



Ministry of Housing,
Communities &
Local Government

BUILDING SAFETY TRUST STATEMENT - 2025-26

**Ministry of Housing, Communities & Local
Government**

Building Safety Trust Statement – 2025-26

For the year ended 31 March 2026

Presented to the House of Commons pursuant to
section 2 of the Exchequer and Audit Departments
Act 1921

Ordered by the House of Commons to be printed on
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Contents

Foreword by the Accounting Officer	1
Governance Statement	8
Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement.....	9
The Certificate and Report of the Comptroller and Auditor General to the House of Commons.....	12
Statement of Revenue, Other Income and Expenditure	27
Statement of Financial Position.....	28
Statement of Cash Flows	29
Building Safety Trust Statement Notes.....	30
Annex A: Accounts Direction Given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921.....	53

Building Safety Trust Statement 2025-26

Foreword by the Accounting Officer

Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to HM Treasury's Consolidated Fund where the entity undertaking the collection acts as agent rather than principal. The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921.

The Trust Statements comprises the:

- Statement of Revenue, Other Income and Expenditure;
- Statement of Financial Position;
- Statement of Cash Flows; and
- notes to the accounts.

Background

The Building Safety Act 2022

The Building Safety Act 2022 was granted Royal Assent on 28 April 2022. The Building Safety Act

2022 “is an Act to make provision about the safety of people in or about buildings and the standard of buildings”.

Scope

The Ministry of Housing, Communities and Local Government (MHCLG) acts as an agent of HM Treasury for collecting revenues related to the Building Safety Act 2022, including grant recoveries collected from developers under Developer Remediation Contracts and, from 1 October 2026, the Building Safety Levy. The levy will be collected by collecting authorities and paid to MHCLG on a quarterly basis and accounted for in this Trust Statement.

The revenues set out in this Trust Statement are intended to contribute to the costs of the Government’s Building Safety Programme. Expenditure on the Building Safety Programme is incurred within MHCLG Annual Report and Accounts and does not form part of this Trust Statement.

Developer Remediation Contracts

Following a pledge from leading developers in

2022, Government wrote to developers in January 2023 asking them to sign a contract committing them to remediate or pay to remediate unsafe buildings which they developed, including to reimburse the taxpayer for Government expenditure on those buildings. 53 developers had signed at 31 March 2026.

Developers who have signed the contract have committed to remediate or pay to remediate over 2,400 buildings at a cost to themselves of over £3.5 billion.

Signing the contract is a pre-requisite for joining the new statutory Responsible Actors Scheme (RAS).

Responsible Actors Scheme

On 3 July 2023, regulations to establish the RAS for residential developers under sections 126-129 of the Building Safety Act 2022 were signed into law. On 21 July 2023, the Government launched the RAS.

The RAS recognises action taken by responsible developers to identify and remediate or pay to remediate life-critical fire safety defects in

residential buildings 11 metres or over in height which they developed or refurbished in England over the 30 years to 4 April 2022. Eligible developers who do not join the Scheme and comply with its conditions (in particular signing the aforementioned developer remediation contract and abiding by its terms) will have planning and building control prohibitions imposed on them.

Elements of the Trust Statement

Developer Debt Collection

Developers under scope of the DRC are expected to reimburse the cost to the taxpayer of remediating buildings they are deemed to have responsibility for. Where funding has previously been provided under the Building Safety Fund or Cladding Remediation Scheme, on completion of works Developers are asked to repay the funding provided by MHCLG after the cost of works has been verified.

Income is included in the Trust Statement when expenditure is provided for remediation work. Due to the length of remediation projects and grant funding payments being made in stages, income is recognised in an earlier financial year to when funding is recovered. In the event of an underspend

of grant funding within the relevant remediation programme, these funds will be recovered from applicants, and income in this Trust Statement will reduce accordingly. Further details can be found in the accounting policy note 1.

As of March 2026, £60.4m of an expected total recoverable amount of £563.6m has been collected (2024-25: £5.2m of £544.6m).

The Building Safety Levy

The Building Safety Act 2022 gives the Secretary of State powers to make regulations which charge a levy on building control applications for the purpose of meeting building safety expenditure.

The Building Safety Levy (England) Regulations 2025 will bring the levy into force from 1 October 2026. Relevant building control applications submitted from 1 October 2026 will be subject to the levy, subject to certain exemptions.

Developers who have to pay the levy will be required to do so before a completion certificate is issued or a final certificate accepted by the collecting authority.

Levy receipts will be received from collecting authorities on a quarterly basis following

implementation of the levy.

Basis for preparation

HM Treasury's Accounts Direction, issued in accordance with Section 2 of the Exchequer and Audit Departments Act 1921 requires MHCLG to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection of the Building Safety Levy and developer grant recoveries. The Trust Statement complies with all relevant accounting and disclosure requirements mandated by HM Treasury.

Accounting policies

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Accounting policies are detailed in note 1 to the Trust Statement.

Auditors

The Trust Statement is audited by the Comptroller and Auditor General (C&AG) under section 2 of the Exchequer and Audit Departments Act 1921. The audit opinion is on page 12. The notional audit

fee of £110,000 (2024-25: £110,000) is accounted for in the MHCLG's financial statements. There were no fees in respect of non-audit work.

Governance Statement

The MHCLG Governance Statement, covering both the Resource Accounts and the Trust Statement, starts on page 64 of the MHCLG Annual Report and Accounts 2025-26.¹

¹ [Annual Report and Accounts 2025-26](#)

Statement of the Accounting Officer's Responsibilities

Under section 2 of the Exchequer and Audit Departments Act 1921, HM Treasury has directed MHCLG to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Permanent Secretary as Accounting Officer of MHCLG with overall responsibility for preparing the Trust Statement and for transmitting it to the C&AG.

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 assets, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer is responsible for the fair and efficient administration of the Building Safety Levy and developer grant recoveries, collection of the proceeds and onward transmission of the

funds in their entirety to the Consolidated Fund.

The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of the Building Safety Levy and developer grant recoveries collected by MHCLG, together with the net revenue for the Consolidated Fund.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) prepared by HM Treasury and, in particular, to:

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

concern basis; and

- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced and understandable.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Trust Statement's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. The Trust Statement as a whole is fair, balanced and understandable. I take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced and understandable.

Tom Riordan CBE

6 October 2026

Accounting Officer

Ministry of Housing, Communities and Local
Government

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

Opinion on financial statements

I certify that I have audited the financial statements of the Building Safety Trust Statement for the year ended 31 March 2026 under the Exchequer and Audit Departments Act 1921.

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

- Statement of Financial Position as at 31 March 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 Building Safety Trust Statement's affairs as at 31 March 2026 and its net revenue for the Consolidated Fund 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 Building Safety 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 Building Safety Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Foreword by the Accounting Officer,

the Governance Statement and the Statement of the Accounting Officer's Responsibilities but does not include the financial statements and my auditor's certificate 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 by the Accounting Officer, the Governance Statement and the Statement of the Accounting Officer's Responsibilities, for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Building Safety Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword by the Accounting Officer, the Governance Statement and the Statement of the Accounting Officer's Responsibilities.

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 Building Safety Trust Statement by the Ministry of Housing, Communities and Local Government or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement 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 Governance Statement in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921; and
- assessing the appropriateness of the adopting of the going concern basis of accounting for the Building Safety Trust Statement, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the

services accounted for within these financial statements will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws

and regulations, including fraud

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Building Safety Trust Statement's accounting policies.
- inquired of management, the Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance, including obtaining and reviewing supporting

documentation relating to the Ministry of Housing, Communities and Local Government's policies and procedures relevant to the Building Safety Trust Statement on:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Ministry of Housing, Communities and Local Government's controls relating to compliance with the Exchequer and Audit Departments Act 1921, the Building Safety Act 2022 and Managing Public Money.
- inquired of management, the Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial

statements and any potential indicators of fraud.

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

I obtained an understanding of the Building Safety Trust Statement's framework of authority and other legal and regulatory frameworks. 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 Building Safety Act 2022, 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

8 October 2026

National Audit Office
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Buckingham
Palace Road
Victoria
London
SW1 W9P

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March 2026

		£'000	£'000
	Note	2025-26	2024-25 Restated
Revenue			
Developer grant recoveries		1,369	5,545
Other income			
Interest income		1,510	-
Total revenue	3	2,879	5,545
Expenditure			
Expected credit loss - remeasurement gains/(losses)	6	16,484	(3,732)
Discounting expenditure		(433)	-
Total expenditure		16,051	(3,732)
Net Revenue for the Consolidated Fund		18,930	1,813

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

Details of the prior year restatement can be found at Note 1f

The notes at pages 30 to 52 form part of this Statement.

Statement of Financial Position

As at 31 March 2026

		£'000	£'000
	Note	31 March 2026	31 March 2025 Restated
Non-current assets			
Trade receivables	4	3,484	-
Contract assets	5	163,716	264,283
Total non-current assets		167,200	264,283
Current assets			
Trade receivables	4	69,399	13,460
Contract assets	5	266,608	261,600
Cash and cash equivalents	7	60,371	5,305
Total current assets		396,378	280,365
Total assets		563,578	544,648
Balance due to Consolidated Fund account	2	563,578	544,648

The notes at pages 30 to 52 form part of this Statement

Details of the prior year restatement can be found at Note 1f

Tom Riordan CBE

6 October 2026

Accounting Officer

Ministry of Housing, Communities and Local Government

Statement of Cash Flows

For the year ended 31 March 2026

		£'000	£'000
	Note	2025-26	2024-25 Restated
Cash flows from operating activities		55,066	5,305
Cash paid to the Consolidated Fund		-	-
Increase/(decrease) in cash in the period		55,066	5,305
Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	2	18,930	1,813
Adjusted for:			
(Increase)/decrease in trade receivables and contract assets		36,136	3,492
Increase/(decrease) in payables		-	-
Net cash flows from operating activities		55,066	5,305
Analysis of Changes in Net Funds			
Increase/(decrease) in cash in the period		55,066	5,305
Net funds at 1 April		5,305	-
Net Funds as 31 March		60,371	5,305

The notes at pages 30 to 52 form part of this Statement.

Details of the prior year restatement can be found at Note 1f

Note 1: Statement of Accounting Policies

a) Basis of preparation

The Trust Statement is prepared in accordance with:

- the Accounts Direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921
- the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.

The Trust Statement has been prepared on an accruals basis and in accordance with the historical cost convention.

This Trust Statement reports revenue collectable on behalf of the consolidated fund in relation to developer debt recoveries under Developer Remediation Contracts.

b) Revenue recognition

When eligibility for building remediation funding is established, a contract is set up between MHCLG

and the Developer whereby MHCLG undertakes to fund the remediation of the building on behalf of the Developer, then reclaim that funding from the Developer.

In accordance with IFRS 15 (Revenue), revenue is recognised when performance obligations under the Developer Remediation Contracts (DRC) are deemed to have been met. A performance obligation is deemed to have been met when a payment has been made under the cladding remediation grant funds to a responsible administrative entity (applicant) to remove unsafe cladding on a building within scope of the Developer Contract.

Determining the transaction price requires an estimate of the amount of grant funding paid to applicants that will ultimately be recoverable from Developers under the terms of the Developer Remediation Contracts. Whilst a performance obligation is satisfied when remediation funding is paid in respect of an eligible building, the amount to which MHCLG expects to be entitled may subsequently change as remediation works progress and projects reach close-down. The

transaction price is therefore reassessed at each reporting date using the best information available, including known project outcomes, historic experience of project underspends and other factors affecting the final recoverable amount. Any adjustment arising from a revision of the estimated recoverable amount is reflected through revenue in the period in which the estimate is updated.

MHCLG invoices the Developer to recover costs. Revenue from completed performance obligations is recorded as a contract asset (see Note 5) until such time that it is invoiced, at which point it is reclassified as a trade receivable in accordance with IFRS 9 (Financial Instruments).

Receivables are classified as current or non-current depending on whether they are due within one year. Where settlement of trade receivables is agreed to be deferred into a future financial year, the expected future cash flow is discounted to net present value.

MHCLG have assessed that there is no significant financing component in the contract assets: cash falls due (and contract assets convert to receivables) due to factors outside the Developers'

direct control, and with significant variability as to timing and amount. Therefore, as per IFRS 15, contract assets have not been discounted.

c) **Expected Credit Losses**

IFRS 9 requires an Expected Credit Loss (ECL) allowance calculation to be performed with reference to the level of credit risk and performance of each receivable.

MHCLG recognises a write-off when there is no reasonable expectation of recovery. Financial assets written off are still subject to enforcement activity. The recognition of contract assets under IFRS 15 requires the assessment of lifetime losses when calculating the ECLs.

Default is deemed to occur when it is determined that a debtor is unlikely to pay its obligations in full without recourse to enforcement action.

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

estimated place of the receivable in the hierarchy of debt in the event of default). IFRS 9 requires a weighted average ECL based on a baseline, upside and downside economic scenario. The assumptions and weightings applied are the same as those in the accounts of the Departmental Group.

An area of significant estimation and judgements is the changes in assumptions, which can have a significant impact on the ECL calculation. See note 6 for further detail of ECL sensitivity.

d) **Impact of standards and interpretations in issue but not yet effective**

IFRS 18 – Presentation and Disclosure of Financial Statements

This standard 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.

e) **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. The calculation of expected credit losses and of the impact of underspends and appeals on income recovery are subject to significant estimation. Further detail is provided in notes 1 b), 1 c) and 6.

f) **Prior period restatement**

Following a review undertaken during 2025-26, the Department identified information relevant to the measurement of contract assets and the associated allowance against developer income at 31 March 2025 that was available within the Department before the 2024-25 Trust Statement was authorised for issue but had not been taken into account in the preparation of those financial statements.

The omitted information related to remediation funding recoveries that, under the terms of the

Developer Remediation Contracts, were not expected to be recoverable from Developers and therefore should have been reflected within the estimate of the transaction price at 31 March 2025. As a result, contract assets and developer income were overstated in the previously reported financial statements.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, comparative figures have been restated to correct this prior period error and reflect information that was available when the 2024-25 Trust Statement was prepared. The effect of the restatement is to increase the allowance against developer income and reduce contract assets and revenue by approximately £10.0 million at 31 March 2025.

Impact on the Statement Revenue, Other Income, and Expenditure

	£'000	£'000	£'000
	2024-25 Published	2024-25 Restatement	2024-25 Restated
Revenue			
Developer grant recoveries	15,550	(10,005)	5,545
Total revenue	15,550	(10,005)	5,545
Expenditure			
Credit losses - debts written off or otherwise impaired	(3,732)	-	(3,732)
Total expenditure	(3,732)	-	(3,732)
Net Revenue for the Consolidated Fund	11,818	(10,005)	1,813

Impact on the Statement of Financial Position

	£'000	£'000	£'000
	1 April 2025 Published	1 April 2025 Restatement	1 April 2025 Restated
Non-current assets			
Trade receivables	-	-	-
Contract assets	269,860	(5,577)	264,283
Total non-current assets	269,860	(5,577)	264,283
Current assets			
Trade receivables	13,460	-	13,460
Contract assets	266,028	(4,428)	261,600
Cash and cash equivalents	5,305	-	5,305
Total current assets	284,793	(4,428)	280,365
Total assets	554,653	(10,005)	544,648
Balance on Consolidated Fund Account	554,653	(10,005)	544,648

Note 2: Balance on Consolidated Fund Account

	£'000	£'000
	2025-26	2024-25 Restated
Balance due to Consolidated Fund as at 1 April	544,648	542,835
Net Revenue for the Consolidated Fund	18,930	1,813
Less amount paid to the Consolidated Fund	-	-
Balance due to Consolidated Fund account as at 31 March	563,578	544,648

Note 3: Revenue

	£'000	£'000
	2025-26	2024-25 Restated
Revenue arising from remediation funding paid during the year ¹	21,420	59,344
Adjustment arising from confirmation of prior estimates of recoveries due from developers ²	(28,984)	(6,089)
Change in estimate of recoveries due from developers ³	8,933	(47,710)
Net developer grant recoveries	1,369	5,545
Interest income from payment plans and late payment penalties ⁴	1,510	-
Total revenue	2,879	5,545

The change in estimate of recoveries due from developers disclosed above has been restated as per note 1.f. The published figure in the 2024-25 Trust Statement was (£37,705k), while the restated figure is (£47,710k).

Revenue is recognised when remediation funding is paid and the associated performance obligation is satisfied. The amount recognised reflects management's estimate of the transaction price, being the amount expected to be recoverable from Developers under the Developer Reimbursement Contracts. Estimates are reassessed at each reporting date as additional information becomes available regarding project outcomes, underspends, appeals and other factors affecting recovery.

1. During 2025-26, the Department recognised £21.42 million of revenue in respect of remediation funding paid during the year (2024-25: £59.34 million)

2. During 2025-26 the Department reduced contract assets in the value of £28.98 million (2024-25: £6.09 million) following confirmation that remediation funding paid in prior years had been underspent. As these amounts are expected to be recovered from remediation fund applicants rather than Developers, they are no longer recognised as recoveries from Developers.
3. The estimate of further recovery reduction, where the contract asset may reduce further in the future due to underspend if grant funding, reduced in 2025-26 by £8.93 million. The current year allowance is measured at £38.78 million and is split between £12.63 million of known reductions that have occurred since the date of the financial statements (2024-25: £26.63 million), and a further estimate of £26.4 million of future reductions (2024-25: £24.08 million). This estimate was first made in the 2024-25 financial year at a value of £47.71 million.
4. Interest income was recognised for the first time during the 2025-26 financial year. The income from additional interest charged on payment plans was £1.51 million, with no late payment fees being charged as of 31 March 2026.

Note 4: Trade and other receivables

	£'000	£'000	£'000
	Current	Non-current	Total
Balance at 1 April 2024	-	-	-
Additions	20,752	-	20,752
Payments	(5,305)	-	(5,305)
ECL remeasurement gains/(losses)	(1,987)	-	(1,987)
Balance at 31 March 2025	13,460	-	13,460
Additions	121,068	329	121,397
Payments	(55,066)	-	(55,066)
ECL remeasurement gains/(losses)	(6,311)	(597)	(6,908)
Transfer from current to non-current	(3,752)	3,752	-
Balance at 31 March 2026	69,399	3,484	72,883

The non-current receivables balance represents the value of debt repayments which are subject to repayment plans and will be repaid over a longer time period than standard invoices.

Note 5: Contract assets

5.1: Movement in contract assets	£'000	£'000	£'000
	<1 year	>1 year	Total
Opening Balance at 1 April 2024	18,315	524,520	542,835
Additions attributable to income recognised	26,596	32,748	59,344
Transfer to trade receivables	(20,752)	-	(20,752)
Transfer between current and non-current contract assets	266,874	(266,874)	-
Adjustment arising from confirmation of recoveries not to come from developers	-	(6,089)	(6,089)
Change in estimate of future non-recovery from developers	(26,596)	(21,114)	(47,710)
ECL remeasurement gains/(losses)	(2,837)	1,092	(1,745)
Balance at 31 March 2025 (Restated)	261,600	264,283	525,883
Additions	9,838	11,582	21,420
Transfer to trade receivables	(120,320)	-	(120,320)
Transfer between current and non-current contract assets	177,085	(177,085)	-
Adjustment arising from confirmation of recoveries not to come from developers	(28,583)	(401)	(28,984)
Change in estimate of future non-recovery from developers	(4,778)	13,711	8,933
ECL remeasurement gains/(losses)	(28,234)	51,626	23,392
Balance at 31 March 2026	266,608	163,716	430,324

Additions have been reclassified, to strengthen disclosures, as ‘additions attributable to income recognised’, ‘adjustment arising from confirmation of

recoveries not to come for developers' and 'change in estimate of future non-recovery from developers'. The net of these has been restated as per note 1.f. The published figure in the 2024-25 Trust Statement was £15,550k, while the restated figure is £5,545k.

5.2: Reconciliation of contract assets	£'000	£'000
	2025-26	2024-25 Restated
Gross contract asset relating to developer recoveries	522,778	650,662
Adjustment expected in the next financial year due to known underspends	(12,379)	(13,502)
Estimate of future amounts not to be recovered due to credit losses and underspends	(80,075)	(111,277)
Net contract asset closing balance	430,324	525,883

Contract asset balances represent the accumulated value of revenue recognised under IFRS 15 that has not been invoiced at the end of the reporting period. This is net of the estimated transaction price reduction (see Note 3) which is expected to be collected from grant applicants instead of Developers.

Movements in the transaction price adjustment estimates are split between known adjustments expected to be processed in the next financial year (£12.38 million), and unknown future adjustments (£26.40 million).

Contract asset balances are also net of the expected credit loss allowance (2025-26: £53.68m; 2024-25: £77.97m (see Note 6) which may not be recovered in the event Developers are unable to repay the funding they are responsible for.

Contract asset estimates

Underspend estimates

		£'000	£'000
	Note	2025-26	2024-25
Balance at 1 April		47,710	-
Net movements in underspend estimates	4,5	(8,933)	47,710
Balance at 31 March		38,777	47,710

Contract asset estimate sensitivity

Percentage income reductions have been flexed below to demonstrate the impact of changes in the assumed percentage applied in the accounts (8%). In cases where remediation works are still in progress, management has estimated that 8% of remediation funding advanced to Grant Recipients will ultimately not be recoverable from Developers. This primarily reflects expected underspends in grant funding, where the final eligible remediation costs are lower than the funding provided. Any unspent grant funding will be recoverable by MHCLG from the Grant Recipient and will be accounted for separately within the MHCLG Group

Accounts. The sensitivity analysis below illustrates the impact on income of applying different assumptions to the percentage reduction recognised in the account.

	£'000	£'000	£'000	£'000	£'000
	4%	6%	8%	10%	12%
Projected	13,438	20,158	26,398	33,596	40,315
Known	12,379	12,379	12,379	12,379	12,379
Total	25,817	32,537	38,777	45,975	52,694
Change	(12,960)	(6,240)	-	7,198	13,917

Note 6: Expected credit loss allowances

Expected credit loss allowances

		£'000	£'000
	Note	2025-26	2024-25
Balance at 1 April		(79,056)	(75,324)
Net movements in Expected Credit Loss Allowances	4,5	16,484	(3,732)
Balance at 31 March		(62,572)	(79,056)

Credit impairment loss charges to Net Expenditure in relation to assets held at amortised cost

		£'000	£'000
		2025-26	2024-25
Net movements in Expected Credit Loss Allowances	4,5	16,484	(3,732)
Amounts written-off as irrecoverable under IFRS 9		-	-
Total credit impairment loss (charge)/credit		16,484	(3,732)

Movement in the expected credit loss allowance is driven by a number of factors, including change in overall debt position, change in credit rating

assessments on debtors and revision to the macroeconomic scenarios on which the model assumptions are based.

Change in Debt Position

During the financial year the expected debt position has reduced as a result of £55.1m of payments received on invoices, as well as a net reduction on income of £7.56m. Note 4 and Note 5 also show that overall the debt position has matured, with £120m of assets moving from contract assets to trade receivables, and £174m of contract assets expected to be invoiced within the next financial year.

Overall, the current expected credit loss allowance of £62.57m is allocated to the gross contract asset and trade receivable totals (before application of refund allowance) as follows. This represents 10.3% of total debt recovery (2024-25: 11.8%).

	£'000	£'000	£'000	£'000	£'000	£'000
	2025-26 Gross Asset	2025- 26 ECL	2024-25 Gross Asset	2024- 25 ECL	Change in Gross Asset	Change in ECL
Non-current Contract Asset	196,805	20,207	362,712	71,833	(165,907)	(51,626)
Current Contract Asset	325,973	33,470	287,950	5,236	38,023	28,234
Non-current Trade Receivables	4,081	597	0	0	4,081	597
Current Trade Receivables	77,697	8,298	15,447	1,987	62,250	6,311
Total Exposure	604,556	62,572	666,109	79,056	(61,553)	(16,484)

ECL sensitivity

As explained under Note 1, a simplified approach to ECL modelling is applied to contract assets and trade receivables under IFRS 15. This automatically calculates an ECL allowance based on a Stage 2 classification expected for lifetime loss through to expected maturity date of the Developer debt.

MHCLG invoices developers, who will then expected to pay within 90 days unless a challenge to the invoice is received. Payment plans may be agreed, otherwise the usual departmental debt recovery practices are followed. Payment plans impact the calculation on individual debt lines within the ECL calculation

by:

- i. Increases the value of potential default on the value of debt as repayment over longer periods are deemed to be create more uncertainty within the model when compared to of the same debt within the standard 90 day payment terms; and
- ii. Reduces the value of potential default on the value of the individual Developer debts through improvement of managements' assessment of credit risk associated with the Developer.

Economic scenario weighting

Total expected credit loss is calculated based on modelling assumptions linked to future economic scenarios and the weighting assumptions given to those scenarios. Three scenarios are used, taking the Office of Budget Responsibilities outlook and upside and downside scenarios from Oxford Economics. Individual assets and asset holders are assessed for risk of default based on the scenarios. The outcome of expected losses are combined on a weighting basis, on a 55%/35%/10% base case/downside/upside. The sensitivity to the

different scenario weighting can be found in the table below.

	£'000	£'000	%
Scenario weighting	ECL	Change in ECL	
Weighting of 50%/25%/25%	61,110	(1,462)	-2.34%
Weighting of 50%/30%/20%	60,486	(2,086)	-3.33%
Weighting of 55%/30%/15%	60,078	(2,494)	-3.99%
Base assumption of 55%/35%/10%	62,572	-	-
Weighting of 60%/35%/5%	59,047	(3,525)	-5.63%
Weighting of 65%/30%/5%	59,262	(3,310)	-5.29%

Credit rating

Probability of default on debt is additionally linked to the credit rating applied to Developers.

Management assessment of official credit ratings is considered alongside the financial position of Developers, with management overrides applying where required. The table below shows the impact on Expected Credit Loss where Developer credit ratings were to be upgraded or downgraded by one notch.

	£'000	£'000	%
	ECL	Change in ECL	
Upgrade by one notch (all)	39,040	(23,532)	-37.61%
Upgrade by one notch (except CCC/C)	53,177	(9,395)	-15.01%
Baseline	62,572	-	-
Downgrade by one notch	77,317	14,745	23.56%

Loss given default (LGD)

The loss given default (LGD) estimates the

expected loss on each debt position at each future point in time until maturity to assume it was in a default position at this time. The modelled ECL is based on an LGD of 75%, the Basel Framework⁶ position for subordinated corporate exposures and reflecting the nature of the exposures in the place at the reporting date. The table below shows the impact of moving the LGD to a more upside position of 45% (Basel Framework position for unsecured corporate exposures), and downside of 100% (highest possible loss that could be incurred).

	£'000	£'000	%
	ECL	Change in ECL	
Upgrade LGD to 45%	37,782	(24,790)	-39.62%
Baseline (75%)	62,572	-	-
Downgrade LGD to 100%	83,230	20,658	33.01%

Note 7 Cash

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

Note 8 Events after the reporting period

In accordance with the requirements of IAS 10 'Events After the Reporting Period', events after the reporting period are considered up to the date on which the Trust Statement was authorised for issue. The authorised for issue date is the date on the Certificate and Report of the Comptroller and Auditor General.

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

Note 9 Related party transactions

There are no related party transactions to disclose.

⁶ https://www.bis.org/basel_framework/chapter/CRE/32.htm

ANNEX A: ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 2 OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921

This Direction applies to the Ministry of Housing, Communities and Local Government in respect of the reporting of revenues collected under the Building Safety Act 2022.

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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