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# **Department for Communities and Local Government**

## **Resource Accounts 2009-10**

**(For the year ended 31 March 2010)**

*Ordered by the House of Commons to be printed 7 July 2010*

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## Annual Report for the Year Ended 31 March 2010

### Resource Accounts: Communities and Local Government

#### 1 Entities Consolidated

1.1 The Report and Accounts present the consolidated results for the financial year 2009-10 of the following principal entities: the Department for Communities and Local Government, comprising the central Department and Government Offices – the core Department – and its Executive Agency the Planning Inspectorate (PINS). Note 34 to the accounts provides a full list of Executive Agencies, Advisory Bodies and Tribunals that are consolidated in the accounts, and a list of bodies which are sponsored by the Department, but which have not been consolidated.

#### 2 Annual Review

2.1 These accounts have been prepared in accordance with the Direction given by the Treasury in pursuance of the Government Resources and Accounts Act 2000.

2.2 Following the General Election on 6 May 2010 a Conservative – Liberal Democrat administration took office and the Rt Hon Eric Pickles MP was appointed Secretary of State for Communities and Local Government. This report and accounts describe activities for the year ended 31 March 2010 under the previous administration.

2.3 The Department reports during the year, as follows:

- **Departmental Annual Report:** It has been practice for the Department to publish an Annual Report in the spring of each year. However, in common with all central government departments, a report will not be published in spring 2010. Instead the core financial tables and performance against Departmental Strategic Objectives (DSOs) and Public Service Agreement (PSA) targets are being published separately in July 2010.
- **Estimates:** The Parliamentary Estimates are presented annually on the following cycle:
  - Main Supply Estimates start the supply procedure and are presented to Parliament during June of the financial year to which they relate;
  - Winter Supplementary Estimates are presented in November, and reflect changes to Supply and funds that are required by the Department, that have been identified during the year; and
  - Spring Supplementary Estimates are presented in February, and represent the final changes required by the Department

Estimates can be found on the HM Treasury website [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

- **Autumn Performance Report:** This report was published on 15 December 2009 and set out updated information on the Department's progress towards its DSO, PSA, value for money and efficiency targets, which were applicable under the previous administration, since the publication of the Department's 2009 Annual Report in July 2009. The document can be found on the Department's website [www.communities.gov.uk](http://www.communities.gov.uk).

2.4 The Planning Inspectorate publishes a separate Annual Report and Accounts which is available on its website [www.planning-inspectorate.gov.uk](http://www.planning-inspectorate.gov.uk).

## Ministers

2.5 The following served the Department during the year ended 31 March 2010:

<b>Ministers</b>	
The Rt Hon John Denham MP (from 6 June 2009)	Secretary of State for the Department for Communities and Local Government
The Rt Hon John Healey MP	Minister of State for Housing and Planning (prior to 8 June 2009, Minister for Local Government)
The Rt Hon Rosie Winterton MP (from 6 June 2009)	Minister of State
Shahid Malik MP (from 9 June 2009)	Parliamentary Under Secretary of State
Ian Austin MP (from 9 June 2009)	Parliamentary Under Secretary of State
Barbara Follett MP (from 23 September 2009)	Parliamentary Under Secretary of State
The Rt Hon Hazel Blears MP (to 3 June 2009)	Secretary of State for the Department for Communities and Local Government
The Rt Hon Margaret Beckett MP (to 5 June 2009)	Minister of State for Housing and Planning
Lord McKenzie of Luton (from 11 June 2009)	Parliamentary Under Secretary of State
Sadiq Khan MP (to 7 June 2009)	Parliamentary Under Secretary of State
Iain Wright MP (to 8 June 2009)	Parliamentary Under Secretary of State
Baroness Kay Andrews OBE (to 5 June 2009)	Parliamentary Under Secretary of State

## Permanent Head of the Department and Board

2.6 The Permanent Head of the Department is the Acting Permanent Secretary, Irene Lucas (Sir Peter Housden, Permanent Secretary to 14 June 2010). The Permanent Secretary chairs the Department's Board, which at 31 March 2010 included five Non-Executive Board members. The composition of the Board at 31 March 2010 was as follows:

<b>Executive Board Members</b>	
Sir Peter Housden	Permanent Secretary and Principal Accounting Officer
Richard McCarthy	Director General – Housing and Planning

Joe Montgomery	Director General – Regions and Communities and Additional Accounting Officer
Irene Lucas (from 6 September 2009)	Director General – Local Government and Regeneration and Additional Accounting Officer
David Prout (from 21 September 2009)	Director General – Communities
Shirley Pointer (from 1 March 2010)	Director General – HR and Business Change
David Rossington	Acting Director General – Finance and Corporate Services (from 8 March 2010) previously a member of the Board as acting Director General – Communities, (until end September 2009) and as Director – Strategy and Performance, (from 1 October 2009 to 8 March 2010)
Stephen Park (from 1 March 2010)	Interim Senior Finance Director
<b>Non-Executive Board Members</b>	
Sarah Weir	UK Cultural Olympiad Launch Executive, London Organising Committee of the Olympics Games and Head of Art and Culture Strategy for the Olympic Delivery Authority
Rob Vincent CBE	Chief Executive Kirklees Council
Dame Jo Williams	Chair Prison Reform Trust
Stephen Hay	Chief Operating Officer at Monitor
Cindy Butts	Member of the Metropolitan Police Authority

The following were also Board members during 2009-10:

Hunada Nouss (to 8 March 2010)	Director General – Finance and Corporate Services
Mike Falvey (to 9 March 2010)	Director General – Human Resources and Business Change
Lindsay Bell (to 11 September 2009)	Acting Director General – Local Government and Regeneration and Additional Accounting Officer
Christina Bienkowska (to 1 October 2009)	Director – Strategy and Performance
Debbie Hewitt – non-Executive (to 20 August 2009)	Portfolio Company Director



## Board Objectives

- 2.7 The Board gives collective strategic leadership at official level and supports Ministers in steering the work of the Department. The role of the Board is to:
- Develop with Ministers and take forward the Department's strategic aims and objectives
  - Assess and manage risks
  - Manage Departmental resources and monitor the achievement of performance objectives
  - Develop Departmental capacity, particularly human resources
  - Set the Department's standards and values
  - Maintain a transparent system of prudent and effective controls
- 2.8 The day-to-day business of the Department is overseen and steered by a management board – the Board Executive – consisting of the Permanent Secretary, the six Directors-General and senior Directors. The following were Senior Director members during 2009-10:
- Andrew Campbell, Director, Local Government Policy and Performance
  - Susanna McGibbon, Director, Legal Services
  - Lindsay Bell, Director, Local Government Finance
  - George Eykyn, Director, Communications
  - Bernadette Kelly, Director, Housing Strategy and Markets
  - Stephen Park, Interim Senior Finance Director
- 2.9 The Audit and Risk Committee meets quarterly (and on other occasions as necessary) to assess the adequacy of the Department's risk management, audit arrangements, financial reporting and internal controls. Its focus is on the Department itself but the Committee also maintains an interest in the wider Communities and Local Government family and the Department's responsibilities for the Government Offices in the Regions.
- 2.10 In line with Treasury guidance, the Audit and Risk Committee is chaired by a non-executive member of the main Board. The Committee is chaired by Stephen Hay who was appointed to the Board on 14 April 2009. The Committee's permanent membership is entirely from independent members: Stephen Hay, Janet Pope, Sue Nelson and Martin Evans.
- 2.11 The Permanent Secretary, Director General of Finance and Corporate Services, Head of Internal Audit Services and representatives of the National Audit Office (NAO) also attend in an ex officio capacity. As a committee of the Board, and responsible to it, the Audit and Risk Committee makes recommendations to the main Board for approval.
- 2.12 The Committee met four times in the 2009-10 financial year. Its work included:
- Giving its assurance on the Department's Annual Accounts and Statement on Internal Control (SIC)
  - Reviewing and providing advice to the Accounting Officer on the corporate governance arrangements of the Department, including the management of risk
  - Considering and providing feedback on the forward plans, progress and findings of both internal and external auditors, including major audit work and fraud; and
  - Considering the Department's systems and processes for ensuring data security, at the request of the Accounting Officer and Cabinet Office
- 2.13 The other Board sub-committees in place in 2009-10 were as follows:

- The Investment Board reviews all significant new programmes and appraises any subsequent proposed new financial investments that (i) have a whole life cost of over £20m to the Department and/or (ii) are novel or contentious or repercussive and/or (iii) carry a high level of risk. It is responsible for ensuring they meet the Department's business needs, provide value for money and have effective delivery plans and robust risk management in place
- The Delivery Sub-Committee is responsible for scrutinising and ensuring the successful delivery of the Department's key, high risk delivery programmes, intervening where necessary to provide additional support and resolve problems which may threaten progress. It assesses progress against Departmental top-tier programmes, carries out detailed scrutiny of specific key programmes and advises on and challenges delivery progress and underpinning data
- The Contingencies Planning Committee advises and assures the Board and Ministers on the Department's overall state of preparedness to respond and recover from emergencies and continue with its essential business in the face of any serious disruption to our staff or infrastructure. The Committee meets quarterly and at any times of emergency
- The Organisational Development Committee was established in April 2009 and was chaired by the Permanent Secretary. The Committee monitored overall departmental capacity and capability and addressed specific organisational development needs in line with Board priorities. The Committee was disbanded in Autumn 2009

### Departmental Organisation

2.14 During the year, the Department prepared a series of changes to its ways of working to ensure that it is best placed to meet the emerging requirements of modern government. These changes went live in April 2010 and included:

- Establishing a new Programme Team, which, alongside Policy Teams, ensures that the Department is able to deploy the right staff rapidly to meet Ministerial priorities as soon as work is commissioned
- Introducing a more rigorous and systematic approach to prioritising work and commissioning new work, ensuring that all work is clearly scoped and timebound, so that resources are deployed to meet Ministers' priorities and are moved away from lower priority areas
- Strengthening performance management, ensuring that all staff have clear and measurable objectives which are reviewed regularly so that the contribution of each individual is maximised, helping staff grow in their job
- Flattening the Department's management structures to eliminate duplication in roles and decision-making, strengthen people management and ensure that each individual is clear how the work they are doing is contributing to the Department's highest priority work

2.15 These changes have enabled the Department to be more adaptable and better able to grasp opportunities, address challenges and refocus quickly on new priorities, ensuring that the Department is:

- More flexible so that it is better able to respond swiftly and effectively to meet Ministerial priorities

- Increasingly efficient so that it continues to achieve outcomes for Ministers within constrained resources
- More resilient, so that its staff and support services provide an excellent service to Ministers

2.16 The Departmental Programme Boards oversee the Department’s key delivery programmes. Each Programme Board is chaired by a member of the Board and is made up of six to eight senior officials drawn from across the Department and from key partner organisations, backed up by one or two external members to bring additional perspectives and outside challenge.

2.17 Responsibilities of Directors-General and the Programme Board structure in 2009-10 were:

<b>Directors-General</b>	<b>Programme Board Responsibilities</b>
<b>Richard McCarthy</b>	<p><b>Director General, Housing and Planning Group</b>                      Lead on housing supply and delivery; affordable housing and the decent homes programme; planning reform and performance; housing reform; home buying and selling reform (including Home Information Packs); sponsorship of the Homes and Communities Agency and Tenant Services Authority; Supporting People; tackling homelessness; building regulations; design; and championing environmental and sustainable development issues across the Department.</p> <p><b>Chair, Cross Departmental Board on PSA 20 (Housing Supply and Affordability) and Internal Housing Supply Delivery Board (Housing Markets)</b>                      Responsible for driving improvements to housing affordability and reducing the use of temporary accommodation for homeless households by increasing housing supply and related infrastructure support.</p> <p><b>Chair, Planning Programme Board</b>                      Provided strategic oversight of performance against DSO 5 (Planning). Responsible for planning policy and delivery across all of the Department’s responsibilities.</p>
<b>Joe Montgomery</b>	<p><b>Director General, Regions and Communities Group</b>                      Lead on the Government Office network supporting operational delivery of the policies of Whitehall departments in each of England’s regions as well as supporting central departments’ policy formulation through the provision of critical local and regional intelligence on implementation. The group was also responsible for supporting Regional Ministers and Regional Select Committees.</p> <p>Also lead on the Thames Gateway Regeneration Programme, on behalf of Government and on the Department’s contribution to the legacy aspects of the 2012 Olympics.</p> <p><b>Chair, Thames Gateway Programme Board</b>                      Responsible for managing progress against the Thames</p>

<b>Directors-General</b>	<b>Programme Board Responsibilities</b>
	<p>Gateway Delivery Plan ensuring alignment of the Thames Gateway Programme with other Departmental Strategic Objectives, managing risks, assessing progress against Department and Homes and Communities Agency expenditure and the associated outputs and outcomes, ensuring the Programme delivered identified contributions to the Olympics Legacy Programme, and steering wider stakeholder engagement.</p> <p><b>Government Office Network Board</b> Responsible for providing strategic leadership to the Government Office Network to determine the allocation of resources and through oversight of structure, organisation and accountability, to ensure propriety, efficiency and effectiveness.</p> <p><b>Chair, Government Office Network Sponsorship Board</b> Responsible for determining the priorities and resourcing for the Government Office Network on behalf of the Sponsor Departments and Government, and for providing collective oversight, scrutiny and accountability.</p> <p><b>Chair, European Regional Development Fund Programme Board</b> Responsible for ensuring strategic financial risk management of all ERDF programmes in England.</p> <p><b>Chair, Olympics Delivery Board</b> Responsible for driving progress and managing risks around the Department's financial contribution to the Olympic budget and supporting the creation of a sustainable Olympics legacy.</p>
<b>Irene Lucas</b>	<p><b>Director General, Local Government and Regeneration Group</b> Lead on local government reform, performance and finance; implementation of the Sub-National Review (SNR); and economic performance and regeneration. The Group was responsible for DSO1 (Local Government and Empowerment) and DSO3 (Economic performance and regeneration) under the Comprehensive Spending Review in 2007 (CSR07). It also contributed to PSA 21 (Cohesive, empowered and active communities).</p> <p><b>Chair, Local Government Programme Board</b> Responsible for ensuring that the desired outcomes of the Local Government White Paper were delivered and for managing cross programme risks, dependencies, communications and stakeholders.</p> <p><b>Chair, Sub-National Review Implementation and Regeneration Programme Board</b> Responsible for the effective delivery of the SNR reforms and for ensuring that the transition was well managed across</p>

Directors-General	Programme Board Responsibilities
	government.
<p><b>David Prout</b></p>	<p><b>Director General, Communities Group</b>  Lead on local democracy, empowerment and community cohesion; tackling prejudice and extremism; delivering race equality; the Fire and Rescue Service; national and regional resilience and the Department's role in post-incident recovery; European policies and programmes; and the Department's cross-cutting interests in migration.</p> <p>The Group was responsible for PSA 21 (Cohesive, empowered and active communities), DSO4 (Cohesive, active and resilient to extremism) and DSO6 (Fire and Rescue Service) under CSR07.</p> <p><b>Chair, Cross Departmental Board on PSA 21</b>  Responsible for overseeing delivery of PSA 21 to build more cohesive, empowered and active communities and overseeing progress on all of its supporting indicators.</p> <p><b>Chair, Cohesion Programme Board</b>  Overseeing delivery and driving progress in response to the Commission on Integration and Cohesion and to support the delivery of PSA21 for which improving community cohesion outcomes was a core performance measure.</p> <p><b>Chair, Preventing Violent Extremism Programme Board</b>  Provided strategic oversight and assurance to the Department and the wider cross-government governance structure on delivery of this programme.</p> <p><b>Chair, Fire and Rescue Service and Resilience Programme Board</b>  Provided strategic direction for the development and delivery of the Department's policies in respect of fire and resilience.</p> <p><b>Chair, Community Empowerment Programme Board</b>  Responsible for driving progress, managing risks and resolving issues which threaten or delay delivery of the community empowerment programme.</p>
<p><b>Shirley Pointer</b></p>	<p><b>Director General, Human Resources and Business Change Group</b>  Lead on Human Resources and organisational change. The Group was responsible for supporting the Department as a 'people business', ensuring that it had the right people with the right leadership, skills and values to deliver its objectives, underpinned by strong performance management.</p>

Directors-General	Programme Board Responsibilities
David Rossington	<p><b>Acting Director General, Finance and Corporate Services Group</b> Lead on legal, financial and analytical advice; workplace environment; and IT and knowledge management.</p> <p><b>Chair, Group Corporate Services Programme Board</b> Responsible for ensuring an integrated approach to corporate service delivery across the wider Communities and Local Government Group. Provided strategic oversight and monitored progress of the corporate change programme.</p>

### 3 Management Commentary

- 3.1 The 2007 Comprehensive Spending Review set each Department a series of Departmental Strategic Objectives (DSOs), which described what the Department aimed to achieve over the three years 2008-09 to 2010-11 and in some cases incorporated Public Service Agreement (PSA) targets brought forward from the previous spending review (SR04). CSR07 also gave a framework for measuring the progress made and managing delivery. Reports of progress against DSO indicators were prepared monthly and included in the Integrated Performance Reports which were circulated to the Department's Board and senior staff.
- 3.2 The Statement of Net Operating Costs by DSO, on Page 61 of these accounts, reports the resources used by the Department in achieving its DSOs which were as follows:
- to support local government that empowers individuals and communities and delivers high quality services efficiently (DSO 1)
  - to improve the supply, environmental performance and quality of housing that is more responsive to the needs of individuals, communities and the economy (DSO 2)
  - to build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation (DSO 3)
  - to develop communities that are cohesive, active and resilient to extremism (DSO 4)
  - to provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government's objectives in relation to housing growth, infrastructure delivery, economic development and climate change (DSO 5)
  - ensuring safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies (DSO 6)
- 3.3 The Department was also in the lead for two of the previous Government's ongoing priorities, as set out in the PSAs:
- to increase long term housing supply and affordability (PSA 20)
  - to build more cohesive, empowered and active communities (PSA 21)

- 3.4 The Department was also involved in delivering key priorities where other Departments were in the lead. Examples of this included supporting regional economic performance (PSA 7), supporting socially excluded adults (PSA 16), ensuring a lasting Olympic legacy through regenerating East London (PSA 22), and helping to reduce the risk from international terrorism through Preventing Violent Extremism (PSA 26). In addition, through oversight of the local government system, the Department helped to make sure national priorities were translated into local delivery on the ground. The Department's performance in 2009-10 will be reported on its website – see paragraph 2.3 above.

### **Financial Organisation of the Department**

- 3.5 The Department operates a system of delegated resource management responsibilities for programme and administrative expenditure, the aim being to give managers as much discretion as possible to make the most effective use of resources while still securing propriety, regularity and best value for money. Senior managers are held accountable through a requirement to report back periodically on the discharge of their management responsibilities and control of resources entrusted to them.
- 3.6 The Department has a number of management systems in place designed to ensure that objectives set are met efficiently and responsibly. The business planning process allows Ministers and the Board to review and agree key priorities and how these would be delivered in the context of the Departmental Strategic Objectives, Public Service Agreements and resources agreed during the Comprehensive Spending Review 2007. A Business Planning Sub Committee chaired by the Director General, Finance and Corporate Services provided scrutiny and challenge of Business Plans.
- 3.7 During the year the Department completed the restructuring of the finance directorate started during 2008-09, so strengthening the quality of professional support provided to managers throughout the Department and improving the efficiency of core operations.
- 3.8 The Department maintains a Finance Manual on its intranet. This contains guidance on financial activity within the Department and there are also local work instructions and Finance Guidance Notes covering important tasks. Risk management, including guidance on risk identification, assessment and management has been built into the business and delivery planning process, into monthly reports to the Board and into project and programme management. Risks identified through this process form the basis of a corporate risk register. Together these measures help to provide the framework for the prudent and efficient use of resources.

### **The Future**

- 3.9 The Comprehensive Spending Review 2007 (CSR07) held by the previous administration set Departmental Expenditure Limits (DEL) for 2008-09 to 2010-11. The table below shows the latest budgets for 2010-11 taking into account subsequent budget adjustments including changes made in the Housing Package announced in September 2008 and subsequent pre-Budget and Budget reports and changes implemented for the “Clear Line of Sight” (Alignment) Project which is being led by HM Treasury.
- 3.10 Following the General Election on 6 May 2010 the new Conservative – Liberal Democrat administration announced a package of measures on 24 May 2010 designed

to make an immediate start on reducing the government deficit. The impact of these changes for the Department in 2010-11 is shown in the following table

	£m	
	<b>2010-11 original</b>	<b>2010-11 revised</b>
<b>Total Departmental spending</b>	<b>37,511.8</b>	<b>36,486.3</b>
<i>of which:</i>		
Total DEL	37,030.2	36,004.7
Total AME	481.6	481.6

Note that in the above table 'Total Departmental spending' is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

- 3.11 The table includes spend by Departmental NDPBs, but does not include spending by bodies operating as trading funds or public corporations, except to the extent that it impacts the core department. This recognises that DEL and AME budget spend can occur in the Department's arms length bodies, which, being outside the Department's accounting boundary for 2009-10, publish their own accounts.
- 3.12 Budgets for the years 2011-12 onwards will be published following a Comprehensive Spending Review to be held in Autumn 2010.

### Investment and Funding

- 3.13 The Department is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds. The Department then drew down funds in year from the Consolidated Fund as required.
- 3.14 Within the Supply Estimates the Department had two Requests for Resources (RfR) for 2009-10: RfR 1 for improving the quality of life by creating thriving, inclusive and sustainable communities in all regions; and RfR 2 for providing for effective devolved decision making within a national framework. The Statement of Parliamentary Supply, on Page 56 of the Accounts, shows Outturn figures against Estimates for RfRs 1 and 2.
- 3.15 The Consolidated Statement of Cash Flows on Page 59, analyses the net cash flow from operating activities, identifies cash spent by the Department on capital expenditure and investment and shows the funding that the Department drew down from the Consolidated Fund in order to finance its activities during the year.
- 3.16 The main aim of the Department's asset management strategy is to ensure that appropriate fixed assets are held to meet the Department's objectives. All assets are treated in accordance with the following consistent underlying principles:
- Ensure assets are retained in the public sector only where it is effective and efficient to do so
  - Actively explore the scope for securing greater value from assets, including through innovative techniques, information technology, sharing of assets, outsourcing and public private partnerships



- Maintain the Department's asset base in the condition necessary to meet its objectives
- Maintain, either directly or through bodies sponsored by the Department, firm management of assets, including strategies for disposing of assets which are not needed for delivering services and
- Continue to investigate incentives, such as hard charging, to achieve better utilisation of assets

### 2009-10 Outturn against Estimate

- 3.17 The Statement of Parliamentary Supply shows that there was a total underspend of £504m (across RfR1 and 2), which was 1.3% on a budget of £39.5bn (£584m or 1.6% on a budget of £37.3bn in 2008-09). Note 3 to the Accounts provides a detailed breakdown of outturn and Estimates.
- 3.18 Variance explanations are provided below where the comparison of outturn against Estimate has resulted in an overspend or an underspend of the greater of £500k and 10% of the Estimate.

Subhead Variance	Explanation
<p><b><u>RfR 1</u></b> F: Ensuring safer communities by providing the framework to prevent and respond to emergencies - £21,547k overspend</p>	<p>The Firelink project had an underspend in 09/10 of £1.9m driven by Near Cash £1.3m, Non Cash £0.3m and Capital £0.3m. This line's overspend is offset by a corresponding underspend in that part of the Firelink budget which is in line Q.</p>
<p>G: Central Administration - £24,742k underspend</p>	<p>The £25m underspend against the Central Administration Estimate is the result of the following:</p> <ul style="list-style-type: none"> <li>•£22m (non-cash) underspend against cost of capital due to the cost of capital credit. This cost of capital credit reflects balances at the year end and so is impossible to forecast accurately</li> <li>•£7m underspend against the central Department's pay and nonpay budgets, which is the result of the introduction of vacancy controls driving out savings in permanent and agency staff and tighter control of nonpay budgets, such as consultancy expenditure</li> <li>•£5m underspend in the "Other Current" budget for staff exit costs and compensation payments. The Department ran a smaller than anticipated exit scheme in 2009-10 and the budget for compensation payments is very difficult to forecast, as payments are dependent upon the number and outcome of claims (predominantly claims from former Property Services Agency staff who have contracted lung diseases through exposure to asbestos)</li> </ul>

Subhead Variance	Explanation
I: European Structural Funds – income related to 2007-13 Programmes - £75,278k under-recovery, S: European Structural Funds – payments to London Development Agency for 2007-13 Programme - £15,522k overspend and Y: European Structural Funds – Payments to Regional Development Agencies for 2007-13 Programmes: £90,800k underspend. Overall variance for 2007-13 ERDF Structural Funds was nil	Budget is allocated over a period of six years. Where RDAs spend less than their annual allocation, their claims are lower than expected, hence the under-recovery of income against budget. However all expenditure on the 2007-13 programme in 2009-10 is matched by the income
J: European Structural Funds – Communities and Local Government - £33,954k underspend	Write-offs and provisions relating to old schemes less than initially projected due to extra work performed to validate claims. Outturn is also impacted by foreign exchange movements on programme receipts from the EU which relate to the Euro to pound exchange rate, which is difficult to forecast reliably
K: Ordnance Survey - £1,436k overspend	This is the result of a higher cost of capital charge emanating from higher capital employed offset by the dividend received being greater than anticipated
L: Queen Elizabeth II Conference Centre Executive Agency - £1,421k under-recovery	The variance shows as a lower transfer in year as a result of mistakenly increasing the forecast for the dividend in the Supplementary Estimate
O: Developing communities that are cohesive, active and resistant to extremism - £8,784k overspend	Variance due to a late rephasing of projects to maximise benefits on Community programmes (Empowerment and Policy £4,675k) and an amount of £4,108k overspend which is offset by an under-spend on Estimate line D
Q: Ensuring safer communities by providing the frame work to prevent and respond to emergencies - £33,795k underspend	Variance due to lower than expected variable contract costs and delays in the replacement of equipment and the purchase of new equipment
AA: Providing a more efficient, effective and transparent planning system - £1,201k underspend	Variance due to lower than anticipated staff costs in the Infrastructure Planning Commission arising from recruitment freeze
<b>RFR 2</b> C: Local government research and publicity, boundary reviews: mapping costs: - £1,382k underspend	Lower than anticipated volume of research projects and publicity work
H: Non-domestic rates outturn adjustments and LABGI - £179,174k underspend	Outturn for this programme is subject to significant variation from year to year. There is no reliable method for estimating outturn until well into the financial year

3.19 The Department's Net Cash Requirement is the amount of cash needed to support the Department's activities. Note 5 provides a reconciliation of the Estimate to the Net Cash

Requirement and shows an overall variance of £264m (0.7%) against the Estimate provision for the Net Cash Requirement of £39,547m (2008-09: £524m (1.4%) against an Estimate of £38,080m). Variance explanations are provided below where the comparison of outturn against Estimate has resulted in a variance of the greater of £500k and 10% of the Estimate.

Variance	Explanation
Capital: Acquisition of Assets: £27,760k variance against the Estimate of £65,755k	Expenditure of £22m was incurred on the acquisition of inventories rather than property, plant and equipment or intangibles
Government Grant Reserve: £912k variance against the Estimate of nil	The Department received a grant from the Department of Energy and Climate Change which had not been forecast for receipt in 2009-10
Non-operating A-in-A: £1,494k variance against the Estimate of £1,500k	Proceeds from the disposal of property, plant and equipment were lower than anticipated
Changes in working capital other than cash: £22,201k variance on inventories; £23,691k variance on receivables and £253,744k variance on payables, total £300,026k against the Estimate of £390k	These items report balances at a particular date and are inherently difficult to forecast. For this reason CLG only includes a nominal amount in the Estimate
Use of provision: £14.6m against the Estimate of £74.0m	Largely arises from ERDF provision underspend of £8,600k because the EU audit adjustments were lower than Estimate and £1,300k underspend from the commutation provision on Firefighters'

3.20 The outturn as provided in the Statement of Parliamentary Supply is based on the resources consumed by the Department. In addition to the amounts allocated to the Department in its Request for Resources it also has a Resource Budget, which is split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). The main difference between the Resource Requirement and Resource Budget is that the Resource Budget includes the expenditure of the Department's NDPBs, whereas the Resource Requirement records the Grant-in-Aid given to them. A reconciliation between the two is provided below:

	£'000	
Reconciliation of Net Resource Requirement to Resource Budget	2009-10 Estimate	2009-10 Outturn
<b>Net Resource Requirement</b>	<b>39,507,229</b>	<b>39,003,283</b>
Adjustments to additionally include:		
Consolidated Fund Extra Receipts in the OCS	-700,400	-842,314
<b>Net Operating Costs (Accounts)</b>	<b>38,806,829</b>	<b>38,160,969</b>
Adjustments to remove:		
Gains/losses from sale of capital assets	0	6

Capital grants	-783,608	-1,128,899
European Union income related to capital grants	57,268	185,447
Voted expenditure outside the budget	369	-1,382
Adjustments to additionally include:		
Resource consumption of Non Departmental Public Bodies	-6,886,067	-6,672,629
Other Consolidated Fund Extra Receipts	176,000	69,129
Unallocated resource provision	2,029	0
Other adjustments	-211,558	-202,458
<b>Resource Budget</b>	<b>31,161,262</b>	<b>30,470,732</b>
Of which		
Departmental Expenditure Limit (DEL)	30,117,305	29,896,033
Annually Managed Expenditure (AME)	1,043,957	574,699

### Going Concern

- 3.21 The Statement of Financial Position as at 31 March 2010 shows negative Taxpayers' Equity of £362m. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be from grants of Supply, approved annually by Parliament, to meet the Department's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund, other than is required for the service of the specified year, or retained in excess of that need. All unspent monies, including those derived from the Department's income, are to be surrendered to the Fund.
- 3.22 In common with other Government departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Whilst such approval for amounts required for 2010-11 has yet to be given, there is no reason to believe that approval for 2010-11 and future years will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### ERDF Liabilities: Accrual, Provisions and Contingent Liabilities

- 3.23 The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). For the past 9 years, the Department has been managing the 2000-06 ERDF programmes in conjunction with Government Offices. The closure of these programmes was completed at 31 March 2010 when final declarations and reports were forwarded to the European Commission (EC).
- 3.24 Where ERDF spending is not in conformity with ERDF Regulations it becomes ineligible for grant funding. The liabilities in respect of such ineligible expenditure may fall to the Department. In parallel with the closure process, the Department undertook a

full review of the current state of ERDF supported projects to identify all potential liabilities. The liabilities were then categorised as an Accrual, Provision or Contingent Liability.

3.25 International Accounting Standard 37 sets out the definitions and accounting treatment for provisions, contingent liabilities and contingent assets, as summarised below.

Stage	Accrual (or 'charge')	Provision	Contingent liability
Obligation	The Department has an obligation or a constructive obligation to another entity (e.g. to the EU) as a result of an event which has already taken place	The Department has an obligation or a constructive obligation to another entity (e.g. the EU) as a result of an event which has already taken place	The Department has a possible obligation or a constructive obligation to another entity (e.g. the EU) as a result of an event which has already taken place, but the existence of the obligation can only be confirmed by a future event which the Department can not control (for example, a European ruling)  OR  The Department has an obligation or a constructive obligation to another entity as a result of an event which has already taken place
	<b>AND</b>	<b>AND</b>	<b>AND</b>
Transfer of assets, most usually cash	It is <b>expected that assets will be paid over</b> from the Department to the other entity in order to settle the obligation	It is <b>probable that assets will be paid over</b> from the Department to the other entity in order to settle the obligation	It is <b>not probable that assets will be paid over</b> from the Department to the other entity in order to settle the obligation
	<b>AND</b>	<b>AND</b>	<b>OR</b>
Estimating the amount of the obligations	The Department <b>can reliably estimate</b> the amount of the obligation	The Department <b>can reliably estimate</b> the amount of the obligation	The Department <b>cannot reliably estimate</b> the amount of the obligation

3.26 For example:

- An accrual is a charge to the Operating Cost Statement when a payment is expected to be made, although the amount payable may remain an estimate
- A provision may be a contractual requirement to repay overpaid grant funding back to the funder (i.e. the EC). Where the amount of a known overpayment is in dispute, but where it is considered probable (i.e. more likely than not) that the dispute will be lost, an estimate of the liability has been calculated using assumptions based on correspondence with the funder (e.g. if there is a 50% likelihood then it would be reasonable to include the potential liability as a provision)

- A contingent liability may be a possible liability to repay overpaid grant funding back to the funder, but the occurrence of the repayment is based on the outcome of a future event, e.g. an EC hearing, or result of a court case

Statement & Notes	Accrual (or 'charge')	Provision	Contingent liability
Statement of Financial Position	Recognised as a liability within payables on the Statement of Financial Position	Recognised as a liability within provisions on the Statement of Financial Position	No impact
Operating Cost Statement	An equal amount is charged through the operating cost statement	<ul style="list-style-type: none"> <li>• In the first year of the provision, an equal amount is charged through the operating cost statement</li> <li>• In subsequent years, any movement in the provision is charged to, or reversed from the charge to, the operating cost statement</li> </ul>	No impact
Notes	Disclosure through the payables note to the accounts (Note 22)	Disclosure through the provisions note (Note 23)	Disclosed through the contingent liability note to the accounts (unless there is only a remote possibility that transfer of assets will occur to settle the liability) (Note 28)

3.27 As a result of the closure process, the Department has calculated potential liabilities from the following three categories:

Estimated Potential Correction

*Background*

3.28 The estimated potential correction relates to the outcome of internal audit work carried out by the Audit Authority on records held by the Government Offices ("GOs"). The Audit Authority identifies an error rate based on the findings of its testing. If the error rate is less than 2% of the total tested then there is no correction required, as this is within the materiality levels set by the EC. Where the error rate exceeds 2% then a correction may be levied.

3.29 The modelling of the current impact on the resource accounts suggests that £37.7m is at risk from errors above 2%. This comprises two parts:

- one part relating to the amount calculated as the "up to 2%" element - £17.3m
- and the second part relating to the amount calculated from the percentage above 2% - £20.4m

*Accounting treatment*

- 3.30 The Department has treated the first £17.3m correction as a Provision as it is not certain that this will have to be paid over to the EC. Commission regulation (EC) 438/2001 Article 17 “If the presence of important management or control weaknesses or the high frequency of irregularities encountered does not allow the provision of a positive overall assurance as to the validity of the request for payment of the final balance and the final certificate of expenditure, the declaration shall refer to these circumstances and shall estimate the extent of the problem and its financial impact”. (No mention of a materiality level.)
- 3.31 The European Court of Auditors (ECA) has itself questioned whether an error rate of 2% should be applied in all cases. Its Single Audit Opinion 2/2004 (OJC107 30.4.04, p1) “...it is likely that the level of tolerable error or irregularity would vary between different budgetary areas depending on both the cost of controls as well the inherent risk”. The ECA has indicated that the 2% level is not necessarily the right benchmark for judging the Commission’s (and therefore member States’) management of risk in some areas of the budget.
- 3.32 It would appear that there is no clarity or agreement within the Commission about whether the “up to 2%” will result in a correction.
- 3.33 As regards the marginal error rate above 2%, this would appear to be unavoidable and has therefore been accrued to the Operating Cost Statement during this reporting year.

Capping*Background*

- 3.34 Capping relates to the match funding against the ERDF grant funding by the UK Government, the calculation for which was agreed at the start of the programme of funding. The amount of match funding is currently in dispute with the EC.
- 3.35 Match funding was included in the closing statements for the grants submitted by 31 March 2010. There will be an EC hearing to determine the actual amount of the Department’s liability with respect to this match funding. This is not expected to conclude until autumn 2010. The liability has been estimated at £25m.

*Accounting treatment*

- 3.36 The Commission has made it very clear that the only capping calculation that will matter is the one made when they have cleared all outstanding cases and accepted the Department’s final declaration. With programmes affected by open audits this is unlikely to be in this calendar year and may well run into FY 2011-12. Thus uncertainties remain as follows:
- the timing of any capping penalty
  - how the capping penalty will be calculated
  - whether any programmes will finally be capped and if so how much penalty will be payable.
  - how exceptional cases will be treated
  - how any appeal system will operate
- 3.37 However, despite these uncertainties, the fact that the regulations state that a capping penalty will apply, and is calculable using prescribed formulae applied to figures from

the final declarations, the balance of probabilities suggests that this amount should be treated as a provision in these accounts.

#### Debt at risk

##### *Background*

- 3.38 Debt at risk relates to the three main categories where CLG may ultimately be called upon to extinguish a liability, these are described in the following paragraphs.
- 3.39 There are a number of unconcluded EU audits which may result in irregularities being identified and corrections being required. It is uncertain when these audits will be completed or when a final decision on the need or otherwise to repay this money will be made. Current expectations are September 2010 at the earliest and possibly later, meaning that both the timing and size of the liability is currently uncertain.

##### *Accounting treatment*

- 3.40 These audits have been assessed on a best and worst case scenario. In total, the estimated best potential outcome is a potential liability of £41.6m. This amount has been classified as a provision. The worst potential liability has been estimated at £57.7m. The £16.1m difference has been treated as a contingent liability.
- 3.41 Collections in doubt relate to those irregularities for which the Department is now seeking to recover the monies from the project deliverer. These currently total £47.3m.

##### *Accounting treatment*

- 3.42 Those irregularities where the amount can be reliably estimated and it is probable that the Department may not be able to fully recover the amounts have been treated as a provision. The estimate for this is £29.4m.
- 3.43 Those irregularities where the amount cannot be reliably estimated and it is unlikely that the Department may fully recover the amounts have been treated as a Contingent Liability. The estimate for this is £17.9m.
- 3.44 At present write-offs total £6.4m and potential write offs total £14.8m. All write-off proposals must be submitted to a Department write-off panel for approval. Additionally, material write offs (>£500k) must be approved by HM Treasury. Only after this process has been followed can write offs be sanctioned and charged to the Operating Cost Statement.

##### *Accounting treatment*

- 3.45 The Department has thoroughly reviewed the current irrecoverable debt list, and has taken the view that, although the write-off process has not been completed in all cases, there is little hope of recovery and have categorised the entire £21.2m as a charge.

#### **FiReControl**

- 3.46 The FiReControl project is delivering nine networked regional control centres (RCCs) in England, including London. As part of the UK's critical national infrastructure, the new control centres aim to improve the Fire and Rescue Service's (FRS) ability to respond to stress conditions.
- 3.47 New buildings within each region are part of the FiReControl solution. The Department has procured the accommodation under a Private Developer Scheme and, on completion, the building lease agreements were to be taken on by the local authority



controlled company (LACC) approved to run the RCC. (In London, the functions are being discharged by the London Fire and Emergency Planning Authority (LFEPA) a functional body of the Greater London Authority). It was planned that the LACCs and LFEPA would take over the buildings on completion but, at the Statement of Financial Position date, only three buildings have been transferred to LACCs and the transfer of the other six has been delayed.

- 3.48 The Department's interest in the six RCCs which have not been transferred is shown in these accounts as Inventories under IAS2 (see Note 1.11.2) due to the short term nature of the holding. When the LACCs and LFEPA take ownership of the leases this treatment will no longer be required and the buildings will no longer be recognised in the Department's accounts.
- 3.49 Rent payments due between the date of practical completion of the buildings and the taking on of the lease by the LACC or LFEPA will necessarily be borne by the Department. Whilst it was not the intention for the Department to make these payments (which would have been made by the LACCs or LFEPA with grant funding from the Department) the RCCs are required for the project and the delay in transfer does not result in additional expenditure for the Department. Reference to these interim rent payments is included in Note 30 to these accounts.

### Area Based Grant

- 3.50 Area Based Grant (ABG) was introduced in 2008-09 and combined a number of grants to local authorities into a single unringfenced revenue payment stream. ABG includes funding streams from several Government departments, as well as from Communities and Local Government. With the exception of the Department's own funding each funding stream passes through the Department's Statement of Financial Position and is not, therefore, part of the Department's operating income and expenditure. The totals of grant income and expenditure in 2009-10 were as follows:

	£m
<b>ABG Payments and Receipts</b>	<b>2009-10</b>
Total Receipts from OGDs	2,605
CLG contribution to ABG	676
Total ABG	3,281
ABG payments to LAs	3,281

### Payment Performance

- 3.51 From December 2008 the Department's policy has been to pay all undisputed supplier invoices within 10 days of receipt, or within contractual terms if less, in line with the cross Whitehall policy and in line with the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 2008/410.
- 3.52 The combined 10 day prompt payment performance for the central department, the Government Offices and PINS was 90.75% in 2009-10 against the Department's target not to let prompt payment performance drop below 90%. In 2008-09, when the 10 day

target was introduced, the Department's performance was 79.77% of invoices processed within 10 days of receipt.

### Payments to Charities

3.53 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.

3.54 In the normal course of business, the Department provides financial assistance to a range of bodies which provide services in support of the Department's objectives. Organisations supported include charitable bodies and funding is mostly to bodies working in areas which support the Department's community cohesion agenda.

3.55 The following table sets out the financial assistance provided by the Secretary of State under this power for the year 2009-10, totalling £45.793m (2008-09 £8.157m).

Institution	Payments 2009-10 £k	Purpose
After Adoption	91	Stepping Stones project to support pilot schemes to assist women facing chronic social exclusion with particular reference to those in prison
Chartered Institute of Housing	61	Service user involvement and complaints route map project to develop and pilot a complaints route map for residents of sheltered housing and their families
Citizens Advice	200	Preventing repossession project to raise awareness of resources available to assist those in most danger of repossession
Elderly Accommodation Council	129	The sheltered housing work programme to develop and run new Housing for Older People awards
Forensic Therapies	175	Project to provide mental health care to women in HMP Holloway
Foundations ILP	50	Fast track hardship project to support vulnerable people in living independently in their own homes
Help the Aged	1,050	The first stop project to deliver advice on housing to older people in England
Action for Market Towns	85	Funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations to help deliver on key empowerment themes
Adventure Capital Fund	22,396	The fund is a mixture of grants and loans and is aimed at supporting and enabling community anchor organisations to develop sustainable funding streams
Alif Aleph UK	6	Creative Campus Project funding for IFW
Al-Khoei Benevolent Foundation	50	To help the Mosques and Imams National Advisory Board to strengthen operational capability following its first Annual General Meeting in May 2009

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
Al-Khoei Benevolent Foundation	30	Grant to deliver a youth leadership training programme
Al-Khoei Benevolent Foundation	4	Inter Faith Week (IFW) - Seminar & Exhibition
Ashram Housing Association Ltd	50	Grant to build the capacity of housing associations and Muslim social housing tenants to tackle violent extremism
Baha'i Community of the United Kingdom	2	Exhibition stall for IFW
BASSAC	200	Funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations to help deliver on key empowerment themes
Bold Creative	60	Grant to develop the Tagmap TV project, working with young Muslims to encourage debate and discussion about issues relating to faith, citizenship and identity
Brit Writers Ltd	8	Sponsorship of The Brit Writers Awards Unpublished 2010
British Muslim Forum	13	Grant for organisational capacity building
British Sikh Consultative Forum	3	Exhibition stall for IFW & Event planning for IFW
British Urban Regeneration Association	36	BURA is to run a series of meetings (eight to be minimum) with key people across the regeneration spectrum and the private, public and community sectors
Business in the Community	50	Grant to deliver the Mosaic Mentoring Programme in schools across the country
Carnegie UK	200	The Empowerment Fund is supporting organisations with charitable, philanthropic or benevolent purposes working across the country, to assist local communities to take forward the proposals in the Communities in Control: real people, real power White Paper
Centre for Good Relations	25	To create a safe space to have difficult conversations to tackle racist groups and all other forms of extremism
Centre for Sustainable Energy	200	Funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations to help deliver on key empowerment themes
Charities Commission Faith & Social Cohesion Unit	246	Faith Capacity Team (PED). This funding consists of the agreed 2009-10 £200,000 instalment for the Charity Commission's FSCU

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
Christian Muslim Forum	30	Core Funding - to continue work of the only national joint voice for Christians and Muslims in UK
Church Together in England	4	Exhibition stall & seminar event for IFW
Citizenship Foundation	50	Grant to work with young Muslims to address grievances and ways to tackle violent extremism
Community Development Foundation	904	To support the Champion for Digital Inclusion, Martha Lane Fox, in her role to challenge and inspire the private and voluntary sectors to help disadvantaged people benefit from new technologies, by funding eligible capital expenditure and support staff in her office
Community Development Foundation	260	CDF manage support and evaluate a project to test an expanded remit for local involvement networks (LINKs). LINKs were established by DH to give people a greater voice in how social and health care services are delivered. This project seeks to expand the remit to other local services
Community Development Foundation	592	Faith in Action round 1. Round 1 Conduit funding for Qtr 3 & 4
Community Development Foundation	3,077	Community Development Foundation (CDF) allocates resources to 9 Regional Empowerment Partnerships (REPs) to support improvement in community empowerment across England through regional delivery programmes and through the co-ordination of a national programme
Community Development Foundation	360	2 separate grants: Qtr 1 & 2 payment. Conduit funding and management fee
Community Development Foundation	4,290	The Fund will support a range of organisations working to tackle race inequalities and promote equality of opportunity for people of all ethnic groups. It will enable organisations to contribute to policy making
Community Development Foundation	2,175	Community Development Foundation (CDF) allocates resources to 18 pathfinder local authority areas (2 per region). The aim is to build skills, confidence and awareness of local people to promote greater civic activism
Community Matters	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Council for Voluntary Services - Arunwide	113	To help address the short term impacts of migration on local public services
Coventry Voluntary Action	198	To help address the short term impacts of migration on local public services

Institution	Payments 2009-10 £k	Purpose
Dervish Arts	20	Grant to build organisational capacity to expand services
Dialogue Society	34	Grant to develop a resource pack for Muslim faith leaders
Development Trust Association	228	<p>The purpose of the grant is for the Development Trusts Association, working in partnership with Co-operatives UK, to carry out an action research project on Community Shares and Bonds Issues. This project aims to:</p> <ul style="list-style-type: none"> <li>• Build a more robust evidence base on the potential of Community Share and Bond Issues by social enterprises to support CLG and wider Governmental objectives</li> <li>• Assess the potential for relatively small amounts of Government funding to stimulate much larger non-government funding</li> <li>• Undertake additional promotional work mid-way through the action research to highlight learning and to promote the use of community shares more widely</li> </ul>
East End Community Development Alliance	37	To help address the short term impacts of migration on local public services
Eden Project Ltd	150	This payment to support the Meaningful Interaction work programme specifically to contribute towards the BIG LUNCH project'
Environmental Law Foundation	85	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Equality South West	20	Identify how hate crimes and incidents are defined and recorded in the South West region and to identify effective ways of responding to them
Ethnic Minority Benevolent Association	50	Grant to work with Muslim young people and their families to help them tackle violent extremism
Ethnic Minority Foundation	38	Community Leadership Fund - grant to empower Muslim women through training in key skills
Faith Based Regeneration Network UK	15	Roll out VISIBLE quality assurance toolkit to six pilot local faith communities
Faith Based Regeneration Network UK	3	Faith & Social Action Display for IFW
Faith Matters	34	Build relations between Muslim and Sikh communities through joint working
Faith Matters	100	Grant to deliver a support service for new converts to Islam
Faith Matters	29	Grant to deliver the 'Living Islam Out Loud' tour

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
		across England
Faith Matters	38	Grant to compile a case study guide of mosques that provide services to Muslim women
Gateshead Visible Ethnic Minority Support Group	10	Grant to establish a local forum against extremism
Gender Identity Research and Education Society (GIRES)	26	Resource for teachers/pupils on how to deal with transgender issues/hate crime
GW Theatre Company	77	Grant for organisational capacity building to deliver a national tour of 'One Extreme to the Other'
GW Theatre Company	10	Develop a play around different forms of extremism - with a particular focus on far right extremisms
Housing Association Charitable Trust (HACT)	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Harrogate and Area CVS	13	To help address the short term impacts of migration on local public services
Heartstone	30	Develop and aid disengaged young people with life skills to transfer to their peers helping to prevent them becoming involved in extremist activities
Hindu Christian Forum	30	Dialogue & activity between the Hindu & Christian communities
Hindu Council (UK)	4	Exhibition stall & Seminar event for IFW
Holocaust Memorial Day Trust	20	Recruitment cost of new Chairperson
Information Network on Religious Movements (INFORM)	140	Core grant to support INFORM in its continuing role to provide objective research & info relating to cults & non religious movements
Inter Faith Network for UK	39	Preparation for the Pre-IFW launch event
Inter Faith Youth Trust	10	Young People Inter Faith Projects linked with IFW
Interfaith Action	5	Student Inter Faith Volunteer Challenges IFW
Islamic Relief	10	Sponsorship of Islamic Relief's 25th Anniversary Event on 17 December 2009
Jain Network	4	Exhibition stall & Seminar event for IFW
JAN Trust	5	Sponsorship of Deen Fest event on 6 December 2010
Joseph Interfaith Foundation	14	Young British Believer seminar taking place in IFW
Kali Theatre Company	6	Grant to empower Muslim women through development of a play about violent extremism
Karimia Institute	50	Grant to deliver a youth leadership training

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
		programme
Khayaal Theatre Company	127	Grant for organisational capacity building to deliver a national tour of 'Hearts and Minds'
League of British Muslims	25	Grant to deliver training to Muslim faith leaders about engagement with young people
London Action Trust	28	To support grassroots community projects to develop as third party reporting centres
London Metropolitan University	70	Grant to deliver Imam training course
Muslim Council of Britain	58	Grant to build the organisational capacity of the Mosques and Imams National Advisory Board (MINAB)
Manchester Jewish Museum	35	To support work with young people across the faiths to understand Jewish Faith and Culture in the hope of preventing anti-Semitism and all other forms of hatred and intolerance
Medical Foundation for the Care of Victims of Torture	23	To help address the short term impacts of migration on local public services
Mica Creative	10	Sponsorship of National Art Competition on 15 December 2009
Migrant Workers North West	43	To help address the short term impacts of migration on local public services
Minorities of Europe	5	West Midlands Inter faith Youth Pilgrimage for IFW
Muslim News	8	Sponsorship of The Muslim News Awards for Excellence 2010 on 15 March
Muslim Welfare Association Forums	3	Grant to set up a local forum against extremism
Muslim Women's Network UK	20	Grant for organisational capacity building
Muslim Youth Helpline	62	Grant for organisational capacity building to expand the services of the organisation
National Association of Local Councils (NALC)	280	NALC manage a partnership programme to promote the local council sector
National Institute of Adult Continuing Education (NIACE)	1,100	"Get Digital" is a digital inclusion project. It aims to increase the sustainable provision of digital skills and access for older people living in sheltered housing schemes
New College Nottingham	90	To help address the short term impacts of migration on local public services
NORCAS	30	To help address the short term impacts of migration on local public services
Northern Refugee Centre	158	To help address the short term impacts of migration

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
		on local public services
Norwich & Norfolk Racial Equality Council	126	To help address the short term impacts of migration on local public services
Novas Scarman	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Novas Scarman	90	To help address the short term impacts of migration on local public services
OneVoice Europe	35	Grant to deliver the One Voice International Education Programme in universities across the UK
Operation Black Vote	85	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Oxfam GB	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Oxfordshire Community Voluntary Action	196	To help address the short term impacts of migration on local public services
Parliamentary Committee Against Anti-Semitism	30	To encourage MPs across Europe to tackle anti-Semitism and to spread the UK's best practice
Plymouth City Council	12	To support work to develop understanding and acceptance of the growing Gypsy and Traveller community in Plymouth
Poor African Refugee Association	42	To help address the short term impacts of migration on local public services
Prism Youth Project	30	Grant to work with young people to examine issues relating to peace, violence and conflict resolution
RADAR	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Radio Salaam Shalom	3	Muslim-Jewish song collaboration for Holocaust Memorial Day
Refugee & Migrant Centre	75	To help address the short term impacts of migration on local public services
Reveal Theatre Company Ltd	30	To work with different schools with children from different backgrounds to build cohesion in Stoke-upon-Trent
Rewind	40	To work with young white men who are at risk of joining far right extremist organisations



<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
Riverside Community Health Project	59	To help address the short term impacts of migration on local public services
RSA	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
School for Social Entrepreneurs	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Scotswood Area Strategy	37	To help address the short term impacts of migration on local public services
Searchlight Educational Trust	32	To research and pull together a DVD for local authorities on how to identify 'lone wolves'
Sheila McKechnie Foundation	85	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Shelter UK	17	To help address the short term impacts of migration on local public services
Silsila Productions	5	Sponsorship of launch of 'The Good Wife' Film Project on 31 March 2010
Social Firms UK	85	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Somali Family Support Group	16	Grant to empower Muslim women through leadership and Citizenship training
St Ethelburga's Centre for Reconciliation and Peace	13	2 separate grants: New handbook & online guide for Inter faith story telling projects. IFW story telling performance for IFW "Sea of Stories"
Surrey Community Action	98	To help address the short term impacts of migration on local public services
The Board of Deputies of British Jews	7	3 separate grants: 5 Local pilot projects to improve relationships between Jewish & Christian clergy congregations; Seminar & Exhibition stall for IFW
The Children's Society	27	To help address the short term impacts of migration on local public services
Christian Muslim Forum	35	2 Grant payments - £5k Inter Faith Week Funding to provide resources for Mosque - Church twinning. £30k Faith & Young People (FYP) youth work training product
The Council of Christians and Jews	11	Grant funding for IFW - Anti-Semitism workshops for clergy, Jewish and black Christian community

Institution	Payments 2009-10 £k	Purpose
The Council of Christians and Jews	20	leaders & newsletter To work with Higher education chaplains on the issues of anti-Semitism in Christianity
The Inter Faith Network for the United Kingdom	233	Strategic Grant towards core work
The Learning Partnership - Bedfordshire & Luton Ltd (SSSC project)	230	To help address the short term impacts of migration on local public services
The Learning Partnership - Bedfordshire & Luton Ltd (Transqual 4 All)	70	To help address the short term impacts of migration on local public services
The Lesbian and Gay Christian Movement	25	Resource for teachers to prevent LGB hate crime based on Christianity
The Media Trust	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
The Multi-Faith Centre at The University of Derby	5	Regional academic conference for IFW
The Prince's Trust	26	Grant to deliver Community Cash Awards Scheme which will enable young people to develop and deliver projects in their communities
The Three Faiths Forum	15	Grant to work with Muslim girls to develop their understanding of the Qur'an through the study of fashion
The Three Faiths Forum	16	Three separate grants: Urban Dialogues programme for young professionals; Women ARE Together project for female artists. Young Leaders Interfaith evening for IFW
The Young Advisors Company Ltd	129	To support the expansion of the young advisors scheme 'which trains young people to work with public service organisations and to advise on their policies'
The Young Foundation	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Time Bank (One20)	60	Grant to deliver a mentoring programme for Muslim women
UK Youth Parliament	5	Contribution to UK Youth Parliament 9th Annual Sitting
United Religions Initiative UK	19	2 separate grants: "Faith in the Community" Grant for four city pilots. IFW grant for four faith evenings
Unity FM	39	Grant to develop and deliver a radio play about

<b>Institution</b>	<b>Payments 2009-10 £k</b>	<b>Purpose</b>
Urban Forum	200	violent extremism Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Urban Nexus	94	Grant to develop and promote Beacon Mosques in England
Voice UK	19	Local awareness raising on disability hate crime and appropriate interventions and support
West Norfolk VCA	46	To help address the short term impacts of migration on local public services
Workers Education Association	200	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
YWCA - England and Wales	130	Grant funding to 21 third sector organisations with the aim of providing stable and strategic funding to those organisations with national reach and to help deliver on key empowerment themes
Urdu Times	15	Grant to deliver media training to Muslim faith leaders
Zakat Trust	20	Grant to develop the Islam Awareness Week website
Zakat Trust	20	Grant to deliver a series of events promoting positive alternative activities to young Muslims
Zoroastrian Trust Funds of Europe	4	IFW Seminar & Exhibition stall for IFW
<b>Totals</b>	<b>45,793</b>	

### Financial Instruments

3.56 The Department, being Vote funded, does not have significant exposure to financial instruments or unusual financial risks. Relevant factors are disclosed in Note 15.

### Significant Events since the End of the Financial Year

3.57 There are no events with a significant financial impact to report since the end of the Financial Year.

### Auditors

3.58 The audit of the Department's Resource Accounts was carried out by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. Total auditor's remuneration disclosed in these accounts is £447k; this comprises: £404k for

the central Department, of which £389k was for the audit of Department's Resource Account and £15k for the audit of the Department's restatement of the 2008-09 Accounts under International Financial Reporting Standards, and £43k for the audit of the Planning Inspectorate Agency Accounts, divided £38k for the Resource Accounts and £5k for the restated IFRS Accounts.

- 3.59 The National Audit Office also performed other statutory audit work including Value for Money work and other reports to management at no cost to the Department.
- 3.60 So far as the Accounting Officers are aware, there is no relevant audit information of which the External Auditors are unaware.
- 3.61 The Accounting Officers have taken all steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Department's auditors are aware of that information.

### Personal Data Related Incidents

- 3.62 Communities and Local Government manages a range of data which relates to staff and citizens. Most of the data relating to citizens does not allow the identification of individuals and is used to support policy analysis and review. The Department has procedures and processes to protect information and data and to ensure it is only used for the purposes it was collected for. The following tables report data related incidents during the year.

<b>Date of incident (month)</b>	<b>Nature of incident</b>	<b>Nature of data involved</b>	<b>Number of people potentially affected</b>	<b>Notification steps</b>
February 2010	Storage of personnel data in an insecure sub-folder on HCA IT system. Found during check of records. No evidence of compromise.	Some staff financial data	280	Staff whose details involved advised and Cabinet Office notified; Information Commissioner informed.
Further action on information risk	The Department and its Agencies and NDPBs manage a range of data which relates to staff and citizens. Most of the data relating to citizens does not allow us to identify individual citizens and is used to support policy analysis and review. The recommendations of the Data Handling Review have been implemented and a coordinated approach to compliance adopted across the Department's Group.			

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.
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Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	1
V	Other	Nil

### Human resources

3.63 Our approach to staff management is underpinned by the four Departmental values we developed with our staff and launched in May 2008:

- We are ambitious and creative
- We act openly, and as one department
- We give people the chance to shine
- We give people a voice

#### *Learning and Development*

3.64 Throughout 2009-10 we have established our new Learning and Development Strategy which has provided a variety of core leadership and management skills development modules at all grades. To complement this, we have used a succession planning process to drive a more systematic approach to developing the Department's talent pool with a Talent Manager working with individuals at Grade 6/7 and above.

3.65 We continued to run the Pairing for Performance Programme which was successfully presented by the three Departmental Champions at Civil Service Live. The Department set up an intranet portal providing a single point of access for all Learning and Development programmes. This is also available across the wider CLG Group.

#### *Staff Survey*

3.66 In October and November 2009, 73% of our people completed questionnaires in the first Civil Service-wide staff engagement survey. For the first time, the survey provided an Employee Engagement Index for the Department, designed to indicate how staff feel about their employment and employer. The Department's score of 53% represents a significant improvement from the two pilot surveys. The results showed an increase in the number of staff who felt they were treated fairly and with respect by colleagues and, importantly, more staff reported that they felt able to speak up and challenge than in previous years. Although the general picture was one of encouraging progress, some challenges remain in areas such as leadership and understanding the Department's objectives.

#### *Workforce Equalities*

3.67 We have worked closely with our staff networks this year, and a significant number of them now have a representative at Board level; the LGB Network in particular has seen

a significant increase in numbers following promotional work undertaken with their new LGB Board Champion. Thanks to work with the BAME and the LGB Networks, minority ethnic and LGB staff at SEO and G6/7 level can now undertake a co-coaching programme with peers from the private sector. Our aim is to establish a similar programme for staff with disabilities in the autumn.

- 3.68 We organised Equality Impact Assessment (EqIA) training for over 100 policy officials and have seen a big improvement across the Department in the number of EqIAs being undertaken. We were recognised by The Times/Aurora as one of the Top 50 organisations Where Women Want to Work in 2009 – the first time that a central government department has featured, and have been rated ‘Silver’ in the Employers Forum on Age e-quality benchmarking.

#### *HR Services*

- 3.69 During the year, we brought the HR Functions for CLG and the Government Office Network together under one management structure to streamline our processes and policies, to deliver service improvements to our customers and operational efficiency savings for the Department. To date, this has resulted in the creation of a single HR Shared Service Centre, based in Liverpool, delivering HR transactional services for CLG, GO Network, Government Equalities Office and the new Infrastructure Planning Commission.

#### *Recruitment*

- 3.70 During 2009, the Department signed up to Backing Young Britain, a cross Government campaign designed to encourage employers in the private, public and voluntary sectors to increase opportunities for young people. In line with this approach we recruited 24 new apprentices, who took up roles as Personal Assistants while studying for an NVQ in Business and Administration. In addition, specific recruitment exercises were conducted for Private Office staff and for Deputy Directors.
- 3.71 The table below provides details of staff recruited to the Department from outside the civil service by type of appointment and diversity.

Pay Band	Non-civil Servants	Fixed-term appointments	Permanent	Casual	Women	BME	Disabled
1	1	-	-	-	-	-	-
2	12	29	9.7	1	30.7	4	-
3	38	8	37	2	25	5	4
4	30	4	39	4	28	4	3
5	20	2	14	-	6	4	-
6	12	3	14	-	8	-	1
7	2	-	3	1	1	-	-
SCS	4	2	2.5	-	2	-	-
Totals	119	48	119.2	8	100.7	17	8

3.72 The table below shows where posts were filled using an exception to fair and open competition, on merit, as permitted by the Civil Service Commissioners' Recruitment Principles:

**Exceptions to the Civil Service Recruitment Code**

Category	Number
Casual appointment extended over 12 months	0
Recurrent short-term appointments	0
Short-term appointments where highly specialised skills requested	0
Conversion of short-term appointments to permanency (or extended beyond publicised period)	0
New inward secondments	15
Outward secondments	40
Extension of existing inward secondments	41
Re-appointments of former civil servants	1
Transfer of staff with work	0
Transfer of staff from other public services without work	0
Surplus acceptable staff	0
Disabled candidates	0
Exceptions reserved for the Commissioners	0

3.73 As at 31 March 2009, there were 110 SCS staff in the main Department (including the Permanent Secretary). These figures are derived from the ONS definitions of staff in post and are in line with the Department's return under the Smarter Government initiative to reduce the size of the SCS.

**SCS Salaries as at 31 March 2010**

Salary band	Number
£55,000 – £59,999	9
£60,000 – £64,999	13
£65,000 – £69,999	21
£70,000 – £74,999	19
£75,000 – £79,999	11
£80,000 – £84,999	6
£85,000 – £89,999	5
£90,000 – £94,999	4
£95,000 – £99,999	3
£100,000 – £104,999	4

Salary band	Number
£105,000 – £109,999	4
£110,000 – £114,999	1
£115,000 – £119,999	2
£120,000 – £124,999	0
£125,000 – £129,999	1
£130,000 – £134,999	1
£135,000 – £139,999	1
£140,000 – £144,999	0
£145,000 – £149,999	1
£150,000 – £154,999	1
£155,000 – £159,999	0
£160,000 – £164,999	0
£165,000 – £169,999	1
£170,000 – £174,999	0
£175,000 – £179,999	1
	109*

\* Not including Permanent Secretary

#### Number of SCS by Pay Band as at 31 March 2010

SCS pay band	Number
SCSPB1	83
SCSPB1A	1
SCSPB2	21
SCSPB3	4
Permanent Secretary	1
	110

Note: There were two SCS members included whose last day of service was 31 March 2010.

#### *Sickness Absence*

- 3.74 CLG produces a set of quarterly sickness absence statistics, which contribute to Cabinet Office's analysis of absence for the civil service as a whole. The CLG returns an aggregate data set for the CLG Group excluding the Government Office Network. The data draws from individual and manager recorded sickness absence and is broken down into a number of categories including location, age, gender, short v long-term absence and reasons for absence.
- 3.75 The quarterly statistics for the year to 31 December 2009 show that the overall Average Working Days Lost (AWDL) for the Civil Service was at 8.7. This is the lowest reported



figure in the last ten years. The figure for the CLG Group at 31 December 2009 stood at 6.0 and at 4.6 for the main Department.

- 3.76 CLG has reported a decrease across the last four quarters from 6.3 AWDL in Q4 2008 to 6.0 in Q4 2009 although the rate for the Main Department only has fallen to 4.6. The percentage of civil servants taking no sick leave in CLG was 50%.

## **Sustainable Development**

### *Action Plan*

- 3.77 The Department's contributions to sustainable development have been:

- championing social aspects of sustainable development – tackling deprivation, building social cohesion, empowering communities to act together on the issues they face;
- ensuring that people have access to housing that is affordable and of good quality and managing the environmental consequences of housing development;
- using the planning system and our urban regeneration programmes to give people access to the services, surroundings and amenities that serve sustainable communities;
- helping local authorities to respond to the needs of local people and to the economic, social and environmental circumstances of a rapidly changing world; and
- acting as a partner in tackling climate change – principally through the built environment and local government.

- 3.78 The Department published its Progress Report on the actions set out in its Sustainable Development Action Plan (SDAP) 2007-08 in December 2009.

### *Sustainable Operations and Procurement*

- 3.79 Based on the most recent performance assessment, the Department is on course to meet, and in some cases exceed, all the targets for Sustainable Operations on the Government Estate (SOGE) by the 2010-11 deadline. CLG received a five-star rating from the Sustainable Development Commission for the third consecutive year, as well as having maintained its Environmental Management System (EMS) to ISO14001:2004.
- 3.80 The Department's main building – Eland House – has improved its Display Energy Certificate (DEC), from an F to an E rating. In the same period, CLG reduced its reported emissions from its central offices by over 30% and was awarded the Carbon Trust Standard for effective year-on-year carbon management. The Department's Carbon Reduction Delivery Plan sets out the actions across the CLG Group to meet our Departmental Carbon Budget allocations.
- 3.81 During 2008-09, the Department published a Sustainable Procurement Strategy setting out how sustainability will be supported through procurement, together with an Innovation in Procurement Plan (IPP) that sets out how to use technology to enhance procurement processes and how these will be developed to maximise the potential for suppliers to deliver innovative solutions. This plan is being refreshed to indicate how the Department is addressing policy through procurement priorities, including carbon reduction.

*CLG and Carbon Budgets*

3.82 The Climate Change Act 2008 established a system of UK carbon budgets. These are legally-binding targets on greenhouse gas emissions, covering consecutive five-year periods. The first three carbon budgets (covering the periods 2008-12, 2013-17 and 2018-22) were set in law in May 2009, and respectively require reductions in emissions on 1990 levels of 22%, 28% and 34%.

3.83 In July 2009, the previous administration published the UK Low Carbon Transition Plan, which set out how responsibility for meeting carbon budgets would be shared between central Departments, on the basis of their influence on reducing emissions in a number of sectors of the economy.

*Carbon Reduction Delivery Plan*

3.84 In March 2010, the Department published a Carbon Reduction Delivery Plan. The Department is expected to report on progress as part of the Government's response to the Committee on Climate Change's annual report each year.

*Departmental Adaptation Plan*

3.85 Under the Climate Change Act 2008 there is a statutory requirement on Government to develop a national adaptation programme by 2012 for presentation to Parliament. As a step to achieving this, in March 2010 key government departments, including CLG, published Departmental Adaptation Plans. These focused on immediate priorities to help people and communities adapt and be resilient to risks from climate change.

## 4 Remuneration Report

### Remuneration Policy

4.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

4.2 In reaching its recommendations, the Review Body is to have regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- Regional and local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of Departmental services
- The funds available to Departments as set out in the Government's Departmental expenditure limits; and
- The Government's inflation target

4.3 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### Service Contracts

- 4.4 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may be made otherwise.
- 4.5 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.
- 4.6 Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

### Remuneration (including salary) and Pension Entitlements

- 4.7 The following sections provide details of the remuneration and pension interests of the Ministers and Board Members of the Department and are subject to audit. Equivalent information relating to the Executive Agency consolidated into the Department's Resource Account is provided in its own separate published accounts. The Non-Executive Directors did not receive a salary in their capacity as Board Members.

#### Remuneration

Ministers	2009-10		2008-09	
	Salary £	Benefit-in-Kind (to nearest £100)	Salary £	Benefit-in-Kind (to nearest £100)
The Rt Hon John Denham MP	63,773 <sup>1</sup>	-	-	-
The Rt Hon John Healey MP	40,646	-	41,153	-
The Rt Hon Rosie Winterton MP	33,307 <sup>2</sup>	-	-	-
Shahid Malik MP	25,024 <sup>3</sup>	-	-	-
Ian Austin MP	25,024 <sup>4</sup>	-	-	-
Barbara Follett MP	16,111 <sup>5</sup>	-	-	-
The Rt. Hon Hazel Blears MP	14,148 <sup>6</sup>	-	79,179	-
The Rt Hon Margaret Beckett MP	7,338 <sup>7</sup>	-	19,995 <sup>11</sup>	-
Sadiq Khan MP	10,284 <sup>8</sup>	-	15,094 <sup>12</sup>	-
Iain Wright MP	7,713 <sup>9</sup>	-	15,177 <sup>13</sup>	-
Baroness Kay Andrews OBE	20,892 <sup>10</sup>	-	110,887	-

#### 2009-10

- 1 Figure quoted is for the period 6 June 2009 to 31 March 2010. The full year equivalent is £79,754

- 2 Figure quoted is for the period 6 June 2009 to 31 March 2010. The full year equivalent is £41,370  
 3 Figure quoted is for the period 9 June 2009 to 31 March 2010. The full year equivalent is £31,401  
 4 Figure quoted is for the period 9 June 2009 to 31 March 2010. The full year equivalent is £31,401  
 5 Figure quoted is for the period 23 September 2009 to 31 March 2010. The full year equivalent is £31,401  
 6 Figure quoted is for the period 1 April 2009 to 3 June 2009. The full year equivalent is £79,754  
 7 Figure quoted is for the period 1 April 2009 to 5 June 2009. The full year equivalent is £41,370  
 8 Figure quoted is for the period 1 April 2009 to 7 June 2009. The full year equivalent is £31,401  
 9 Figure quoted is for the period 1 April 2009 to 8 June 2009. The full year equivalent is £31,401  
 10 Figure quoted is for the period 1 April 2009 to 5 June 2009. The full year equivalent is £111,897

**2008-09**

- 11 Figure quoted is for the period 4 October 2008 to 31 March 2009. The full year equivalent is £40,646  
 12 Figure quoted is for the period 5 October 2008 to 31 March 2009. The full year equivalent is £30,851  
 13 Figure quoted is for the period 4 October 2008 to 31 March 2009. The full year equivalent is £30,851

Please see paragraphs 4.9 and 4.10 regarding the salaries of Ministers shared between departments. A full month's salary is paid if a Minister leaves part-way through a month.

Officials	2009-10		2008-09	
	Salary £000	Benefit-in- Kind (to nearest £100)	Salary £000	Benefit-in- Kind (to nearest £100)
Sir Peter Housden <i>Permanent Secretary</i>	175-179	600	190-194	900
Richard McCarthy <i>Director General</i>	190-194	-	190-194	-
Joe Montgomery <i>Director General</i>	160-164	-	165-169	-
Irene Lucas <i>Director General</i>	80-84 <sup>1</sup>	-	-	-
David Prout <i>Director General</i>	65-69 <sup>2</sup>	-	-	-
Shirley Pointer <i>Director General</i>	10-14 <sup>3</sup>	-	-	-
David Rossington <i>Acting Director General</i>	130-134	-	65-69 <sup>8</sup>	-
Hunada Nouss <i>Director General</i>	160-164 <sup>4</sup>	-	160-164	-
Lindsay Bell <i>Acting Director General</i>	65-69 <sup>5</sup>	-	15-19 <sup>9</sup>	-
Mike Falvey <i>Director General</i>	180-184 <sup>6</sup>	-	170-174	-
Christina Bienkowska <i>Director</i>	60-64 <sup>7</sup>	-	110-114	-

**2009-10**

- 1 Figure quoted is for the period 6 September 2009 to 31 March 2010. The full year equivalent is in the range £145k - £149k.

- 2 Figure quoted is for the period 21 September 2009 to 31 March 2010. The full year equivalent is in the range £130k - £134k.
- 3 Figure quoted is for the period 1 March 2010 to 31 March 2010. The full year equivalent is in the range £135k - £139k.
- 4 Hunada Nouss left on transfer to another government department and in accordance with civil service practice the salary figure includes the full month of departure, which was paid by CLG.
- 5 Figure quoted is for the period 1 April 2009 to 11 September 2009. The full year equivalent is in the range £125k - £129k.
- 6 Mike Falvey left on transfer to another government department and in accordance with civil service practice the salary figure includes the full month of departure, which was paid by CLG.
- 7 Figure quoted is for the period 1 April 2009 to 1 October 2009. The full year equivalent is in the range £110k - £114k. Christina Bienkowska left under Compulsory Early Retirement Terms on 1st October 2009. She received a compensation payment of £52k and immediate payment of her pension and associated lump sum.

### **2008-09**

- 8 Figure quoted is for the period 19 September 2008 to 31 March 2009. The full year equivalent is in the range £120k - £124k.
- 9 Figure quoted is for the period 9 February 2009 to 31 March 2009. The full year equivalent is in the range £115k - £119k.

Details of Benefits-in-Kind are explained in paragraph 4.12

### **Salary**

- 4.8 Salary includes gross salary; performance pay or bonuses; 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.
- 4.9 This report is based on 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 (1 April 2010, £64,766 from 1 April 2009 and £63,291 from 1 April 2008) and various allowances to which they are entitled are borne centrally. Rosie Winterton MP also had joint responsibilities with the Department of Business, Innovation and Skills but was paid by the Department for Communities and Local Government and her full salary and pension details are shown in this report.
- 4.10 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 for Baroness Andrews, as well as any allowances to which she was entitled, was paid by the Department and is therefore shown in full in the figures in this report. The Lord McKenzie of Luton had joint responsibilities with the Department of Work and Pensions. Salary and pension details can be found in the 2009-10 Resource Accounts of the Department of Work and Pensions.
- 4.11 Stephen Park was appointed to the Board as Interim Senior Finance Director on 1 March 2010. He is not a civil servant but is employed via a third party. For the period 1 March to 31 March 2010 expenditure of £43,355 including VAT was incurred with the third party in respect of his services.

**Benefits in Kind**

4.12 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. Sir Peter Housden received a benefit from an interest-free housing loan.

**Pension Benefits**

£

<b>Ministers</b>	Pension at end date	Real increase in pension	CETV at end date	CETV at start date*	Minister's contributions and transfers in	Real increase in CETV funded by employer
The Rt Hon John Denham MP (from 6 June 2009)	10,417	1,377	161,516	133,303	5,757	15,597
John Healey MP	8,334	1,201	107,169	85,204	4,923	10,514
The Rt Hon Rosie Winterton MP (From 6 June 2009)	8,450	989	108,315	90,411	4,007	8,675
Shahid Malik MP (from 9 June 2009)	1,172	698	11,654	4,472	3,031	3,905
Ian Austin MP (from 9 June 2009)	1,091	645	11,969	4,637	3,629	3,449
Barbara Follett MP (from 23 September 2009)	2,186	431	39,521	32,311	1,962	5,832
The Rt Hon Hazel Blears MP (to 3 June 2009)	7,076	281	94,328	86,428	1,225	2,524
The Rt Hon Margaret Beckett MP (to 5 June 2009)	20,835	87	379,314	373,614	889	703
Sadiq Khan MP (to 7 June 2009)	518	141	4,402	3,159	675	521
Iain Wright MP (to 8 June 2009)	520	141	4,269	2,972	675	480
Baroness Kay Andrews OBE (to 5 June 2009)	12,557	377	228,608	224,943	1,582	5,290

\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

### **Ministerial Pensions**

- 4.13 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).
- 4.14 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). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.
- 4.15 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in the Retail Prices Index. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the ministerial salary.
- 4.16 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

### **The Cash Equivalent Transfer Value (CETV)**

- 4.17 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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**

- 4.18 This is effectively 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.

£'000

Officials	Accrued pension at pension age at 31/03/10	Real increase in pension at pension age	CETV at 31/03/10	CETV at 31/03/09*	Real increase in CETV during the year
Sir Peter Housden	75-80 plus 230-235 lump sum	2.5-5 plus 10-12.5 lump sum	1,834	1,660	86
Richard McCarthy	25-30 plus nil lump sum	2.5-5 plus nil lump sum	472	392	50
Joe Montgomery	15-20 plus 50-55 lump sum	0-2.5 plus 5-7.5 lump sum	314	256	39
Irene Lucas (from 6 September 2009)	0-5 plus nil lump sum	0-2.5 plus nil lump sum	28	-	25
David Prout (from 21 September 2009)	0-5 plus nil lump sum	0-2.5 plus nil lump sum	15	-	13
Shirley Pointer (from 1 March 2010)	10-15 plus nil lump sum	0-2.5 plus nil lump sum	226	225	3
David Rossington	20-25 plus 45-50 lump sum	(20)-(17.5) plus (45)-(40) lump sum	436	729	(345)
Hunada Nouss (to 7 March 2010)	5-10 plus nil lump sum	0-2.5 plus nil lump sum	115	75	31
Lindsay Bell (to 11 September 2009)	45-50 plus 135-140 lump sum	2.5-5 plus 10-12.5 lump sum	1,043	905	88
Mike Falvey (to 9 March 2010)	5-10 plus nil lump sum	2.5-5 plus nil lump sum	94	54	36
Christina Bienkowska (to 1 October 2009)	45-50 plus 140-145 lump sum	0-2.5 plus 2.5-5 lump sum	955	896	22

\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

### Civil Service Pensions

4.19 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase'



stakeholder pension with a significant employer contribution (partnership pension account).

- 4.20 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.
- 4.21 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 4.22 The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.
- 4.23 Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

### **Cash Equivalent Transfer Value**

- 4.24 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.
- 4.25 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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**

4.26 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.

**Irene Lucas**  
**Principal Accounting Officer**  
**Department for Communities and Local Government**

**30 June 2010**

## Statement of Accounting Officer's Responsibilities

1. Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Communities and Local Government to prepare, for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.
2. In preparing the accounts the principal Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
  - observe 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 Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
  - prepare the accounts on a going concern basis.
3. HM Treasury appointed the Permanent Head of the Department as principal Accounting Officer of the Department. Sir Peter Housden left the Department on 14 June 2010. Irene Lucas was appointed Acting Permanent Secretary and Accounting Officer from that date. HM Treasury also appointed Irene Lucas (Lindsay Bell until 14 September 2009) as additional Accounting Officer to be accountable for that part of the Department's accounts that relate to Request for Resources 2 and the associated assets, liabilities and cash flows. The principal Accounting Officer has also appointed Joe Montgomery as additional Accounting Officer for the Government Offices. The appointment of additional Accounting Officer does not detract from the Permanent Head of the Department's overall responsibility as Accounting Officer for the Department's Resource Accounts.
4. The allocation of Accounting Officer responsibilities in the Department was as follows
 

<b>Principal Accounting Officer:</b>	Irene Lucas, Acting Permanent Secretary, (Sir Peter Housden, Permanent Secretary to 14 June 2010)
<b>Additional Accounting Officer for RfR2:</b>	Irene Lucas (Lindsay Bell to 14 September 2009)
<b>Additional Accounting Officer for the Government Offices:</b>	Joe Montgomery
5. 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 the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money. Under the terms of the Accounting Officers' Memorandum, the relationship between the Department's Principal and additional Accounting Officers, together with their respective responsibilities, is set out in writing.

## Statement on Internal Control

### Scope of responsibility

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives for the Department for Communities and Local Government, whilst safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in Managing Public Money.

During the financial year 2009-10, authority was delegated for the management and accountability of resources to Directors-General, including programme and administration budget allocations. Directors-General sub-delegated this authority to their Directors and Deputy Directors. (For the 2010-11 year, reflecting changes to the roles of Directors-General, I have delegated such authority to Directors.) I require all submissions to Ministers which have financial implications to be cleared with Finance Directorate and Heads of Finance who support Directors-General.

The Department for Communities and Local Government (CLG) sets policy on local government, housing, urban regeneration, planning and fire and rescue. It leads for a range of departments on the Government's Regional Office Network and has responsibility for all race equality and community cohesion related issues in England and for building regulations, fire safety and certain housing issues in England and Wales. During the year, CLG worked hard to create thriving, sustainable, vibrant communities that improve the quality of life for all.

To achieve this the Department sought to:

- build more and better homes – and reduce homelessness
- improve local public services
- regenerate areas to create more jobs
- work to produce a sustainable environment

and aimed to deliver this by:

- working to offer more choice and better quality in public services
- addressing the issues of climate change
- building cohesion
- tackling anti-social behaviour and extremism

For this to work, the Department needed to encourage local authorities and their partners to work closely with their communities to help create an environment of which everyone can be proud. Through:

- making sure that there was a clear set of opportunities for local and regional partners to promote innovation, build on skills and tackle poor performance,
- securing better value for money through smarter investment, simpler delivery chains and high-quality partnerships, and
- concentrating resources where they were most needed.

During the year, CLG continued to re-profile investment to support housing and regeneration activity and looked at policy areas to ensure that together with local delivery partners, it was responding effectively to changed economic circumstances. In addition, CLG was working consistently to improve performance and capacity. In a constrained financial environment,

the Department endeavoured to ensure that value for money was extracted from all expenditures. CLG's business model has been changed to ensure that there are the capability and the skills to deliver this challenging agenda through the creation of the Programme team, a pool of experienced staff who can be assigned quickly to areas of greatest Departmental need.

The Department has been assisted in delivering this agenda by a number of partner organisations. The Olympic Park Legacy Company provided a focal point for securing the expertise, accountability and leadership for the Olympic Park legacy, taking forward early development and transformation decisions to secure and deliver robust future plans. The Homes and Communities Agency, the Tenants Services Authority and the Infrastructure Planning Commission, as relatively new organisations, were subject to focussed sponsorship arrangements to assure effective oversight of delivery risks.

As a consequence of the publication of the Coalition Agreement on 12 May, the Chancellor's announcement of £6.2bn expenditure cuts on 24 May, and the Chancellor's 22 June Budget, all of the Arms Length Bodies are being reviewed to determine their appropriate roles in delivering the Department's policies.

### **The Purpose of the System of Internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Communities and Local Government for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

The Board, Board Executive and key sub-committees of the Board take an active lead in embedding risk management in the organisation. The risk register was reviewed on a number of occasions through the year by the Board and the Delivery Sub-Committee has continued to review progress on new and continuing programmes.

### **The Risk, Control and Governance Framework**

During 2009-10, risk management, control and governance processes included the following:

- Senior Responsible Officers were accountable for the effective management and escalations of risks within their groups and programmes.
- Through the risk register, the Board reviewed the critical risks to departmental business and the actions being taken to mitigate them.
- The Audit and Risk Committee (under the independent chairmanship of a Non-Executive Member of the Board) reviewed the approach to risk management across the Department.

- The key Programme Boards across the Department regularly reviewed their risks and escalated strategic and cross cutting risks to the departmental Board through monthly reports.
- The Delivery Sub Committee of the Board provided scrutiny of the highest risk programmes, with focus on assuring that the key risks were being effectively managed.
- OGC Gateway reviews and Health Checks provided external assurance of the highest risk programmes and their management of risk.
- Internal audit reviewed the adequacy and effectiveness of the Department's risk, control and governance framework through a programme of audits and advisory work.
- Resource management responsibility was delegated to Directors-General, and their Directors / Heads of Unit were required to provide assurance statements for the financial year 2009-10.
- The Department continues to review and reinforce its data security measures both within the core department and across the Group. There have been four incidents of data loss in the last year, one of which required a report to the Information Commissioner. I have reviewed the Department's position in relation to the Data Handling review and the Security Policy Framework and can confirm that CLG is addressing data security risks appropriately.
- The Chief Executives of the Department's three Executive Agencies (two of which have Trading Fund status) provided Statements on Internal Control, which outlined how they had managed risk through the year. The recently appointed Chief Executive of the Fire Service College identified a number of improvements to enable annual accounts and responses to internal audit recommendations to be finalised more quickly, along with improvements to Business Continuity arrangements, Health and Safety compliance and the control, recording and disposal of assets. Notwithstanding those comments, the Statements provided by the Executive Agency Chief Executives in their role as Agency Accounting Officers and by the Additional Accounting Officer for the Government Office Network (GON) identified no significant control issues for the Department.

### **Statement on Internal Control – process and outcomes**

Directors and Heads of Unit provided their assurance statements using a revised template which asked them to assess their compliance with the risk management and internal control requirements set out in their delegation letter, to provide affirmative evidence and explain how they were addressing any weaknesses. The Audit and Risk Committee approved enhancements to the process for preparation of the Statement on Internal Control, including strengthening transparency on how the issues raised at Director level have been addressed, reviewing the format to improve internal consistency and robustness; and improving assurance across the whole of CLG Group – (i.e. the central Department, its agencies and the Government Offices).

In identifying how to achieve these requirements, the Department sought to emphasise the importance of understanding the underlying purpose of the SIC, rather than securing process compliance as a form-filling exercise. It introduced "assurance panel sessions" chaired by the Senior Finance Director, and with membership including the Head of Internal Audit and the Chair of the Audit and Risk Committee, convened to review and discuss with their authors a sample of the returns that were submitted.

Directors were required to report on issues that had arisen up to 31 March 2010. This encompassed key management areas as follows:

- Risk Management
- Strategy and Policy
- Business Planning
- Performance Management
- Governance
- Financial Management and Control

For 2009-10, these returns reported that there had been good risk management strategies in place to manage the key risks for the Department, in particular the impact of the economic downturn on the Department's policy agenda. Highlights were in relation to the Thames Gateway and Olympics programmes and Local Government Finance where there were good risk management practices in operation in particularly challenging and high risk business environments. These included:

- Strengthening risk management capability - specifically in setting up the Olympic Park Legacy Company - with external consultancy expertise.
- Robust management of a range of risks associated with Local Government Finance. With responsibility for allocation decisions on and payment of Formula Grant to local authorities and collection of business rates, there was a clear understanding of risk ownership within the Directorate. A risk averse approach was adopted in relation to the major payments/collections processes and a risk framework had been established which sought to spread risk. There were robust separation of duties and delegations procedures in place and regular engagement with CLG's Internal Audit and the NAO.

### **European Regional Development Fund (ERDF)**

During the year, preparations continued for submission to the European Commission in respect of the closure of the 2000-06 European Regional Development Fund activities together with residual elements of the 1994-99 programme. The deadline for submission of Closure Reports was 31 March 2010 and it was important that the Reports presented clearly and accurately the Department's evidence for justifying re-imburement from the Fund.

Work undertaken during the year, by the Managing Authority, the Government Offices and the Audit Authority, identified a number of risks that might impair the quality of the Closure. Mitigations were identified and implemented, as follows:

- Robustness of evidence to support confirmation of eligibility of expenditures
  - Specialised resources were made available to the Government Offices to improve audit trails
- Unresolved irregularities
  - Additional resources made available in the Government Offices to clarify and close difficult cases
  - An exercise was also undertaken to reduce financial risks by identifying those irregularities which could not have been prevented by normal business controls (for them to be recognised as outside the "representative sample" for reporting purposes)

- Significant levels of debt outstanding from grant applicants who breached the EC's compliance framework
  - Expertise was offered to the Government Offices to enable them to pursue debt more effectively
- Regular oversight by the Audit and Risk Committee and the Board.

Overall, the Department is content that ultimately (see Head of Internal Audit Opinion below) its actions mitigated the control weaknesses and that opportunities have been taken to apply lessons learnt to the successor scheme (ERDF 2007-13) to mitigate at an early stage similar risks in that scheme.

### **Role of Internal Audit**

Internal Audit plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

- focusing audit activity on the key business risks
- being available to guide managers and staff through improvements in internal control
- auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes
- providing advice to management on internal control implications of proposed and emerging changes.

The Department's Internal Auditors operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit and Risk Committee. Internal Audit update the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Committee. Internal Audit submits regular reports on the adequacy and effectiveness of the Department's systems of internal control and the management of key business risks, together with recommendations for improvement. These recommendations have been accepted by Management including an agreed timetable for implementation. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is reported to the Audit and Risk Committee.

Following completion of the planned audit work for 2009-10 the Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management governance and internal control. This stated that:

"We have completed the programme of internal audit work for the year ended 31 March 2010 and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control. However we have identified significant control weaknesses in some specific systems and processes including ERDF 2000-2006. Except for ERDF 2000-2006 we give moderate assurance on the adequacy and effectiveness of the system of internal control throughout the year. For ERDF we give limited assurance for the first three quarters of the year. However as a result of interventions by the Permanent Secretary, the Audit and Risk Committee and the Board we are able to give moderate assurance on ERDF at the end of 2009-10 year ".



**Conclusion**

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. Executive managers within the Department have responsibility for the development and maintenance of the internal control framework. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the comments made by the external auditors in their management letter and other reports, including Value for Money reviews on the Coalfields and Decent Homes Programmes. I have been advised, in my review of the effectiveness of the system of internal control, by the Board and Audit and Risk Committee. An action plan will identify potential weaknesses and assure continuous improvement of the system during 2010–11 and beyond.

Prior to signing this Statement on Internal Control, the Audit and Risk Committee has confirmed that I have the necessary level of assurance from senior colleagues.

**Irene Lucas**  
**Principal Accounting Officer**  
**Department for Communities and Local Government**

**30 June 2010**

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

I certify that I have audited the financial statements of the Department for Communities and Local Government for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Consolidated Operating Cost Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity, the Consolidated Statement of Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to Departmental Strategic Objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given in the Entities Consolidated, Annual Review and Management Commentary included within the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

The Treasury compiles a Consolidated Statement on the Use of EU Funds in the UK, which I audit and report on. I may comment further on the use of European funds in the UK in my report on the Consolidated Statement, which will be published once the work has been completed. My last report on the Consolidated Statement was published as HC 439 of 2009-10.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**

**5 July 2010**

## Statement of Parliamentary Supply

For the year ended 31 March 2010

### Summary of Resource Outturn 2009-10

Request for Resources	Note	Estimate			Outturn			£'000	
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	2009-10	
								2008-09	
							Net Total outturn compared with Estimate: saving/ (excess)	Net Total	
RFR 1	3	14,010,249	(673,277)	13,336,972	13,642,127	(616,764)	13,025,363	311,609	11,349,671
RFR 2	3	26,184,492	(14,235)	26,170,257	25,991,206	(13,286)	25,977,920	192,337	25,350,011
<b>Total resources</b>	4	<b>40,194,741</b>	<b>(687,512)</b>	<b>39,507,229</b>	<b>39,633,333</b>	<b>(630,050)</b>	<b>39,003,283</b>	<b>503,946</b>	<b>36,699,682</b>
Non-operating A in A	5		(1,500)	(1,500)		(6)	(6)	(1,494)	(207)

### Net cash requirement 2009-10

	Note	£'000		
		Estimate	Outturn	2009-10 Net Total outturn compared with Estimate: saving/ (excess)
<b>Net cash requirement</b>	5	39,547,075	39,282,643	264,432
				2008-09 Outturn
				37,555,695

### Summary of income payable to the Consolidated fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	£'000			
		Forecast 2009-10		Outturn 2009-10	
		Income	Receipts	Income	Receipts
<b>Total</b>	6	700,400	<i>700,400</i>	844,906	<i>884,896</i>

Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

The Notes on pages 62 to 102 form part of these accounts.

**Consolidated Operating Cost Statement**

for the year ended 31 March 2010

£'000

	Note	Staff Costs	Other Costs	2009-10 Income	2008-09
<b>Administration Costs:</b>					
Staff Costs	9	189,882			192,134
Other Administration Costs	10		110,476		116,530
Operating Income	12			(45,476)	(46,645)
<b>Programme Costs</b>					
<b>Request for Resources 1</b>					
Staff Costs	9	63,900			66,731
Programme Costs	11		13,467,571		11,552,731
Income	12			(1,603,304)	(1,488,435)
<b>Request for Resources 2</b>					
Programme Costs	11		25,991,206		25,381,460
Income	12			(13,286)	(31,449)
<b>Totals</b>		<b>253,782</b>	<b>39,569,253</b>	<b>(1,662,066)</b>	<b>35,743,057</b>
<b>Net Operating Costs</b>	4			<b>38,160,969</b>	<b>35,743,057</b>

The Notes on pages 62 to 102 form part of these accounts.

**Consolidated Statement of Financial Position**

as at 31 March 2010

£'000

		31-Mar-10	31-Mar-09	01-Apr-08
<b>Non-current assets</b>				
Property, plant and equipment	13	110,006	107,325	99,936
Intangible Assets	14	79,936	69,345	60,847
Investments	16	48,009	44,670	44,798
Investment Properties	17	21,782	21,750	26,302
Trade and other receivables	20	170,334	125,551	35
<b>Total non-current assets</b>		<b>430,067</b>	<b>368,641</b>	<b>231,918</b>
<b>Current assets</b>				
Assets held for sale	18	5	5	76
Inventories	19	102,209	80,008	28,489
Trade and other receivables	20	441,819	502,064	793,154
Cash and cash equivalents	21	167,474	96,854	338,865
<b>Total current assets</b>		<b>711,507</b>	<b>678,931</b>	<b>1,160,584</b>
<b>Total assets</b>		<b>1,141,574</b>	<b>1,047,572</b>	<b>1,392,502</b>
<b>Current liabilities</b>				
Trade and other payables	22	1,157,656	1,040,013	2,415,637
Provisions	23	121,941	92,997	81,441
National Loan Fund Borrowings	22	-	-	1,400
<b>Total current liabilities</b>		<b>1,279,597</b>	<b>1,133,010</b>	<b>2,498,478</b>
<b>Non current Assets plus/less net current assets/liabilities</b>		<b>(138,023)</b>	<b>(85,438)</b>	<b>(1,105,976)</b>
<b>Non-current liabilities</b>				
Provisions	23	29,341	62,401	25,760
Other payables	22	194,997	503,495	354,728
<b>Total non-current liabilities</b>		<b>224,338</b>	<b>565,896</b>	<b>380,488</b>
<b>Assets less liabilities</b>		<b>(362,361)</b>	<b>(651,334)</b>	<b>(1,486,464)</b>
<b>Taxpayers' equity</b>				
General fund		(381,760)	(664,589)	(1,491,667)
Revaluation reserve		19,399	13,255	5,203
<b>Total taxpayers' equity</b>		<b>(362,361)</b>	<b>(651,334)</b>	<b>(1,486,464)</b>

Irene Lucas  
Principal Accounting Officer  
Department for Communities and Local Government

30 June 2010

The Notes on pages 62 to 102 form part of these accounts.

**Consolidated Statement of Cash Flows**

for the year ended 31 March 2010

£'000

	Note	2009-10	2008-09
<b>Cash flows from operating activities</b>			
Net operating cost	OCS	(38,160,969)	(35,743,057)
Adjustments for non-cash transactions	10,11,12	117,097	185,091
(Increase)/decrease in trade and other receivables	20	15,462	165,574
Less movements in receivables relating to items not passing through the OCS		(45,675)	38,552
(Increase)/decrease in inventories	19	(22,201)	(51,519)
Increase/(decrease) in trade payables & other liabilities	22	(190,855)	(1,228,257)
Less movements in payables relating to items not passing through the OCS		(16,377)	177,957
Prior year CFER		-	9,877
Use of provisions	23	(59,745)	(7,877)
<b>Net cash outflow from operating activities</b>		<b>(38,363,263)</b>	<b>(36,453,659)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(16,214)	(7,876)
Purchase of intangible assets	14	(16,781)	(34,194)
Purchase of investments	16, 17	(5,000)	(56)
Proceeds of disposal of property, plant and equipment		6	207
Government Grant		912	-
<b>Net cash outflow from investing activities</b>		<b>(37,077)</b>	<b>(41,919)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		39,299,000	37,363,000
Repayments to the Contingency Fund		-	(930)
NNDR non-supply funding		38,286	567
ERDF non-supply funding		-	78,101
Receipt of non operating CFERs	6	2,592	348,382
<b>Net financing</b>		<b>39,339,878</b>	<b>37,789,120</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>939,538</b>	<b>1,293,542</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(12,241)	(349,080)
Payments of amounts due to the Consolidated Fund		(856,677)	(1,186,473)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	21	<b>70,620</b>	<b>(242,011)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	21	<b>96,854</b>	<b>338,865</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>167,474</b>	<b>96,854</b>

The Notes on pages 62 to 102 form part of these accounts.

## Consolidated Statement of Changes in Taxpayers' Equity

**Consolidated Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	£'000 Total Reserves
Balance at 31 March 2008		(1,473,758)	5,176	(1,468,582)
Changes in Accounting Policy		(17,909)	27	(17,882)
<b>Restated Balance at 1 April 2008</b>		<b>(1,491,667)</b>	<b>5,203</b>	<b>(1,486,464)</b>
<b>Changes in taxpayers' equity for 2008-09</b>				
Net gain / (loss) on revaluation of property, plant and equipment	13	-	11,634	11,634
Net gain / (loss) on revaluation of investments	17	-	(337)	(337)
Release of reserves to the operating cost statement		1,593	(1,593)	-
Non-cash charges - cost of capital	10,11	(34,167)	-	(34,167)
Non-cash charges - auditor's remuneration	10,11	427	-	427
Non-cash charges - other notional charges	10,11	283	-	283
Transfers between reserves		1,652	(1,652)	-
Net operating cost for the year	ocs	(35,743,057)	-	(35,743,057)
<b>Total recognised income and expense for 2008-09</b>		<b>(35,773,269)</b>	<b>8,052</b>	<b>(35,765,217)</b>
Net Parliamentary Funding - drawn down		37,363,000	-	37,363,000
Net Parliamentary Funding - deemed		392,381	-	392,381
Supply payable / (receivable) adjustment		(199,686)	-	(199,686)
CFERs payable to the Consolidated Fund	7	(954,365)	-	(954,365)
Adjustment to retained earnings	2	(983)	-	(983)
<b>Balance at 31 March 2009</b>		<b>(664,589)</b>	<b>13,255</b>	<b>(651,334)</b>
<b>Changes in taxpayers' equity for 2009-10</b>				
Net gain / (loss) on revaluation of property, plant and equipment	13	-	8,022	8,022
Non-cash charges - cost of capital	10,11	134	-	134
Non-cash charges - auditor's remuneration	10,11	447	-	447
Transfers between reserves		1,878	(1,878)	-
Adjustment to retained earnings		98	-	98
Net operating cost for the year	ocs	(38,160,969)	-	(38,160,969)
<b>Total recognised income and expense for 2009-10</b>		<b>(38,158,412)</b>	<b>6,144</b>	<b>(38,152,268)</b>
Net Parliamentary Funding - drawn down		39,299,000	-	39,299,000
Net Parliamentary Funding - deemed		199,686	-	199,686
Supply payable / (receivable) adjustment		(216,043)	-	(216,043)
Government Grant		912	-	912
CFERs payable to the Consolidated Fund	6,7	(842,314)	-	(842,314)
<b>Balance at 31 March 2010</b>		<b>(381,760)</b>	<b>19,399</b>	<b>(362,361)</b>

The Notes on pages 62 to 102 form part of these accounts.



*Consolidated Statement of Operating Costs by Departmental Strategic Objectives***Consolidated Statement of Operating Costs by Departmental Strategic Objectives**

for the year ended 31 March 2010

£'000

Aim	2009-10			2008-09 Restated		
	Gross	Income	Net	Gross	Income	Net
Objective 1	26,707,628	(19,486)	26,688,142	26,066,385	(38,900)	26,027,485
Objective 2	8,926,483	(872,858)	8,053,625	7,572,110	(987,212)	6,584,898
Objective 3	3,253,836	(712,378)	2,541,458	2,886,387	(489,367)	2,397,020
Objective 4	152,444	(11,598)	140,846	60,852	(9,068)	51,784
Objective 5	270,938	(15,157)	255,781	229,832	(15,186)	214,646
Objective 6	511,706	(30,589)	481,117	494,221	(26,997)	467,224
<b>Total Resources</b>	<b>39,823,035</b>	<b>(1,662,066)</b>	<b>38,160,969</b>	<b>37,309,787</b>	<b>(1,566,730)</b>	<b>35,743,057</b>

The Department's Strategic Objectives are described in section 3. The Objectives were as follows:

- DSO 1 – to support local government that empowers individuals and communities and delivers high quality services efficiently
- DSO 2 - to improve the supply, environmental performance and quality of housing that is more responsive to the needs of individuals, communities and the economy
- DSO 3 – to build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation
- DSO 4 – to develop communities that are cohesive, active and resilient to extremism
- DSO 5 – to provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government's objectives in relation to housing growth, infrastructure delivery, economic development and climate change
- DSO 6 – ensuring safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies

Included in the above figures is expenditure of £31,201k (£29,897k in 2008-09) and income of £25,464k (£29,736k in 2008-09) relating to Ordnance Survey and QEII Conference Centre that did not apply to any of the objectives. Therefore, these amounts have been apportioned equally across the six main objectives.

## **Notes to the Departmental Resource Accounts**

### **1 Statement of Accounting Policies**

#### **1.1 General**

1.1.1 These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Previous accounts were prepared under UK Financial Reporting Standards. 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 Department for Communities and Local Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1.2 In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Net Operating Cost by Departmental Strategic Objective and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

#### **1.2 Accounting Convention**

1.2.1 These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and investment properties and subject to the circumstances described in Note 1.5.4 below.

##### *Significant Estimates and Judgements*

1.2.2 During the preparation of these accounts significant estimates and judgements were made in respect of ERDF and valuations of investment properties. Details are in Paragraphs 3.23 to 3.45 in the management commentary and Note 1.8.2 below.

#### **1.3 Changes in accounting policies**

1.3.1 The Department has re-examined its recognition criteria for long term loans, receivables and payables against the requirements of IAS 39 Financial Instruments: Recognition and Measurement. As a result the values recorded for these categories have been restated at discounted value – see Notes 1.9.3 and 1.12.3 below. Apart from this there have been no changes in accounting policies during the year.

1.3.2 The department has assessed the following standards, amendments and interpretations that have been issued but are not yet effective and determined not to adopt them before the effective date when adoption would be required on the grounds that the changes would have no, or an immaterial, effect on these accounts and would not provide additional information that would aid the reader:

- IFRS 9 Financial Instruments – effective date: financial periods beginning on or after 1 January 2013. IFRS 9 simplifies the classification and measurement of financial assets.
- IFRS 1 First Time Adoption (revised) – effective date: financial periods beginning on or after 1 July 2009. There are no significant changes to the Standard.
- IFRS 1 First Time Adoption (revised) – effective date: financial periods beginning on or after 1 July 2010. The amendment affects disclosures under IFRS 7 Financial Instruments.
- IAS 24 Related Party Disclosures (revised) – effective date financial periods beginning on or after 1 January 2011. The amendment makes minor changes to related party transactions.

- IFRS 5 Non-Current Assets held for Sale (revised) – effective date financial periods beginning on or after 1 July 2009 & 1 January 2010. There were no significant changes to the Standard.
- IFRS 8 Operating Segments (revised) – effective date financial periods beginning on or after 1 July 2009.
- IAS 17 Leases (revised) – effective date financial periods beginning on or after 1 January 2010. Includes minor changes to account for unexpired leases.

#### **1.4 Basis of Consolidation**

1.4.1 These accounts comprise a consolidation of the non-agency parts of the department including its non-executive NDPBs accounted for as supply-financed agencies (the core department) and those entities which fall within the Departmental boundary as defined in the FReM. Transactions between entities included in the consolidation are eliminated.

1.4.2 A list of all those entities within the Departmental boundary is given in Note 34.

#### **1.5 Property, Plant and Equipment**

1.5.1 The majority of the Department's assets previously recorded under UK GAAP as Tangible Fixed Assets are now reported as Property, Plant and Equipment under IAS 16. Where appropriate Information technology software and development assets have been reclassified as Intangible Assets under IAS 38 and some buildings and land assets have been reclassified as Investment Properties under IAS 40.

1.5.2 Title to the freehold land and buildings shown in the accounts and recorded as property, plant and equipment and investment properties is held by the Secretary of State.

1.5.3 Non-current assets are held at fair value as described in more detail in the paragraphs below.

1.5.4 Freehold land and buildings are restated at current value using professional valuations undertaken every three years in accordance with Royal Institution of Chartered Surveyors (RICS) guidance and IAS 16. Prior to 2009-10 professional valuations were carried out every five years and values were adjusted in intervening years using indices published by the Valuation Office Agency. These indices are no longer published and no other suitable indices have been identified, consequently the department has determined that revaluing the assets every three years with no intermediate revaluation will give the best approximation to fair value. Other property, plant and equipment assets are stated at depreciated historic cost revalued annually using appropriate indices published by the Office for National Statistics. Assets under construction are held at the accounting date at their historic cost until they become operational and are not revalued.

1.5.5 Upward revaluations of non-current assets are charged to the appropriate revaluation reserve in the year of revaluation and downward revaluations are charged to the appropriate revaluation reserve except where to do so would result in a debit balance on the reserve in which case they are charged to the operating cost statement (OCS). Impairments in property plant and equipment are charged to the OCS except where the impairment is due to fluctuations in the market, in which case the treatment is the same as for revaluations.

1.5.6 The core Department's capitalisation threshold is £5,000 and the Planning Inspectorate's £3,000. There is no minimum threshold in respect of land assets.

1.5.7 The Department allows grouping of items (including assets under construction) as follows:

- Information technology: Networked computer infrastructure;  
Strategic IT equipment;
- Plant and machinery: Telecommunications assets;  
Civil resilience strategic material; and
- Furniture and fittings: Furniture assets purchased as part of a refurbishment project.

1.5.8 Where the Department replaces key components of grouped assets, the replacement is depreciated over the remaining useful life of the asset. Where regular maintenance is performed, this is expensed during the year.

*Notes to the Departmental Resource Accounts*

1.5.9 Intangible assets comprise the capitalised value of systems developed in-house or bought in and software licences. Website costs are shown separately. Intangible assets are valued at cost less amortisation and impairment.

## 1.6 Depreciation & Amortisation

1.6.1 No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life.

1.6.2 In accordance with IAS 16 depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment assets on a straight-line basis over their estimated useful lives. Assets under construction are not depreciated until the asset is brought into use. Asset lives are in the following ranges:

- Buildings 50 years or length of lease
- Information Technology & Strategic Information Technology 2 to 10 years
- Plant and Machinery 3 to 15 years
- Motor Vehicles 5 to 10 years (unspecialised)  
5 to 30 years (specialised)
- Furniture and Fittings 2 to 10 years
- Intangible Assets 3 to 10 years

1.6.3 In accordance with IAS 38, software, software licences and website assets are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life. Systems under development are not depreciated.

## 1.7 Investments

1.7.1 Financial interests in public sector bodies, which are outside the Departmental boundary, are treated as investments since they are held for the long term. These investments comprise Public Dividend Capital (PDC) of Ordnance Survey, QEII Conference Centre and the Fire Service College, and loans issued to the Fire Service College. Ordnance Survey, the QEII Conference Centre and Fire Service College are Trading Funds. Trading Funds are outside the Departmental boundary and their accounts are not consolidated with those of the Department. Under paragraph 9.2.4 of the FReM PDC is excluded from the Financial Instruments Standards and PDC is therefore included at historic cost. Loans to public sector bodies are valued at nominal value in accordance with the FReM.

1.7.2 During 2004-05 the Department invested £10m in a capital venture fund, known as the Coalfield Enterprise Fund (CEF), with the objective to invest in businesses with growth potential in, or employing people from, the former coalfield areas in England. The CEF was established on 28 May 2004. Management of the CEF is undertaken by Enterprise Venture Ltd on behalf of the Department and the fund is valued by independent valuers every quarter. Any changes to the valuation are taken to the OCS.

1.7.3 During the year the Department invested £5m in the Coalfields Growth Fund (CGF). The CGF is a sister fund to the CEF, sharing the same objectives and geographical criteria, however whilst the CEF invests in the range £40k to £500k the CGF invests in the range £500k to £2m. The management, valuation arrangements and accounting for the CGF are the same as for the CEF as laid out in paragraph 1.7.2 above.

## 1.8 Investment Properties

1.8.1 The QEII Conference Centre operates as a Trading Fund but the Department has freehold ownership of the QEII Conference Centre land and building. The Department also has freehold ownership of the Burlington Houses which are let to tenants. As these properties are not utilised by Departmental staff or in delivery of Departmental objectives they are considered as Investment Properties under the terms of IAS 40.

1.8.2 Investment properties are restated at current value at the accounting date using annual professional valuations in accordance with IAS 40 and Royal Institution of Chartered Surveyors (RICS)

*Notes to the Departmental Resource Accounts*

guidance. Current value equates to market value and valuation is based on the properties' current use and on the assumption that the current use will be maintained as part of a continuing business on a going concern basis and would be exchanged as part of the exchange of all the assets of the business.

1.8.3 Changes arising from revaluations are taken direct to the OCS. Investment properties are not depreciated.

**1.9 Non-current trade and other receivables**

1.9.1 Under the 2007-13 European Regional Development Fund Programmes the Department receives advance funding from the European Union at the start of the programme period. The amounts concerned were £125,430k in 2008-09 and £72,712k in 2009-10 which represent 7.5% of the total value of the 2007-13 ERDF Programmes in England. These advance payments are paid over to the Regional Development Agencies (RDA) who manage the programmes on behalf of the Department. The amounts paid to each RDA are in proportion to its share of the programme and are accounted for in sterling and are not subject to exchange rate fluctuations. These amounts are treated as non-current receivables in the Department's accounts.

1.9.2 Expenditure by the RDAs on ERDF projects is claimed from the Department and, subject to checks on eligibility, is reimbursed in full. The RDAs do not use the advances to support project expenditure until 85% of the relevant programme funding has been spent. In the event that expenditure does not exceed 85% of the programme value the amounts would be repaid to the Department and by the department to the European Union. There are no other requirements for the repayment of the advances.

1.9.3 To reflect the time value of money the valuation of non-current receivables is adjusted by discounting the estimated risk-adjusted cash flows using the real rate set by HM Treasury (currently 2.2%) in accordance with the terms of IAS 39.

**1.10 Assets Held for Sale**

1.10.1 The department owns some 'Green Goddess' fire tenders which are no longer in operational use and are sold by auction as market conditions permit. Under UK GAAP as applicable in previous years these were classified as fixed assets but they are now recognised as assets held for sale at realisable value under the provisions of IFRS 5.

**1.11 Inventories**

1.11.1 The Department has no significant inventories other than those noted below.

1.11.2 As part of the FiReControl project the Department has set up contracts for the construction of buildings to accommodate new control centres. The cost of the buildings is recognised, under the terms of IAS 2, as inventories in current assets in the Department's Statement of Financial Position to reflect the Department's short term interest. A matching liability is also raised. When the responsibility for the leases passes to the local company both asset and liability are extinguished in the Department's accounts.

**1.12 Non-current Other Payables**

1.12.1 Under both the 2000-06 and the 2007-13 ERDF Programmes the Department receives advance funding from the European Union at the start of the programme period. The advance payments will either be used up in support of eligible grant expenditure or, if not so utilised, be returned by the Department to the EU at the end of the programme period, there are no other regulations which require the repayment of the advances. Accordingly the advance payments when received are treated as long term payables in the Department's accounts. However the 2000-06 programmes are now being closed and no further grant payments are being made. The remaining balances relating to advances for the 2000-06 programmes held by the Department have therefore been transferred to current liabilities.

1.12.2 The advances are paid by the EU in Euros and translated to sterling when received by HM Treasury using the spot rate applied to such translations.

1.12.3 To reflect the time value of money the valuation of non-current payables is adjusted by discounting the estimated risk-adjusted cash flows using the real rate set by HM Treasury (currently 2.2%) in accordance with the terms of IAS 39. This adjustment is made to the Euro values which are then

translated to Sterling at the Bank of England spot rate applicable at the period end date in accordance with IAS 21

### **1.13 Research and Development Expenditure**

1.13.1 Expenditure on research and development, other than development expenditure specifically incurred in the development of IT systems recorded as Intangible non-current assets under IAS 38 (see Note 1.5.9), has been treated as programme expenditure in the Operating Cost Statement in the year in which it is incurred.

### **1.14 Administration and Programme Expenditure**

1.14.1 The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of income and expenditure as administration or as programme follows the definitions set by HM Treasury.

1.14.2 All expenditure incurred by the Planning Inspectorate is categorised as programme.

### **1.15 Operating Income**

1.15.1 Income is recorded on an accruals basis at the transacted amounts, or the amounts at which customers are committed to pay.

1.15.2 Operating income is income which relates directly to the operating activities of the Department. It principally comprises EU income, fees and charges for services provided on a full-cost basis to external customers, public repayment work and income from investments. Operating income includes income appropriated-in-aid and some income payable to the Consolidated Fund (CFERs) in accordance with the FReM requirements.

### **1.16 Capital Charge**

1.16.1 A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the rate set by HM Treasury (currently 3.5 per cent except where itemised below) on the average carrying amount of all assets, less liabilities, except for:

- Non-current property, plant and machinery and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - Additions at cost
  - Disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
  - Impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure); and
  - Depreciation of property, plant and equipment and amortisation of intangible fixed assets.
- Investment Property where the cost of capital charge is based on opening values, adjusted to reflect annual revaluation.
- Cash balances with the Office of Paymaster General, where the charge is nil.
- The Department's investment in the Queen Elizabeth II Conference Centre, Fire Service College and Ordnance Survey, where the charge is equal to 6%, 4% and 6.5% respectively of the recipient body's capital employed, as defined by Treasury Minute laid before Parliament.

1.16.2 Under the Treasury's Clear Line of Sight project cost of capital charges will no longer be applied from 2010-11 onwards.

### **1.17 Value Added Tax**

1.17.1 Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply. Input VAT is recovered on a small number of business activities and certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate,

capitalised with additions to fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### **1.18 Foreign Exchange**

1.18.1 Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. ERDF balances in the Department's Statement of Financial Position which are Sterling equivalents of a Euro amount are translated at the accounting date at the spot rate in accordance with IAS 21. Translation differences are taken to the Operating Cost Statement.

### **1.19 Pensions**

1.19.1 Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

### **1.20 Grants Payable**

1.20.1 Grants made by the Department are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs, or with unringfenced grant on the occurrence of such other event giving rise to entitlement. Grant in Aid payments to NDPBs are financing and are paid only when the need for cash has been demonstrated by the body concerned.

1.20.2 The Department manages Area Based Grant on behalf of a number of central government departments. Receipts from other departments and payments of the associated grants to Local Authorities are accounted for on an agency basis and are not taken through the Department's Operating Cost Statement.

### **1.21 Leases**

1.21.1 The terms of all Departmental leases are reviewed and where the rewards and risks of ownership rest with the Department leases are treated as finance leases. The capital values of finance leases, together with the current value of future capital repayments are held as assets and liabilities in the Department's Statement of Financial Position. Leases other than finance leases are classified as operating leases. Operating leases are charged to the Operating Cost Statement on a straight-line basis over the term of the lease, taking account of any lease incentives in accordance with the terms of IAS 17.

1.21.2 The Department also reviews all service contracts (eg contracts for the supply of IT services) to determine whether the contracts include an embedded finance lease under the terms of IAS 17 as interpreted by IFRIC 4.

### **1.22 Provisions**

1.22.1 Under the terms of IAS 37 the Department provides for legal or constructive obligations, which are of uncertain timing or amount, at the year end date on the basis of the best estimate of the expenditure required in settling the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2% for general provisions and 1.8% for pension schemes). At the accounting date the Department had the following provisions:

(i) Early Departure Costs & Pension Commitments:

The Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefit for employees who retire early. An amount is paid annually to the PCSPS for the period between early departure and the normal retirement date. The Department provides for this in full when the early retirement becomes a binding liability. Each liability is based on the estimated payments discounted at the Treasury discount rate for provisions of 2.2% in real terms.

(ii) Compensation Payments:

These relate to claims made by staff and third parties against the Department. The provision is calculated based on general experience of what the maximum for each type of claim is worth.

(iii) Dilapidations:

The provision relates to complying with lease clauses for buildings which are occupied by the Department. The Department's dilapidation provisions are calculated based on the estimated cost of meeting future expenditure, in order to settle obligations in respect of lease clauses. The cost is apportioned over the term of the lease so as to give a constant periodic charge, and so reflect the best estimate of the obligation at the accounting date.

(iv) Firefighters' Pensions:

The Department has liabilities under the Firefighters' Pension Scheme 1992 for 14 ex-firefighters or widows. The scheme was inherited from the Home Office and has similar conditions to the Principal Civil Service Pension Scheme. The liability is calculated by the Government Actuary's Department on an actuarial basis, i.e. based on life expectancy. The Treasury real rate for this pension scheme is 1.8% at 31 March 2010 (3.2% at 31 March 2009).

(v) ERDF

ERDF is a major grant programme with significant assets and liabilities on the Statement of Financial Position. The Department reviews outstanding issues monthly and, where it appears possible that grant related expenditure is likely to be disallowed and irrecoverable from grant recipients, raises accruals and provisions as necessary. Details are given in paragraph 3.23 to 3.45 of the Management Report.

(vi) Residential Property Tribunal Service – Presidents and Vice Presidents Pensions

The Department has liabilities under the RPTS pension scheme for 33 ex-Presidents or Vice Presidents of the RPTS. The scheme has similar conditions to the Principal Civil Service Pension Scheme. The liability is calculated by the Government Actuary's Department on an actuarial basis, i.e. based on life expectancy. The Treasury real rate for this pension scheme is 1.8% at 31 March 2010 (3.2% at 31 March 2009).

(vii) Firefighters' Pension Commutation

The Firefighters' Pension Scheme 1992 includes payment of a lump sum based on factors assessed by the Government Actuary. The impacts of new factors applied by the Government Actuary's Department in 2008-09 were backdated to August 2006. The estimated cost of this backdating was provided for in full in the 2008-09 accounts and has now been utilised.

1.22.2 The Department reports provisions due within 12 months under current liabilities and those due in more than 12 months under non-current liabilities in accordance with IAS 37. Full details are given in Note 23.

## 1.23 Contingent Liabilities

1.23.1 In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. These comprise:

- Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business; and
- All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.



1.23.2 Contingent liabilities, that are not required to be disclosed by IAS 37, are stated at the amounts reported to Parliament.

### **1.24 Third Party Assets**

1.24.1 The Department holds as custodian or trustee, certain assets belonging to third parties. These are not recognised in the accounts, since neither the Department nor Government more generally, has a direct beneficial interest in them.

### **1.25 Machinery of Government Changes**

1.25.1 There were no Machinery of Government (MoG) changes during 2009-10.

**2 First-time adoption of IFRS**

	£'000		
	General Fund	Revaluation reserve	Total
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	<b>(648,644)</b>	<b>14,843</b>	<b>(633,801)</b>
Adjustments for:			
<b>IAS 17 Leases</b>			
Office Machinery re-classify as Finance Lease	90	-	90
Remove P&M accumulated depreciation	(92)	-	(92)
Lessee incentive receipts over term of lease	(7,718)	-	(7,718)
Lessor incentive payments over term of lease	144	-	144
<b>IAS 19 Employee Benefits</b>			
Accrual for holiday and maternity pay	(6,156)	-	(6,156)
Accrual for staff bonuses	(2,569)	-	(2,569)
<b>IAS 38 Intangibles</b>			
Revaluation adjustment on Intangible assets	(7)	28	21
Website costs expensed	(1,253)	-	(1,253)
<b>IAS 40 Investment Properties</b>			
Revaluation reserve adjustment	1,616	(1,616)	-
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<b>(664,589)</b>	<b>13,255</b>	<b>(651,334)</b>

	£'000
	Total
<b>Net operating cost for 2008-09 under UK GAAP</b>	<b>35,745,313</b>
Adjustments for:	
<b>IAS 17 Leases</b>	
In year movement in Finance Leases	
In year movement in Building Leases – Lessee	(672)
In year movement in Building Leases - Lessor	(135)
<b>IAS 19 Employee Benefits</b>	
In year movement in employee benefit	(376)
<b>IAS 38 Intangibles</b>	
Removal of in year depreciation on Investment Properties	(983)
Expensed website costs	80
Cost of capital charges from changes in OCS	(170)
<b>Net operating cost for 2008-09 under IFRS</b>	<b>35,743,057</b>

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

Adoption of IFRS has had no impact on the Statement of Cash Flows contained within these accounts.

### 3 Analysis of net resource outturn by section

									£'000
2009-10						Estimate			2008-09
Outturn						Estimate			
Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Net Total	Net total outturn compared with Estimate	Prior year outturn	
<b>RfR 1: Improving the quality of life by creating thriving, inclusive and sustainable communities in all regions</b>									
<b>Spending in Departmental Expenditure Limits (DEL)</b>									
<b>Central Government Spending</b>									
A	Supporting local government								261
B	Improving the supply and quality of housing					106,121	104,799	(1,322)	71,617
C	Building prosperous communities, promoting regeneration and tackling deprivation					2,128,660	2,223,829	95,169	1,977,174
D	Developing communities that are cohesive, active and resilient to extremism					42,920	50,401	7,481	27,773
E	Providing a more efficient, effective and transparent planning system					81,135	80,997	(138)	81,183
F	Ensuring safer communities by providing the framework to prevent and respond to emergencies					114,877	93,330	(21,547)	110,710
G	Central Administration					152,489	177,231	24,742	149,725
H	Government Office Administration					106,233	106,983	750	127,485
I	European Structural Funds - income relating to 2007-13 programmes					(450,482)	(525,760)	(75,278)	(4,084)
J	European Structural Funds - Communities and Local Government					88,097	122,051	33,954	23,149
K	Ordnance Survey					6,548	5,112	(1,436)	4,261
L	Queen Elizabeth II Conference Centre					(811)	(2,232)	(1,421)	(4,100)

## Notes to the Departmental Resource Accounts

		2009-10					Estimate		£'000	
		Outturn			Gross Resource		Net Total	Net total outturn compared with Estimate	2008-09	
		Admin	Other current	Grants	Expenditure	A-in-A				Prior year outturn
<b>Support for Local Authorities</b>										
M	Improving the supply and quality of housing		1	2,371,996	2,371,997	(22,930)	<b>2,349,067</b>	2,341,610	(7,457)	2,257,596
N	Building prosperous communities, promoting regeneration and tackling deprivation	-	-	224,399	224,399	-	<b>224,399</b>	221,053	(3,346)	255,492
O	Developing communities that are cohesive, active and resilient to extremism	-	1,080	48,826	49,906	-	<b>49,906</b>	41,122	(8,784)	3,038
P	Providing a more efficient, effective and transparent planning system	-	-	146,115	146,115	-	<b>146,115</b>	147,530	1,415	112,664
Q	Ensuring safer communities by providing the framework to prevent and respond to emergencies	-	-	78,019	78,019	-	<b>78,019</b>	111,814	33,795	74,838
R	Area Based Grant	-	-	675,567	675,567	-	<b>675,567</b>	675,567	-	645,362
S	European Structural Funds- payments to London Development Agency for 2007-13	-	-	46,227	46,227	-	<b>46,227</b>	30,705	(15,522)	-
<b>Spending in Annually Managed Expenditure (AME)</b>										
<b>Central Government Spending</b>										
T	Improving the supply and quality of housing	-	686,638	111	686,749	-	<b>686,749</b>	697,800	11,051	591,668
U	Ensuring safer communities by providing the framework to prevent and respond to emergencies	-	(68)	357	289	-	<b>289</b>	77	(212)	-
<b>Support for Local Authorities</b>										
V	Ensuring safer communities by providing the framework to prevent and respond to emergencies	-	(1,106)	261,045	259,939	-	<b>259,939</b>	269,200	9,261	251,700
<b>Non-Budget</b>										
W	Improving the supply and quality of housing	-	-	5,722,056	5,722,056	-	<b>5,722,056</b>	5,860,506	138,450	4,579,564
X	Ensuring safer communities by providing the framework to prevent and respond to emergencies	-	-	3,288	3,288	-	<b>3,288</b>	3,288	-	8,511
Y	European Structural Funds- payments to Regional Development Agencies for 2007-	-	-	404,255	404,255	-	<b>404,255</b>	495,055	90,800	4,084
Z	Area Based Grant	-	-	-	-	-	-	1	1	-
AA	Providing a more efficient, effective and transparent planning system	-	-	3,700	3,700	-	<b>3,700</b>	4,901	1,201	-
<b>Central Government Spending</b>										
AB	European Structural Funds (net expenditure and income relating to old programmes)	-	-	-	-	-	-	1	1	-
<b>Support for Local Authorities</b>										
AC	European Structural Funds (net expenditure and income relating to old programmes)	-	-	-	-	-	-	1	1	-
<b>RFR1 Resource Outturn</b>										
		<b>299,835</b>	<b>1,129,341</b>	<b>12,212,951</b>	<b>13,642,127</b>	<b>(616,764)</b>	<b>13,025,363</b>	<b>13,336,972</b>	<b>311,609</b>	<b>11,349,671</b>

## Notes to the Departmental Resource Accounts

								£'000	
2009-10								2008-09	
Outturn						Estimate			Prior year outturn
Admin	Other Current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Net Total	Net total outturn compared with Estimate		
<b>RfR 2: Providing for effective devolved decision making within a national framework</b>									
<b>Spending in Departmental Expenditure Limits (DEL)</b>									
<b>Central Government Spending</b>									
A	Valuation services								
	-	163,800	-	163,800	-	<b>163,800</b>	166,823	3,023	166,000
B	Best value inspection subsidies to public corporations and best value intervention costs								
	-	19,612	-	19,612	-	<b>19,612</b>	21,356	1,744	19,218
C	Local Government research and publicity; boundary reviews, mapping costs								
	-	1,336	-	1,336	(1)	<b>1,335</b>	2,717	1,382	1,360
<b>Support for Local Authorities</b>									
D	Revenue support grants								
	-	-	5,320,594	5,320,594	-	<b>5,320,594</b>	5,368,431	47,837	3,586,747
E	Non-domestic rates payments								
	-	-	19,500,000	19,500,000	-	<b>19,500,000</b>	19,500,000		20,500,000
F	London Governance								
	-	-	48,068	48,068	-	<b>48,068</b>	48,068		48,032
G	Other grants and payments								
	-	-	620,477	620,477	(13,285)	<b>607,192</b>	565,427	(41,765)	349,758
<b>Spending in Annually Managed Expenditure (AME)</b>									
<b>Support for Local Authorities</b>									
H	Non-domestic rates outturn adjustments and Local Authority Business Growth Incentive								
	-	-	283,826	283,826	-	<b>283,826</b>	463,000	179,174	660,475
<b>Non-Budget</b>									
I	Non-Departmental public bodies								
	-	-	33,493	33,493	-	<b>33,493</b>	34,435	942	18,421
<b>RFR2 Resource Outturn</b>									
	<b>184,748</b>	<b>25,806,458</b>	<b>25,991,206</b>	<b>(13,286)</b>	<b>25,977,920</b>	<b>26,170,257</b>	<b>192,337</b>		<b>25,350,011</b>
<b>Total Resource Outturn</b>									
	<b>299,835</b>	<b>1,314,089</b>	<b>38,019,409</b>	<b>39,633,333</b>	<b>(630,050)</b>	<b>39,003,283</b>	<b>39,507,229</b>	<b>503,946</b>	<b>36,699,682</b>

**4 Reconciliation of outturn to net operating cost and against Administration Budget****4(a) Reconciliation of net resource outturn to net operating cost**

				2009-10	£'000
	Note	Supply Estimate	Outturn	Outturn compared with Estimate	2008-09 Outturn
Net resource outturn	3	39,507,229	39,003,283	503,946	36,699,682
IFRS restatement					(2,260)
Non-supply income (CFERs)	6	(700,400)	(842,314)	141,914	(954,365)
<b>Net operating cost</b>		<b>38,806,829</b>	<b>38,160,969</b>	<b>645,860</b>	<b>35,743,057</b>

**4(b) Outturn against final Administration Budget**

				2009-10	£'000
	Note	Budget	Outturn	Outturn compared with Budget	2008-09 Outturn
Gross Administration Budget	3	333,089	299,835	33,254	296,028
Income allowable against the Administration Budget		(48,875)	(48,658)	(217)	(49,410)
<b>Net outturn against final Administration Budget</b>		<b>284,214</b>	<b>251,177</b>	<b>33,037</b>	<b>246,618</b>

**4(c) Analysis of net operating cost by spending body**

				2009-10	£'000
		Supply Estimate	Outturn	Outturn compared with Budget	2008-09 Outturn
Core department		2,583,566	2,370,186	213,380	3,353,888
Non-departmental bodies		6,389,997	6,156,965	233,032	4,552,070
Local authorities		29,783,528	29,583,622	199,906	27,788,663
Agencies		46,858	44,848	2,010	48,275
Other bodies		2,880	5,348	(2,468)	161
<b>Total</b>		<b>38,806,829</b>	<b>38,160,969</b>	<b>645,860</b>	<b>35,743,057</b>

**5 Reconciliation of net resource outturn to net cash requirement**

£'000

	Note	Supply Estimate	Outturn	Outturn compared with Estimate
<b>Resources outturn</b>	3	39,507,229	39,003,283	503,946
<b>Capital:</b>				
Acquisition of property, plant and equipment	13	65,755	16,214	49,541
Acquisition of intangible assets	14	-	16,781	(16,781)
Investments	16	-	5,000	(5,000)
Government Grant Reserve		-	(912)	912
<b>Non-operating A in A:</b>	8	(1,500)	(6)	(1,494)
<b>Accruals adjustments:</b>				
Non-cash items	10,11,12	(98,352)	(117,097)	18,745
Changes in working capital other than cash				
increase-(decrease) in inventories		-	22,201	(22,201)
increase-(decrease) in receivables		-	23,690	(23,690)
(increase)-decrease in payables		(390)	(54,754)	54,364
Changes in payables falling due after more than one year	22	-	308,498	(308,498)
Use of provision	23	74,333	59,745	14,588
<b>Net cash requirement</b>		<b>39,547,075</b>	<b>39,282,643</b>	<b>264,432</b>

**6 Analysis of income payable to the Consolidated Fund**

In addition to Appropriation in Aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

£'000

	Note	2009-10 Forecast		2009-10 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Other operating income and receipts not classified as A-in-A	7	700,400	<i>700,400</i>	842,314	<i>882,304</i>
<b>Subtotal</b>		<b>700,400</b>	<b><i>700,400</i></b>	<b>842,314</b>	<b><i>882,304</i></b>
Other amounts collectable on behalf of the Consolidated Fund		-	-	2,592	2,592
<b>Total income payable to the Consolidated Fund</b>		<b>700,400</b>	<b><i>700,400</i></b>	<b>844,906</b>	<b><i>884,896</i></b>

## Notes to the Departmental Resource Accounts

**7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

£'000

	Note	2009-10	2008-09
Operating income	12	1,662,066	1,566,529
<b>Adjustments for transactions between RfRs</b>			
Netted off gross expenditure in sub head		(189,702)	(442,989)
<b>Gross income</b>		<b>1,472,364</b>	<b>1,123,540</b>
Income authorised to be appropriated-in-aid	3	(630,050)	(168,366)
IFRS restatement			(808)
<b>Operating income payable to the Consolidated Fund</b>	6	<b>842,314</b>	<b>954,365</b>

**8 Non operating income – excess A in A**

£'000

	2009-10	2008-09
Proceeds on disposal of fixed assets	6	-
<b>Non-operating income – excess A-in-A</b>	<b>6</b>	<b>-</b>

**9 Staff numbers and related costs**

## 9a Staff costs

£'000

	2009-10					2008-09
	Permanent staff	Ministers	Special Advisers	Others	Total	
Wages and salaries	173,570	272	59	30,161	204,062	207,747
Social security costs	14,424	22	3	209	14,658	14,568
Other pension costs	34,808	-	2	252	35,062	36,550
<b>Total costs</b>	<b>222,802</b>	<b>294</b>	<b>64</b>	<b>30,622</b>	<b>253,782</b>	<b>258,865</b>
Less recoveries in respect of outward secondments	(2,726)	-	-	-	(2,726)	(2,683)
<b>Total net costs</b>	<b>220,076</b>	<b>294</b>	<b>64</b>	<b>30,622</b>	<b>251,056</b>	<b>256,182</b>
Of which:						
Core department :	184,724	294	64	30,436	215,518	220,069
Planning Inspectorate :	35,352			186	35,538	36,113



## Notes to the Departmental Resource Accounts

## 9b Staff cost by Department Strategic Objective

	2009-2010					2008-09
	Costs					
Objectives	Permanent staff	Ministers	Special Advisers	Others	Total	Total
Objective 1	21,384	49	21	1,434	22,888	22,802
Objective 2	28,475	49	21	3,551	32,096	31,787
Objective 3	90,653	49	-	8,941	99,643	103,248
Objective 4	13,802	49	22	2,424	16,297	14,923
Objective 5	52,072	49	-	2,555	54,676	53,702
Objective 6	13,690	49	-	11,717	25,456	29,720
<b>Total</b>	<b>220,076</b>	<b>294</b>	<b>64</b>	<b>30,622</b>	<b>251,056</b>	<b>256,182</b>
Of which:						
Core Department	184,724	294	64	30,436	215,518	220,069
Planning Inspectorate	35,352	-	-	186	35,538	36,113

## 9c Average number of persons employed

The average number of whole-time equivalent persons during the year was as follows. These figures include those working in the Department as well as in its Agency and other bodies included within the consolidated Departmental resource account.

	2009-2010					2008-09
	Number					
Objectives	Permanent staff	Ministers	Special Advisers	Others	Total	Total
Objective 1	520	1	1	47	569	468
Objective 2	479	1	1	55	536	640
Objective 3	1,938	1	-	185	2,124	2,380
Objective 4	251	1	1	27	280	309
Objective 5	984	1	-	40	1,025	1,113
Objective 6	262	1	-	89	352	466
<b>Total</b>	<b>4,434</b>	<b>6</b>	<b>3</b>	<b>443</b>	<b>4,886</b>	<b>5,376</b>
Of which:						
Core Department	3,720	6	3	443	4,172	4,630
Planning Inspectorate	714	-	-	-	714	746

The Department's Strategic Objectives are described in section 3. The Objectives were as follows:

DSO 1 – to support local government that empowers individuals and communities and delivers high quality services efficiently

DSO 2 - to improve the supply, environmental performance and quality of housing that is more responsive to the needs of individuals, communities and the economy

DSO 3 – to build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation

DSO 4 – to develop communities that are cohesive, active and resilient to extremism

DSO 5 – to provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government's objectives in relation to housing growth, infrastructure delivery, economic development and climate change

DSO 6 – ensuring safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies

#### 9d Pension Schemes

##### The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009-10, employers' contributions of £29,533,441 were payable to the PCSPS (2008-09: £37,124,640) at one of four rates in the range 16.7% to 24.3% (2008-09: 17.1% to 25.5%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £50,204 (2008-09: £39,042) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2008-09: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £3,147, (2008-09: £5,432) 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the accounting sheet date were £17,187 (2008-09: £473). Contributions prepaid at that date were nil.

Two people (2008-09: two) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £2,782 (2008-09 £5,653).

##### The Firefighters' Pension Scheme 1992 (FPS)

The Department recognises a liability under the FPS for certain individuals who were on secondment to central government at the time of their retirement. The benefits provided by the FPS are set out in the Firemen's Pension Scheme Order 1992 (SI 1992/129) as amended. The scheme is unfunded. There is no surplus or deficit. Benefits are paid as they fall due and are guaranteed by the employer.

##### Residential Property Tribunal Services Scheme (RPTS)

The Department recognises a liability under the RPTS for Presidents and Vice Presidents of the Residential Property Tribunal Service. The RPTS has been set up to be broadly analogous to the Classic PCSPS. The scheme is unfunded. There is no fund and therefore no surplus or deficit. The scheme liabilities have been calculated by the Government Actuary's Department and the liability at 31<sup>st</sup> March 2010 was £2.562m. The scheme liabilities have not previously been calculated but a retrospective calculation of the liabilities as at 31<sup>st</sup> March 2009 is £1.823m.

Reconciliation of movement of Firefighters' Pension Scheme and Residential Property Tribunal Services Scheme shown below:

## Notes to the Departmental Resource Accounts

£'000

Present Value of scheme liabilities	Value at 31.03.2010		Value at 31.03.2009		Value at 31.03.2008	
	FPS	RPTS	FPS	RPTS	FPS	RPTS
Liability in respect of						
Active members	-	1,670	-	1,162	-	*
Current pensioners	2,220	892	2,019	661	2,273	*
Total value of scheme liabilities	2,220	2,562	2,019	1,823	2,273	*

Liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions are as follows:

Assumptions	Year ending 31.03.2010	Year ending 31.03.2009
Discount rate	4.60%pa	6.04%pa
Rate of increase in salaries	4.29%pa	4.29%pa
Rate of increase in pensions in payment	2.75%pa	2.75%pa
Inflation assumption	2.75%pa	2.75%pa

Disclosure of any other material actuarial assumptions (e.g. mortality):

## Life expectancy at retirement

Current Pensioners	As at 31 March 2009		As at 31 March 2010	
	Men (years)	Women (years)	Men (years)	Women (years)
Exact Age				
60	28.6	31.8	29.1	32.3
65	23.5	26.7	23.9	27.1

Future Pensioners	As at 31 March 2009		As at 31 March 2010	
	Men (years)	Women (years)	Men (years)	Women (years)
Exact Age				
60	30.2	33.3	30.6	33.8
65	25.6	28.6	26.0	29.1

£'000

Analysis of movement in scheme liability	2009-10 £'000s		2008-09 £'000s	
	FPS	RPTS	FPS	RPTS
Movement in the year:				
Scheme liability at the beginning of the year	2,019	1,823	2,273	*

*Notes to the Departmental Resource Accounts*

Analysis of movement in scheme liability	2009-10 £'000s		2008-09 £'000s	
	Current service cost (net of employee contributions)	-	111	-
Interest cost	117	111	117	*
Employee contributions	-	9	-	*
Actuarial loss/gain	240	587	(205)	*
Benefits paid	(156)	(79)	(166)	*
Scheme liability at the end of the year	2,220	2,562	2,019	*

Note \*: Data for the RPTS scheme is not available before 2009-10

**10 Other administration costs**

£'000

	Note	2009-10	2008-09
<b>Non Cash Items:</b>			
Depreciation /Amortisation	13,14	11,561	9,975
Loss on disposal of property, plant and equipment		25	4
Revaluation of Investment Properties	17	(32)	3,287
Impairment of non-current assets	13,14	555	446
Cost of capital charge		(12,984)	(46,773)
Auditor's remuneration*		404	387
Provisions:			
Provided for in year	23	4,320	16,701
Written back		(4,231)	(208)
Unwinding of discount	23	190	102
Doubtful debts provision		86	345
		<b>(105)</b>	<b>(15,734)</b>
<b>Cash Items:</b>			
Rentals under operating leases:			
Hire of plant and machinery		703	918
Building leases		16,143	16,323
Research and Development		226	238
Accommodation		34,263	54,947
IT expenditure		20,384	18,772
Legal, professional and consultancy		16,144	16,459
Travel, subsistence and hospitality		4,407	5,364
Non-pay staff costs		-	206
Training and conferences		6,218	4,954
Foreign exchange losses (realised)		1	-
Provisions utilised in year		3,363	-
Other		8,729	14,083
		<b>110,581</b>	<b>132,264</b>
<b>Total</b>		<b>110,476</b>	<b>116,530</b>
of which			
Core Department		110,476	116,530
Planning Inspectorate			

\* Auditor's remuneration and expenses were incurred by the National Audit Office for which there was no cash charge to the Department.

**11 Programme costs**

£'000

	Note	2009-10	2008-09
<b>Non Cash Items:</b>			
Depreciation /Amortisation	13,14	16,818	22,267
Loss on disposal of property, plant and equipment		4	27
Write down on Investment		1,661	94
Revaluation of non current assets		(7)	5,392
Cost of capital charge		13,118	12,161
Auditor's remuneration		43	40
ERDF write-off & disallowances		4,049	-
Foreign exchange losses (unrealised)		33,144	72,920
Provisions:			
Provided for in year	23	53,186	39,964
Written back		(3,483)	(9)
Unwinding of discount	23	230	(422)
Provision for doubtful debt		(1,554)	(2,300)
		<b>117,208</b>	<b>150,134</b>
<b>Cash Items:</b>			
Rentals under operating leases:			
Hire of Plant and Machinery		182	89
Building Leases		1,890	1,953
Research and Development		30,581	23,117
Accommodation		25,425	15,419
IT expenditure		7,577	26,082
Legal, professional and consultancy		264,777	244,564
Travel, subsistence and hospitality		4,109	4,034
Training and conferences		4,558	4,153
Grants and subsidies		710,170	612,208
National Non Domestic Rates Payments		19,500,000	20,500,000
National Non Domestic Rates Outturn Adj		283,526	660,474
ERDF grants		637,344	809,179
Revenue Support Grant		4,547,431	2,909,446
Area Based Grant		675,567	645,339
Other local authority grants		4,740,970	4,728,129
Grants to arms length bodies		5,591,812	4,095,299
Other grants		2,217,371	1,424,891
ERDF financial corrections		10,581	18,082
Foreign exchange losses (realised)		22,046	-
Other		65,652	61,599
		<b>39,341,569</b>	<b>36,784,057</b>
<b>Total</b>		<b>39,458,777</b>	<b>36,934,191</b>
of which			
Core Department		39,441,545	36,915,061
Planning Inspectorate		17,232	19,130

**12 Income**

£'000

	Admin	Programme	2009-10 Total	2008-09 Total
<b>Non-cash</b>				
Exchange gains unrealised	-	-	-	50,678
Gain on sale on non current assets	6		6	13
<b>Total non cash</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>50,691</b>
<b>Cash</b>				
CFER income	251	842,063	842,314	954,365
ERDF grant income	-	640,186	640,186	378,174
Recovery of grants	817	61,182	61,999	79,228
Goods and services	7,104	7,750	14,854	8,635
Accommodation	10,442	-	10,442	14,912
Fees	-	5,742	5,742	7,308
Reimbursement of expenditure	2,953	16,335	19,288	13,930
Interest and dividends	-	7,620	7,620	9,718
ERDF exchange gains	-	27,977	27,977	18,222
Miscellaneous	23,903	7,735	31,638	31,346
<b>Total Cash</b>	<b>45,469</b>	<b>1,616,590</b>	<b>1,662,060</b>	<b>1,515,838</b>
<b>Total</b>	<b>45,476</b>	<b>1,616,590</b>	<b>1,662,066</b>	<b>1,566,529</b>
of which				
Core Department	45,476	1,608,576	1,654,052	1,559,502
Planning Inspectorate		8,014	8,014	7,027

**13 Property, plant and equipment**

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under construction	Total
<b>Cost or valuation</b>							
At 1 April 2009	500	13,576	11,429	135,825	2,833	16,919	<b>181,082</b>
Additions	-	3,647	3,393	1,978	2,790	4,457	<b>16,265</b>
Disposals	-	(817)	(1,233)	(21,997)	(25)	-	<b>(24,072)</b>
Impairment	-	-	-	(4)	-	-	<b>(4)</b>
Revaluation	-	(7)	540	7,344	46	139	<b>8,062</b>
Transfers	-	(146)	1,160	624	147	(7,563)	<b>(5,778)</b>
<b>At 31 March 2010</b>	<b>500</b>	<b>16,253</b>	<b>15,289</b>	<b>123,770</b>	<b>5,791</b>	<b>13,952</b>	<b>175,555</b>
<b>Depreciation</b>							
At 1 April 2009	-	3,546	6,653	63,324	234	-	<b>73,757</b>
Charged in year	-	1,323	2,127	10,567	944	-	<b>14,961</b>
Disposals	-	(816)	(1,231)	(21,971)	(25)	-	<b>(24,043)</b>
Revaluation	-	-	62	781	2	-	<b>845</b>
Transfers	-	(108)	29	-	108	-	<b>29</b>
<b>At 31 March 2010</b>	<b>-</b>	<b>3,945</b>	<b>7,640</b>	<b>52,701</b>	<b>1,263</b>	<b>-</b>	<b>65,549</b>
<b>Net book value:</b>							
<b>31-Mar-10</b>	<b>500</b>	<b>12,308</b>	<b>7,649</b>	<b>71,069</b>	<b>4,528</b>	<b>13,952</b>	<b>110,006</b>
<b>31-Mar-09</b>	<b>500</b>	<b>10,030</b>	<b>4,776</b>	<b>72,501</b>	<b>2,599</b>	<b>16,919</b>	<b>107,325</b>
<b>Asset Financing:</b>							
Owned	500	12,308	7,649	71,069	4,504	13,952	109,982
Finance leased	-	-	-	-	24	-	24
<b>Net book value at 31 March 2010</b>	<b>500</b>	<b>12,308</b>	<b>7,649</b>	<b>71,069</b>	<b>4,528</b>	<b>13,952</b>	<b>110,006</b>



## Notes to the Departmental Resource Accounts

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under construction	Total
<b>Cost or valuation</b>							
At 1 April 2008	700	12,565	12,318	114,921	842	15,286	156,632
Additions	150	550	1,814	938	2,207	2,188	7,847
Impairments	-	-	-	-	-	(5,382)	(5,382)
Disposals	(150)	-	(2,917)	(92)	-	-	(3,159)
Revaluation	(200)	314	(51)	11,556	(22)	-	11,597
Reclassification	-	147	265	8,502	(194)	4,827	13,547
<b>At 31 March 2009</b>	<b>500</b>	<b>13,576</b>	<b>11,429</b>	<b>135,825</b>	<b>2,833</b>	<b>16,919</b>	<b>181,082</b>
<b>Depreciation</b>							
At 1 April 2008	-	2,596	7,588	46,210	302	-	56,696
Charged in year	-	846	2,041	17,135	72	-	20,094
Disposals	-	-	(2,917)	(91)	-	-	(3,008)
Revaluation	-	-	(59)	70	-	-	11
Reclassifications	-	104	-	-	(140)	-	(36)
<b>At 31 March 2009</b>	<b>-</b>	<b>3,546</b>	<b>6,653</b>	<b>63,324</b>	<b>234</b>	<b>-</b>	<b>73,757</b>
<b>Net book value:</b>							
31-Mar-09	500	10,030	4,776	72,501	2,599	16,919	107,325
31-Mar-08	700	9,969	4,730	68,711	540	15,286	99,936
<b>Asset Financing:</b>							
Owned	500	10,030	4,776	72,501	2,561	16,919	107,287
Finance leased	-	-	-	-	38	-	38
<b>Net book value at 31 March 2009</b>	<b>500</b>	<b>10,030</b>	<b>4,776</b>	<b>72,501</b>	<b>2,599</b>	<b>16,919</b>	<b>107,325</b>

**Analysis of property, plant and equipment:**

The net book value of property, plant and equipment comprises:

£'000

	Land	Buildings	Information Technology	Plant & Machinery	Furniture & Fittings	Assets under construction	Total
Core Department 31 March 2010	500	12,308	7,290	71,069	4,527	13,952	109,647
Agency 31 March 2010	-	-	359	-	-	-	359
Core Department 31 March 2009	500	10,030	4,379	72,501	2,599	16,919	106,928
Agency 31 March 2009	-	-	397	-	-	-	397
Core Department 31 March 2008	700	9,969	3,811	68,711	540	15,286	99,017
Agency 31 March 2008	-	-	919	-	-	-	919

There are no donated assets within the Department.

The Department's policy for revaluations is described in Note 1.5.4

## 14 Intangible assets

Intangible assets comprise software, licences and websites for the Department.

	Software	Licences	Websites	Systems Development	Total
£'000					
<b>Cost or valuation</b>					
At 1 April 2009	68,574	2,959	7,935	29,868	109,336
Additions	3,616	617	1,380	11,206	16,820
Transfers	(9,332)	7,050	4,591	3,470	5,778
Reclassifications	2,758	(966)	(1,777)	1,090	1,105
Disposals	(5,279)	(5,354)	-	(1)	(10,634)
Impairment	-	-	-	(552)	(552)
Revaluations	-	-	-	-	-
<b>At 31 March 2010</b>	<b>60,337</b>	<b>4,306</b>	<b>12,129</b>	<b>45,081</b>	<b>121,853</b>
<b>Amortisation</b>					
At 1 April 2009	35,372	1,320	3,299	-	39,991
Charged in year	7,207	3,732	2,479	-	13,418
Transfers	(1,426)	(32)	1,429	-	(29)
Reclassifications	(1,209)	1,937	(1,559)	-	(831)
Disposals	(5,279)	(5,353)	-	-	(10,632)
<b>At 31 March 2010</b>	<b>34,665</b>	<b>1,604</b>	<b>5,648</b>	<b>-</b>	<b>41,917</b>
<b>Net book value</b>					
31-Mar-10	25,672	2,702	6,481	45,081	79,936
31-Mar-09	33,202	1,639	4,636	29,868	69,345
<b>Asset Financing:</b>					
Owned	25,672	2,702	6,481	45,081	79,936
<b>Net book value at 31 March 2010</b>	<b>25,672</b>	<b>2,702</b>	<b>6,481</b>	<b>45,081</b>	<b>79,936</b>

	Software	Licences	Websites	Systems Development	Total
<b>Cost or valuation</b>					
At 1 April 2008	61,477	1,906	7,369	29,083	99,835
Additions	2,754	782	663	29,995	34,194
Reclassifications	12,820	477	2,366	(29,210)	(13,547)
Disposals	(8,477)	(206)	(2,463)	-	(11,146)
<b>At 31 March 2009</b>	<b>68,574</b>	<b>2,959</b>	<b>7,935</b>	<b>29,868</b>	<b>109,336</b>
<b>Amortisation</b>					
At 1 April 2008	33,717	987	4,284	-	38,988
Charged in year	10,132	539	1,478	-	12,149
Disposals	(8,477)	(206)	(2,463)	-	(11,146)
<b>At 31 March 2009</b>	<b>35,372</b>	<b>1,320</b>	<b>3,299</b>	<b>-</b>	<b>39,991</b>
<b>Net book value</b>					
31-Mar-09	33,202	1,639	4,636	29,868	69,345
31-Mar-08	27,760	919	3,085	29,083	60,847
<b>Asset Financing:</b>					
Owned	33,202	1,639	4,636	29,868	69,345
<b>Net book value at 31 March 2009</b>	<b>33,202</b>	<b>1,639</b>	<b>4,636</b>	<b>29,868</b>	<b>69,345</b>

## Analysis of intangible assets

The net book value of intangible assets comprises

	Software	Licences	Websites	Systems Development	Total
Core Department 31 March 2010	25,165	2,677	6,481	45,081	79,404
Agency 31 March 2010	507	25	-	-	532
Core Department 31 March 2009	31,584	1,559	4,636	29,868	67,647
Agency 31 March 2009	1,618	80	-	-	1,698
Core Department 31 March 2008	24,297	820	3,085	29,083	57,285
Agency 31 March 2008	3,463	99	-	-	3,562

£'000

## 15 Financial Instruments

### Liquidity Risk

The cash requirements of the Department for day to day operations and capital investments are met through the Estimates process and by the passing of the annual Appropriation Act. The Estimates process allows opportunities during the year to amend funding levels and purposes to reflect changing circumstances and unforeseen events. The Department is therefore exposed to little liquidity risk and financial instruments play an insignificant part of the funding of the Department and a more limited role in creating risk than would apply to a non-public sector body of a similar size.

### Market Risk

The Department has no powers to borrow money or invest surplus funds and has no exposure to market based risks.

### Currency Risk

A payables balance of £529,759k is the sterling equivalent of a liability of €593,767k translated at the accounting date. This relates to deposits from the European Union (EU) for the 2000-06 and 2007-13 European Regional Development Fund (ERDF) Programmes and the Sterling value is therefore recalculated at the end of each period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. The deposits will be utilised as the programmes near completion which in relation to the 2000-06 programme is expected to be during 2010-11 but for the 2007-13 programme is not expected before 2015-16. The level of balance, and associated level of risk, is therefore expected to diminish over the coming year.

Within receivables there is a balance of £84,892k which is the sterling equivalent of an asset of €95,150k relating to ERDF claims made to the EU but not yet settled and within accrued income there is a balance of £212,162k which is the sterling equivalent of an asset of €237,796k representing ERDF grant payments made but yet to be claimed from the EU. These balances are fixed in Euros being the Euro equivalent of the Sterling expenditure applying at the time the expenditure was incurred using the 'Europa' rate in accordance with the regulations and are recalculated at the end of each accounting period with a consequential risk of unrealised loss or gain arising from fluctuations in rates. In addition, as ongoing funding for these programmes is processed through the EU, there are realised exchange rate gains and losses as the sterling equivalent of the Euro claims are settled. The Department is therefore exposed to currency risks which vary depending on the level of balances, the rate at which claims are submitted and the time taken for them to be processed by the EU.

*Notes to the Departmental Resource Accounts*

In 2009-10 there was an overall loss of about £27m arising from these risks compared to a loss of about £4m in 2008-09.

The table below shows the assets and liabilities subject to translation from euros to sterling at the accounting date and in accordance with the Department's policy on foreign exchange translations (Exchange rate at 31 March 2010 1.1208 – source Bank of England spot rate <http://www.bankofengland.co.uk/mfsd/iadb/Rates.asp>).

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
<b>Assets</b>		
<b>At 31 March 2010:</b>		
Receivables (ERDF)	84,892	95,150
Accrued income (ERDF)	212,162	237,796
<b>Total assets at 31 March 2010</b>	<b>297,054</b>	<b>332,946</b>
Total assets at 31 March 2009:	397,811	445,493
Total assets at 1 April 2008	114,159	149,933
<b>Liabilities</b>		
<b>At 31 March 2010:</b>		
Deposit from EU (ERDF 2000-06 Programmes)	310,095	347,562
Deposit from EU (ERDF 2007-13 Programmes)	219,664	246,205
<b>Total liabilities at 31 March 2010</b>	<b>529,759</b>	<b>593,767</b>
Total liabilities at 31 March 2009	496,427	553,998
Total liabilities at 1 April 2008	346,973	455,733

As can be noted from the above the Department has significant assets and liabilities affected by the Sterling/Euro exchange rate. To an extent these balances act as a natural hedge whereby the loss that would arise on the liability balance from a weakening of Sterling would be offset by the gain on the asset balance. These effects would be reversed if Sterling were to strengthen. This reduces but does not eliminate the risks. There are also variations in the levels of balances caused by differences in the values of quarterly declarations, the time taken for declarations to be paid by the EU and the rate in which the deposits on the 2000-06 programme are utilised. These variations are difficult to assess but the department has determined, from a model of the likely impacts of variances in exchange rates, that active mitigation of the risks, through for instance forward contracts or hedging, would not provide value for money. The following table illustrates the impact of changes in the sterling to Euro exchange rate and assumes the level of balances remains constant.

Category	Balance at 31 Mar 10	Rate at 31 Mar 10	Impact of rate change to			
			1:1.00	1:1.10	1:20	1:1.30
Assets	€332,946	1:1.12	£36m gain	£6m gain	£20m loss	£41m loss
Liabilities	€593,767	1:1.12	£64m loss	£10m loss	£35m gain	£73m gain
Net gain/loss			£28m loss	£4m loss	£15m gain	£32m gain

*Notes to the Departmental Resource Accounts*

Apart from ERDF the Department has no other risks arising from foreign exchange.

### Credit Risk

The Department has placed investments in a number of public-sector owned organisations, as shown in Note 16 Investments. As the organisations are within the public sector there is minimal need for the department to manage the risk of default.

Many of these investments have been financed on a statutory basis known as Public Dividend Capital (PDC). The Treasury has advised that PDC is not a financial instrument because financial instruments are contractual whereas PDC is statutory. Therefore these items are outside the scope of this risk and the risks below. See Note 16 for details of PDC investments.

The Olympic Park Legacy Company (OPLC) was set up during 2009-10. This is a company limited by guarantee and the controlling members are the Secretary of State for Communities and Local Government ( $\frac{1}{4}$ ), the Secretary of State for Culture, Media and Sport ( $\frac{1}{4}$ ) and the Mayor of London ( $\frac{1}{2}$ ). The OPLC is now operational and discussions concerning ownership of assets are taking place. The Department made grants to the OPLC during 2009-10 to support start up expenditure but has no financial investment in the Company and there is therefore no risk of default.

Receivables: Comparison of aged receivable balances greater than 90 days against total

Classification	Balance at 31.03.10	At 90 days overdue	% of total
Trade and Other Receivables	£166,880,044.50	£3,384,589.03	2.03%

Other Receivables amounts included in Note 20 (Receivables) also include amounts for sundry receivables not included within balances above

### Interest Rate Risk

The Department is not exposed to significant interest-rate risk as its financial assets and financial liabilities carry nil or fixed rates of interest.

### Interest Rate Profile

The following table show the interest rate profile of the Department's financial assets as at 31 March 2010. All balances are held in sterling.

	Total	Non-interest bearing	Floating rate	Fixed rate	Weighted average interest rate	Period for which rate is fixed
<b>Primary Financial Instruments:</b>	£'000	£'000	£'000	£'000	%	yrs
<b>Financial Assets:</b>						
Cash at Office of Paymaster General	163,364	163,364	-	-		
Cash held at commercial banks	4,110	-	4,110	-		
Fire Service College Loan	4,566	-	-	4,566	8.30%	43 years
Coalfields Enterprise Fund	6,901	6,901	-	-		
<b>Balance at 31 March 2010</b>	<b>178,941</b>	<b>170,265</b>	<b>4,110</b>	<b>4,566</b>		
Balance at 31 March 2009	109,982	105,249	167	4,566		
Balance at 1 April 2008	352,121	347,269	253	4,600		

## Fair Values

The estimated fair values of the financial instruments held by the Department approximate to their book values at 31 March 2009 and 31 March 2010. The following criteria have been used to assess the fair value of the Department's financial assets and liabilities.

- Current payables and receivables are based on their nominal amount
- Non-current payables and receivables are valued at discounted cost
- Cash at bank balances are at their book values
- PDC, being statutory, is valued at nominal value
- The investments in the Coalfields Enterprise Fund and the Coalfields Growth Fund are revalued every quarter by the fund managers and the year end valuations reflect the underlying valuations.

## 16 Investments in other public sector bodies

	Coal Fields Enterprise Fund	Coal Fields Growth Fund	Ordnance Survey  PDC	Queen Elizabeth II Conference Centre PDC	Fire Service College  PDC	Loan	£'000 Total
Balance at 1 April 2008	8,656	-	14,000	821	16,721	4,600	44,798
Write downs	(94)	-	-	-	-	-	(94)
Loans repayable within 12 months transferred to receivables	-	-	-	-	-	(34)	(34)
<b>Balance at 31 March 2009</b>	<b>8,562</b>		<b>14,000</b>	<b>821</b>	<b>16,721</b>	<b>4,566</b>	<b>44,670</b>
Additions	-	5,000	-	-	-	-	5,000
Write downs	(1,661)	-	-	-	-	-	(1,661)
<b>Balance at 31 March 2010</b>	<b>6,901</b>	<b>5,000</b>	<b>14,000</b>	<b>821</b>	<b>16,721</b>	<b>4,566</b>	<b>48,009</b>

All investments relate to the Core Department. PDC = Public Dividend Capital.

**17 Investment Properties**

£'000	
<b>Cost or valuation</b>	<b>Total</b>
At 1 April 2008	26,302
Additions	56
Revaluations	(4,608)
<b>At 31 March 2009</b>	<b>21,750</b>
<b>Cost or valuation</b>	<b>Total</b>
At 1 April 2009	21,750
Revaluations	32
<b>At 31 March 2010</b>	<b>21,782</b>

As at the 31 March 2010 the following properties were revalued professionally, in accordance with RICS Valuation Standards, by AtisReal Limited - Chartered Surveyors and International Real Estate Consultants:

Queen Elizabeth II Conference Centre, Broad Sanctuary, London was valued during March 2010 by ATISReal. The total valuation was reported at £25,000,000, but with a value of £21,500,000 in the Department's books because of a trading fund outside interest in the property.

Burlington House, Piccadilly, London was valued during March 2010 by ATISReal, at £250,000. Due to the Department's reversionary interest in the property a detailed re-inspection was not carried out for the 2010 report.

The Department received rental income of £6,875 (£7,630 2008-09) from tenants at Burlington House.

The Department does not receive rental income from the Queen Elizabeth 11 Conference Centre as it receives income as dividend on the Public Dividend Capital investment.

**18 Assets held for sale**

Assets held for sale represent 'Green Goddess' fire tenders which are no longer required.

£'000	
<b>Cost or valuation</b>	<b>Total</b>
At 1 April 2008	76
Disposals	(71)
<b>At 31 March 2009</b>	<b>5</b>
<b>Cost or valuation</b>	<b>Total</b>
At 1 April 2009	5
<b>At 31 March 2010</b>	<b>5</b>

**19 Inventories**

The Department's inventories relate to short term holding of new Regional Control Centres under the FiReControl project and additional buildings were added during the year. Note 1.11 outlines the Department's accounting policy for inventories.

£'000	
	Total
<b>Cost or valuation</b>	
At 1 April 2008	28,489
Additions	51,519
<b>At 31 March 2009</b>	<b>80,008</b>
<b>Cost or valuation</b>	
At 1 April 2009	80,008
Additions	22,201
<b>At 31 March 2010</b>	<b>102,209</b>

## 20 Trade receivables and other current assets

### 20(a) Analysis by type

£'000			
	31-Mar-10	31-Mar-09	01-Apr-08
<b>Amounts falling due within one year:</b>			
Trade receivables	1,376	773	5,284
Deposits and advances	157	177	162
VAT receivables	1,674	2,450	2,823
Other receivables	197,987	93,545	438,091
ERDF accrued income	240,625	405,119	345,125
Prepayments and accrued income (other)	-	-	155
Current part of National Loan Fund loan	-	-	1,400
National Non-Domestic rates	-	-	114
	<b>441,819</b>	<b>502,064</b>	<b>793,154</b>
<b>Amounts falling due after more than one year:</b>			
ERDF Deposits	170,146	125,430	-
Prepayments and accrued income	188	121	35
	<b>170,334</b>	<b>125,551</b>	<b>35</b>
<b>Total</b>	<b>612,153</b>	<b>627,615</b>	<b>793,189</b>

Included in "other receivables" is an amount of £1,066k (2008-09: £26,177k), and in "prepayments and accrued income" an amount of £nil (2008-09: £14,879k) which are payable to the Consolidated Fund when collected.

### 20(b) Intra-government balances

£'000						
Balances with:	Amounts falling due within one year			Amounts falling due after more than one year		
	31-Mar-10	31-Mar-09	01-Apr-08	31-Mar-10	31-Mar-09	01-Apr-08
Other Central Government bodies	127,980	368,290	237,786	163,219	125,430	-
Local authorities	36,990	31,258	175,617	6,927	-	-
NHS bodies	9	362	48	-	-	-
Public Corporations and Trading Funds	6,117	4,936	3,790	-	-	-
<b>Sub-total</b>	<b>171,096</b>	<b>404,846</b>	<b>417,241</b>	<b>170,146</b>	<b>125,430</b>	<b>-</b>
Bodies external to Government	270,723	97,218	375,913	188	121	35
<b>Total receivables at 31 March</b>	<b>441,819</b>	<b>502,064</b>	<b>793,154</b>	<b>170,334</b>	<b>125,551</b>	<b>35</b>



**21 Cash and cash equivalents**

£'000

	2009-10	2008-09	
Balance at 1 April	96,854	338,865	
Net change in cash balances:	70,620	(242,011)	
<b>Balance at 31 March</b>	<b>167,474</b>	<b>96,854</b>	
<b>The following balances at 31 March were held at:</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>01-Apr-08</b>
Office of HM Paymaster General	163,360	94,208	338,612
Commercial banks and cash in hand	4,110	167	253
Balance at OPG - Payroll	4	2,479	-
<b>Balance at 31 March</b>	<b>167,474</b>	<b>96,854</b>	<b>338,865</b>

**22 Trade payables and other current liabilities****22(a) Analysis by type**

£'000

	31-Mar-10	31-Mar-09	01-Apr-08
<b>Amounts falling due within one year:</b>			
Taxation and social security	5,951	4,642	2,592
Trade payables	5,026	6,536	8,828
Other payables	27,885	125,910	62,872
Payroll	-	2,480	-
Accruals and deferred income	766,680	540,223	1,565,763
National Non-Domestic Rates liability	-	453	-
Finance lease	18	18	-
National Loan Fund loans	-	-	1,400
Contingency Fund	-	-	930
Amount issued from the Consolidated Fund for supply but not spent	216,043	199,686	392,381
Consolidated fund extra receipts to be paid to the Consolidated Fund:			
- received	134,987	119,009	245,340
- receivable	1,066	41,056	136,931
	<b>1,157,656</b>	<b>1,040,013</b>	<b>2,417,037</b>
<b>Amounts falling due after more than one year:</b>			
Finance Lease	1	22	-
ERDF Deposits held	188,627	496,428	354,728
Deferred Income on Property, Plant & Equipment	6,369	7,045	-
	<b>194,997</b>	<b>503,495</b>	<b>354,728</b>
<b>Total</b>	<b>1,352,653</b>	<b>1,543,508</b>	<b>2,771,765</b>

**22(b) Intra-Government Balances**

£'000

Balances with:	Amounts falling due within one year			Amounts falling due after more than one year		
	31-Mar-10	31-Mar-09	01-Apr-09	31-Mar-10	31-Mar-09	01-Apr-09
Other Central Government bodies	398,807	372,000	1,414,509	-	-	-
Local Authorities	170,050	9,415	759,100	-	-	-
NHS bodies	(129)	51	56	-	-	-
Public Corporations and Trading Funds	5,266	6,567	11,387	-	-	-
<b>Sub-total</b>	<b>573,994</b>	<b>388,033</b>	<b>2,185,052</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bodies external to Government	583,662	651,980	231,985	194,997	503,495	354,728
<b>Total payables at 31 March</b>	<b>1,157,656</b>	<b>1,040,013</b>	<b>2,417,037</b>	<b>194,997</b>	<b>503,495</b>	<b>354,728</b>

**23 Provisions for liabilities and charges**

£'000

	Early Retirement and Pension costs	ERDF Financial Corrections	Firefighters' Pension commutation	Other	Total
Balance at 1 April 2008	21,775	72,915	-	12,511	107,201
Provided in the year	16,362	51,073	35,000	3,839	106,274
Provisions not required written back	(469)	(26,143)	-	(219)	(26,831)
Provisions utilised in the year	(5,671)	(23,436)	-	(2,206)	(7,877)
Utilised – pre-funding	(55)	-	-	-	(23,491)
Unwinding of discount	210	-	-	(88)	122
<b>Balance at 31 March 2009</b>	<b>32,152</b>	<b>74,409</b>	<b>35,000</b>	<b>13,837</b>	<b>155,398</b>
Comprising					
Current liabilities	16,117	74,409	-	2,471	92,997
Non-current liabilities	16,035	-	35,000	11,366	62,401
Balance at 1 April 2009	32,152	74,409	35,000	13,837	155,398
Provided in the year	3,798	48,711	-	4,997	57,506
Provisions not required written back	(892)	-	(1,106)	(299)	(2,297)
Provisions utilised in the year	(14,011)	(9,755)	(33,894)	(2,085)	(59,745)
Utilised – pre-funding	-	-	-	-	-
Unwinding of discount	192	-	-	228	420
<b>Balance at 31 March 2010</b>	<b>21,239</b>	<b>113,365</b>	<b>-</b>	<b>16,678</b>	<b>151,282</b>
Comprising					
Current liabilities	6,356	113,365	-	2,220	121,941
Non-current liabilities	14,883	-	-	14,458	29,341

## Analysis of expected timing of discounted flows

	Early Retirement and Pension costs	ERDF Financial Corrections	Firefighters' Pension commutation	Other	Total
In the remainder of the Spending Review period (to 2011)	6,536	113,365	-	2,681	122,582
Between 2012 and 2016	13,491	-	-	9,755	23,246
Between 2017 and 2021	1,211	-	-	1,998	3,209
Thereafter	-	-	-	2,244	2,244
<b>Balance at 31 March 2010</b>	<b>21,238</b>	<b>113,365</b>	<b>-</b>	<b>16,678</b>	<b>151,281</b>

Included in the amounts not expected to be called until after 2021 are:

	Early Retirement and Pension costs	ERDF Financial Corrections	Firefighters' Pension commutation	Other	Total
Amounts not expected to be called until the periods beginning 2061	-	-	-	1,858	1,858
Amounts not expected to be called until the periods beginning 2086	-	-	-	-	-

Details of other provisions are provided in Note 1.22. The closing balances relating to those provisions are as follows:

Category	31 March 2010	31 March 2009
Compensation payments	4,387	5,166
Dilapidations	7,048	6,442
Firefighters' pensions	2,220	2,020
Residential Property Tribunal Service pensions	2,562	
Ex-gratia payments (PINS)	238	108
Adverse costs (PINS)	223	102
<b>Total</b>	<b>16,678</b>	<b>13,837</b>

## 24 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditure have been allocated as follows:

£'000

	2009-10	2008-09
Departmental Strategic Objectives:		
DSO 1 - Support Local Government	26,674,274	26,034,139
DSO 2 - Housing	8,885,484	7,529,732
DSO 3 - Building communities	3,085,659	2,704,636
DSO 4 - Cohesive, active and resilient communities	127,769	39,111
DSO 5 - Planning	207,970	169,169
DSO 6 - Safer communities	477,621	457,404
<b>Total Programme Expenditure (Note 11)</b>	<b>39,458,777</b>	<b>36,934,191</b>

Note: The differences between this Note and Note 11 are the PINS staff costs, which are programme expenditure, and are included in Note 9.

As referred to in the Statement of Net Operating Costs by Departmental Strategic Objectives, expenditure and income relating to Ordnance Survey and QEII Conference Centre does not apply directly to any of the objectives, and so it has been apportioned equally across the 6 main objectives.

## 25 Capital commitments

Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements:

	£'000	
	31 March 2010	31 March 2009
Property, plant and equipment	72,382	25,059
Intangible assets	1,902	
	<b>74,284</b>	<b>25,059</b>

## 26 Commitments Under Leases

### 26.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	£'000	
	31 March 2010	31 March 2009
<b>Obligations under operating leases comprise:</b>		
Buildings:		
Payment due within 1 year	38,878	36,261
Payment due after 1 year but not more than 5 years	107,236	114,336
Payment due thereafter	96,937	183,992
	<b>243,051</b>	<b>334,589</b>
Other:		
Payment due within 1 year	172	139
Payment due after 1 year but not more than 5 years	149	198
	<b>321</b>	<b>337</b>

### 26.2 Finance Leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods

	£'000	
	31 March 2010	31 March 2009
<b>Obligations under finance leases comprise:</b>		
Other:		
Payment due within 1 year	21	20

*Notes to the Departmental Resource Accounts*

Payment due after 1 year but not more than 5 years	-	22
Payment due thereafter	-	-
Less interest element	(1)	(3)
Present value of obligations	<b>20</b>	<b>39</b>

£'000

	31 March 2010	31 March 2009
<b>Present Value of Obligations under finance leases comprise:</b>		
Other:		
Payment due within 1 year	21	20
Payment due after 1 year but not more than 5 years	-	22
Payment due thereafter	-	-
Less interest element	(1)	(3)
Total Present value of obligations	<b>20</b>	<b>39</b>

**27 Other financial commitments**

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts). The payments to which the Department is committed, analysed by the period during which the commitment expires are as follows:

£'000

	31 March 2010	31 March 2009
<b>Obligations under financial commitments:</b>		
Payment due within 1 year	114,585	4,695
Payment due after 1 year but not more than 5 years	272,163	26,079
Payment due thereafter	160,522	477,651
	<b>547,270</b>	<b>508,425</b>

**28 Contingent liabilities disclosed under IAS 37**

In accordance with Government policy, none of the properties included in non-current assets in the Statement of Financial Position is insured. Other contingent liabilities are set out below.

£'000

	31 March 2010	31 March 2009
28.1 Payments to Local Authorities under the Defective Housing grant scheme	250-750	250-750
28.2 Statutory Contingent Liability taken on under the provisions of the Banking Act 2009 in respect of Homeowners Mortgage Support Scheme	500,000	500,000

*Notes to the Departmental Resource Accounts*

		31 March 2010	31 March 2009
28.3	ERDF 2000-06 Programme – possible correction due to open and outstanding EU audits. This is the value of open irregularities due to remaining open audits at 31 March 2010. These require a future decision by the EC if they are to conclude and crystallise. It is currently unknown as to when this decision will be made and the true value of these. The contingent liability is based on a “worst case” scenario. Experience suggests that settlements maybe much reduced from initial findings on these irregularities	36,472	24,200
28.4	The Deposit Protection Service (DPS) operates the Tenancy Deposit Protection custodial scheme. The DPS hold deposits and meet their operating costs from the interest generated. The contract between the Department and the DPS provides incentives to encourage the DPS to maximise interest receipts and also guarantees against operating losses arising where interest generated on deposits does not meet DPS’s approved fees. Exceptionally low interest rates mean that the Department carries a potential liability in respect of the contract, but it is not possible to forecast this accurately since it depends on other variables under the contract. Commercial negotiations are ongoing.	Unquantifiable	-
28.5	Planning Inspectorate – litigation costs which may be incurred following unsuccessful attempts to resist a High Court challenge into an inspector’s decision. The timing and value of such awards are extremely difficult to predict.	390	390
28.6	Planning Inspectorate – ex gratia payments which may possibly be made to appellants or other appeal parties who have incurred abortive appeal costs following an error made by the Inspectorate’s members of staff. The timing and value of these payments are very difficult to predict	240	200
28.7	The Department has made commitments to fund pension deficits on certain of its Arms Length Bodies. In the event of the reorganisation or abolition of those bodies, the Department may face liabilities relating to those commitments. The timing and value of any such payments are very difficult to predict	Unquantifiable	-

## **29 Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes**

### **Quantifiable:**

The Department has entered into the following quantifiable contingent liability by offering guarantees, indemnities or by giving letters of comfort. This is not a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

£’000

*Notes to the Departmental Resource Accounts*

	1 April 2009	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2010	Amount reported to Parliament by Departmental minute
<b>Indemnities</b>						
Indemnity given by CLG for the Land Stabilisation Project to proceed in Northwich under Section 1 of the Derelict Land Act 1982	25,000	-	-	-	25,000	150,000
	<b>25,000</b>	-	-	-	<b>25,000</b>	150,000

**Unquantifiable:**

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

- Indemnity given to the Nationwide Building Society as lender for claims relating to the treatment or removal of asbestos in connection with housing stock transfers.
- Indemnity given to the Fire and Rescue Services in respect of possible incidents as a result of mass decontamination.

**30 Losses, Special Payments and Gifts**

Managing Public Money and the FReM require a statement showing losses and special payments by value and by type to be shown where they exceed £250k in total and those which individually exceed £250k. These relate to cash losses, stores, fruitless payments and claims abandoned as well as frauds. The amounts involved are as follows:

	2009-10		2008-09	
	Cases	£'000	Cases	£'000
Write offs	45	337	123	494
Other losses	224	2,386	304	12,565

In 2009-10 there were no individual losses of over £250,000.

Two of the special payments recorded in the accounts for 2009-10 were over £250,000, details are below:

Nature of Payment	Date of Payment	£'000
		Value
Settlement in personal injury claim.	Various dates	315
Out of court settlement re Local Authority Business Growth Incentives grant payments	22.05.2009	300

*Notes to the Departmental Resource Accounts*

As noted in the Management Commentary (3.46 - 3.49), the FiReControl project is delivering nine, networked regional control centres (RCCs) in England to improve the Fire and Rescue Service's (FRS) ability to respond to stress conditions. The Department has procured the accommodation under a Private Developer Scheme and, on completion, the building lease agreements will be taken on by the local authority controlled company (LACC) approved to run the RCC. Rent payments due between the date of practical completion of the buildings and the taking on of the lease by the LACC or LFEPA are borne by the Department. Whilst it was not originally the intention for the Department to continue to make the direct lease payments of approximately £10m (which would have been made by the LACCs or LFEPA with grant funding from the Department), the RCCs are required for the project and the delay in transfer does not result in additional expenditure for the Department. The Department does not consider these payments to be fruitless, but in the interests of full disclosure is reporting them here.

During the year the Department gifted eight items with a book value of £0.7k (ten items with a value of £1k in 2008-09). There were no individual items over £250k.

### **31 Related Party Transactions**

The Department was the parent Department of the Planning Inspectorate and a number of sponsored bodies listed in Note 34. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department and its sponsored bodies have made a number of material transactions with other government departments, central government bodies and local government organisations.

Relevant employment details of all non-Executive Board members are in the Annual Review (section 2). Non-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.

Debbie Hewitt is a non-Executive Director of the Department. She is also a non-Executive Director of OGC, a government department, and of Mouchel plc, who provide consultancy services and have transactions with the Department totalling £125,645 in 2009-10. As a non-Executive, she has no operational responsibility for contracts or other transactions between these organisations and the Department.

Peter Craggs is a senior civil servant in the Government Office for the South East. His wife has received payments through her company from the Children and Learners team in 2009-10. The payments made through the DCSF Childcare Regional Networks programme budget totalled £10,574, no VAT was paid.

Trudi Elliot, the Regional Director for the Government Office for the West Midlands, is a member of the University Council for Warwick University. Warwick University has received ERDF Grants totalling £11,945,390 in 2009-10.

Carol Sweetenham is a member of the Senior Civil Service in the Thames Gateway and Olympics Directorate and is on the board of a charity called "Aspire Oxfordshire", which has received grant from a body sponsored by the Department called "Aspire Foundation". Carole Sweetenham does not attend any meetings with the Department on behalf of Aspire Oxfordshire directly or indirectly.

Professor Jeremy Watson is a member of the Senior Civil Service and Chief Scientific Advisor to the Department. He is also Director of Global Research at Ove Arup and Partners which is subject to a Memorandum of Understanding with the Department. He is also a Governing Board Member of the Technology Strategy Board in a non-executive role. The Department's transactions with Ove Arup totalled £827,151 in 2009-10.

The Department's Internal Audit service is provided under a co-sourcing arrangement with Pricewaterhouse Coopers (PWC). Chris Buxton, the Department's Director of Internal Audit, was a partner in PWC until the end of December 2009 and was employed by them as a consultant from January 2010. PWC provide a number of consultancy services for the Department and the Department's transactions with PWC during 2009-10, including payments for the Internal Audit co-sourcing, totalled £3,057,662.



*Notes to the Departmental Resource Accounts*

During the year no board member, key manager or other related parties, other than those mentioned above, has undertaken any material transactions with the department. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

### 32 Post Balance Sheet Events

The Department's financial statements are laid before the Houses of Commons by HM Treasury. IAS10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the Department's management to HM Treasury. The authorised date for issue is 30th June 2010.

### 33 Third Party Assets

#### Twining with EU Accession States

Twining projects involve the secondment of one or more experts (Resident Twining Advisers (RTAs)) from EU Member States, to new Member States or pre-accession states (beneficiary countries), for a period usually of at least 12 months. The desired outcome is to improve institutional capacity for a particular country or region, managing significant levels of Structural Funds receipts under post-accession European programmes. This is achieved through training and expert advice provided by the successful Member State.

The projects are funded by the European Commission through a competitive bidding process between Member States. The beneficiary countries decide which bids are successful. The Department won six Structural Fund Twining projects in 2004-05; two in Romania, two in Bulgaria, one in Hungary and one in Poland. These projects were successfully completed during 2005-06. In 2006-07 two more twining projects were won by the Department, one in North East Romania and one in Turkey. Both of these projects are now closed.

The projects have bank accounts, which are managed by the Department, but these are not Departmental assets and are not included in the Departmental accounts. The assets held at the accounting date comprised these monetary assets in the bank accounts. The bank accounts are denominated in euros and all transactions through the accounts are in euros. These values are set out in the table below, together with a translation to sterling at the accounts date using the then €:£ exchange rate of 1.12:1.

Projects	1 April 2009 €000	Gross Inflows €000	Gross Outflows €000	31 March 2010 €000	31 March 2010 £000
Turkey	135	-	96	39	35
General Twining	586	2	-	588	524
	<b>721</b>	<b>2</b>	<b>96</b>	<b>627</b>	<b>559</b>

### 34 Entities within the Departmental boundary

The entities within the boundary during 2009-10 were as follows:

#### *Executive Agencies*

Planning Inspectorate

Financial information on the Planning Inspectorate can be found in its own published Annual Report and Accounts. More information can be found by visiting their website: [www.planning-inspectorate.gov.uk](http://www.planning-inspectorate.gov.uk).

#### *Advisory Bodies*

Advisory Panel on Beacon Councils

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*Notes to the Departmental Resource Accounts*

Advisory Panel on Standards for the Planning Inspectorate  
Building Regulations Advisory Committee  
Community Forum  
National Housing and Planning Advice Unit

Advisory NDPBs are expert bodies normally established to advise Ministers and Officials on specific policy areas where the expertise does not exist within the Department. Most members of such bodies are unpaid, although several bodies' chairpersons and members do receive a daily fee for attendance of meetings and other work.

*Tribunals*

Rent Assessment Panels  
Valuation Tribunals

The following bodies have not been consolidated within the accounts of the Department. Financial information on these bodies can be obtained from their separately published Annual Report and Accounts.

*Trading Funds*

Fire Service College  
Ordnance Survey  
Queen Elizabeth II Conference Centre

*Public Corporations*

Architects Registration Board  
Audit Commission for Local Authorities and the National Health Service in England

*Executive Non-Departmental Public Bodies*

Community Development Foundation  
Firebuy Ltd  
Homes and Communities Agency  
Independent Housing Ombudsman Ltd  
Infrastructure Planning Commission  
Leasehold Advisory Service  
London Thames Gateway Development Corporation  
National Tenants Voice (from April 2010)  
Standards Board for England  
Tenants Services Authority  
Thurrock Thames Gateway Development Corporation  
Valuation Tribunals Service  
West Northamptonshire Development Corporation

*Other Bodies Not Classed as NDPBs*

Commission for Local Administration

## Glossary

**Accounting Date:** The date at which the accounts were drawn up, in this case 31 March 2010 (previously commonly referred to as balance sheet date).

**Accounting Officer:** In accordance with section 5(6) of the Government Resources and Accounts Act 2000, the Treasury appoints an Accounting Officer for each Department which is obliged, by section 5(1) of that Act, to prepare the Resource Accounts. The Department has two additional Accounting Officers. The permanent head is appointed as the Principal Accounting Officer. Under the Minister, it is the Principal Accounting Officer who has personal responsibility for the overall organisation, management and staffing of the Department, and is the principal witness on behalf of the Department before the Public Accounts Committee to deal with questions arising from these accounts.

**Administration Costs:** The amount of budget a Department may spend on running itself. This excludes the costs of running front line services delivered directly by the Department.

**Annually Managed Expenditure (AME):** Expenditure which cannot reasonably be subject to Departmental control.

**Appropriations in Aid (A-in-A):** Non-tax receipts arising from and incidental to the ordinary business of a Government Department, which have been authorised, up to the amount specified in the Estimate, as funds available to meet expenditure, which can be retained.

**Boundary:** The term to describe which entities are included in the consolidated resource accounts of the Department. The boundary is based upon in-year budgetary control rather than on control of financial and operating policies.

**Consolidated Fund:** The central fund into which the produce of taxation, other public revenues and receipts are paid, and out of which Government expenditure is met.

**Consolidated Fund Extra Receipt (CFER):** Receipts related to expenditure in the Supply Estimates which Parliament has not authorised to be used as appropriations-in-aid and are therefore surrendered to the Consolidated Fund.

**Estimates:** Annual statements prepared by Government Departments, containing the Government's proposals for expenditure on the Supply Services for the coming financial year.

**Departmental Expenditure Limit (DEL):** Spending which is planned and controlled by Departments.

**Departmental Strategic Objectives (DSOs):** Introduced by the previous administration in CSR07 these represented the full range of a department's business and reflected the contributions departments' made to PSAs, which were delivered by a number of departments or other organisations working together. DSOs were supported by appropriate performance indicators.

**European Regional Development Fund (ERDF):** Established in 1975 to stimulate economic development in the least prosperous regions of the European Union.

**Excess Appropriations in Aid:** Receipts over and above the amount specified in the Estimate, which cannot be retained by the Department and must be surrendered to the Consolidated Fund.

**Financial Reporting Manual (FReM):** The Financial Reporting Manual is the technical accounting guide that complements guidance on the handling of public funds. It applies International Financial Reporting Standards to the public sector.

**Government Offices:** The Government Office Network consists of nine regional offices across the country, and the GO Network Centre and Services. The Network represents 12 Whitehall departments and is the primary means by which a wide range of Government policies are delivered in the English regions.

**Grant:** Money voted (i.e. granted) by Parliament to meet the services shown in Supply Estimates.

*Notes to the Departmental Resource Accounts*

**Grant-in-aid:** A grant from voted money to a particular body usually a Non-Departmental Public Body, where certain unexpended balances of the sums issued will not be liable for surrender to the Consolidated Fund at the end of the financial year.

**Local Strategic Partnerships:** Local Strategic Partnerships (LSPs) are non-statutory, multi-agency partnerships, which match local authority boundaries. LSPs bring together at a local level the different parts of the public, private, community and voluntary sectors; allowing different initiatives and services to support one another so that they can work together more effectively.

**Machinery of Government (MoG) changes:** Where Government functions are being transferred from one Government department to another.

**Managing Public Money:** Managing Public Money provides guidance on a wide variety of issues relating mainly, but not exclusively, to the proper handling and reporting of public money. The advice it contains falls into three broad categories: Parliamentary requirements; Treasury administrative controls; and best practice.

**National Loans Fund:** The Government's account with the Bank of England through which all Government borrowing transactions (including payment of debt interest) and most lending transactions are handled.

**National Non-Domestic Rates (NNDR):** Sometimes called Business Rates, are the means by which local businesses contribute to the cost of providing Local Authority services. All business rates are paid into a central pool. The pool is then divided between all authorities based on a number of factors including demographic, physical and social characteristics of each area. The total amount is set out in Section 3 of the Local Government Finance Report published as a House of Commons Paper and available from the Stationery Office.

**Non-Departmental Public Body (NDPB):** An entity that has a role in the process of Government, but is not a Government department, nor forms part of a department. It can incur expenditure on its own account and is usually financed at least in part from public funds.

**Outturn:** Actual expenditure.

**Permanent Secretary:** The permanent head of a department.

**Programme Boards:** Manage the development of strategy and the delivery of the Department's priorities.

**Programme Costs:** Cost of providing services directly to the public.

**Propriety:** This is a requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control, including the conventions agreed with Parliament and, in particular, the Public Accounts Committee.

**Public Accounts Committee:** An all-party Select Committee of the House of Commons which is empowered to inquire into the financial administration of Government departments and examine their accounts. The Committee reports on its findings to Parliament.

**Public Body:** The following provides definitions of the different types of public body within the Department:

- **Executive Agency:** is a public institution that delivers Government services for Government. An Agency does not set the policy required to carry out its functions, these are determined by the Department that oversees the Agency. Agencies are headed by Chief Executives, who are personally responsible for day-to-day operations. They are normally directly accountable to the responsible Minister in the Department;
- **Executive NDPB:** established in statute and carrying out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets;
- **Advisory NDPB:** provides independent and expert advice to Ministers on particular topics of interest. They do not usually have staff, but are supported by staff from the Department. They do not usually have their own budget, as costs incurred come within the Department's expenditure;

*Notes to the Departmental Resource Accounts*

- **Public Corporation:** a publicly owned trading body with day to day operating independence;
- **Trading Fund:** part of Government which has been established under the Government Trading Fund Act 1973. Typically, Trading Funds operate in very specialised fields and rely on their ability to derive income from their activities in order to cover their costs, and provide a return to their sponsoring Department; and
- **Tribunal:** an independent body that remains impartial when dealing with disputes.

**Public Dividend Capital (PDC):** Given to Trading Funds and Public Corporations which are expected to be both fully viable and subject to cyclical fluctuations in their returns as a result of their trading conditions operating in highly competitive markets.

**Public Service Agreement (PSA) targets:** These were introduced in the 1998 Comprehensive Spending Review. They set out agreed targets detailing the outputs and outcomes departments were expected to deliver with the resources allocated to them.

**Regularity:** This is a requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Managing Public Money.

**Request for Resources (RfR):** The major subdivision of the Supply Estimates.

**Revenue Support Grant (RSG):** Along with redistributed National Non Domestic Rate payments, Revenue Support Grant (and principal formula Police Grant) makes up formula grant which is paid to local government without restriction or targets on what it can be spent on. It is distributed on the same basis as NNDR payments. The total amount is set out in Section 2 of the Local Government Finance Report published as a House of Commons Paper and available from the Stationery Office.

**Spending Review:** Sets Departmental spending plans for future years.

**Strategic Priorities:** A small number of high level key, medium to long-term, objectives setting the overall direction of the Department.

**Subsidy:** A grant (i.e. an unrequited payment) to a producer or trader which is deemed to benefit the consumer by reducing the selling price of the products. Also see 'Grant'.

**Supplementary Estimate:** A supplementary Estimate is presented to Parliament during the course of the financial year to obtain additional money either for a new service or to make good an under-provision for existing services.

**Supply Expenditure:** Expenditure by Central Government voted by Parliament in the Supply Estimates.

**Supply Grants:** Grants covering the financial year 1 April to 31 March, approved annually by Parliament for the Supply Services and based on the Estimates. They are accounted for in the annual Resource Accounts.

**Trading Fund:** These are bodies established under the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990. Organisations that are so designated normally earn their income from fees and charges, with more than 50% coming from trading activities.

## CORPORATE DIRECTORY

### 1. Department for Communities and Local Government

Eland House  
Bressenden Place  
London. SW1E 5DU  
Tel: 0303 444 0000

Web site: <http://www.communities.gov.uk>. This carries a wide range of information on the Department. In addition to these accounts, the Department publishes a wide range of reports, leaflets and fact-sheets about aspects of its businesses.

### 2. The Planning Inspectorate

Temple Quay House  
2 The Square  
Bristol BS1 6PN  
Tel: 0117 372 8000  
Web site: <http://www.planning-inspectorate.gov.uk>

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