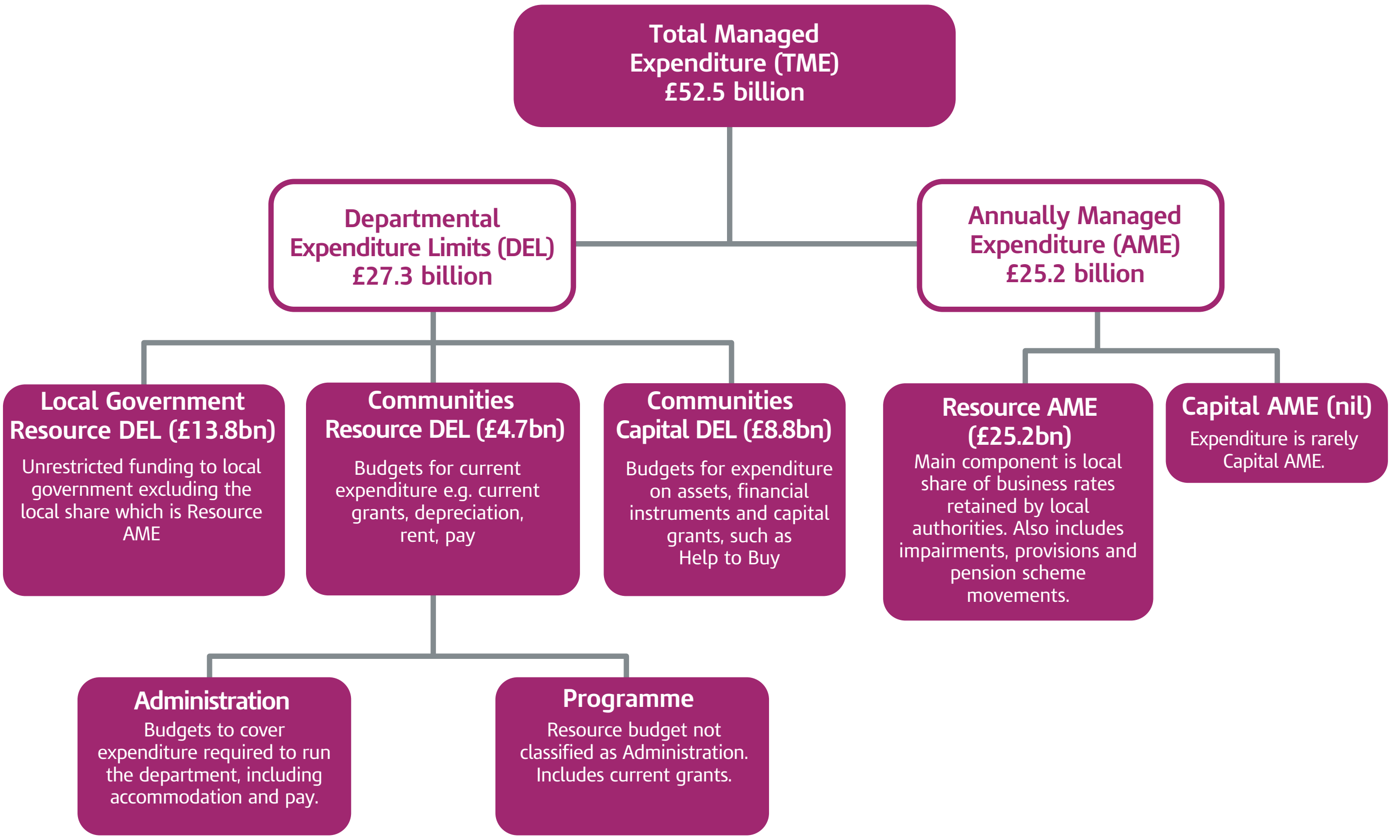
The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for government by the Financial Reporting Manual (FReM).

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 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 118 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	• Rough Sleeping Delivery • Homes for Ukraine • Homelessness and Rough Sleeping Accommodation
B: Housing and Planning	• Affordable Housing Programme • Homelessness • Building Safety Fund • Housing Supply and Markets • Fire Services • Land and Infrastructure • Housing with Care and Support • Social Housing Quality and Residents • Affordable Homes Programme • Planning Infrastructure
C: Local Growth and Devolution	• Levelling Up Fund • UK Shared Prosperity Fund • English Devolution • Towns Fund/Future High Streets Fund • Plan for Neighbourhoods • Investment Zones • Community Regeneration Partnerships • Levelling Up Pathfinders • Freeports • Land and Infrastructure
D: Elections, Union and Constitution	• Economic Shocks
F: Research, Data and Trading Funds	• Data, Analysis and Statistics • Communications
G: MHCLG Staff, Building and Infrastructure Costs	• Staff Pay • Cyber Security and Infrastructure
H: Local Government & Public Services (ALB)(Net)	• Local Government Capacity and Improvement
I: Housing and Planning (ALB)(Net)	• Affordable Homes Programme • Brownfield, Infrastructure and Land Fund • Cladding Safety Scheme • Housing Infrastructure Fund • Levelling Up Home Building Fund • Land and Infrastructure
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 relief • 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	• Fire Pensions
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.

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 108 onwards and in the Our Expenditure section of the performance report on page 36. 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[12].

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

12 Consolidated budgeting guidance 2025 to 2026 - GOV.UK (www.gov.uk)

Summary of Resource and Capital Outturn

Summary table 2025-26, all figures presented in £000s.

£'000

		2025-26								2024-25
		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	**4,417,958**	**3,721**	4,421,679	**4,741,379**	**8,870**	4,750,249	**323,421**	328,570	4,547,760
Capital	SoPS1.2	**8,515,912**	**-**	8,515,912	**8,777,092**	**-**	8,777,092	**263,060**	263,060	8,255,758
Total		**12,933,870**	**3,721**	**12,937,590**	**13,518,471**	**8,870**	**13,527,341**	**586,482**	**591,631**	**12,803,518**
Departmental Expenditure Limit (DEL) - Local Government										
Resource	SoPS1.1	**13,812,522**	**-**	13,812,522	**13,849,438**	**-**	13,849,438	**36,916**	36,916	11,329,864
Capital	SoPS1.2	**-**	**-**	-	**-**	**-**	-	**-**	-	-
Total		**13,812,522**	**-**	**13,812,522**	**13,849,438**	**-**	**13,849,438**	**36,916**	**36,916**	**11,329,864**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**24,364,138**	**-**	24,364,138	**25,150,305**	**-**	25,150,305	**786,167**	786,167	22,845,144
Capital	SoPS1.2	**-**	**-**	-	**-**	**-**	-	**(-)**	(-)	-
Total		**24,364,138**	**-**	**24,364,138**	**25,150,305**	**-**	**25,150,305**	**786,167**	**786,167**	**22,845,144**
Total Budget										
Resource	SoPS1.1	**42,594,617**	**3,721**	42,598,338	**43,741,122**	**8,870**	43,749,992	**1,146,505**	1,151,654	38,722,768
Capital	SoPS1.2	**8,515,912**	**-**	8,515,912	**8,777,092**	**-**	8,777,092	**263,060**	263,060	8,255,758
Total Budget Expenditure		**51,110,529**	**3,721**	**51,114,249**	**52,518,214**	**8,870**	**52,527,084**	**1,409,565**	**1,414,715**	**46,978,526**

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

Item	SoPS Note	2025-26 Outturn	2025-26 Estimate	2025-26 Outturn vs. Estimate: saving/(excess)	2024-25 Prior Year Outturn
Net Cash Requirement	3	**32,506,392**	**34,714,507**	**2,208,115**	**29,608,199**

Administration Costs

£'000

Type of spend	SoPS Note	2025-26 Outturn	2025-26 Estimate	2025-26 Outturn vs. Estimate: saving/(excess)	2024-25 Prior Year Outturn
Administration Costs		**128,949**	**322,875**	**193,926**	**132,449**

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

											2025-26	2024-25
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		
Spending in Departmental Expenditure Limits (RDEL) - Housing and Communities												
Voted expenditure												
A Local Government & Public Services	-	-	-	576,204	(746)	575,457	575,457	566,448	9,009	575,457	-	346,117
B Housing and Planning	-	-	-	1,899,700	(35,383)	1,864,317	1,864,317	1,895,301	-	1,895,301	30,984	1,550,329
C Local Growth and Devolution	-	-	-	1,032,865	(400)	1,032,466	1,032,466	1,009,723	22,743	1,032,466	-	1,364,744
D Integrated Settlements for Established Mayoral Strate	-	-	-	534,952	-	534,952	534,952	535,026	-	535,026	74	-
E Elections, Union and Constitution	-	-	-	39,399	(165)	39,235	39,235	40,611	-	40,611	1,376	45,237
F Research, Data & Trading Funds	-	-	-	7,402	382	7,784	7,784	6,501	1,283	7,784	-	13,650
G Departmental Staff, Building and Infrastructure Costs	308,306	(9,031)	299,275	40,403	375	40,778	340,053	308,376	31,677	340,053	(-)	293,192
H Local Government & Public Services (ALB) (Net)[1]	5,555	-	5,555	15,117	-	15,117	20,672	21,771	-	21,771	1,099	18,039
I Housing and Planning (ALB) (Net)[1]	(175,881)	-	(175,881)	178,904	-	178,904	3,023	357,622	(64,712)	292,910	289,888	(142,923)
Total Voted DEL	**137,980**	**(9,031)**	**128,949**	**4,324,946**	**(35,937)**	**4,289,009**	**4,417,958**	**4,741,379**	**-**	**4,741,379**	**323,421**	**3,488,385**
Non-voted expenditure												
Returning Officers' expenses England, Wales and Scotland												
J Elections	-	-	-	3,730	(10)	3,721	3,721	8,870	-	8,870	5,149	275,100
Total non-voted DEL	**-**	**-**	**-**	**3,730**	**(10)**	**3,721**	**3,721**	**8,870**	**-**	**8,870**	**5,149**	**275,100**
Total spending in RDEL – Housing and Communities	**137,980**	**(9,031)**	**128,949**	**4,328,676**	**(35,946)**	**4,292,730**	**4,421,679**	**4,750,249**	**-**	**4,750,249**	**328,570**	**3,763,485**

(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

											2025-26	2024-25
	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements(2)		
Spending in RDEL – Local Government												
Voted expenditure												
K Revenue Support Grant	-	-	-	2,217,347	-	2,217,347	2,217,347	2,217,355	-	2,217,355	8	2,117,964
L Other Grants and Payments	-	-	-	11,538,956	-	11,538,956	11,538,956	11,557,601	-	11,557,601	18,645	9,150,914
M Business Rates Retention	-	-	-	56,219	-	56,219	56,219	74,482	-	74,482	18,263	60,986
Total Spending in RDEL – Local Government	**–**	**–**	**–**	**13,812,522**	**–**	**13,812,522**	**13,812,522**	**13,849,438**	**–**	**13,849,438**	**36,916**	**11,329,864**
Total spending in RDEL	**137,980**	**(9,031)**	**128,949**	**18,141,197**	**(35,946)**	**18,105,251**	**18,234,200**	**18,599,687**	**–**	**18,599,687**	**365,487**	**15,093,349**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

£'000

Type of spend (Resource)	Resource Outturn							Estimate			2025-26	2024-25
	Administration			Programme							Outturn vs Estimate, saving/ (excess)	Prior Year Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
N Other Grants and Payments	-	-	-	5,130,310	(10,931)	5,119,379	5,119,379	5,128,690	-	5,128,690	9,311	5,542,933
O Local Government and Public Services	-	-	-	(25,163)	-	(25,163)	(25,163)	43,243	(19,453)	23,790	48,953	(76,005)
P Housing and Planning	-	-	-	794,855	(15,690)	779,165	779,165	848,677	-	848,677	69,512	(14,101)
Local Growth and Devolution	-	-	-	-	(16,832)	(16,832)	(16,832)	-	-	-	16,832	18,147
Q Departmental Staff, Building and Infrastructure Costs	-	-	-	24,726	-	24,726	24,726	7,199	17,527	24,726	-	34,381
R Non-Domestic Rates Outturn Adjustment	-	-	-	(29,892)	-	(29,892)	(29,892)	221,827	(14,234)	207,593	237,485	5,181
S Local Government & Public Services (ALB) (Net)[1]	-	-	-	1,551	-	1,551	1,551	(375)	1,926	1,551	-	(63)
T Housing & Planning (ALB) (Net)[1]	-	-	-	551,008	-	551,008	551,008	955,083	-	955,083	404,075	(222,755)
U Business Rates Retention	-	-	-	20,792,520	(2,832,325)	17,960,195	17,960,195	17,945,961	14,234	17,960,195	-	17,557,426
Total spending in RAME	**-**	**-**	**-**	**27,239,914**	**(2,875,777)**	**24,364,138**	**24,364,138**	**25,150,305**	**-**	**25,150,305**	**786,167**	**22,845,144**
Total resource	**137,980**	**(9,031)**	**128,949**	**45,381,112**	**(2,911,723)**	**42,469,389**	**42,598,338**	**43,749,992**	**-**	**43,749,992**	**1,151,654**	**37,938,493**
Voted expenditure												
Prior Period Adjustment	-	-	-	-	-	-	-	-		-		**784,275**
TOTAL	**137,980**	**(9,031)**	**128,949**	**45,381,112**	**(2,911,723)**	**42,469,389**	**42,598,338**	**43,749,992**	**-**	**43,749,992**	**1,151,654**	**38,722,768**

(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.

SoPS 1.2 Analysis of capital outturn by Estimate line

£'000

	Outturn			Estimate			2025-26	2024-25 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	39,597	(21,806)	17,792	37,950	(7,009)	30,941	13,149	147,373
B Housing and Planning	3,313,735	(864,755)	2,448,980	2,436,212	12,768	2,448,980	-	1,453,267
C Local Growth and Devolution	2,210,160	-	2,210,160	2,203,151	7,009	2,210,160	-	2,869,839
D Integrated Settlements for Established Mayoral Strate	441,093	-	441,093	441,093	-	441,093	0	-
E Elections, Union and Constitution	43,334	-	43,334	46,182	-	46,182	2,848	10,703
F Research, Data & Trading Funds	11,235	-	11,235	15,165	-	15,165	3,930	11,077
G Departmental Staff, Building and Infrastructure Costs	11,920	(330)	11,589	59,382	-	59,382	47,793	49,636
Departmental Unallocated Provision	-	-		-	-		-	182
H Departmental Unallocated Provision	157	-	157	1,250	-	1,250	1,093	-
I Housing and Planning (ALB)(Net)	3,331,571	-	3,331,571	3,536,707	(12,768)	3,523,939	192,368	3,713,681
Total spending in CDEL – Housing and Communities	**9,402,802**	**(886,890)**	**8,515,912**	**8,777,092**	**–**	**8,777,092**	**261,181**	**8,255,758**
Spending in DEL – MHCLG Local Government								
Voted expenditure								
TOTAL spending in DEL	**9,402,802**	**(886,890)**	**8,515,912**	**8,777,092**	**–**	**8,777,092**	**261,181**	**8,255,758**
Spending in Capital Annually Managed Expenditure (CAME)								
Total spending in CAME	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-**
Total CDEL & CAME	**9,402,802**	**(886,890)**	**8,515,912**	**8,777,092**	**–**	**8,777,092**	**261,181**	**8,255,758**

(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[13].

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.

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

SoPS 2 Reconciliation of outturn to net operating expenditure

		SoPS Note	2025-26	2024-25 Restated
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	42,598,384	37,938,493
Add:	Capital grants(1)		8,141,366	7,607,899
	Capital budget adjustments(2)		26,604	65,124
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(569)	(2,126)
	Prior Period Adjustment		-	784,275
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**50,765,785**	**46,393,665**

(1) Capital grants are received in addition to resource grants for activities of a capital nature

(2) 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.

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

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement

£'000

	SoPS Note	2025-26 Outturn	Estimate	Outturn vs Estimate, saving/(excess)
Total Resource Outturn	1.1	42,598,338	43,749,992	1,151,654
Total Capital Outturn	1.2	8,515,912	8,777,092	261,180
Adjustments to remove non-cash items:				
Depreciation and amortisation		(24,454)	(62,409)	(37,955)
New provisions and adjustments to previous provisions		23,302	(69,725)	(93,027)
Other non-cash items		(15,253,856)	(17,560,611)	(2,306,755)
Adjustments for ALBs:				
Remove voted resource and capital		(3,907,983)	(4,872,058)	(964,075)
Add cash grant-in-aid		1,184,547	1,843,842	659,295
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		(432,063)	-	432,063
(Increase)/decrease in payables		(237,882)	2,898,171	3,136,053
Use of provisions and pension fund adjustments		19,562	19,083	(479)
Other Adjustments		24,689	-	(24,689)
Removal of non-voted budget items:				
Consolidated Fund Standing Services		(3,721)	(8,870)	(5,149)
Net cash requirement		**32,506,392**	**34,714,507**	**2,208,115**

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 2025-26		Outturn 2024-25	
	Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate[1]	569	*569*	2,126	*2,126*
Other amounts collectable on behalf of the Consolidated Fund[2]	2,305,405	*2,283,645*	1,787,968	*1,786,973*
Total amount payable to the Consolidated Fund	**2,305,974**	***2,284,214***	**1,790,094**	***1,789,099***

(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 180.

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 107 shows our 2025-26 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				
I	Housing and Planning (ALB) (Net)	3,023	357,622	-100%	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	3,721	8,870	-58%	The variance is due to lower costs associated with by-elections than had been budgeted for.
	Resource Spending in Annually Managed Expenditure (RAME)				
O	Local Government and Public Services	25,163	23,789	-56%	Variance is linked to changes in the provisions held for Grenfell Tower and the Audit Commission pension scheme
Q	Local Growth and Devolution	(16,832)	-	na	Variance linked to revaluation of Greenwich Peninsula land asset
R	Non-Domestic Rates Outturn Adjustment	(29,892)	(221,827)	-87%	This row holds the year end contingency budget for business rates retention. No spending is expected against this line, the negative outturn follows release of a prior year accrual in 2025-26.
T	Housing & Planning(ALB) (Net)[1]	551,008	955,083	-42%	Estimated budgets are based on updates to economic scenarios, using a 'reasonable worst case' approach. The variance between budget and outturn reflects the difference between this 'reasonable worst case' approach at the Supplementary Estimate and the economic environment at year end.
	Capital Spending in Departmental Expenditure Limit (CDEL) – Housing and Communities				
A	Local Government & Public Services	17,792	30,941	-42%	Variance predominantly linked to London Settlement income
G	Departmental Staff, Building and Infrastructure Costs	(20,784)	59,382	-135%	The variance relates to right of use assets

Core Tables – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department's expenditure outturn for 2025-26 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	2021-22	2022-23	2023-24	2024-25	2025-25	2026-27
	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	184,665	1,284,664	201,327	347,932	574,826	297,797
B: Housing and Planning	2,552,076	2,248,119	2,328,987	2,325,319	1,864,617	963,507
C: Local Growth and Devolution	365,063	520,932	771,727	1,364,704	1,032,450	526,391
D: Elections, Union and Constitution	(1)	33193	27,934	45,232	39,230	8,763
F: Research, Data and Trading Funds	(25,810)	4,768	14,686	13,630	6,883	13,214
G: MHCLG Staff, Building and Infrastructure Costs	260,424	262,800	252,736	279,492	340,394	374,831
Departmental Unallocated Provision	-	-	-	-	-	133,911
H: Local Government & Public Services (ALB) (net)	17,690	16,361	16,000	17,090	21,041	23,001
I: Housing and Planning (ALB)(net)	2,849	(68,378)	274	(115,776)	117,050	148,251
Integrated Settlements for Established Mayoral Strategic Authorities	-	-	-	-	535,060	1,717,542
Total Voted	**3,356,956**	**4,302,459**	**3,613,671**	**4,277,623**	**4,531,551**	**4,207,208**
Non Voted Expenditure						
J: Elections	54,929	(88)	1,521	275,106	3,713	8,870
Total Non Voted	**54,929**	**(88)**	**1,521**	**275,106**	**3,713**	**8,870**
Departmental Expenditure Limit (DEL) – Housing and Communities	**3,411,885**	**4,302,371**	**3,615,192**	**4,552,729**	**4,535,264**	**4,216,078**
Voted expenditure						
Of which:						
K: Revenue Support Grant	1,621,554	1,672,054	1,905,434	2,117,962	2,217,345	11,711,664
L: Other grants and payments	12,109,691	5,934,219	7,627,810	9,150,922	11,538,961	6,689,604
M: Business Rate Retention	36,885	87,473	46,376	60,988	56,216	-
Total Spending in DEL – Local Govt	**13,768,130**	**7,693,746**	**9,579,620**	**11,329,872**	**13,812,522**	**18,401,268**
Total Resource DEL	**17,180,015**	**11,996,117**	**13,194,812**	**15,882,601**	**18,347,786**	**22,617,346**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
Other grants and payments	1,851,356	4,078,397	4,996,509	5,542,929	5,119,373	6,534,210
N: Local Government & Public Services	49,077	(36,222)	66,330	(76,004)	(7,664)	37,680
O: Housing and Planning	35,026	(22,477)	(72,551)	562,983	783,118	848,439
P: Local Growth and Devolution	7,040	(22,143)	23,557	18,147	(16,832)	-
Q: Department Staff, Building and Infrastructure Costs	580	39,486	40,986	52,513	28,792	28,650
R: Non-Domestic Rates Outturn Adjustment	-	-	26002	5,181	(29,893)	350,000
S: Local Government & Public Services (ALB)(Net)	4,679	5,204	1,165	850	158	(32)
T: Housing and Planning (ALB)(Net)	(907,338)	(259,979)	333,909	(248,295)	954,305	978,525
U: Business Rate Retention	14,168,548	11,100,860	15,848,815	17,557,428	17,960,193	19,477,532
Total Resource AME	**15,208,968**	**14,883,126**	**21,264,722**	**23,415,732**	**24,791,550**	**28,255,004**
Total Resource	**32,388,983**	**26,879,243**	**34,459,534**	**39,298,333**	**43,139,336**	**50,872,350**

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

Departmental Capital Spending	2021-22 Restated Outturn £'000	2022-23 Restated Outturn £'000	2023-24 Restated Outturn £'000	2024-25 Restated Outturn £'000	2025-25 Outturn £'000	2026-27 Plan £'000
Spending in DEL – Housing and Communities						
Voted expenditure						
Of which:						
A: Local Government & Public Services	85,670	74,185	55,640	147,366	37,867	134,209
B: Housing and Planning	944,252	1,335,708	2,196,333	1,457,060	2,462,537	2,875,955
C: Local Growth and Devolution	1,256,679	1,572,257	2,033,410	2,869,841	2,210,161	1,862,335
D: Elections, Union and Constitution	-	6611	9196	10,704	45,869	30,300
E: Supporting Families	-	-	-	-	0	-
F: Research, Data and Trading Funds	6,344	1,229	9,637	11,078	12,138	11,293
G: MHCLG Staff, Building and Infrastructure Costs	18,183	20,157	43,146	49,634	51,596	100,300
Departmental Unallocated Provision	-	-	-	-	-	34,290
H: Local Government & Public Services (ALB)(Net)	189	869	696	181	321	260
I: Housing and Planning (ALB)(Net)	3,834,622	3,816,037	2,501,540	3,713,925	3,364,287	3,587,301
Integrated Settlements for Established Mayoral Strategic Authorities	-	-	-	-	441,093	1,647,390
Total Spending in DEL – Housing and Communities	**6,145,939**	**6,827,053**	**6,849,598**	**8,259,789**	**8,625,869**	**10,283,633**

Table 2: Administration budgets

Administration budgets	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Restated Outturn £'000	2024-25 Restated Outturn £'000	2025-25 Outturn £'000	2026-27 Plan £'000
G: Department Staff, Building & Infrastructure Costs	241,636	240,874	238,596	250,016	299,622	262,762
H: Local Government & Public Services (ALB)(Net)	17,690	16,361	16,000	17,090	5,372	5,801
I: Housing and Planning (ALB)(Net)	5,305	(60,405)	(107,834)	(130,163)	(172,426)	25,518
Total Voted	**264,631**	**196,830**	**146,762**	**136,943**	**132,568**	**294,081**
Total Administration expenditure	**264,631**	**196,830**	**146,762**	**136,943**	**132,568**	**294,081**

Prior year data can be restated for several reasons, including MOG changes, accounting policy changes, correction of prior period adjustments and presentational changes

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, launched in March 2022. Spend returned to trend for 2023-24, with an increase in 2024-25 reflecting a budget exchange following a receipt from the European Social Fund. 2025-26 outturn then saw a further increase with funding for the Rough Sleeping Prevention and Recovery grant moving from Housing and Planning into this expenditure heading. From 2026-27, that grant is then due to move into Local Government DEL.
- **B: Housing and Planning** - This covers funding for a large number of programmes at different stages in their lifecycles, with 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 reduction in 2025-26 is predominantly due to movement of the Rough Sleeping Prevention and Recovery grant into the LGPS expenditure row. Further decreases in future plans are linked to substantial movements of grants into Local Government DEL.
- **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 was reflected in figures for 2024-25, which has then reduced in 2025-26 as the fund is continued at a reduced level for a transitional year before closure.
- **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 was linked to activity on electoral integrity. 2025/26 saw a subsequent decrease reflecting conclusion of that programme, offset by funding for Port Talbot in 2025/26.
- **F: Research Data and Trading Funds** - The differences from 2020-21 mainly relate to income amounts that have been 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, with further increase into 2025/26 being linked to the administrative impact of Fire Services being transferred into the department.
- **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). From 2025-26, figures incorporated the full budget for ECLs, unlike previous years where ECL budgets had been applied at the Supplementary Estimate.
- **Integrated Settlements** - 2025-26 outturn reflects this new stream of work, providing substantial funding to established authorities. 2026/27 will then see significant increase as funding plans are expanded to cover more authorities. This higher funding level will continue, however future year funding levels from other government departments have not yet been finalised.
- **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. The significant spike in expenditure in 2024-25 reflected the 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.
- **L: Other Grants and Payments** - includes increases over 2024-25 of £0.9bn for Adult Social Care grants, £0.7bn for Children's Social Care grants and £0.5bn for Employers National Insurance Contributions grant and a net overall increase

of £0.3 bn across the following LG Settlement related grants: Recovery Grant, Funding Floor, Services Grant, Funding Guarantee and Rural Services Delivery Grant

- **M: Business Rates Retention** - Covers safety net on account payments to authorities with low business rate income and funding for the City of London Offset.

Resource AME

Other Grants and Payments - This relates to funding for business rate relief measures announced by the Exchequer. These grants were worth £5.1bn in 2025-26.

- **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. Variances represent the changes in the provision for the Grenfell Tower.
- **O: Housing and Planning** - These budgets have been held to cover potential losses on the Departments housing guarantee programmes, with budgets planned based on 'reasonable worst case' scenarios. From 2025/26, budgets are increased following the transfer of fire services into the department, with additional AME cover therefore being needed for current service pension costs.
- **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 202627 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. Budgets are 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. It includes the Local Share, recorded as non-cash expenditure and forecast to be worth £17.6 bn in 2025-26.

Capital DEL - Communities

- **A: Local Government & Public Services** - The increase in 2024-25 reflected additional funding for Homelessness and Rough Sleeping programmes, with the subsequent decrease in 2025-26 being mainly linked to the Single Homelessness Accommodation Programme concluding. The increase in 2026/27 plans predominantly reflects funding for the Cambridge growth strategy.
- **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 from 2025-26 is predominantly due to additional funding for building remediation and affordable homes, and an uplift on 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. The significant decrease in 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 as it entered a transitional year ahead of closure.

- **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 2025/26 is linked to funding being made available for the Port Talbot transition board, with a subsequent reduction in that funding for 2026/27.
- **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. Increases from 2024-25 are predominantly linked to the capitalised lease costs under IFRS16 resulting from additions to our estate, with the increase in 2026/27 plans being linked to increases in property management and digital programme costs.
- **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 being run via Homes England, at different stages in their lifecycles, that naturally have different requirements year-on-year. Budgets are set in line with latest delivery plans.
- **Integrated Settlements** - 2025-26 plans reflect this new stream of work, providing substantial funding to established authorities. 2026/27 will then see significant increase as funding plans are expanded to cover more authorities. This higher funding level will continue, however future year funding levels from other government departments have not yet been finalised.

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.

	2025-26				2024-25			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	39	20	58	29	33	17	99	33
Losses due to fraud	-	-	-	-	-	-	-	-
Claims abandoned	33	704	79	163,071	1	3	48	54,245
Fruitless payments	-	-	-	-	-	-	1	324
Constructive losses	-	-	1	65	-	-	4	7,714

	2024-25				2024-25			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	46	800	48	837	57	3,302	58	3,303

Losses

Cases over £300,000	£'000
One ERDF Write-off	480
Homes England losses and loans written off	157,008

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.

The department administers the European Regional Development Fund (ERDF) which is now closed. Grants are paid to projects, and funds not spent in line with grant conditions are recouped. Where this is not possible the funds are written off.

In Homes England, during 2025-26 there were there were 11 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. Nine were of loans measured at amortised cost and two were of loans measured at fair value below initial cost. There were also four modification adjustments on loans which exceeded £300,000, and one adjustment for receivables written-off.
The following table details these losses:

£'000	Comments
Loans measured at amortised cost	
85,826	Market Abuse Regulations preclude further commentary. An accounting impairment of £85.8 million has been recognised. **As at 31 March 2026, total losses recognised were £85.8 million.**
19,542	Funding was provided under the Short Term Home Building Fund to support construction of 146 residential apartments on a brownfield site. The main contractor stopped work in July 2025 and entered administration in September 2025. As a result, key completion deadlines and the final repayment date have been breached. Although one block has completed, the remaining blocks are either incomplete or awaiting Building Safety Regulator sign-off, and there is uncertainty over collateral warranties and new homes insurance. The borrower unsuccessfully sought to work through these problems (limited liquidity, council tax liabilities and remaining build costs), but this was not possible and the borrower went into Administration on 6 May 2026. There is significant uncertainty over the recoverability of the debt, therefore a full accounting write-off of the existing exposure was made in 2025/26. **As at 31 March 2026, total losses recognised were £19.5 million.**
6,321	Funding was provided under the Short Term Home Building Fund for a multi-phase residential and mixed-use development, which includes a later phase intended to deliver 55 flats. The scheme has faced prolonged delays and has now stalled following a breakdown in the relationship between the borrower and contractor. A replacement contractor has since identified significant construction, workmanship, structural and building control issues, including health and safety concerns, and the remedial works are expected to be extensive. Exchanged sales have fallen away because of the delays, and the wider development is no longer being marketed. In previous financial years, accounting write-offs of £0.9 million were recognised. In 2025/26 an additional accounting write-off of £6.3 million has recognised the reduced expectation of return from these incremental issues. **As at 31 March 2026, total losses recognised were £7.2 million.**
1,925	Funding was provided under the Short Term Home Building Fund to support the delivery of 31 units. The scheme has faced significant delays and higher costs following a landslip, contractor insolvency and a period where the site stalled. Although work has now restarted and progress is being made, the project remains marginal and is still reliant on continued build progress, future sales and recycling receipts. The borrower has limited liquidity, with no further equity available, and the scheme remains exposed to further cost increases and delivery risk. In previous financial years, accounting write-offs of £4.2 million were recognised. In 2025/26 an additional accounting write-off of £1.9 million has been recognised. **As at 31 March 2026, total losses recognised were £6.1 million.**
1,166	The Agency provided funding under the Levelling Up Housing Build Fund for an 8 flat residential development. The scheme has faced significant delays and cost overruns, and work has been stalled since January 2026. The buildings on site are not wind and watertight and suffer from insurance and health and safety issues, including basement flooding and an incomplete steel roof structure. There is also uncertainty over the cost to complete, particularly as water damage to the timber frame could lead to significant remediation costs. As a result, an accounting impairment of £1.2 million has been recognised to reflect the potential estimated loss. **As at 31 March 2026, total losses recognised were £1.2 million.**

£'000	Comments
1,145	The Agency provided funding under the Short Term Home Building Fund to support development of 19 residential apartments. The scheme faced significant delays after planning issues at the start of the project and the original contractor later entered liquidation, thus the remaining works had to be retendered, and a replacement contractor appointed. These delays led to higher costs, while updated valuations showed that expected sales values had fallen. Although the development has now completed, sales were much slower than expected, a proposed bulk sale fell through, and further valuations showed another reduction in value. The borrower also had limited liquidity while essential property costs continued to build up. In previous financial years, accounting write-offs of £0.9 million were recognised. In 2025/26 an additional accounting write-off of £1.1 million has been recognised. **As at 31 March 2026, total losses recognised were £2.0 million.**
1,123	The Agency provided funding under the Short Term Home Building Fund to support a 39 unit residential development. The scheme has been under pressure because sales have been slower than expected, costs have increased and the project relies on sales receipts to keep funding the remaining works. The borrower's equity has been wiped out and the final phase has been put on hold. The contractor has also raised a significant claim for delay costs, creating a risk that works could stop or the borrower could fall into insolvency. In previous financial years, accounting write-offs of £0.1 million were recognised. In 2025/26 an additional accounting write-off of £1.1 million has been recognised. **As at 31 March 2026, total losses recognised were £1.2 million.**
728	The Agency provided funding under the Short Term Home Building Fund to support a 27 unit residential development. The scheme has faced significant delays and higher costs because of drainage issues, Covid disruption and cladding matters. The borrower later went into liquidation. Although completing and selling the units was initially considered the best option, acceptable new homes warranty cover could not be secured, making normal retail sales difficult because buyers are unlikely to obtain mortgages without it. There are still planning, drainage, title and cost issues to resolve. In previous financial years, accounting write-offs of £2.7 million were recognised. In 2025/26 an additional accounting write-off of £0.7 million has been recognised. **As at 31 March 2026, total losses recognised were £3.4 million.**
355	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. In previous financial years, accounting write-offs of £20.2 million were recognised. In 2025/26 an additional accounting write-off of £0.4 million has been recognised. **As at 31 March 2026, total losses recognised were £20.6 million.**
Loans measured at FVTPL	
24,008	Market Abuse Regulations preclude further commentary. A fair value loss £24.0 million has been recognised in 2025/26. **As at 31 March 2026, total accounting movements in fair value below initial cost recognised were £97.5 million.**

£'000	Comments
14,129	Market Abuse Regulations preclude further commentary. A movement in fair value below cost of £14.1 million has been recognised in 2025/26. **As at 31 March 2026, total accounting movements in fair value below initial cost recognised were £74.8 million.**
	Receivables write-off
740	The write-off relates to unrecovered rental income for a commercial warehouse and compound tenancy. Despite proactive credit control measures and the implementation of an agreed payment plan to recover outstanding balances, no payments were received. Legal advice was sought and subsequently it was determined that the tenant company was dissolved and the guarantor was insolvent. Due to limited options to recover any arrears, the rental debt has been written off.
157,008	Total write-offs and net fair value losses which exceed £300,000

Special Payments

Cases over £300,000	£'000
One personal injury claim	300

This relates to asbestos related compensation.

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 2025-26 (2024-25: nil).

Fees and Charges (subject to audit)

The department has no material fees and charges.

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.

Unquantifiable

The department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- Professional Indemnity Insurance (PII) Scheme - The department provides state backing to an insurer who administers PII policies for qualified professionals to enable them to access the indemnity cover they need to undertake EWS1 assessments. The cost of the scheme, including the expected losses, was designed to be offset through premiums. The liability recognised on the balance sheet is nil. The contingent liability is unlimited because there is no theoretical cap on the size of claims that could be made. However, the risk is limited by the number of buildings, the number of EWS1 assessments, insurance only being issued to qualified professionals and audit of the certificates.
- In 2018 the department worked with the Local Government Association to set up the Joint Inspection Team (JIT) to support local authorities to take action against building owners who were slow to carry out remediation works. The department has indemnified the Joint Inspection Team (JIT) for professional indemnity and for death and personal injury claims resulting from their advice. The local authority retains responsibility for decisions on enforcement. The indemnity is unquantifiable and will continue for the duration of the period over which the JIT operates and 6 years thereafter for professional indemnity, and 125 years for death and personal injury.
- The department provides letters of comfort to ALBs in relation to their pension scheme liabilities. Ebbsfleet Development Corporation is no longer part of the Departmental Group for accounting purposes but the department continues to be responsible for governance arrangements and the letter of comfort continues to be in place.

There are no quantifiable contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes.

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)
Right to Buy	250 to 750	250 to 750	-
Planning inspectorate: litigation	195	167	28
Planning Inspectorate Ex-gratia	370	370	-
AHGS 2013 drawn down	3,200,000	3,200,000	-
AHGS 2020 scheme size	6,000,000	6,000,000	-
AHGS 2020 approved	3,200,000	3,700,000	(500,000)
AHGS 2020 drawn down	2,400,000	2,850,000	(450,000)
PRS scheme size	3,500,000	3,500,000	-
PRS approved borrowing	1,900,000	1,840,000	60,000
PRS drawn down	1,460,000	1,630,000	(170,000)
ENABLE Build scheme size	1,000,000	1,000,000	-
ENABLE Build drawn down	514,000	515,000	(1,000)
Professional indemnity insurance	70,000	70,000	-
Grenfell Home Ownership	48,000	48,000	-

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 2026. 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
ERDF 2014-20	Yes	No	Programme Ended
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
Building Safety Regulator Indemnity	Yes	Yes	NA
Ebbsfleet Development Corporation	Yes	Yes	NA
Operation Gadget Bus Case	No	Yes	New Contingent Liability

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
Accounting Officer
Ministry of Housing, Communities & Local Government

10 July 2026

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 2026 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 2025. The financial statements comprise: the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2026;
- 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 2026 and their 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 2026 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. The Local Government Finance Act 1988.

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 implementation of a new enterprise resourcing planning suite (SAP S/4Hana), 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 addition to the above significant risks that I do not consider to be key audit matters; I no longer consider the following, which I reported as key matters for my 2024-25 financial statement audit, to be key audit matters for my 2025-26 financial statement audit:

- I no longer consider the expected credit loss allowance relating to certain financial assets held by Homes England to be a key audit matter. These financial assets include loans held at amortised cost and trade receivables. Despite the value of the assets on which the expected credit loss is estimated being significant, I am satisfied that the risk of material misstatement in the expected credit loss allowance is sufficiently low that this risk is no longer a significant risk or key audit matter for audit of the Department and its Group.
- I no longer consider the valuation of level 3 fair value assets held by Homes England to be a key audit matter. These assets are valued using unobservable inputs and therefore carry a greater inherent risk than level 1 and 2 fair value assets. Level 3 fair value assets totalled £815.4 million as at 31 March 2026 (£716.4 million as at 31 March 2025). Given materiality for my Departmental Group audit is £564 million, I consider the risk of material misstatement is sufficiently low that this risk is no longer a significant risk or key audit matter for audit of the Department and its Group.
- I no longer consider the valuation of defined benefit pension scheme liabilities in the five defined benefit pensions schemes accounted for by the Departmental Group to be a key audit matter. While these liabilities are determined using a number of key assumptions, they are estimated by qualified actuaries, and I am content the assumptions used are appropriate. The liabilities were estimated to be £1,599.7 million as at 31 March 2026 (£1,467.6 million as at 31 March 2025). Given materiality for my Departmental Group audit is £564 million, I consider the risk of material misstatement is sufficiently low that this risk is no longer a significant risk or key audit matter for audit of the Department and its Group.

As a result of these changes, I have only one key audit matter to report.

Key audit matter 1 – Help to Buy Equity Loans Portfolio

Description of risk

Homes England provided equity loans to homeowners buying new build properties up to a value of £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 £13,492.6 million at 31 March 2026 (£15,917.0 million 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:

- Reliance on a third party as a key delivery partner 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 in the modelling process, 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. • 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 National Audit Office. • 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. • Reviewing the completeness and accuracy of disclosures made in the financial statements regarding uncertainty in the estimate. **Key observations** I have obtained sufficient assurance over this risk through my substantive testing. I did not identify any significant misstatement in the valuation of the Help to Buy equity loan portfolio as a result of the work I have performed.

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	£564 million (2024-25: £441 million)	£522 million (2024-25: £440 million)
Basis for determining overall account materiality	Approximately 1% of forecast gross expenditure of £55.1 billion (2024-25: 1% of £44.1 billion)	1% of forecast gross expenditure of £52.2 billion (2024-25: 1% of £44.0 billion)
Rationale for the benchmark applied	The overall account materiality is based on gross expenditure as administration and the payment of grants is the Department's main activity and for which it is held to account by the primary user of the financial statements - Parliament.	

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 2025-26 audit (2024-25: 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 unadjusted audit differences reported to the Audit and Risk Assurance Committee would have decreased group net expenditure and increased group net assets by £289.1 million.

Audit scope

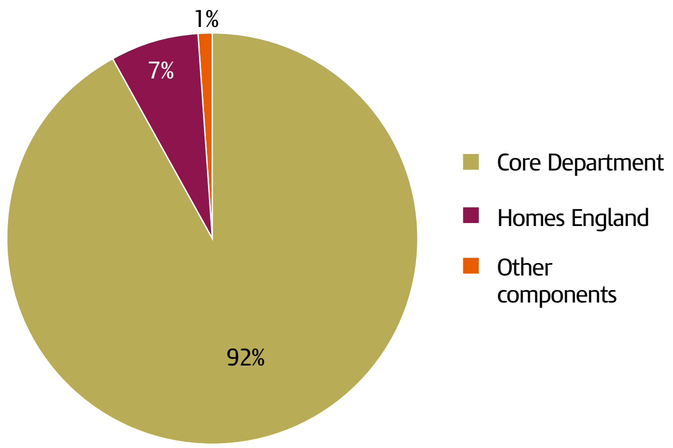
The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's and its environment, including Department/Group-wide controls, and assessing the risks of material misstatement at the Group level.

In 2025-26 the Departmental Group had gross operating expenditure of £55.1 billion (2024-25: £51.2 billion). The vast majority of expenditure was in the Core Department, in the form of grant expenditure to English local authorities, including the local share of business rates retained by local authorities (treated as a non-cash grant in the Core Department). Gross assets were £18.9 billion at 31 March 2026 (£21.7 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 £13.5 billion at 31 March 2026 (£15.9 billion at 31 March 2025).

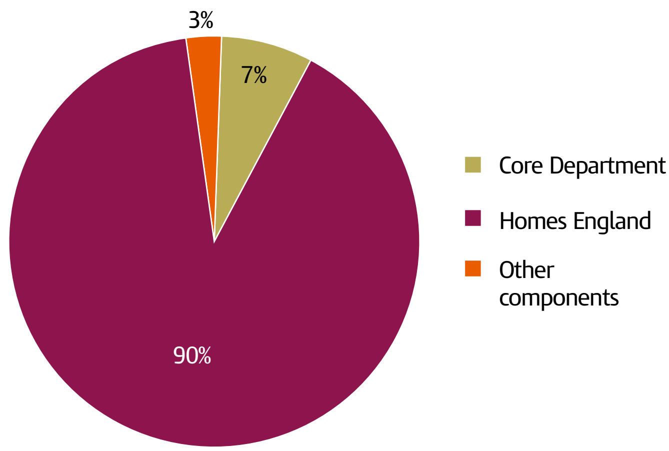
I have audited the financial information of the Core Department, as well as the group consolidation. In applying ISA (UK) 600 (revised 2022) to my audit of the Core Department and Departmental Group, I have judged business rates to be a business unit and a component (per ISA 600 (14b)) of the Core Department (and thus Departmental Group) for the purposes of planning and performing audit procedures. 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. My audits of the Business Rates Retention and Non-Domestic Rates Trust Statement and the Main Non-Domestic Rating Account were complete at the time of my completion of the group audit. As group auditor, I have gained assurance from the auditors of the material components (Homes England and Business Rates) 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 (which includes Business Rates) and Homes England covered approximately 99% of the Group's expenditure and roughly 97% of the Group's asset, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

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



Gross assets of components of the Group at 31 March 2026



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 Reports.

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

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and

- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, the Supply and Appropriation (Main Estimates) Act 2025, the Local Government Finance Act 1988 and Managing Public Money;
- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team, including the Homes England component audit team and the Business Rates component audit team, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, the Local Government Finance Act 1988, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2025, primary and secondary legislation which specifies the circumstances in which a Minister of the Crown may provide financial assistance to a local authority, person or charitable institution, employment law, pensions legislation and tax legislation.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee, and in-house legal counsel 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 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

13 July 2026

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 2026

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 value of non-current assets and other financial instruments that cannot yet be recognised as income and expenditure.

Comparative information has been restated for a Machinery of Government Change (see note 19).

£'000

		2025-26		2024-25 Restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	365,697	547,911	339,377	501,889
Operating Expenditure	4	50,632,412	54,589,059	47,292,913	50,726,873
Grant-in-aid to ALBs	2	1,184,547	-	1,870,234	-
Total Expenditure for the year ended 31 March		**52,182,657**	**55,136,970**	**49,502,524**	**51,228,762**
Total Income	5	(3,786,439)	(4,371,186)	(4,115,250)	(4,835,097)
Net Operating Expenditure for the year ended 31 March		**48,396,218**	**50,765,785**	**45,387,274**	**46,393,665**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					
Net (Gain)/Loss on:					
Pension Schemes	13	138,874	(173,087)	(108,688)	556,335
Income tax on items in other comprehensive expenditure		-	(825)	-	(946)
Total comprehensive expenditure for the year ended 31 March		**48,535,092**	**50,591,873**	**45,278,586**	**46,949,054**

The notes on pages 145 to 176 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2026

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 tax payer's equity.

Restatement of the position at 31 March 2025 related to the Machinery of Government change, detailed in note 19.

£'000

		31 March 2026		31 March 2025 Restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency Restated	Departmental Group Restated
Non-current assets					
Property, plant and equipment		31,102	34,668	28,881	31,782
Right of use assets		39,583	47,094	48,692	60,589
Intangible assets		192,423	214,024	138,212	164,400
Investments in associates and joint ventures		5,000	70,696	5,000	61,948
Financial assets at fair value through profit and loss	6	119,902	14,427,845	103,070	16,736,537
Financial assets at amortised cost	7	274,742	1,326,106	296,655	1,170,293
Investment properties		-	-	30,500	30,500
Trade and other receivables	10	30,996	199,245	36,613	158,835
Total non-current assets		**693,747**	**16,319,678**	**687,623**	**18,414,884**
Current assets					
Inventories	9	-	1,026,537	-	1,156,091
Financial assets at fair value through profit and loss		-	59,743	-	78,766
Financial assets at amortised cost	8	703	335,265	703	543,917
Trade and other receivables	10	474,283	705,908	917,742	1,131,710
Cash and cash equivalents	11	132,996	471,170	(5,013)	424,260
Total current assets		**607,983**	**2,598,623**	**913,432**	**3,334,744**
Total Assets		**1,301,730**	**18,918,301**	**1,601,054**	**21,749,627**
Current liabilities					
Trade and other payables	12	2,288,500	2,615,755	1,909,790	2,405,325
Provisions		27,713	29,389	25,977	26,155
Total current liabilities		**2,316,212**	**2,645,144**	**1,935,767**	**2,431,480**
Total assets less current liabilities		**(1,014,482)**	**16,273,157**	**(334,712)**	**19,318,148**
Non-current liabilities					
Trade and other payables	12	87,796	125,515	128,073	155,744
Provisions		19,246	23,504	63,840	68,256
Pensions	13	142,312	138,936	614	318,927
Financial guarantees		23,535	23,535	31,289	31,289
Total Non-current liabilities		**272,889**	**311,489**	**223,816**	**574,216**
Total assets less total liabilities		**(1,287,371)**	**15,961,668**	**(558,528)**	**18,743,932**
Taxpayers' equity					
General fund		(1,287,371)	15,961,668	(558,528)	18,743,932
Total taxpayers' equity		**(1,287,371)**	**15,961,668**	**(558,528)**	**18,743,932**

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

10 July 2026

The notes on pages 145 to 176 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2026

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

		2025-26		2024-25 Restated	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(48,396,218)	(50,765,785)	(45,387,274)	(46,393,665)
Adjusted for:					
Finance (income)/ costs		(32,148)	(108,457)	(14,809)	(427,597)
(Profit) / loss on disposal of non-current assets		35	(50,185)	12,858	18,871
Depreciation and amortisation	4	24,454	36,701	21,592	31,025
Revaluation of non-current assets passing through the SoCNE	4	32,569	32,569	2,188	2,188
Impairment of non-current assets		166	313,929	17,536	(140,679)
Other non cash transactions	4	1,403	1,261	2,155	2,357
(Increase) / decrease in inventories	9	-	129,553	250,362	158,904
(Increase) / decrease in trade & other receivables		432,063	370,935	671,107	766,729
Increase / (decrease) in trade & other payables		237,882	83,013	220,582	215,029
Movement in provisions		(23,302)	(22,331)	(58,477)	(59,573)
Utilisation of provision		(19,556)	(19,962)	(11,338)	(11,447)
Pension fund adjustments		(6)	(6,118)	(5)	(6,351)
Local share (business rates retained by local authorities)	4	17,560,355	17,560,355	16,344,071	16,344,071
Adjustments for Corporation Tax		-	825	-	946
Other adjustments - operating activities		-	429	-	-
Net Cash outflow from operating activities		**(30,182,304)**	**(32,443,268)**	**(27,929,453)**	**(29,499,193)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(10,344)	(12,525)	(11,896)	(13,447)
Purchase of intangible assets		(61,604)	(65,268)	(59,748)	(74,993)
Financial assets issued		-	(608,861)	(20,000)	(669,179)
Proceeds from disposal of joint ventures		-	-	-	4,374
Proceeds on disposal of financial assets		-	2,232,203	7,000	1,926,456
Repayment of financial assets		21,746	451,544	-	435,159
Interest received	5	7,537	131,761	8,501	130,330
Other adjustments - investing activities		112	(881)	164	(7,324)
Net Cash inflow / (outflow) from investing activities		**(42,553)**	**2,127,973**	**(75,979)**	**1,731,376**

		2025-26		2024-25 Restated	£'000
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		32,628,236	32,628,236	28,313,000	28,313,000
From the consolidated fund (non-supply) - current year	SOCNE	43,470	43,470	183,104	183,104
Capital element of payments in respect of finance leases		(24,689)	(24,689)	(2,429)	(2,429)
Interest paid	4	(18)	(680)	(12)	(671)
Foreign exchange movements		5	5	199	199
Other adjustments - financing activities		-	-	(208)	(208)
Net Cash inflow / (outflow) from financing activities		**32,647,004**	**32,646,342**	**28,493,654**	**28,492,995**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**2,422,146**	**2,331,047**	**488,222**	**725,178**
Payments due to the Consolidated Fund - current year	SOPS 4.1	(2,284,137)	(2,284,137)	(1,789,098)	(1,789,098)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**138,009**	**46,910**	**(1,300,876)**	**(1,063,920)**
Cash and cash equivalents at the beginning of the period	11	**(5,013)**	**424,260**	**1,295,863**	**1,488,180**
Cash and cash equivalents at the end of the period	11	**132,996**	**471,170**	**(5,013)**	**424,260**

The notes on pages 145 to 176 form part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2026

This statement shows the movement in the year on the reserves held by the Departmental Group.

£'000

	Note	General Fund Restated	Total Reserves
Balance at 1 April 2024		**20,467,391**	**20,467,391**
Comprehensive Net Expenditure (restated)	SOCNE, 19	(46,949,054)	(46,949,054)
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)
		(30,617,894)	**(30,617,894)**
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		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		**17,850,953**	**17,850,953**
Adjustment to prior period comparatives following Machinery of Government change		**892,979**	**892,979**
Balance at 1 April 2025		**18,743,932**	**18,743,932**
Comprehensive Net Expenditure	SOCNE	(50,591,872)	**(50,591,872)**
Non cash charges - auditor's remuneration	4	835	**835**
Local share (business rates retained by local authorities)	4	17,560,355	**17,560,355**
Other adjustments to reserves		3,269	**3,269**
		(33,027,413)	**(33,027,413)**
Net Parliamentary Funding - drawn down		32,628,236	**32,628,236**
Consolidated Fund Standing Services -non supply - drawn down:		43,470	43,470
Prior year supply received		(19,237)	(19,237)
Supply payable	12	(102,607)	(102,607)
CFERs payable to the consolidated fund	SoPS4.1	(2,305,974)	(2,305,974)
Machinery of Government change asset transfer		1,262	1,262
Sub Total of Net Parliamentary Funding and CFERs payable		**30,245,150**	**30,245,150**
Balance at 31 March 2026		**15,961,668**	**15,961,668**

The notes on pages 145 to 176 form part of these financial statements.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2026

£'000

	Note	General Fund	Total Reserves
Balance at 1 April 2024		**(519,059)**	**(519,059)**
Comprehensive Net Expenditure (restated)	SOCNE, 19	(45,278,586)	(45,278,586)
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
		(28,933,904)	**(28,933,904)**
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		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		**17,850,953**	**17,850,953**
Adjustment to prior period comparatives following Machinery of Government change		892,979	892,979
Balance at 1 April 2025		**18,743,932**	**18,743,932**
Comprehensive Net Expenditure	SOCNE	(50,591,872)	(50,591,872)
Non cash charges - auditor's remuneration	4	835	835
Local share (business rates retained by local authorities)	4	17,560,355	17,560,355
Other adjustments to reserves		3,269	3,269
		(33,027,413)	**(33,027,413)**
Net Parliamentary Funding - drawn down		32,628,236	32,628,236
Consolidated Fund Standing Services -non supply - drawn down:		43,470	43,470
Prior year supply received		(19,237)	(19,237)
Supply payable	12	(102,607)	(102,607)
CFERs payable to the consolidated fund	SoPS4.1	(2,305,974)	(2,305,974)
Machinery of Government change asset transfer		1,262	1,262
Sub Total		**30,245,150**	**30,245,150**
Balance at 31 March 2026		**15,961,668**	**15,961,668**

The notes on pages 145 to 176 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 2025-26 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 21.

The Building Safety Regulator (BSR) was established as an ALB on 27 January 2026. Accounts have not been consolidated due to immateriality to the Group.

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 2026. The department has taken into account the specific interpretations and adaptations included in the FReM.

The department has implemented IFRS 17 for the first time in preparing its financial statements for the year ended 31 March 2026 and has assessed that the standard has no material impact on its financial statements.

The following standards were issued in 2024 but have not yet been adopted into the FReM, therefore there is no effective date for central government bodies:

3.1 IFRS 18 – Presentation and Disclosure of Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

3.2 IFRS 19 – Subsidiaries without Public Accountability: Disclosures

This addresses how subsidiaries of IFRS-applying entities present their own IFRS-compliant financial statements. As the department is not a subsidiary of a parent company this standard we do not expect to be significantly affected by it.

When these standards are adopted into the FReM the department will assess their impact on reporting.

4. 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 14 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 6.

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 Notes 6 and 14. 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.

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.

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 £697 million employer assets at 31 March 2026 disclosed in note 13, only £34 million was investment in property and is subject to the uncertainty outlined above in relation to the land and property assets.

5. 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.

6. 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.

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 6.2 provides further detail on how the department measures fair values.

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

7. Financial Liabilities

The department's financial liabilities including trade and other payables are measured at amortised cost.

8. 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 guarantees are valued at the higher of initial fair value and current expected loss (for each guarantee individually) with a probability-weighted model.

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 accordance with the FReM adaptation of 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. Subsequent measurement is at the higher of amortised initial fair value and the expected credit losses.

The department provides ENABLE Build guarantees over borrowing by smaller housebuilders. The guarantees are recognised in accordance with the FReM adaption of IFRS 9 on a net basis with value equal to lifetime expected loss. This is due to guarantees being issued at a non-commercial rate rather than full market rate.

9. 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.

The department is responsible for the Audit Commission Pension Scheme (ACPS), a funded defined benefit scheme that is now closed. A year end valuation of the scheme's liabilities is carried out by the Government Actuary's Department using the projected unit credit method. The scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past employees.

Note 13 contains further details of the ACPS and other pension schemes the department holds.

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.

10. Income

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

Business Rates Retention income 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.

The departmental accounts include tariff income only. Other business rates retention income is accounted for in the Trust Statement included in this Annual Report & Accounts document.

11. Grants

Grant accounting complies with IFRS as interpreted by the FReM.

Grant income and expenditure follows IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. 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

Fire and rescue pension top-up grants fund the difference between outgoing pension expenditure and incoming pension income in a single year with regards to the firefighters' pension scheme respectively. Each fire and rescue service participates in unfunded defined benefit pension schemes. Each authority recognises the associated long-term pension liability for these schemes in its own financial statements. Because these schemes are unfunded, as part of the process the department is required under legislation to make grants to fire and rescue services to match the estimated cash deficit in their pension schemes for the year. The grant is based on estimates provided in year by the fire and rescue services and adjusted for actual outturns from prior years. There are inherent uncertainties involved with the calculation of the pension grant, for example the number of retirees and amounts taken in optional retirement lump sums, the impact of McCloud and Mathews remedies and any relevant compensation impacts (see section below) which means that the accrual is the best estimate of the liability at the year-end. The top-up grant provides the mechanism by which cash funding is provided to the scheme to allow it to meet liabilities as they fall due. The department meets these commitments via the supplementary estimates process each year. In 2025-26 these cash deficits include McCloud (including retrospective financial adjustment to address financial losses) and Matthews remedies. The remedy for both cases results in an increase in historic pensions costs. These values have been calculated by the Government Actuary's department in line with the methodology used for all impacted public sector pensions schemes. This adds complexity and uncertainty when estimating the pay out in year of the top-up grant required. The department recognises an accrual at the year-end for the element of the grant that has not been paid by the year-end, including the McCloud and Matthews remedies.

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 the Local Share as notional collectable income in the Business Rates Trust Statement to reflect the rates retained locally by local government. It is then deducted as an allowable expense to calculate the amount due to the Consolidated Fund.

12. Accruals

Accruals are recognised where the department has received goods or services, or where an event has occurred giving rise to an obligation, before the reporting date but where the related invoice has not been received or payment made.

13. Cash

Cash comprises balances held with HM Government Banking Service. These balances are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash balances are recorded at amortised cost, equal to face value, as they are repayable on demand and bear no interest.

Balances relating to the Business Rates Retention and Non-Domestic Rates Trust Statement are held in the main department bank account but are split out at the reporting date for accounting purposes.

14. Provisions and contingent liabilities

In accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, the department recognises provisions where, at the reporting date, it considers it more likely than not that it has a legal or constructive obligation to transfer resources, arising from a past event and where a reliable estimate of value can be made.

The department discloses potential future obligations arising from past obligating events as contingent liabilities, where they remain uncertain pending the outcome of future events.

The department discloses contingent liabilities whose likelihood is remote in the Accountability Report.

15. Going concern

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

Parliament will vote to authorise spending for 2026-27 in the Central Government Main Supply Estimates 2026-27 in July 2026.

Note 2. Contribution of Arm's Length Bodies to Departmental total

					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	(1,184,548)	(3,760,416)	50,903,571	47,143,155	3,630	286,631	339	6,055
Commission for Local Administration in England	15,520	(143)	16,752	16,609	203	13,235	1	70
Homes England	1,160,000	(497,322)	4,032,634	3,535,312	1,435	86,163	174	7,526
Leasehold Advisory Services	3,511	(52)	3,610	3,558	43	2,703	8	508
Planning Inspectorate	-	(26,023)	94,539	68,516	968	72,246	5	528
Regulator of Social Housing	-	(36,429)	35,973	(456)	333	30,604	7	474
The Housing Ombudsman	328	(50,801)	44,277	(6,524)	540	36,008	42	1,333
Valuation Tribunal Service	5,189	-	5,614	5,614	64	3,564	-	26
Departmental Group	**–**	**(4,371,186)**	**55,136,970**	**50,765,784**	**7,216**	**531,153**	**576**	**16,520**

The entities shown are the ALBs consolidated to form the financial statements in this Annual Report and Accounts. Note 21 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 139 and in the table of Average Number of Persons Employed on page 101.

Note 3. Staff Costs

£'000

		2025-26		Restated 2024-25	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		365,697	547,911	339,377	501,889

The Staff Report, page 95, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

£'000

		2025-26		2024-25 Restated	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-Cash Items					
Depreciation and amortisation		24,454	36,702	21,592	31,025
Impairment/(revaluation) of Property, Plant and Equipment		-	41	497	6,808
Impairment/(revaluation) of other financial assets		166	585,195	17,039	(147,487)
Impairment of inventory		-	-	-	178,264
Impairment/(revaluation) of assets		32,569	32,569	2,188	2,188
Loss on disposal of assets		35	(2)	18,590	18,557
ERDF write-offs and disallowances		-	-	1,240	1,240
Auditors remuneration[1]		835	835	610	610
Increase/Decrease in provisions (Provisions provided for in year less any release)		(22,402)	(21,431)	(58,477)	(59,573)
Write-off of bad debt		658	516	(71)	131
Net interest on pension scheme liabilities	13	111	(316)	4,999	3,088
Admin charge on pension assets	13	2,719	3,003	2,352	2,537
Share of Loss of Joint Ventures and Associates		-	9,891	-	7,767
Notional costs		268	268	291	291
Local share (business rates retained by local authorities)		17,560,355	17,560,355	16,344,071	16,344,071
Other non cash costs		1,671	1,671	713	713
Total Non Cash Items		**17,601,440**	**18,209,298**	**16,355,634**	**16,390,230**
Cash Items					
Rentals under leases		1,004	1,029	1,032	1,033
Accommodation including rentals under leases		1,763	6,484	65	5,777
Research and development		59,136	59,136	52,599	52,893
Legal and professional services		99,856	181,703	94,046	161,202
Consultancy		6,397	7,262	7,336	7,408
Marketing and communications		6,639	7,329	4,170	4,744
Training and development		3,854	5,845	4,501	6,616
Auditors remuneration[1]		-	1,023	486	1,573
IT expenditure		87,637	101,880	88,804	101,006
Travel and subsistence		7,030	11,221	6,370	10,991
Returning Officer Expenses[2]		3,752	3,752	278,913	278,913
ERDF Financial Corrections		(644)	(644)	6,617	6,617
Interest payable		18	680	12	671
Taxation		4,319	25,163	3,531	5,174
ERDF grants		1,000	1,000	348,292	348,292
Revenue support grant and PFI grant		2,432,486	2,432,486	2,309,976	2,309,976
Business rates retention (top ups)		2,763,426	2,763,426	2,830,876	2,830,876
Capital grants to local authorities		5,901,220	6,602,853	5,053,013	5,876,624
Current grants to local authorities		21,489,144	21,502,863	18,928,345	18,939,668
Other grants		150,609	2,633,493	908,280	3,361,801
Other cash costs		12,328	31,776	10,015	24,788
Total Cash Items		**33,030,973**	**36,379,761**	**30,937,279**	**34,336,643**
Total		**50,632,412**	**54,589,059**	**47,292,913.00**	**50,726,873.00**

1 The external auditors total group fees (notional and cash) for all statutory audit work were £1.918 million. Of the £1.2 million cash charge for auditor's remuneration, £1.1 million relates to external audit fees and the remaining relates to other assurance work not performed by external audit.

2 A breakdown of significant grant programmes held in the core department is provided below:

Grant Programme	Amount £'000 2025-26	Amount £'000 2024-25
BRR – Local Share	17,560,355	16,344,071
Revenue Support Grant and PFI grant	2,432,486	2,309,976
Social Care support	6,193,641	5,043,968
BR S31 Relief Measures	5,101,421	5,521,234
Better Care Fund	2,516,027	2,039,256
Market Sustainability	1,050,000	1,050,000
Homelessness Prevention Grant	694,037	443,361
Core UKSPF Grant Fund	577,653	927,092
New Homes Bonus	290,464	290,805
Rough Sleeping Initiative	298,029	232,263
Integrated Sett 25-26	535,026	-
Fire Pension	799,069	776,785
Employer NICs	515,000	-
Recovery Grant	600,000	-
Investment Funds	234,077	-
Children and Families Grant	432,334	-
Other current grants to Local Authorities	1,591,197	2,523,817
ERDF Grants	-	348,292
Other current grants	212,779	987,465
Total current grants	**41,633,594**	**38,838,385**
Disabled Facilities Grant	761,000	711,000
Stronger Towns Capac	363,460	422,757
Affordable Homes Programme (2016-23)	115,171	532,154
Building Safety Fund	240,085	278,764
Levelling Up Fund	807,865	765,034
Affordable Homes Programme (2021-26)	1,455,059	109,702
Core UKSPF Grant Fund	225,909	338,185
Local Authority Housing	300,995	199,897
Levelling Up Partnerships	88,870	232,310
Integrated Sett 25-26	441,093	-
Investment Funds	228,851	-
Other capital grants to Local authorities	872,862	1,463,789
Total capital grants	**5,901,220**	**5,053,592**
Total grants	**47,534,814**	**43,891,977**

Note 5. Operating Income

£'000

	Notes	2025-26 Core Department & Agency	2025-26 Departmental Group	2024-25 Core Department & Agency	2024-25 Departmental Group
Non Cash Items					
Gain on sale of non current assets and assets held for sale		-	92,213	5,732	48,253
(Decrease)/increase in fair value - FVTPL assets		16,832	(20,673)	-	297,659
Remeasurement - financial guarantees		12,338	12,338	14,185	14,185
Notional income		268	268	291	291
Total Non Cash Items		**29,438**	**84,146**	**20,208**	**360,388**
Cash Items					
CFER income		569	569	2,126	2,126
Grant income		958,672	1,115,612	738,543	798,418
Business rate relief returns		-	-	129,053	129,053
ERDF grant income		-	-	361,892	361,892
Business rates retention (tariff)		2,749,930	2,749,930	2,817,585	2,817,585
Goods and services		4,982	5,034	5,242	5,306
Accommodation		176	4,516	1,715	6,087
Fees		28,287	114,621	24,364	85,461
ERDF exchange rate gains (realised)		5	5	199	199
Interest and dividends		7,537	131,761	8,501	130,330
Other operating income		6.843	164,992	5,822	138,252
Total Cash Items		**3,757,001**	**4,287,040**	**4,095,042**	**4,474,709**
Total		**3,786,439**	**4,371,186**	**4,115,250**	**4,835,097**

Note 6. 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 2024	**17,441,103**	**656,383**	**121,217**	**18,218,703**
Additions	629	119,349	-	119,978
Write offs	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**
Additions	89	196,785	-	196,874
Write offs	(146,168)	(38,919)	-	(185,087)
Fair value gains/(losses)	(96,386)	56,095	16,832	(23,460)
Disposal	(2,181,987)	(134,055)	-	(2,316,042)
Transfers in / (out)	-	19,023	-	19,023
Balance at 31 March 2026	**13,492,587**	**815,356**	**119,902**	**14,427,845**
Of which:				
Core Department	-	-	119,902	119,902
Agencies	-	-	-	-
Designated bodies	13,492,587	815,356	-	14,307,943

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 14a.

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

Note 6.2 Financial Instruments - Recognised fair value measurements

Level 1, 2 and 3 are explained in note 14.

				2025-26
£'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	-	13,492,587	-	13,492,587
Other property investments	-	-	935,258	935,258
Other financial assets	70,696	-	-	70,696
Total financial assets	**70,696**	**13,492,587**	**935,258**	**14,498,541**
of which				
Core Department	5,000	-	-	5,000
Agencies	-	-	-	-
Designated bodies	65,696	13,492,587	935,258	14,493,541
Total financial assets	**70,696**	**13,492,587**	**935,258**	**14,498,541**
Financial liabilities at fair value through profit or loss				
Other financial liabilities	-	-	(367,532)	(367,532)
Total financial liabilities	**–**	**–**	**(367,532)**	**(367,532)**
of which				
Core Department	-	-	-	-
Agencies	-	-	-	-
Designated bodies	-	-	(367,532)	(367,532)
Total financial liabilities	**–**	**–**	**(367,532)**	**(367,532)**

				2024-25 Restated
£'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				
Other financial liabilities	-	-	(846,113)	(846,113)
Total financial liabilities	**–**	**–**	**(846,113)**	**(846,113)**
of which				
Core Department	-	-	-	-
Agencies	-	-	-	-
Designated bodies	-	-	(846,113)	(846,113)
Total financial liabilities	**–**	**–**	**(846,113)**	**(846,113)**

The prior year comparative disclosure for Level 3 financial liabilities has been restated to remove balances relating to Trade and Other Payables within the Core Department. These liabilities are measured at amortised cost and are therefore outside the scope of the fair value hierarchy disclosure. The restatement affects disclosure only and has no impact on the Statement of Financial Position. The adjustment corrects the presentation of the prior year comparative information.

Changes in level 3 Instruments Financial assets £'000	Other property investments	
	2025-26	2024-25
Balance 1 April	**819,496**	**777,600**
Additions	196,785	119,349
Repayments/disposals	(134,055)	(122,595)
Reclassifications	19,023	28,736
Gains/losses recognised in SOCNE	34,008	16,406
Balance 31 March	**935,257**	**819,496**
of which		
Core Department	119,902	103,070
Agencies		-
Designated bodies	815,356	716,426
Balance 31 March	**935,258**	**819,496**

The fair values of assets held at fair value through profit or loss relating to managed funds, equity investments in development / infrastructure projects and overage follow the income approach under IFRS 13. The fair value of Level 3 assets are calculated using project-level cash flow forecasts, discounted at rates set by HM Treasury, or the effective interest rate of the underlying loan agreement for loans at FVTPL if higher. This approach is as prescribed by the Government Financial Reporting Manual, issued by HM Treasury. This reflects the valuation methodology which would be employed by market participants when pricing the assets and, since the inputs which inform the calculation of fair value are unobservable to users of the accounts, the assets are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13.

Note 7. 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 2024	**901,494**	**206,666**	**821**	**1,108,981**
Additions	530,433	2,304	-	532,737
Write offs	(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**
Additions	393,348	-	-	393,348
Write offs	(118,847)	-	-	(118,847)
Expected loss allowance	(9,889)	38	-	(9,851)
Repayments	(291,834)	(25,655)	-	(317,489)
Transfer (to)/from receivables < 1 year	205,915	2,737	-	208,652
Balance at 31 March 2026	**1,066,823**	**258,461**	**821**	**1,326,106**
Of which:				
Core Department	19,796	254,125	821	274,742
Agencies	-	-	-	-
Designated bodies	1,047,027	4,336	-	1,051,364

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, and by varying the MSVs applied to the ECL allowance calculation performed under each economic scenario. This will 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.

Note 8. 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 2024	**354,343**	**–**	**354,343**
Transfers in / out	(2,732)	2,732	-
Transfer (to)/from receivables › 1year	188,871	703	**189,574**
Balance at 31 March 2025	**540,482**	**3,435**	**543,917**
Transfers in / out	-	(2,585)	(2,585)
Transfer (to)/from receivables › 1year	(208,799)	2,732	(206,067)
Balance at 31 March 2026	**331,683**	**3,582**	**335,265**
Of which:			
Core Department	-	703	703
Agencies	-	-	-
Designated bodies	331,683	2,879	334,562

Note 9. Inventories

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

£'000

	2025-26		2024-25	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April		**1,156,090**	**-**	**1,064,633**
Additions	-	276,836	-	322,478
Disposals		(135,082)	-	(52,756)
Impairments		(271,307)	-	(178,264)
Closing balance Land and buildings as at 31 March	**-**	**1,026,537**	**-**	**1,156,091**
ERDF Work in Progress				
Opening balance as at 1 April	-	-	250,362	250,362
Payments to Projects	-	-	13,780	13,780
Disposals	-	-	(264,142)	(264,142)
Closing balance ERDF as at 31 March	**-**	**-**	**-**	**-**
Total inventory closing balance as at 31 March	**-**	**1,026,537**	**-**	**1,156,091**

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 10. Trade and other receivables

£'000

	2025-26		2024-25 Restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:				
Trade receivables	128,936	251,209	119,174	213,352
Deposits and advances	-	4	-	4
VAT receivables	877	963	5,709	5,798
Other receivables	156,485	263,914	523,564	620,828
ERDF accrued income	-	-	(21,654)	(21,654)
Prepayments and accrued income	30,131	31,963	81,884	104,317
Elections Advances	157,855	157,855	189,828	189,828
Amounts due from the Consolidated Fund in respect of supply	-	-	19,237	19,237
Sub Total	**474,283**	**705,908**	**917,742**	**1,131,710**
Amounts falling due after more than one year:				
Trade receivables	-	135,314	-	111,211
Other receivables	30,970	63,906	36,573	47,584
Prepayments and accrued income	25	25	40	40
Sub Total	**30,996**	**199,245**	**36,613**	**158,835**
Total	**505,279**	**905,153**	**954,354**	**1,290,544**

Note 11. Cash and cash equivalents

£'000

	2025-26		2024-25 Restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	(5,013)	424,260	1,295,863	1,488,180
Net change in cash and cash equivalent balances	138,009	46,910	(1,300,876)	(1,063,920)
Cash Balance at 31 March	**132,996**	**471,170**	**(5,013)**	**424,260**
The following balances at 31 March were held at:				
Other bank and cash	-	48,685	-	112,751
Commercial banks and cash in hand	-	1,650	-	24,733
Government Banking Service	132,996	420,835	(10,682)	281,107
Government Banking Service (Elections)	-	-	5,669	5,669
Balance at 31 March	**132,996**	**471,170**	**(5,013)**	**424,260**

Note 12. Trade and other payables

£'000

	2025-26		2024-25 Restated	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:				
Taxation and social security	8,717	14,652	7,019	7,917
Trade payables	30	261,397	148	449,905
Other payables	31,032	49,222	327,021	345,889
Accruals	1,685,608	1,689,856	1,178,848	1,182,891
Accruals - Elections	202,532	202,532	231,120	231,120
Leases	17,673	20,156	21,213	21,702
Deferred income	57,584	92,616	53,533	75,013
ERDF deferred income	155,564	155,564	84,847	84,847
Amount issued from the Consolidated Fund for supply but not spent	102,607	102,607	-	-
NNDR payable to the Consolidated Fund	6,029	6,029	6,028	6,028
Consolidated fund extra receipts to be paid to the Consolidated Fund	21,124	21,124	13	13
Sub Total	**2,288,500**	**2,615,755**	**1,909,790**	**2,405,325**
Amounts falling due after more than one year:				
Leases	83,989	90,685	104,843	105,539
ERDF deposits held	-	-	19,944	19,944
Other payables	-	31,022	-	26,975
Deferred income	571	571	772	772
CFER Liability	3,236	3,236	2,514	2,514
Sub Total	**87,796**	**125,515**	**128,073**	**155,744**
Total	**2,376,296**	**2,741,269**	**2,037,863**	**2,561,069**

Note 13. 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

	2025-26		2024-25	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	708,017	1,467,613	847,489	1,677,236
Current service cost	-	11,130	-	16,040
Interest charges	39,840	81,169	40,091	79,835
Admin charge on pension liabilities	-	57	-	-
Contribution by members	-	6,817	-	6,638
Remeasurement of (gains) /losses on liability	133,889	108,617	(137,391)	(248,787)
Losses/(gains) on curtailment	-	(166)	-	(141)
Transfers	-	-	-	13,522
Benefits paid				
Funded benefits paid	(42,760)	(75,192)	(42,166)	(76,307)
Unfunded benefits paid	(6)	(339)	(6)	(423)
Closing defined benefit obligation	**838,980**	**1,599,706**	**708,017**	**1,467,613**
Reconciliation of fair value of employer asset				
Opening balance	(707,403)	(1,148,686)	(745,532)	(1,927,439)
Interest income on scheme asset	(39,729)	(106,479)	(35,092)	(76,747)
Admin charge on pension assets	2,719	2,946	2,352	2,537
Contributions by members	-	(6,817)	-	(6,638)
Contributions by employer	-	(19,790)	-	(25,028)
Remeasurement of (gains)/losses on asset	4,985	(260,051)	28,703	805,122
(Losses)/gains on curtailment	-	2,820	-	2,764
Assets distributed on settlement	42,760	75,287	42,166	76,743
Closing fair value of employer asset	**(696,668)**	**(1,460,770)**	**(707,403)**	**(1,148,686)**
Closing net pension liability	**142,312**	**138,936**	**614**	**318,927**
of which:				
Funded	142,283	136,562	579	315,142
Unfunded	29	2,374	35	3,785

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 (2024-25: 18 years).

The valuation of the scheme liabilities as at 31 March 2026 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 2025 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	2025-26	2024-25
Diversified Growth Funds / Return Seeking Assets	473	499
Gilts	125	122
Infrastructure	6	7
Property	34	33
Cash	48	35
Protection strategies	11	11
Total	**697**	**707**

The majority of assets held by the Scheme are unquoted investments.

The Scheme's assets reduced slightly over the year to 31 March 2026. 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.

The value of liabilities increased 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.

Principal assumptions

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

	2026	2025
Principal assumptions	% pa	% pa
Rate of inflation	3.15	3.2
Rate of salary increase	n/a	n/a
Discount rate for liabilities	5.95	5.80
Rate of increase of pensions in payment	3.3	3.2
Rate of increase of deferred pensions	3.3	3.2

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2024-25: 29 years), for females retiring today, 30 years (2024-25: 30 years) and for males retiring in 20 years, 30 years (2024-25: 30 years), for females retiring in 20 years, 32 years (2024-25: 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	-0.1% a year	+1.1%	9
Rate of inflation	+0.1% a year	+1.0%	8
Rate of mortality	Long-term mortality improvements +0.25% a year	+0.4%	3

Homes England pension schemes

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 schemes have reported an asset ceiling restriction in 2025/26 and 2024/25. This asset ceiling limits the recognition of further increases in net pension assets as per IAS 19, paragraph 64. This ceiling is determined by the maximum benefit obtainable through a refund or reduction in employer contributions.

All 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	2025-26 £'000	2024-25 £'000
Equities - quoted	389	408
Equities - unquoted	3	3
Bonds - quoted	271	223
Property	65	61
Other assets - quoted (incl cash)	141	145
Other assets - unquoted	115	93
Total	**984**	**933**
Present value of funded liabilities	(570)	(570)

Principal assumptions

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

Financial assumptions	2025-26 %	2024-25 %
Inflation and pension increases rate (CPI)	3.0	2.9
Salary increases	3.7	3.5
Discount rate	6.2	5.9

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

Financial assumptions	Change in assumption	Impact on scheme liabilities	£'m Impact on scheme liabilities
Discount rate	-0.25% a year	+3.2%	18.4
Rate of inflation	-0.25% a year	-3.0%	-17.3
Rate of mortality	-1 year	-2.9%	-16.7

Further details of all three schemes can be found in the Homes England Annual Report and Accounts for the year ended 31 March 2026.

Note 14a. Financial Instruments: Risk Management and Fair Value

The department oversees a portfolio of financial instruments (including loans, guarantees and Help to Buy) much of which is outside the appetite of other market investors and lenders. The portfolio is continuing to increase in size and is largely concentrated in a single sector, housing.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As the cash requirements of the group are largely met through the Estimates process and central government's ability to borrow to raise funds, there is minimal liquidity risk.

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 2026, 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)
20.00%	16,396.60	2,738.50	20.10%
10.00%	15,028.00	1,369.90	10.00%
0.00%	13,658.10	-	0.00%
-5.00%	12,968.10	-690	-5.10%
-10.00%	12,254.90	-1,403.20	-10.30%
-20.00%	10,564.70	-3,093.40	-22.60%
-30.00%	8,478.20	-5,179.90	-37.90%

Private sector developments, overage and infrastructure – market risk

At 31 March 2026, 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 £28.6 million/£28.6 million from that stated.

Land portfolio – market risk

The table below shows the effect on net expenditure at 31 March 2026, before the effects of tax, if at 31 March 2026 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)
20.00%	1,165.50	(139)	13.50%
10.00%	1,100.90	(74.4)	7.20%
0.00%	1,026.50	-	0.00%
-5.00%	985.7	40.8	-4.00%
-10.00%	939.2	87.3	-8.50%
-20.00%	845	181.5	-17.70%
-30.00%	749.6	276.9	-27.00%

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. 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.

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 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	2026	2025
Opening balance	**31,212**	**82,355**
Net movements in Expected Credit Loss Allowances	9,851	(51,143)
Closing balance	**41,063**	**31,212**

£'000

Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	2026	2025
Net movements in Expected Credit Loss Allowances	9,851	(51,143)
Amounts written-off loan balances as irrecoverable under IFRS 9	(118,847)	(23,774)
Total credit impairment loss charge	**(108,996)**	**(74,917)**

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 2026, the department had approved £3.2 billion worth of debt finance raised by Affordable Housing Finance (2013 scheme) and £3.7 billion (2020 scheme) on behalf of Private Registered Providers, of which £6.05 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 2026 is £17.69 million for the 2013 scheme and £3.48 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 £29.4 million and the interest rate decrease increased ELs to £20.67 million. For AHGS 2020 PD downgrades increase Expected Losses to £8.8 million and the interest rate decrease increased ELs to £4.7 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 2026, 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, £1.6 billion has been drawn and is covered by the Private Rented Sector financial guarantees issued by the department. The valuation of the liability is £2 million. A further £109 million has been repaid.

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 5 loans (from 29 in total) represent 46.3% (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 2026 accounted for £1,077 million of the total exposure (54.1%). The balance includes both loans measured at amortised cost and loans measured on a fair value basis. The exposures are before the application of the expected credit loss allowance.
- Receivables arise largely from disposals of land and property assets, generally to major developers and housebuilders in the private sector. These receivables are always secured by a right to retake possession of the disposed property in the event of a default by the buyer, and in appropriate cases are backed by financial guarantees. 10 counterparties account for 95.5% of the £257 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 2025 and 31 March 2026. 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 10 and 12) and Public Dividend Capital (Note 7)	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 10 and 12)	Discounted cost (where materially different from nominal value). The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Homes England's shareholding in the PRS REIT plc (Note 7)	The fair value of Homes England's shareholding in the PRS REIT plc is calculated with reference to prices quoted on the London Stock Exchange and is therefore categorised as level 1 in the fair value hierarchy as defined by IFRS 13.
Financial assets relating to housing units (Note 7)	The fair values of Homes England's equity-loan mortgage portfolio are calculated with reference to movements in the ONS house price index (UK HPI) at a regional level, being the most relevant available observable market data. This is supplemented by adjustments for experience of actual disposals since the inception of the schemes, also at a regional level. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 13.
Equity investments in private sector developments and infrastructure projects (Note 7)	The fair values of financial assets relating to equity investments in development and infrastructure projects are calculated using cashflow forecasts for the projects concerned, discounted at rates set by HM Treasury.
Managed funds (Note 7)	The fair value of managed funds is equal to the net assets of those funds at the reporting date, and are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Other financial instruments	Discounted future cash flows using discount rates set by HM Treasury or the rate intrinsic to the financial instrument if higher.
Affordable Housing financial guarantees liabilities	For initial recognition, fair value is based on probability weighted expected losses. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Private Rented Sector financial guarantees liabilities	For initial recognition, fair value is based on the fee charged for the guarantee. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.

Note 14b. 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

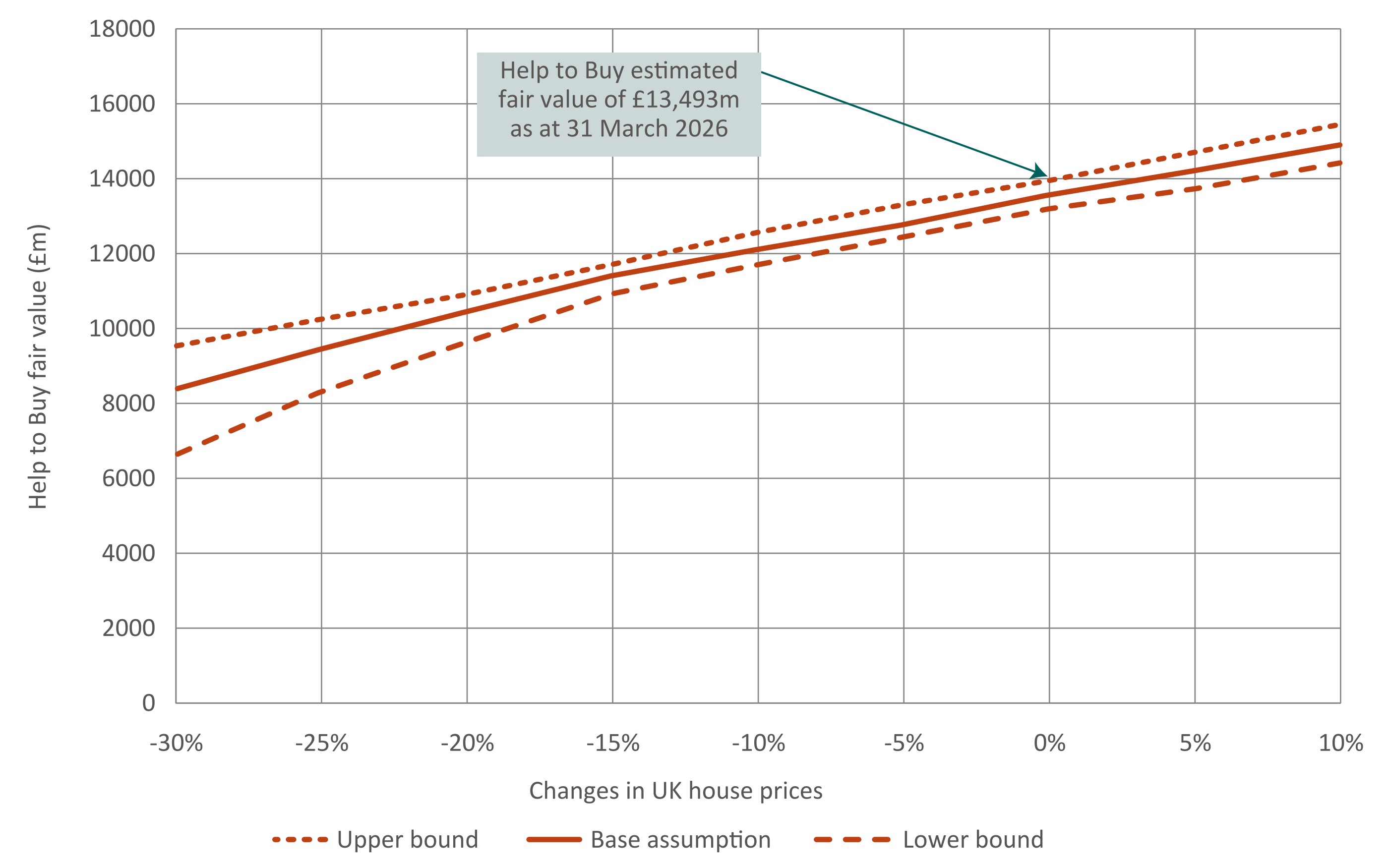
Office for National Statistics House Price Indices - which are used by Homes England to estimate the effect of house price inflation over time - are based on all market activity. Help to Buy is only available on new-build properties purchased with a mortgage, and redemptions can occur via staircasing 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 below graph illustrates a potential spread of fair value from the combined impact of assumptions at different market prices. The upper and lower bounds correspond to assumptions within the following ranges:

- market adjustments between 2% lower and 2% higher than the base assumptions
- proportion of transaction types between 100% sales and 100% staircasing
- mortgage arrears rates ranging from no arrears to a 7.5% increase on the base assumption
- discounts on repossession between 15% lower and 15% higher than the base assumption

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



Note 15. 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 £2,887 million at 31 March 2026 (31 March 2025: £2,834 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 £1,146 million at 31 March 2026 (31 March 2025: £1,627 million).

Homes England has entered into financial commitments in relation to the Cladding Safety Scheme totalling £560 million at 31 March 2026 (31 March 2025: £488 million)

In addition to the above, Homes England has entered into financial commitments in relation to land development of £228 million at 31 March 2026 (31 March 2025: £145 million), leases of £2 million (31 March 2025: £3 million) and software licences of £1 million (31 March 2025: £1 million).

	£'m 2025/26	£'m 2024/25
Not later than one year	**2,905**	**3,281**
Later than one year and not later than five years	1,842	1,787
Later than five years	**78**	**29**
Total commitments at 31 March	**4,825**	**5,097**

Note 16. 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
	2025-26	2024-25
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

Note 17. Contingent assets disclosed under IAS 37

			£'000
		2025-26	2024-25
a	Homes England has in certain instances disposed of land or made grant payments with certain conditions attached, which if no longer fulfilled will result in a payment to Homes England. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain, therefore it is not possible to quantify the likely income which may ultimately be received by the Agency.	Unquantifiable	Unquantifiable

Note 18. Related party transactions

The department is the parent of a number of sponsored bodies listed in Note 21. 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 2025-26, MHCLG made total payments of £466,600 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.
- 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 2025-26, the department made total payments of £34,000 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 and her brother does not act on the instruction.

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 19: Machinery of Government Change

Overview

On 1 April 2025, responsibility for Fire services transferred from the Home Office to the department following a Machinery of Government (MoG) change announced by the Prime Minister in February 2025.

This transfer has been accounted for using the merger accounting method, in accordance with the Government Financial Reporting Manual (FReM).

Accounting treatment

Under the merger accounting approach:

- Assets and liabilities transferred are recognised at their carrying values at the date of transfer.
- The net assets received are recorded in the General Fund.
- No gain or loss is recognised in the Statement of Comprehensive Net Expenditure (SoCNE).
- Comparative figures have been restated as if the function had always been part of the Department.

Impact on prior year comparatives

The 2024-25 comparatives have been restated to reflect the transfer.

Statement of Comprehensive Net Expenditure (extract)

£m	2024-25 (as previously reported)	MoG adjustment	2024-25 (restated)
Staff costs	331,887	+7,490	339,377
Administration costs	46,516,128	+776,785	47,292,913
Net operating expenditure	46,848,015	+784,275	47,632,290

Statement of Financial Position (extract at 31 March 2025)

£m	As previously reported	MoG adjustment	Restated
Non-current assets - Trade and other receivables	31,973	4,640	36,613
Current assets - Trade and other receivables	801,146	116,596	917,742
Current liabilities - Trade and other payables	(1,905,125)	(4,665)	(1,909,790)
Non-current liabilities - Provisions	(55,973)	(7,867)	(63,840)

Net assets transferred in-year (2025-26)

The following balances were transferred on 1 April 2025:

£m	Value
Trade receivables	121,236
Trade payables	(4,665)
Provisions	(7,867)

Note 20. 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.

On 17 November 2025 National Housing Bank Limited was incorporated as a wholly owned subsidiary of Homes England. As a public financial institution, the Bank's purpose is to accelerate housebuilding in England by offering new finance and investment and to subsume an existing portfolio of Homes England's relevant financial assets and investments.

Further information can be found in the Homes England Annual Report & Accounts 2025-26.

Note 21. Departmental entities

The Departmental Group boundary is determined in accordance with the Government Resources and Accounts Act 2000 and HM Treasury's FReM.

The department has two executive agencies and 13 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	The Building Safety Regulator

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.

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
CNI Cyber Programme NFCC Cyber Programme	82	The payment to the National Fire Chiefs Council (NFCC) funded delivery of agreed cyber resilience activity for Fire and Rescue Services, focused on strengthening sector capability and assurance. This included specialist cyber skills development (CISSP training for FRS cyber and ICT leads) and tools and services to support risk management and information sharing (including WARP membership and Risk Ledger subscription).
Combatting Hate Against Muslims fund Grant payment to British Muslim Trust	650	To support the work of the British Muslim Trust in monitoring anti-Muslim hate and supporting victims
Common Ground Resilience Fund: 2025-26 Funding to VCSE sector organisations that are bringing people together from different backgrounds, supporting the cost of constructing or renovating facilities, or the purchasing of equipment to deliver services.	2,099	Funding to VCSE sector organisations that are bringing people together from different backgrounds, supporting the cost of constructing or renovating facilities, or the purchasing of equipment to deliver services.
Contribution to Yom HaShoah Ceremony Support for Yom HaShoah Ceremony	20	Contribution to Yom HaShoah - Holocaust and Heroism Remembrance Day of commemoration for the approximately six million Jews murdered in the Holocaust by Nazi Germany and its allies, and for the Jewish resistance in that period
G2G Speaker Development Regional Expansion Project. Expansion of G2G Holocaust Testimony Project	10	Supporting Generation2Generation to expand 2nd and 3rd generation testimony beyond London
Holocaust Centre North Homeward Bound Contribution to cataloging/digitising of 100 collections	20	Support to digitise The Homeward Bound Collection which brings together materials from the Holocaust Centre North Archive, sharing a history of the Holocaust through the lives of survivors and refugees who came to the north of England, and the stories of the family members who did not survive
Holocaust Educational Trust Supporting Historian for UKHMF content	5	Supporting the work of the UK Holocaust Memorial and Learning Centre's historian
Holocaust Memorial Day Support for the UK's annual Holocaust Memorial Day	945	To deliver the annual Holocaust Memorial Day
Hong Kong BN(O) Welcome Programme To continue the support of the integration of HK BNOs	50	For the delivery of the hate crime reporting service On Your Side, that supports those from the East and Southeast community who witness or experience any form of hate.
Hong Kong British National Overseas (HKBNOs) Welcome Programme To continue with the support of HK BNOs	175	For the delivery of the hate crime reporting service On Your Side, that supports those from the East and Southeast community who witness or experience any form of hate.
Inter Faith Week 2025 Evaluation To carry out research and analysis into Inter Faith	8	Inter Faith Week (IFW) has promoted interfaith understanding since 2009. Following the closure of the Inter Faith Network in 2024, the government provided a direct grant to a consortium steering group to deliver IFW 2025, alongside funding a consultation to inform future delivery. IFW aims to increase awareness of faith communities, improve understanding between people of all beliefs, and strengthen interfaith relations at all levels.

Institution	Payments £ 000	Purpose
Interfaith Week 2025 To deliver Interfaith Week 2025	142	Inter Faith Week (IFW) has promoted interfaith understanding since 2009. Following the closure of the Inter Faith Network in 2024, the government provided a direct grant to a consortium steering group to deliver IFW 2025, alongside funding a consultation to inform future delivery. IFW aims to increase awareness of faith communities, improve understanding between people of all beliefs, and strengthen interfaith relations at all levels.
Local Government AI Accelerator ai@cam Local Government AI Accelerator	180	Delivery of ai@cam Local Government AI Accelerator to support the use of AI to tackle challenges in local government through proof-of-concept research collaborations and knowledge exchange across research, local government, and MHCLG.
Multi-faith VE Day Commemorations and Recognition of minority contributions To commemorate and raise awareness	10	Funding provided to deliver VE Day 2025 events that highlight the contributions of diverse faith groups and ethnic minorities to Britain's war effort, strengthen interfaith collaboration, and provide an inclusive, historically accurate perspective on the shared sacrifices of all communities.
Near Neighbours To deliver the Near Neighbours programme	587	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.
Remembering Srebrenica To deliver the Remembering Srebrenica programme	100	The Remembering Srebrenica programme raises awareness of the 1995 genocide of Bosnian Muslims, tackling hatred and intolerance through educational resources.
Roma Memorial Unveiling and Event Commemoration event for the Roma Genocide	5	Support for the unveiling of a memorial in Newcastle upon Tyne to remember the genocide of the Roma.
Schools Linking To deliver the Schools Linking programme	86	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.
Secretariat for the Independent Antisemitism Adviser Secretariat for the Independent Antisemitism Adviser	120	Funding for the Antisemitism Policy Trust to provide secretariat support for the government's Independent Adviser on Antisemitism
Support for the exhibition In their footsteps Support for In Their Footsteps Exhibition &3D scanner	5	Support for In Their Footsteps Exhibition and purchase of 3 D scanner
Supporting the VCFSE sector to engage with devolution and Local Government Reorganisation Resource authorities and the VCFSE sector to work together	59	Support for NAVCA to deliver guidance and resources enabling VCFSE organisations and councils to strengthen partnership working during local government reform.
The Association of Jewish Refugees: Testimony Portal The Association of Jewish Refugees: Testimony Portal.	25	Outreach for the UK Holocaust Testimony Portal
The Wiener Holocaust Library's International Tracing Service (ITS) Digital Archive Support for UK copy of the Arolsen Archive (ITS)	93	Support for people accessing the UK's copy of the International Tracing Service, the largest archive on victims and survivors of Nazi persecution
TRUUD Urban Impacts Research Payment to Bristol University for TRUUD Research	67	TRUUD refers to the partnership of 6 universities (Bath, Bristol, Manchester, Reading, Stirling, West of England) which exists to research the impact of poor urban environment on health and develop tools and design policy solutions to create healthy environments

Institution	Payments £ 000	Purpose
UK Wildfire Conference 2026 Support for 2026 UK Wildfire Conference Delivery	10	Support for the delivery of the 2026 UK Wildfire Conference, which will bring together key stakeholders across the wildfire risk, to support policy development.
Women's Aid Routes to Support Funding to Women s Aid for the Routes to Support	406	The Section 70 grant funds Women's Aid to maintain the Routes to Support database and the No Woman Turned Away project, ensuring domestic abuse survivors can access vital refuge spaces and specialist accommodation support.
Total	**5,959**	

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 182. The auditor's notional fee of £28,000 (2024-25: £23,325) 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 HM Treasury and, in particular, to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the 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 64.

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

10 July 2026

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 2026 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 2026;
- Statement of Revenue, Other Income and Expenditure for the year then ended;
- 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 2026 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 appropriateness of adopting the going concern basis of accounting for the Business Rates Retention and Non-Domestic Rates Trust Statement 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 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 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 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 foreword 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 and report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the 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 Business Rates Retention and Non-Domestic Rates Trust Statement the 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 Government 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, including significant component audit teams, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the 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 Government Finance Act 1988 and Managing Public Money.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk 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
Comptroller and Auditor General

13 July 2026

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 2026

	Note	2025-26 £'000	2024-25 £'000
National Non Domestic Rates		2,119,736	2,085,048
Business Rates Retention		29,880,428	28,062,751
Local Share			
Deduction of Local Share		(17,560,355)	(16,344,071)
Total Revenue after deduction of Local share	3	14,439,809	13,803,728
Net Revenue for the Consolidated Fund Account		**14,439,809**	**13,803,728**

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

The notes at pages 190 to 192 form part of this Statement.

Statement of Financial Position

as at 31 March 2026

	Note	31-Mar-26	31-Mar-25
			£'000
Current Assets			
Accrued Revenue Receivable		227,528	226,686
Cash and Cash Equivalents		14,427	133,260
Total Current assets		**241,955**	**359,946**
Current Liabilities			
Accrued Revenue Payable		-	94
Total Current Liabilities		**–**	**94**
Total assets less current liabilities		**241,955**	**359,852**
Balance on Consolidated Fund Account	2	**241,955**	**359,852**

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

10 July 2026

The notes at pages 190 to 192 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2026

£'000

	Note	2025-26	2024-25
Cash flows from operating activities		14,438,873	13,865,635
Cash paid to the Consolidated Fund		(14,557,706)	(13,828,254)
CFERs payable to the Consolidated Fund			
Increase/(decrease) in cash in this period		**(118,833)**	**37,381**
Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	14,439,809	13,803,728
(Increase)/Decrease in receivables		(842)	161,287
Increase/(Decrease) in payables		(94)	(99,380)
Net Cash Flow from Operating Activities		**14,438,873**	**13,865,635**
Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		(118,833)	37,381
Net funds at 1 April		133,260	95,879
Net Funds as 31 March		**14,427**	**133,260**

The notes at pages 190 to 192 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 2025-26 issued by HM Treasury under DAO(06/25)
- the 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 2024-25).

Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	2025-26	2024-25
Balance on Consolidated Fund Account as at 1 April	359,852	384,378
Net Revenue of the Consolidated Fund	14,439,809	13,803,728
Less amount paid to the Consolidated Fund	(14,557,706)	(13,828,254)
CFERs payable to the Consolidated Fund	-	
Balance on Consolidated Fund Account as at 31 March	**241,955**	**359,852**

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

		£'000
Revenue	2025-26	2024-25
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	2,119,736	2,085,048
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	12,320,073	11,718,680
	14,439,809	**13,803,728**

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 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 2026 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") 2025-26.

The Statement shall be prepared 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.

Charlotte Goodrich
Deputy Director, Government Financial Reporting
HM Treasury

18 December 2025

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