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**Department for Communities and
Local Government**

**Resource Accounts
2006-07**

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Local Government**

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2006-07**

(For the year ended 31 March 2007)

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Contents

	Page
Annual Report	3
Annual Review	3
Management Commentary	8
Remuneration Report	17
Statement of Accounting Officer's Responsibilities	22
Statement on Internal Control	23
Certificate and Report of the Comptroller and Auditor General	25
The Accounting Schedules:	
Statement of Parliamentary Supply	26
Operating Cost Statement	27
Statement of Recognised Gains and Losses	27
Balance Sheet	28
Cash Flow Statement	29
Statement of Operating Costs by Departmental Aim and Objectives	30
Notes to the Accounts	31
Glossary	62
Corporate Directory	65

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007

The Department for Communities and Local Government (CLG) was formed on 5 May 2006. These accounts relate to the new Department since its formation, and the activities undertaken by Office of the Deputy Prime Minister (ODPM) up to 5 May, that were then transferred to the new Department. The accounts therefore show on a consistent basis the activities of the new Department over the year ended 31 March 2007. Comparatives for the prior year have been prepared on the same basis. This new Department takes forward the work of the ODPM, and some additional responsibilities from the Home Office and the Department for Trade and Industry. Taken together these have created a Department that aims to create prosperous and cohesive communities with a safe, healthy and sustainable environment for all.

1. Annual Review

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

1.2 The Resource Accounts show the results of CLG and its Executive Agency, the Planning Inspectorate (PINS). The Core Department comprises the Centre of the Department and the Government Offices (GOs). Note 33 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 CLG, but which have not been consolidated.

1.3 The Department reports on various issues during the year, as follows:

- **Departmental Annual Report:** This report was presented to Parliament on 17 May 2007, and is both forward and backward looking. It sets out how the Department is structured, the strategic context within which the Department operates and outlines some of the challenges we face in 2007-08 and beyond. It then looks back at our performance in 2006-07 across our existing six strategic priorities, ten Public Service Agreement (PSA) targets and our three efficiency targets. More details on the achievements, contained in this report, are outlined in section 2, the Management Commentary. The full Departmental Annual Report can be found on the Department's website www.communities.gov.uk;

- **Estimates:** The Estimates are presented annually on the following cycle:

- Main Supply Estimates start the supply procedure and are presented at the beginning 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.

These Estimates can be found on the HM Treasury website www.hm-treasury.gov.uk;

- **Autumn Performance Report:** This report was presented to Parliament in January 2007, and set out updated information on the Department's progress towards its Public Service Agreement (PSA) and efficiency targets. This can again be found on the Department's website.

1.4 The Department's aim is to create sustainable communities - places where people want to live - that promote opportunities and a better quality of life for all. The Consolidated Statement of Operating Costs by Departmental Aim and Objectives, on Page 30 of these accounts, reports the resources used by the Department in achieving its Strategic Priorities. The Strategic Priorities are:

- Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups;
- Promoting the development of the English regions by improving their economic performance so that they are able to reach their full potential;
- Delivering better public services, by devolving decision-making to the most effective level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government;
- Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment;
- Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods; and
- Reducing inequalities and building community cohesion.

- 1.5 The Department comprises six major groups each headed by a Director General (DG), with an additional Directorate:
- **Places and Communities Group:** Responsible for work on neighbourhood renewal, local strategic partnerships, Local Area Agreements and cross-Government delivery (leads on delivery of PSAs 1 and 8);
 - **Programmes, Policy and Innovation Group:** Responsible for work on regional, urban and economic policy, new homes and sustainable development, housing strategy and support, Home Information Packs, the Thames Gateway and Supporting People (leads on delivery of PSAs 2, 5, 6 and 7);
 - **Governance and Communications Group:** Responsible for local democracy, local Government finance and fire and resilience (leads on delivery of PSAs 3 and 4);
 - **Equalities Group:** Responsible for equalities, community cohesion, preventing extremism and the Commission for Equality and Human Rights (leads on delivery of PSAs 9 and 10);
 - **Finance and Corporate Service Delivery Group:** Ensures that the Department has the resources, skills and facilities it needs to delivery its objectives (leads on delivery of PSAs 1 and 8);
 - **Transformation Group:** Responsible for a year-long programme to drive improvements across all aspects of our work; and
 - **Strategy and Performance Directorate:** Responsible for joining up policy and delivery across the Department and sharpening the impact of Ministerial and Board engagement in all the Department does.

Ministers

- 1.7 Following the formation of the Department on 5 May 2006 there was a change in the Ministerial team. The following served the Department during the year ended 31 March 2007:

Ministers before formation of the Department in May 2006

The Rt. Hon John Prescott MP	Deputy Prime Minister and First Secretary of State for the Office of the Deputy Prime Minister
The Rt. Hon David Miliband MP	Minister of State for Communities and Local Government
Phil Woolas MP	Minister of State for Local Government
Yvette Cooper MP	Minister of State for Housing and Planning
Jim Fitzpatrick MP	Parliamentary Under-Secretary of State
Baroness Kay Andrews OBE	Parliamentary Under-Secretary of State

Ministers after formation of the Department in May 2006

The Rt. Hon Ruth Kelly MP	Secretary of State for the Department for Communities and Local Government
Phil Woolas MP	Minister of State for Local Government
Yvette Cooper MP	Minister of State for Housing and Planning
Meg Munn MP	Parliamentary Under-Secretary of State
Angela Smith MP	Parliamentary Under-Secretary of State
Baroness Kay Andrews OBE	Parliamentary Under-Secretary of State

Permanent Head of the Department and Board

- 1.8 The Permanent Secretary chairs the Department's Board, which includes four Non-Executive Board members. The Permanent Head of the Department is the Permanent Secretary, Peter Housden. The composition of the Board as at 31 March 2007 was as follows:

Board Members

Peter Housden	Permanent Secretary and Principal Accounting Officer
Joe Montgomery	Director General – Places and Communities and Additional Accounting Officer
Richard McCarthy	Director General – Programmes, Policy and Innovation
Chris Wormald <i>(from 13 November 2006)</i>	Director General – Governance and Communications and Additional Accounting Officer
Susan Scholefield <i>(from 29 January 2007)</i>	Director General – Equalities
Hunada Nouss <i>(from 4 September 2006)</i>	Director General – Finance and Corporate Service Delivery
Alun Evans	Director General – Transformation
Christina Bienkowska	Director – Strategy and Performance

Non-Executive Board Members

Jane Todd <i>(from 1 February 2007)</i>	Director of the Government Office for the East Midlands
Peter Doyle <i>(from 1 September 2006)</i>	Director of Corporate Development of Benfield Group
Sir Robert Kerslake	Chief Executive of Sheffield City Council
Sarah Weir <i>(from 1 September 2006)</i>	Executive Director of Arts Council England, London

The Principal Accounting Officer was appointed by HM Treasury.

In addition, the following were also Board members during 2006-07:

Neil Kinghan (until 9 February 2007)	Director General – Local and Regional Governance Group and Additional Accounting Officer
Peter Unwin (until 26 January 2007)	Director General – Corporate Strategy and Resources Group
Claire Tyler (until 24 July 2006)	Director – Social Exclusion Unit
Keith Barnes (until 31 January 2007)	Non-Executive Board Member
Vanessa Lawrence (until 31 August 2006)	Non-Executive Board Member

Board Objectives

- 1.9 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;
 - Advise on the allocations of financial and human resources to achieve those aims in a flexible and agile way;
 - Manage the Department’s resources and monitor the achievement of performance objectives;
 - Develop the Department’s capacity, particularly human resources;
 - Set the Department’s standards and values;
 - Maintain a transparent system of prudent and effective controls; and
 - Assess and manage risks.
- 1.10 The following Board sub-committees were in place in 2006-07:
- The Audit and Risk Committee gives independent advice to the Accounting Officer and Board on the adequacy of the Department’s audit arrangements and the effectiveness of systems for accountability and control in the organisation;
 - The Investment Board reviews major programmes and projects for the Department and its Arms Length Bodies to ensure they meet the Department’s business needs, provide value for money and have effective delivery plans and robust risk management in place; and
 - The Analytical Strategy Board was responsible for overseeing the Department's analytical work to ensure that policies were based on rigorous analysis and a robust evidence base, identifying priorities for improving the evidence base, and challenging policy and analytical functions in terms of their understanding and use of evidence. The Analytical Strategy Board was disbanded in September 2006. Programme Boards were strengthened through the addition of a senior analyst to their membership, with Programme Boards reporting directly into the Board.

Programme Boards

- 1.11 During the year, we have restructured the Department to better reflect the work we do. As well as establishing a new organisational structure we have also put in place nine cross-cutting Programme Executives, subsequently re-constituted as Programme Boards, to provide strategic oversight of our key delivery programmes. Each Programme Board is chaired by a member of the Departmental Board and includes senior officials drawn from across the Department and from key partner organisations, as well as external members to bring additional perspectives and challenge.
- 1.12 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:

Board Directors	Programme Board
Joe Montgomery DG – Places and Communities	Cities and Regions <ul style="list-style-type: none"> Working to create economically strong cities and regions. Communities <ul style="list-style-type: none"> Helping people and local agencies create cohesive, attractive and economically vibrant communities.
Richard McCarthy DG – Programmes, Policy and Innovation	Housing and Planning <ul style="list-style-type: none"> Working to shape and implement housing and planning policies that provide the homes and communities that people want. Thames Gateway and Olympics <ul style="list-style-type: none"> Delivering an exemplary regeneration project, capturing the legacy benefits of hosting the Olympic Games in 2012.
Chris Wormald DG – Governance and Communications	Environment and Sustainable Buildings <ul style="list-style-type: none"> Driving the Department’s contribution to tackling climate change, embedding sustainable development principles and respect for the environment in the Department’s work. Fire and Civil Resilience <ul style="list-style-type: none"> Providing strategic leadership in improving the performance of the Fire and Rescue Service and improving the country’s resilience. Local Government Futures <ul style="list-style-type: none"> Working to deliver better local services and strong and accountable local Government and leadership.
Susan Scholefield DG – Equalities	Equalities and Tackling Disadvantage <ul style="list-style-type: none"> Working to mainstream equality within the Department, and lead in the delivery of the Government’s policies for equality across the UK.
Hunada Nouss DG – Finance and Corporate Service Delivery	Corporate Services <ul style="list-style-type: none"> Focused on making the Department work better.

- 1.13 The Audit and Risk Committee is chaired by Peter Doyle, a Non-Executive Director of the Board, supported by three independent external members: Janet Pope (Chief Executive of Alliance Trust Savings); Sue Nelson (Chief Executive of North West Fine Foods); and Martin Evans (Managing Director of Audit in the Audit Commission) who was appointed from 1 June 2007. In addition, the Permanent Secretary, Director General of Finance and Corporate Service Delivery, Director of Strategy and Performance, Head of Internal Audit Services, and National Audit Office attend meetings. At the start of 2006-07, membership consisted of: Sir Robert Kerslake (Chair), Peter Housden, Neil McDonald, Janet Pope (Non-Executive), Alan Riddell, Sandra Unerman and Peter Unwin. In line with best practice, the Committee’s membership was reconstituted at the beginning of 2007 and Sir Robert Kerslake, Peter Housden, Neil McDonald, Alan Riddell, Sandra Unerman and Peter Unwin stepped down as members of the Committee. The Committee met on four occasions during 2006-07. It:
- Provides independent advice on how well the system of internal control is embedded in the planning, operational, monitoring and review activities;
 - Considers the adequacy of assurances provided by senior managers on the stewardship of resources entrusted to them. These assurances enable the Principal Accounting Officer to sign the Statement on Internal Control;
 - Reviews the adequacy of the risk management framework;
 - Considers whether the Department’s internal audit service meets Government Internal Audit Standards; and
 - Reviews the planned activity and results of work by the National Audit Office.
- 1.14 The Department has a clear strategic control framework in place for each of its Non Departmental Public Bodies (NDPBs). This is set out in their financial memoranda and management statements. These documents clearly define the Department’s responsibilities and those matters which are reserved to the NDPB.

2. Management Commentary

- 2.1 The Department's main achievements in 2006-07 are reported in detail in the Annual Report 2007, which was presented to Parliament on 17 May 2007. The report may also be accessed through our web-site: www.communities.gov.uk. A summary of some of the main issues is outlined in the following paragraphs.
- 2.2 The work of the Department is split between six Strategic Priorities and ten Public Service Agreement (PSA) targets, as set out in the HM Treasury spending plans for 2005 – 2008, and across our three efficiency targets. These can be summarised as follows:

Strategic Priorities	Public Service Agreement targets
<p>Strategic Priority 1 Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.</p>	<p>PSA1 – Neighbourhood Renewal: To tackle social exclusion and deliver neighbourhood renewal, working with Departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010.</p>
<p>Strategic Priority 2 Promoting the development of English Regions by improving their economic performance so that all are able to reach their full potential.</p>	<p>PSA2 – Regional Economic Performance: To make sustainable improvements in the economic performance of all the English regions by 2008 and, over the long term, reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (This target is shared with the Department of Trade and Industry and HM Treasury).</p>
<p>Strategic Priority 3 Delivering better services and devolving decision making to the appropriate level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government.</p>	<p>PSA3 – Fire and Rescue Services: By 2010, reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%.</p> <p>PSA4 – Local Government: By 2008, to improve the effectiveness and efficiency of local Government in leading and delivering services to all communities.</p>
<p>Strategic Priority 4 Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.</p>	<p>PSA5 – Housing Supply: To achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions, whilst protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities.</p> <p>PSA6 – Planning: That the planning system should deliver sustainable development outcomes at national, regional, and local levels through efficient and high-quality planning and development management processes, including through achievement of best value standards for planning by 2008.</p>
<p>Strategic Priority 5 Ensuring people have decent places to live by improving the quality and sustainability of local environments & neighbourhoods.</p>	<p>PSA7 – Housing: By 2010, bring all social housing into a decent condition, with most of this improvement taking place in deprived areas, and for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition.</p> <p>PSA8 – Liveability: To lead the delivery of cleaner, safer, greener public spaces and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008. (This target also contributes to Strategic Priority 1)</p>

Strategic Priorities	Public Service Agreement targets
<p>Strategic Priority 6 Reducing inequalities and building community cohesion.</p>	<p>PSA 9 – Gender Equality: By 2008, working with other Departments, to bring about measurable improvements in gender equality across a range of indicators, as part of the Government’s objectives on equality and social inclusion.</p> <p>PSA 10 – Race Equality and Community Cohesion: To reduce race inequality and build community cohesion</p>
Efficiency Targets	
Central Efficiency Target	To achieve at least 2.5 per cent per annum efficiency gains equating to at least £620 million by March 2008. At least two thirds of these must be cash-releasing
Workforce Reductions Target	To achieve, in the Department as a whole (including agencies and NDPBs), a reduction of 400 Full Time Equivalent (FTE) posts by the end of March 2008. At least 250 of these will be HQ and Government Office civil service posts.
Relocation target	To relocate 240 FTE posts out of London and the greater South East by 2010

- 2.3 **Strategic Priority 1 – Tackling disadvantage:** Local Strategic Partnerships (LSPs), partnerships of local authorities with key service providers, local businesses and community and voluntary organizations, deliver neighbourhood renewal and put choice and power in the hands of those who live in our most disadvantaged areas. By developing Local Area Agreements (LAAs), we have given LSPs greater flexibility to address local priorities as they are now able to pool funding from different sources to deliver improved outcomes. The Local Government White Paper, Strong and Prosperous Communities, announced proposals to strengthen LSPs.
- 2.4 Over the last two years we have replaced all our specific small programmes for neighbourhood renewal with the Safer and Stronger Communities Fund, which provides additional, flexible funding for neighbourhood initiatives in the most deprived neighbourhoods in the country.
- 2.5 In 2006-07, we allocated over £1,685 million to the 150 top-tier authorities to fund housing related support through the Supporting People programme. This funding enabled support to more than a million socially excluded or disadvantaged people. The majority of those supported were older people with support needs (over 800,000 households) but the majority of funding was targeted at a wide range of socially excluded or disadvantaged clients, including women at risk of domestic violence (over 8,000 households), homeless families (around 16,000 households), people with learning disabilities (over 30,000 households) and young people at risk (around 15,700 households).
- 2.6 **Strategic Priority 2 – Regional Economic Performance:** Important measures in 2006-07 which will contribute to delivering the target included: the national roll-out of Pathways to Work, an initiative to support incapacity benefit claimants to find work; the national roll out of Train to Gain, a service to help businesses get the trained staff they need to succeed, with fully subsidised training for the low skilled; the Regional Funding Allocation process which has strengthened regional prioritisation for transport, housing, planning and economic development; and Investment by RDAs in business innovation, encouraging enterprise, building the skills base and regenerating town centres and communities.
- 2.7 Further steps were taken on implementing the Northern Way Growth Strategy, including five new virtual science and research centres, skills and worklessness pilots and projects to strengthen enterprise capacity in the north of England.
- 2.8 The ERDF provided grants for economic development and regeneration activity across England worth over £400 million in the calendar year 2006. These grants contributed to supporting 180,000 small and medium sized enterprises, 160,000 jobs and providing over 300,000 square metres of business floor space.

- 2.9 **Strategic Priority 3 – Better Local Services:** Councils across the country continued to significantly improve their overall performance in 2006-07 – the second year in which councils faced the ‘harder test’ of the new Comprehensive Performance Assessment (CPA) framework. For the first time since the CPA began in 2002, no single tier or county council received a 0 star rating. Thirty two improved upon their performance last year by at least one star rating. Seventy nine per cent of councils are now in the highest CPA categories, having achieved a 3 or 4 star rating, which represents a nine per cent improvement upon performance in the prior year.
- 2.10 Councils also demonstrated clearly their ability to identify and exploit opportunities for efficiency gains. By the end of 2006-07, they expected to have exceeded their overall efficiency target of £3 billion, a year ahead of schedule. This represents a significant amount of resources that can be made available to help improve services. Central and local Government have worked together to help local authorities achieve these improvements in performance and efficiency, especially by jointly supporting regional partnerships and centres of excellence.
- 2.11 Fire authorities secured significant further reductions in both the number of fire related deaths and the number of deliberate fires during 2005-06. Data for 2006-07 will be available later in the year. 64,300 deliberate primary fires were recorded, down ten per cent on the previous year; and there were 227 accidental fire-related deaths compared with an average of 349 per annum over the five years to 1998-99. These reductions were achieved with the support of our preventative programmes, which are designed to raise public awareness of, and action to reduce, fire risk. They include the “Fire Kills” national media campaign aimed at promoting smoke alarm ownership and maintenance, and the Home Fire Risk Check (HFRC) Initiative. In total, over 800,000 HFRCs have been carried out and over one million new smoke alarms fitted in homes since the initiative was launched in October 2004. Our focus now is on maintaining momentum in driving down fire deaths, particularly in the small number of areas where the rate of deaths from accidental fires is still more than 1.25 times the national average.
- 2.12 The Local Government White Paper, Strong and Prosperous Communities, emphasised the pivotal role local authorities can play in helping their communities to tackle and adapt to the impacts of climate change. During 2006-07, the Department introduced a draft Planning Policy Statement: Planning and Climate Change, to support local Government in addressing climate change. It also set out the Government’s expectation that planning authorities will include policies in their development plans that require a percentage of the energy in new developments to come from on-site renewables, where it is viable.
- 2.13 **Strategic Priority 4 – Balancing Supply and Demand for Housing:** We want to build strong, cohesive communities with vibrant civic cultures and strong local economies. Communities in which people want to live and in which they feel proud to live. Nine out of ten households would prefer to own their own home: we want to help them do so. At the same time we have a duty to protect and enhance the environment and tackle climate change.
- 2.14 Good progress has been made through 2006-07, with key milestones being met on the publication of Planning Policy Statement 3, creation of a National Housing and Planning Advice Unit and consultations on a Planning-gain supplement and a Housing and Planning Delivery Grant. Latest figures (2005-06) show overall housing supply in England has risen to over 180,000. In the high demand area of London and the wider South East, supply increased to 71,000 in 2005-06. Supporting indicators are on track. e.g. an encouraging fall in the numbers of families with children in temporary accommodation. The year ahead will be a key one, with important issues surrounding funding for infrastructure and social housing to be resolved in CSR 2007.
- 2.15 In 2006-07 we have helped around 19,000 low income households into home ownership. These included the first sales through our new Social HomeBuy scheme, giving some social tenants the opportunity to buy a share in their own home, and the first sales through expanded Open Market HomeBuy, which reduces the need for grant funding through an innovative partnership with lenders.
- 2.16 **Strategic Priority 5 – Decent Homes and Neighbourhoods:** As the scale of house building increases, it is vital that we address the sustainability of the new homes and communities that are being created. During the past year, the Department has: Consulted on Building A Greener Future, setting out a timetable for moving towards zero carbon housing development by 2016; Launched the Code for Sustainable Homes, a single national standard for the sustainability of new homes, providing a quality mark for sustainability; Consulted on a draft Planning Policy Statement: Planning and Climate Change, setting out the role of regional and local planning in tackling and adapting to climate change; Worked with English Partnerships to launch the Carbon Challenge, a competition for low and zero carbon housing developments; Undertaken a feasibility study on carbon neutrality in the Thames Gateway; and Consulted on Water Efficiency in New Buildings.

- 2.17 Reducing emissions from new development alone will not go far enough to tackle carbon emissions from the built environment. During the year, work continued on the Review of Sustainability of Existing Buildings and the development of Energy Performance Certificates.
- 2.18 During 2006 the Department undertook the Review of Housing and Regeneration, covering two of its NDPBs: the Housing Corporation (HC); and English Partnerships (EP), and the Department's own housing and regeneration delivery functions. The Review identified strong evidence of potential overlaps between the work of EP, the HC and the Department, and that combining funding and building on these synergies would increase our ability to deliver for local communities. In January 2007, the Government therefore announced its plans to create Communities England, which will combine EP, the HC and key delivery functions from the Department including in the areas of Decent Homes, Housing Market Renewal, housing growth, housing PFI and urban regeneration.
- 2.19 **Strategic Priority 6 – Reducing Inequalities:** The creation of the Department in May 2006 resulted in this new Strategic Priority being added to the Department's responsibilities, as a result of the transfer of responsibilities from the Home Office and the Department for Trade & Industry.
- 2.20 Work continued during 2006-07 both to mainstream community cohesion into policy and practice, and to provide direct support to areas facing challenges to community cohesion. We are conscious that the threat from Islamist terrorism is currently the greatest threat to security in Britain. However, a security response on its own is not enough; we must also invest in stopping people from wanting to commit acts of terrorism in the first place. We have therefore fundamentally rebalanced our engagement with Muslim groups towards those organisations which acknowledge the problem of extremism, voice this acknowledgement and actively seek to address the problem. We will continue to work with Government Offices, local authorities, police services and community and faith groups to create a national framework to support local delivery.
- 2.21 There is ongoing work to establish the new Commission for Equality and Human Rights (CEHR). The CEHR will be an integrated Non-Departmental Public Body responsible for setting strategic equality objectives across all equality strands and working with partners in the public and private sector to deliver agreed equality outcomes. As such the CEHR will replace the existing equalities commissions, Commission for Racial Equality (CRE); Equal Opportunities Commission (EOC) and Disability Rights Commission (DRC) when it formally opens for business in October 2007.

Efficiencies

- 2.22 Efficiency is not about cuts, but about doing more for the same, raising productivity, increasing effectiveness and enhancing value for money. It is about developing more efficient and effective ways of delivering the same or better outcomes: reducing inputs (money, people, assets etc) for the same outputs; reducing prices (procurement, labour costs, etc) for the same outputs; getting greater outputs or improved quality (extra service, productivity, etc) for the same inputs; improved ratios of output or per unit cost of input.
- 2.23 Spending Review 2004 set three efficiency targets for the Department: a central efficiency target, a headcount reduction target and a relocation target. The relocation target requires the Department to relocate posts out of London and the South East of England and was set in response to the recommendations made by Sir Michael Lyons in his review of public sector relocation.
- 2.24 We have reported £796 million efficiency gains as at 31 March 2007, of which £488 million is cash-releasing. All workstreams have established appropriate performance quality measures to demonstrate that efficiencies have not affected the quality of service delivery. HM Treasury moderates the progress of the Department's Efficiency Programme twice a year and feedback from the most recent Efficiency Meeting in November 2006 was positive. The Department's Internal Audit team has also undertaken periodic reviews of key aspects of the Efficiency Programme. The majority of the efficiency gains delivered to date at December 2006 (over 70 per cent) have been validated as part of these reviews.
- 2.25 We have reported a workforce reduction of 764 Full Time Equivalent staff (against June 2004 baseline) in CLG and Government Offices as at 31 March 2007. This reflects the progress made on civil service workforce reductions in the Department and Government Offices and also, for the first time, the reductions in our NDPBs and Agencies. On current plans we expect to deliver a total of 859 FTEs across the Department as a whole (including Agencies and NDPBs) by March 2008.

- 2.26 There has been a relocation of 164 posts as at 31 March 2007. On current plans we expect to meet our target to relocate 240 posts out of London and the South East by 2010.

The Future

- 2.27 With an increase in the level of diversity that Britain now enjoys the Department is committed to forging cohesive and prosperous communities. Following the Machinery of Government changes, that led to the creation of the Department in May 2006, we have been able to place equality of opportunity for all at the heart of the Department's agenda. Our aim now is to develop thriving places in which a fear of difference is replaced by a shared set of values and a shared sense of purpose and belonging. Our objective is to ensure that the benefits of diversity are experienced by everyone in each community, promoting similar life opportunities for all. Our challenge is to build these stronger communities in times of rapid change.
- 2.28 The Equalities review, published in February 2007 provides a framework for our programme of work, which includes:
- The establishment of the Commission for Equality and Human Rights;
 - Continued progress on "Improving Opportunity, Strengthening Society" – the Government's strategy to increase race equality and community cohesion;
 - In April 2007, a report setting out progress across Government one year on from the Women and Work Commission's report to the Prime Minister; and
 - Publication of a Green Paper setting out the case for a simplified framework of equality law into a single equality Act.
- 2.29 We continue to work with other Government Departments, such as the Home Office, Department of Health and the Ministry of Defence to ensure that support is targeted on the most vulnerable groups. Through the Supporting People programme, the Department is investing £1.7 billion annually to enable around a million people to live independently in their communities, including people with drug or alcohol problems, ex-offenders, or people with disabilities, older people and women at risk of domestic violence.
- 2.30 In April 2007 we published "Preventing Violent Extremism – Winning Hearts and Minds", which sets out a range of concrete actions on which we will work with mainstream Muslim organisations to tackle violent extremism. Most of these actions flow from suggestions made to us by those working actively to tackle these issues in their own communities. To help tackle violent extremism we have made £6 million available in 2007-08 to fund work in around 70 local authorities in England and Wales.
- 2.31 We believe that everyone should have the opportunity of a decent home, at a price they can afford, located in a clean, safe, green community. Despite some of our recent reforms (such as Choice Based Lettings, Homelessness Prevention and the Local Housing Allowance) which have been partially successful, there remain significant challenges that need to be addressed, such as housing wealth inequalities, high levels of worklessness, low tenant satisfaction and low mobility.
- 2.32 Elected local Government is a fundamental part of our national infrastructure. As a Department, we support local Government by providing a framework of incentives, freedoms, powers and resources for councils to bring together local partners to improve the services that local people receive and shape the places where they live. In October 2006, the Department published a radical, devolutionary Local Government White Paper "Strong and Prosperous Communities", which sets out a bold and ambitious programme to support effective local services and to create better places. Central and local partners are working together to implement new Local Area Agreements as the single, unified process for determining local targets to contribute to national priorities in all areas in 2008-09.
- 2.33 The creation of the Department in May last year brought together key responsibilities for local Government, housing and planning, neighbourhood renewal, civil renewal, community cohesion and equalities. The restructured Department was formally launched in October 2006 and at the same time we established a transformation programme to lead and manage change within the new Department. The programme has three central themes: ensuring that those who work for us have the right skills to deliver and are well led and managed; strengthening programme and project management arrangements and central delivery structures; and getting our systems and services right to support Departmental business, in particular improving our use of internal communications to ensure everyone is engaged with the change process.

- 2.34 In December, the Prime Minister's Delivery Unit published its Capability Review of the Department. The review team praised the Board's "strong personal and corporate commitment to transformation" and noted that we have made an "energetic start on an ambitious reform programme" which was "positioning us well to meet an increasingly challenging and complex agenda." They said we had been using "innovative and lively methods" to engage more effectively with staff, and improve Board visibility.
- 2.35 However the review team also identified some important areas where the Department needs to raise its performance. They recommended that we improve our work with stakeholders, develop our analytical capacity, become more consistent in delivery and manage our people more effectively. To respond to these recommendations we identified four key strands of action, which are being implemented over the next two years as part of our transformation programme:
- Lead and enthuse partners in creating successful communities and services;
 - Base policy making and delivery consistently on evidence;
 - Sharpen or delivery focus and ensure we have strong performance management systems and skills; and
 - Manage our people effectively and ensure we have the critical skills we need.

Investment and Funding

- 2.36 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.
- 2.37 Within the Supply Estimates the Department had two Requests for Resources (RfR) for 2006-07: 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 26 of the Accounts, shows Outturn figures against Estimates for RfRs 1 and 2.
- 2.38 The Cash Flow Statement, set out on Page 29, 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.
- 2.39 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.

2006-07 Outturn against Estimate

- 2.40 The Statement of Parliamentary Supply shows that there was a total underspend of £520 million (across RfR1 and 2), which was 1.5% on a budget of £34 billion (£425 million, and 0.8 % on a budget of £56 billion in 2005-06). Note 2 to the accounts provides a detailed breakdown of outturn and Estimates. The main reasons for the underspend are outlined in Note 2 on Pages 37 and 38.
- 2.41 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:

	2006-07
	£000
Net Resource Requirement	33,023,765
<i>Adjustments to additionally include:</i>	
Non-voted expenditure on the Operating Cost Statement (OCS)	-
Consolidated Fund Extra Receipts in the OCS	(1,311,087)
Excess Appropriations in Aid	(2,154)
Net Operating Costs (Accounts)	31,710,524
<i>Adjustments to remove:</i>	
Capital grants to Local Authorities	(2,077,518)
Capital grants financed from the Capital Modernisation Fund	
European Union income and related adjustments	186,713
Voted expenditure outside the budget	3,026
<i>Adjustments to additionally include:</i>	
Resource consumption of Non Departmental Public Bodies	(3,210,548)
Other Consolidated Fund Extra Receipts	599,629
Other adjustments	181,980
Resource Budget	27,393,806
Of which	
Departmental Expenditure Limit (DEL)	26,054,508
Annually Managed Expenditure (AME)	1,339,298

Going Concern

- 2.42 The Balance Sheet at 31 March 2007 shows negative Taxpayers' Equity of £663 million. 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.
- 2.43 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. Such approval for amounts required for 2007-08 has already been given, and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Payment Performance

- 2.44 The Department recognises the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 1997/571. In common with the rest of Government, the Department works towards paying 100% of its undisputed bills on time i.e. within 30 days of the date of receipt of the invoice, or within the contractual term if less, with a Service Delivery Agreement target of not falling below 98%. For 2006-07 the Department paid 95.37% (2005-06: 98.09%) of bills on time.

Financial Organisation of the Department

- 2.45 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 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.
- 2.46 The Department has a number of management systems in place designed to ensure objectives set are met efficiently and responsibly. The business planning process allows Ministers and the Board to review and agree key priorities for 2006-07, and how these would be delivered in the context of the Department's aims and objectives. This included the PSA targets and resources agreed during the Spending Review 2004. Systems were amended in-year to take account of the change of Department in May 2006 and associated Machinery of Government changes, including the additional PSA targets received.

- 2.47 During the year the Department put in place arrangements to secure better financial management, key examples of which are shown below:
- Appointment of a professionally qualified accountant to the role of Director General - Finance and Corporate Service Delivery;
 - Performance management to review key targets, major programmes and projects and associated risks, and monitor expenditure against budgets;
 - Ensuring that the resource accounting and budgeting implications of new programmes were captured at the planning stage;
 - Improvements to the accounts production process, to enable the Department to meet HM Treasury's faster closure requirements;
 - The implementation of arrangements for improving the professionalism of financial management within the policy line, through Local Management Accounting Teams and the appointment of qualified Group Management Accountants to lead them;
 - Improving financial skills of staff through targeted training and guidance and encouraging them to acquire professional qualifications;
 - Improving the control and monitoring of expenditure on consultancy and professional services; and
 - Delivery through Programme Boards to provide strategic oversight and assurance to the Board and Ministers.
- 2.48 To assist staff there is a Finance Manual, and a Local Management Accounting Team Operations Manual. Together these contain guidance on financial activity within the Department. Risk management, including guidance on risk identification, assessment and management was 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.

Significant Events since the End of the Financial Year

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

Auditors

- 2.50 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 at a notional cost of £400k (£400k in 2005-06).
- 2.51 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.
- 2.52 So far as the Accounting Officers are aware, there is no relevant audit information of which the External Auditors are unaware.
- 2.53 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.

Environment Policy

- 2.54 During the year the Department continued to seek improvements in its environmental performance, both in its policies and programmes and in the environmental performance of its own estate, key examples of which are shown below:
- Formation of the Environment & Sustainable Buildings Programme Board, overseeing the Department's interests in climate change and sustainable development issues;
 - Launch of consultations on a number of environmental measures, including: *Building A Greener Future* – a progressive improvement in the Building Regulations towards zero carbon new homes by 2016; *Planning and Climate Change* – a draft planning policy statement; and (with Defra) *Water Efficiency in New Buildings*;

- Publication of the Code for Sustainable Homes, a set of standards for key elements of design and construction which affect the sustainability of a new home;
- Launch, via English Partnerships, of the Carbon Challenge – an exemplar programme for low and zero carbon housing development;
- Finalisation and publication of strategies covering the Department’s waste, energy and estate management;
- Implementation of Environmental Management Systems (EMS) across all but two of the sites for which an EMS was not already in place;
- Contracts let for achieving water savings, and energy efficiencies through better building management systems;
- Establishment of an Environmental Champions network to raise awareness of sustainability issues and to embed environmental considerations into daily office routines; and
- Revision of the Department’s Best Practice Procurement guidance to take account of sustainability (including environmental, social and economic issues).

Equality and Diversity

- 2.55 The Department is an equal opportunities employer. All staff have a right to equality of opportunity in all aspects of employment and to a working environment free from harassment, bullying and victimisation, irrespective of race, ethnic or national origin, age, religion, sex, gender identity, marital status, disability, sexual orientation, working hours, union membership, union office or union activity.
- 2.56 The Department recruits staff on the basis of fair and open competition, and selection is on merit and in accordance with the guidance laid down in the Civil Service Commissioners Recruitment Code.
- 2.57 In addition to ensuring that its employment practices do not discriminate, the Department is taking steps to promote, and mainstream, diversity in its policy making and delivery mechanisms and to evaluate outcomes.
- 2.58 A taskforce was appointed to review and make recommendations on actions required to take forward the Equality and Diversity agenda within the workforce. These recommendations are incorporated into the development of a Workforce Equality and Diversity strategy. Actions to address Race, Disability and Gender were also agreed and set out within the publication of our Race, Gender and Disability Equality Schemes.
- 2.59 Workshops on dignity and respect in the workplace were rolled out to all staff.
- 2.60 Improvements have been made to the HR data systems to improve the diversity data we hold on staff. This has enabled better monitoring of equality of access and opportunity, for example, on learning and development opportunities, and performance management outcomes.
- 2.61 Support is provided to staff networks, including resources and facility time, to enable better support and networking for under-represented groups, and to provide consultation with under-represented groups of staff on HR policy and practices.

Staff Relations

- 2.62 The Department seeks to encourage staff involvement in all of its activities. It encourages personal development through appropriate training, secondments and attachments. Staff have access to counselling and support services and Trade Union membership and representation. There is a formal industrial relations mechanism, under the “Whitley” system, facilitating communications between management and trade unions representing staff.

Occupational Health & Safety Report

- 2.63 Health and Safety management responsibilities are discharged via a partnership between the Occupational Health team in Human Resources and the Health and Safety Team in Working Environment Division. These teams meet and consult on a regular basis. There is also a Health and Safety Committee that meets at least twice yearly.

- 2.64 A Health and Safety policy for the Department was issued on 12th June 2006.
- 2.65 The Department has achieved and retained certification to OHSAS18001 Health and Safety Management System, which will ensure that the Department's Health and Safety Policy is both implemented and audited.
- 2.66 The Department has introduced twice yearly Health and Safety forums for all staff involved in Health and Safety matters.
- 2.67 During the year there have been three accidents involving staff that are reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. In total 38 accidents, 13 near misses and six accidents that occurred outside Departmental premises were reported by staff during the year.

3. Remuneration Report

Remuneration Policy

- 3.1 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.
- 3.2 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.
- 3.3 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.

Service Contracts

- 3.4 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
- 3.5 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. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and Pension Entitlements

- 3.6 The following sections provide details of the remuneration and pension interests of the Secretary of State for the Department, other Ministers, Permanent Secretary and the other most senior officials of the Department, all of which have been subjected to audit.
- 3.7 The information given below relates to the salary, value of taxable benefits in kind and pension entitlements for the Secretary of State for the Department for Communities and Local Government, other Ministers, Permanent Secretary and other most senior officials of the Department. Equivalent information relating to the Executive Agency consolidated into the Department's Resource Account is provided in their own separate published accounts. The Non-Executive Directors did not receive a salary in their capacity as Board members.

Remuneration

CLG Ministers	2006-07		2005-06	
	Salary £	Benefit-in-Kind (to nearest £100)	Salary £	Benefit-in-Kind (to nearest £100)
The Rt. Hon Ruth Kelly MP	63,407 ¹	-	-	-
Phil Woolas MP	39,405	-	32,932 ⁷	-
Yvette Cooper MP	39,405	-	37,847	-
Meg Munn MP	42,004 ²	-	-	-
Angela Smith MP	24,965 ³	-	-	-
Baroness Kay Andrews OBE	103,117 ⁴	-	91,613 ⁸	-
Jim Fitzpatrick MP	4,915 ⁵	-	26,320 ⁹	-
The Rt. Hon David Miliband MP	12,484 ⁶	-	67,653 ¹⁰	-
The Rt. Hon Nick Raynsford MP	-	-	13,892 ¹¹	-
The Rt. Hon Lord Jeff Rooker	-	-	18,730 ¹²	-
The Rt. Hon Keith Hill MP	-	-	13,892 ¹³	-
Phil Hope MP ¹⁴	-	-	-	-

2006-07

¹ Figure quoted is for the period 5 May 2006 to 31 March 2007. The full year equivalent is £75,963

² This includes a back-pay amount of £14,978 in relation to her service with the Department for Trade & Industry. The remaining amount of £27,026 is for the period 5 May 2006 to 31 March 2007. The full year equivalent is £29,909

³ Figure quoted is for the period 5 May 2006 to 31 March 2007. The full year equivalent is £29,909

⁴ As noted in 3.8, the salaries for Ministers in the House of Lords were paid in full by the Department.

⁵ Figure quoted is for the period 1 April 2006 to 4 May 2006. The full year equivalent is £29,909

⁶ Figure quoted is for the period 1 April 2006 to 4 May 2006. The full year equivalent is £75,963

2005-06

⁷ Figure quoted is for the period 5 May 2005 to 31 March 2006. The full year equivalent is £38,854

⁸ Figure quoted is for the period 5 May 2005 to 31 March 2006. The full year equivalent is £101,668

⁹ Figure quoted is for the period 5 May 2005 to 31 March 2006. The full year equivalent is £29,491

¹⁰ Figure quoted is for the period 5 May 2005 to 31 March 2006. The full year equivalent is £74,902

¹¹ Figure quoted is for the period 1 April 2005 to 4 May 2005. The full year equivalent is £38,854

¹² Figure quoted is for the period 1 April 2005 to 4 May 2005. The full year equivalent is £79,382. The Rt Hon Lord Rooker received night subsistence allowance of £5,500 in 2005-06, included in his above salary.

¹³ Figure quoted is for the period 1 April 2005 to 4 May 2005. The full year equivalent is £38,854

¹⁴ Phil Hope was unpaid for his service from 1 April 2005 to 4 May 2005.

Not included above are the salary details for the Rt Hon John Prescott MP, who was the Secretary of State for the Office of the Deputy Prime Minister up until the Machinery of Government changes on 5 May 2006. All of the salary costs for the Secretary of State for both 2005-06 and 2006-07 were transferred to the new Government Department – the Deputy Prime Minister’s Office. The full salary and pension disclosures for the Rt Hon John Prescott MP are therefore provided in the Resource Accounts of the Deputy Prime Minister’s Office.

A full month’s salary is still paid if a Minister leaves part-way through a month.

Officials	2006-07		2005-06	
	Salary £000	Benefit-in-Kind (to nearest £100)	Salary £000	Benefit-in-Kind (to nearest £100)
Peter Housden	170-175	1,600	65-70 ⁷	900
Dame Mavis McDonald DCB	-	-	95-100 ⁸	4,500
Joe Montgomery	140-145	-	130-135	-
Richard McCarthy	185-190	-	185-190	-
Chris Wormald	30-35 ¹	-	-	-
Susan Scholefield	20-25 ²	-	-	-
Hunada Nouss	70-75 ³	-	-	-
Alun Evans	120-125	-	105-110	-
Christina Bienkowska	105-110	-	30-35 ⁹	-
Neil Kinghan	135-140 ⁴	-	145-150	-
Peter Unwin	110-115 ⁵	-	125-130	-
Claire Tyler	40-45 ⁶	-	100-105	-
Derek Plews	-	-	95-100	-
Rob Smith	-	-	95-100 ¹⁰	-

2006-07

¹ Figure quoted is for the period 13 November 2006 to 31 March 2007. The full year equivalent is in the range £95-100k

² Figure quoted is for the period 29 January 2007 to 31 March 2007. The full year equivalent is in the range £120-125k

³ Figure quoted is for the period 4 September 2006 to 31 March 2007. The full year equivalent is in the range £115-120k

⁴ Figure quoted is for the period 1 April 2006 to 9 February 2007. In addition, when Neil Kinghan left the Department he was paid £70k in lieu of notice in accordance with contractual entitlements, and an ex-gratia payment of £80k. Otherwise, his full year equivalent is in the range £160-165k.

⁵ Figure quoted is for the period 1 April 2006 to 26 January 2007. The full year equivalent is in the range £130-135k

⁶ Figure quoted is for the period 1 April 2006 to 24 July 2006. The full year equivalent is in the range £100-105k

2005-06

⁷ Figure quoted is for the period 24 October 2005 to 31 March 2006. The full year equivalent is in the range £160-165k

⁸ Figure quoted is for the period 1 April 2005 to 14 October 2005. The full year equivalent is in the range £160-165k

⁹ Figure quoted is for the period 7 November 2005 to 31 March 2006. The full year equivalent is in the range £90-95k

¹⁰ Figure quoted is for the period 1 April 2005 to 31 December 2005. The full year equivalent is in the range £120-125k

The salary for an Executive Board member reflects their full Departmental pay for the year, even if they did not serve on the Board for the whole of the period.

Details of Benefits-in-Kind are explained in paragraph 3.10

Salary

3.8 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.

3.9 This presentation 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 was £59,932 for 2006-07 (rates of £59,686 from April to October 2006, and £60,277 from November 2006 to March 2007). The equivalent rate for 2005-06 was £59,095. The various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary, but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department, and is therefore shown in full in the figures above.

Benefits in Kind

3.10 The monetary value of benefits in kind covers any benefits provided by the employer and subject to UK taxation. Peter Housden received a benefit from an interest-free housing loan. Dame Mavis McDonald DCB had the private use of a car in the circumstances permitted by the Civil Service Management Code.

Pension Benefits

Ministers 2006-07	Total accrued Pension at 65 at 31/03/07 £000	Real increase in Pension at 65 £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV during the year £000
The Rt. Hon Ruth Kelly MP	5-10	0-2.5	39	31	2
Phil Woolas MP	0-5	0-2.5	41	31	4
Yvette Cooper MP	5-10	0-2.5	38	31	2
Meg Munn MP	0-5	0-2.5	6	-	3
Angela Smith MP	0-5	0-2.5	38	30	3
Baroness Kay Andrews OBE	20-25	0-2.5	287	251	9
Jim Fitzpatrick MP	0-5	0-2.5	33	32	1
The Rt. Hon David Miliband MP	0-5	0-2.5	29	28	1

The Pension information relating to the Rt Hon John Prescott MP for 2005-06 and 2006-07 is included in the Resource Accounts of the Deputy Prime Minister's Office.

Ministerial Pensions

3.11 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

- 3.12 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 the lower rate of employee contribution.
- 3.13 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 on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary. 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.

Cash Equivalent Transfer Value (CETV)

- 3.14 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. It 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.

The Real Increase in the Value of the CETV

- 3.15 This is the increase in accrued pension due to the Department's contributions to the PCPF, and excludes increases due to inflation and contributions paid by Ministers and is calculated using common market valuation factors for the start and end of the period.

Officials 2006-07	Total accrued Pension at 60 at 31/03/07 £000	Real increase in Pension at 60 £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV during the year £000
Peter Housden	60-65 plus 180-185 lump sum	2.5-5 plus 10-12.5 lump sum	1,329	1,211	83
Joe Montgomery	5-10 plus 20-25 lump sum	0-2.5 plus 2.5-5 lump sum	124	103	18
Richard McCarthy	20-25 plus nil lump sum	0-2.5 plus nil lump sum	291	262	20
Chris Wormald	20-25 plus nil lump sum	0-2.5 plus nil lump sum	232	228	10
Susan Scholefield	35-40 plus 110-115 lump sum	0-2.5 plus 5-7.5 lump sum	674	625	41
Hunada Nouss	0-5 plus nil lump sum	0-2.5 plus nil lump sum	15	-	13
Alun Evans	30-35 plus 95-100 lump sum	2.5-5 plus 10-12.5 lump sum	545	476	58
Christina Bienkowska	40-45 plus 120-125 lump sum	2.5-5 plus 7.5-10 lump sum	763	683	58
Neil Kinghan	65-70 plus nil lump sum	0-2.5 plus nil lump sum	1149	1150	7
Peter Unwin	45-50 plus 140-145 lump sum	nil plus nil lump sum	901	886	-
Claire Tyler	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	548	584	2

Civil Service Pensions

- 3.16 Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (Partnership Pension Account).
- 3.17 Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.
- 3.18 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 selection of approved products. 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).
- 3.19 The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60. Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Value

- 3.20 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements, and for which the Cabinet Office’s Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The Real Increase in the Value of the CETV

- 3.21 This reflects the increase in CETV effectively 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.

Peter Housden
Principal Accounting Officer
Department for Communities and Local Government

4 July 2007

Statement of Accounting Officer's Responsibilities

1. Under the Government Resource and Accounting Act 2000, the Department is required to prepare Resource Accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. 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, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Permanent Head of the Department as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the Resource Accounts, the Principal Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to:
 - a. Observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. Make judgements and estimates on a reasonable basis;
 - c. State whether applicable accounting standards, as set out in the *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
 - d. Prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an additional Accounting Officer to be accountable for that part of the Department's accounts that relate to a specified Request for Resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Permanent Head of CLG's overall responsibility as Accounting Officer for the Department's Resource Accounts. I have also appointed Joe Montgomery as additional Accounting Officer for the Government Offices.
6. The allocation of Accounting Officer responsibilities in the Department was as follows:

Principal Accounting Officer: Peter Housden, Permanent Secretary

Additional Accounting Officers for RfR2: Neil Kinghan (until 21 November 2006)
Chris Wormald (from 21 November 2006)

Additional Accounting Officer for the Government Offices: Joe Montgomery (from 2 October 2006)

7. The responsibilities of an Accounting Officer, including my 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 *Government Accounting*. 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

1. As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Department for Communities and Local Government's policies, aims and objectives as set by the Department's Ministers and which, prior to the creation of the Department, supported the former Office of the Deputy Prime Minister (ODPM). I have a duty to safeguard the public funds and Departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.
2. Some of my responsibilities are delegated to two Additional Accounting Officers. Their relationship with me as the Principal Accounting Officer is set out in written statements.
3. Ministers set the vision and political direction of the Department's policies within which many calculated risks are taken. My senior managers and I ensure that Ministers are able to take informed decisions on the basis of policy options that have clear statements on implications attached to the various courses of action.
4. The Chief Executive of the Department's Executive Agency, the Planning Inspectorate, is responsible for risk management and the maintenance and operation of the system of internal control within the Agency and has signed a statement relating to that system which is reproduced in the accounts of the Agency.

The Purpose of the System of Internal Control

5. 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 the Department's 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 operated since the creation of the new Department for Communities and Local Government on 6th May 2006 and before that date, in ODPM. This statement accords with Treasury guidance.

Capacity to Handle Risk – Risk and Control Framework

6. Risk is identified, assessed, managed and reviewed within the Department to ensure the efficient, effective, and economical delivery of the objectives, targets and business.
7. During 2006-07 risk processes and assurance were applied as follows:
 - During the year, Programme Boards reviewed strategic and cross-cutting risks and reported monthly to Ministers and the Board Executive;
 - An Audit and Risk Committee, under independent chairmanship of a Non-Executive Director of the Board, reviewed the approach to risk management and corporate governance across the Department. The Committee now comprises the Non-Executive members; and
 - Senior managers within the Department and the Chief Executive of the Executive Agency, reported how they were managing risk through their Statements on Internal Control which were provided to me at the mid-year and at the end of the financial year.
8. Throughout the year, processes were in place to identify, assess and manage risk through various planning and progress monitoring processes: through project and programme management; through policy development and implementation; through audit and in the context of the Comprehensive Spending Review.
9. In 2007/08 the system of internal control is being strengthened by establishing a stronger connection between Programme Boards' assessment of risks and the delivery of actions to mitigate those risks and between ministerial option appraisal and decision making, particularly on delivery issues. The Department is also undertaking more rigorous assessment of delivery chains and assurance mechanisms to enable Programme Boards to know if plans are on track in sufficient time to take additional actions where needed.
10. Making a difference on the ground requires the Department to manage a number of complex and extended delivery arrangements. Partnership working brings clear benefits, though there are risks, particularly around

accountability and governance that need to be managed. We are working with the National Audit Office and the Audit Commission to ensure suitable assurance arrangements are in place.

Review of Effectiveness

11. As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control, including contingency planning arrangements, is informed by the work of the internal auditors and the managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management report and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
12. Mechanisms exist to ensure that the effectiveness of the system of internal control is regularly reviewed:
 - The Board that includes four Non-Executive Directors meets monthly to consider the plans and strategic direction of the Department, including strategic challenges and opportunities;
 - Executive members of the Board meet as the Board Executive to co-ordinate the operations of the Department, oversee organisational development and offer advice to Ministers and the Board on overall strategy;
 - The Audit and Risk Committee considers the adequacy of the internal control system and the risk management framework. In 2006-07, the Audit and Risk Committee agreed the Departmental approach to risk, the internal audit programme and sought assurance from senior managers on key audit issues. I attend meetings of the Committee as Principal Accounting Officer;
 - The Investment Board ensures that new programmes and major projects receive early, rigorous and consistent scrutiny, that approved projects have corporate support and appropriate cross Department engagement and that the Department's appraisal systems are consistent and of high quality. The Investment Board is chaired by the Director General, Finance and Corporate Service Delivery and comprises a Non-Executive Board Director and senior officials of the Department and its arms length bodies;
 - The effectiveness of the Department's risk management, control and governance processes is kept under regular review by the Department's Internal Audit Service (IAS). Regular reports are made to the Audit and Risk Committee. IAS operates to Government Internal Audit Standards;
 - My senior managers provide me with a statement every six months on the effectiveness of their internal control and risk management arrangements; and
 - In 2007-08 I have established, as sub committees of the Board, the Contingencies Planning Committee and the Delivery Sub Committee.
13. There are no significant internal control problems to report.

Peter Housden
Principal Accounting Officer
Department for Communities and Local Government

4 July 2007

THE CERTIFICATE 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 2006-07 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises only the Annual Review, Management Commentary and the unaudited part of the Remuneration Report., is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions**Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises the Annual Review, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

11 July 2007

Statement of Parliamentary Supply

Summary of Parliamentary Outturn for the year ended 31 March 2007

Request for Resources	Note	Estimate			Outturn			Net Total compared with Estimate savings/(excess)	2005-06 Restated Prior-year Outturn
		Gross expenditure	A-in-A	NET TOTAL	Gross Expenditure	A-in-A	NET TOTAL		
		£000	£000	£000	£000	£000	£000	£000	
RfR 1	2	10,322,674	(648,882)	9,673,792	9,947,139	(648,882)	9,298,257	375,535	8,600,595
RfR 2	2	23,871,590	(1,795)	23,869,795	23,725,514	(6)	23,725,508	144,287	46,999,306
Total Resources	3	34,194,264	(650,677)	33,543,587	33,672,653	(648,888)	33,023,765	519,822	55,599,901
Non Operating Cost AinA				(107)			(2,133)	2,026	430

Net cash requirement 2006-07

	Note	Estimate £000	Outturn £000	2006-07 Net outturn compared with Estimate: outturn savings/(excess) £000	2005-06 Restated Outturn £000
Net cash requirement	4	33,641,877	32,857,435	784,442	55,241,396

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	2006-07 Forecast		2006-07 Outturn Restated	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	1,270,302	<i>1,270,302</i>	1,313,241	<i>1,382,427</i>

Explanations of variances between Estimate and outturn are given in Note 2.

The Notes on Pages 31 to 61 form part of these accounts

Operating Cost Statement**for the year ended 31 March 2007**

	Note	2006-07					2005-06 Restated		
		Core Department		Income	Consolidated		Core Department	Consolidated	
		Staff Costs	Other Costs		Staff Costs	Other Costs			
£000	£000	£000	£000	£000	£000	£000	£000		
Administration Costs									
Staff costs	7	207,080			207,080		215,125	215,125	
Other administration costs	8		150,165			150,165	130,314	130,314	
Operating income	10			(53,131)			(34,774)	(34,774)	
Programme Costs									
Request for Resources 1									
Staff costs	7	17,725			56,387		12,507	48,523	
Programme costs	9		10,054,437		10,073,910		8,848,797	8,864,503	
Less: EU Income	10			(540,594)		(540,594)	(508,791)	(508,791)	
Less: Other Income (including CFERs)	10			(1,894,114)		(1,902,162)	(1,618,155)	(1,628,103)	
Request for Resources 2									
Expenditure	9		23,725,515		23,725,515		46,999,626	46,999,626	
Less: Income	10			(6)		(6)	(320)	(320)	
Dividend Receivable	10			(6,243)		(6,243)	(4,070)	(4,070)	
Interest Receivable	10			(461)		(461)	(471)	(471)	
Interest Payable	9		64		64		66	66	
Totals		224,805	33,930,181	(2,494,549)	263,467	33,949,654	(2,502,597)	54,039,854	54,081,628
Net Operating Costs	3, 11, 19			31,660,437			31,710,524	54,039,854	54,081,628

Statement of Recognised Gains and Losses**for the year ended 31 March 2007**

	2006-07		2005-06 Restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Net gain (loss) on revaluation of tangible fixed assets	710	710	5,370	5,336
Net gain (loss) on revaluation of investments	-	-	(315)	(315)
Total Recognised Gains and Losses for the Financial Year	710	710	5,055	5,021

The Notes on Pages 31 to 61 form part of these accounts

Balance Sheet**as at 31 March 2007**

	Note	2006-07		2005-06 Restated	
		Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Fixed Assets					
Tangible assets	12	164,849	171,662	156,604	165,516
Intangible assets	13	1,439	1,439	1,036	1,036
Investments	14	45,859	45,859	45,888	45,888
Debtors falling due after more than one year	15	-	41	-	8
Current Assets					
Debtors	15	816,642	822,669	1,148,926	1,154,685
Cash at bank and in hand	16	185,610	185,610	(33,507)	(33,507)
		1,002,252	1,008,279	1,115,419	1,121,178
Creditors: amounts falling due within one year	17	(1,591,002)	(1,594,566)	(1,531,214)	(1,534,588)
Net Current Liabilities		(588,750)	(586,287)	(415,795)	(413,410)
Total Assets less Current Liabilities		(376,603)	(367,286)	(212,267)	(200,962)
Creditors: amounts falling due after more than one year	17	(263,045)	(263,045)	(265,913)	(265,913)
Provisions for Liabilities and Charges	18	(30,263)	(33,022)	(20,972)	(21,211)
		(669,911)	(663,353)	(499,152)	(488,086)
Taxpayers' Equity					
General fund	19	(674,735)	(668,177)	(503,961)	(492,895)
Revaluation reserve	20	4,824	4,824	4,809	4,809
		(669,911)	(663,353)	(499,152)	(488,086)

Peter Housden
Principal Accounting Officer
Department for Communities and Local Government

4 July 2007

The Notes on Pages 31 to 61 form part of these accounts

Consolidated Cash Flow Statement**for the year ended 31 March 2007**

		2006-07	2005-06
	Note	£000	Restated £000
Net cash outflow from Operating Activities	21a	(31,445,960)	(53,566,096)
Capital expenditure and financial investment	21b	(29,280)	(36,443)
Payments of amounts due to the Consolidated Fund		(1,429,766)	(1,845,188)
Financing	21d	<u>33,124,123</u>	<u>55,350,835</u>
Increase/(Decrease) in cash in the period	21e	<u>219,117</u>	<u>(96,892)</u>

The Notes on Pages 31 to 61 form part of these accounts

Consolidated Statement of Operating Costs by Departmental Aim and Objectives**for the year ended 31 March 2007**

	2006-07			2005-06 Restated		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Main Objectives						
Objective 1	2,873,791	(461,774)	2,412,017	2,916,606	(8,586)	2,908,020
Objective 2	2,400,823	(582,669)	1,818,154	2,200,448	(534,744)	1,665,704
Objective 3	302,824	(12,932)	289,892	205,245	(17,263)	187,982
Objective 4	3,401,877	(19,114)	3,382,763	3,060,635	(23,510)	3,037,125
Objective 5	1,450,032	(1,419,635)	30,397	1,335,036	(1,592,106)	(257,070)
Objective 6	58,259	(6,467)	51,792	65,430	-	65,430
Total Resources	10,487,606	(2,502,591)	7,985,015	9,783,400	(2,176,209)	7,607,191
Local Government support (Aggregate External Finance – AEF)*	23,725,515	(6)	23,725,509	46,474,757	(320)	46,474,437
Net Operating Costs	34,213,121	(2,502,597)	31,710,524	56,258,157	(2,176,529)	54,081,628

*The AEF is the amount of general financial support Local Authorities receive from the Government. Some of this also contributed to delivering the Department's key objectives.

The Department's objectives follow the Strategic Priorities, in section 2.2. An additional objective was added during the year as a result of the Machinery of Government changes, objective 6. They have also been re-ordered to match the numbering of the Strategic Priorities. The objectives were as follows:

Objective 1 (Previously 3): Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.

Objective 2 (Previously 5): Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.

Objective 3 (Previously 4): Delivering better services and devolving decision making to the appropriate level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government.

Objective 4 (Previously 1): Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.

Objective 5 (Previously 2): Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.

Objective 6 (New): Reducing inequalities and building community cohesion.

Included in the above figures is expenditure of £29,487k (£37,398k in 2005-06) and income of £20,113k (£14,578k in 2005-06) 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.

The Notes on Pages 31 to 61 form part of these accounts

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007**1. Statement of Accounting Policies**

The Financial Statements have been prepared in accordance with the 2006-07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, 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 Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

- 1.1.1 These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Basis of Consolidation

- 1.2.1 These accounts comprise a consolidation of the non-agency parts of the Department (the core Department), including its Non-Executive NDPBs accounted for as supply-financed agencies, and those entities which fall within the Department's boundary as defined in the FReM (chapter 1.5). Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Department's boundary is given at Note 33.

1.3 Tangible and Intangible Fixed Assets

- 1.3.1 Title to the freehold land and buildings shown in the accounts is held by the Secretary of State.
- 1.3.2 Freehold land and buildings are restated at current value using professional valuations in accordance with Royal Institution of Chartered Surveyors (RICS) guidance and FRS 15 every 5 years and values are adjusted using the appropriate indices in intervening years. Assets under construction are held at the balance sheet date at their historic cost until they become operational. Thereafter, they are depreciated over five years and are subject to annual revaluation. Other tangible assets have been stated at current cost using appropriate indices annually.
- 1.3.3 Revaluations of fixed assets are charged to the appropriate revaluation reserve in the year of revaluation. Impairments in fixed assets are charged to the operating cost statement except where the downwards revaluation is due to fluctuations in the market. In this case the charge will be made to the revaluation reserve.
- 1.3.4 The core Department's capitalisation threshold is £5,000. The threshold for the Agency is £3,000, except for land, for which there is no minimum
- 1.3.5 The Department allows grouping of items as follows:
- Networked computer infrastructure;
 - Strategic IT equipment; and
 - Civil resilience strategic material.
- 1.3.6 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.
- 1.3.7 Intangible fixed assets comprise the capitalised value of software licences. Software developed in-house, or by a third party, is treated as tangible. Intangible assets have been valued at depreciated replacement cost.

1.4 Depreciation & Amortisation

- 1.4.1 No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life. Assets under construction are not depreciated until the asset is brought into use.
- 1.4.2 For all assets the Department calculates depreciation on a straight-line method in accordance with Financial Reporting Standard (FRS) 15 – Tangible Fixed Assets.
- 1.4.3 Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets on a straight-line basis over their estimated useful lives. Asset lives are in the following ranges:
- Land and Buildings 50 years or length of lease
 - Information Technology 2 to 6 years
 - Strategic Information Technology 2 to 10 years
 - Plant and Machinery 3 to 15 years
 - Furniture and Fittings 2 to 10 years
 - Intangible Assets 3 to 10 years
- 1.4.4 Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.5 Investments

- 1.5.1 Financial interests in public sector bodies, which are outside the Departmental boundary, are treated as fixed-asset 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 QEII Conference Centre and 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. Loans and PDC are included at historic cost.
- 1.5.2 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 is part of the Government's package of measures to regenerate the former coalfield areas and was established on 28 May 2004. Management of the CEF is undertaken by Enterprise Venture Ltd on behalf of CLG. The total value of the fund is less than the initial investment, but is expected to recover in the medium to long term.

1.6 Stocks and Work in Progress

- 1.6.1 There are no stocks or work in progress.

1.7 Operating Income

- 1.7.1 Income is recorded on an accruals basis at the transacted amounts, or the amounts at which customers are committed to pay.
- 1.7.2 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 income payable to the Consolidated Fund in accordance with the FReM requirements. Operating income is stated net of VAT (section 1.10).

1.8 Administration and Programme Expenditure

- 1.8.1 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.

1.9 Capital Charge

- 1.9.1 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) on the average carrying amount of all assets, less liabilities, except for:
- a) Tangible and intangible fixed 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 tangible and amortisation of intangible fixed assets.
 - b) Donated assets, and cash balances with the Office of Paymaster General, where the charge is nil.
 - c) 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 5.5% respectively of the net relevant assets of the recipient body.

1.10 Value Added Tax

- 1.10.1 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 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.

1.11 Foreign Exchange

- 1.11.1 Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. Any translation differences are dealt within the Operating Cost Statement.

1.12 Pensions

- 1.12.1 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.

1.13 Provisions

- 1.13.1 The Department provides for legal or constructive obligations, which are of uncertain timing or amount, at the balance sheet 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 balance sheet 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 majority represent claims by former Property Services Agency employees who claim to have contracted an industrial lung disease. The provision is calculated based on general experience of what the maximum for each type of claim is worth. It is expected that half of the current cases may be settled in the 2007-08 financial year, with the remainder settled in the following year.

(iii) Dilapidations:

The provision relates to complying with lease clauses for buildings which are occupied by the Department. The CLG 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 balance sheet date.

(iv) Firefighters' Pensions:

The Fireman's Pension Scheme is a small scheme for 18 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%.

(v) Fire & Rescue Services:

Fire Inspectors transferred to the Department as a result of a Machinery of Government change in June 2001. The financial consequences of grievances submitted by around half of the Inspectors were accounted for as a provision until their settlement at the end of the 2006-07 financial year. Therefore it not part of provisions at the year end.

(vi) HM Revenue & Customs:

Following a PAYE review by HM Revenue & Customs at The Planning Inspectorate (PINS), concern has been expressed regarding a number of Non-Salaried Inspectors being paid on a Nil Tax (NT) code, without the deduction of Schedule E tax and National Insurance Contributions (NICs). This is currently being investigated and PINS may be liable for an element of tax and NICs for the past six years. Whilst the exact amount is not known the provision is based on the best estimate calculated on information known at this time.

1.14 Grants Payable

- 1.14.1 Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Where conditions, such as a specified milestone, attaching to a grant are waived then the amount is treated as having been incurred.

1.15 Leases

- 1.15.1 Operating leases are charged to the Operating Cost Statement on a straight-line basis over the term of the lease, or in the year to which the payment relates. Leases that satisfy the definition of finance leases are recognised in the accounts.

1.16 Contingent Liabilities

- 1.16.1 In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard (FRS) 12, 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 Government Accounting. 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.

- 1.16.2 Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12, are stated as discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities, that are not required to be disclosed by FRS 12, are stated at the amounts reported to Parliament.

1.17 Third Party Assets

1.17.1 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.

1.18 Machinery of Government Changes

1.18.1 Prior year comparatives for 2005-06 have been restated due to the Machinery of Government (MoG) changes as follows:

- Additional responsibilities from the Department of Trade & Industry on Equalities, including the Equal Opportunities Commission;
- Additional responsibilities from the Home Office on race, faith and cohesion including the Community Development Foundation and the Commission for Racial Equality;
- The removal of the Social Exclusion Unit, which was replaced by the Social Exclusion Task Force in the Cabinet Office; and
- The creation of the Deputy Prime Minister's Office.

1.18.2 The MoG changes resulted in a net increase to the operating costs of £67,715k. This resulted in a net increase in Net Parliamentary Funding, and Net Cash Requirement of £67,692k. There was also a net increase in the Department's assets of £5k;

1.19 European Regional Development Fund

1.19.1 The European Regional Development Fund (ERDF) was set up 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). The 2000-2006 round of structural funds programmes (which continue to spend until the end of December 2008) has three objectives. Two of these are relevant to the Department:

- Objective 1: Promoting the development and structural adjustment of regions whose development is lagging behind; and
- Objective 2: Supporting the economic and social conversion of industrial, rural, urban and fisheries areas facing structural difficulties.

1.19.2 ERDF is used to provide help in the form of grants towards the project costs. These grants are set at the minimum level required to allow the project to go ahead. As a general rule, however, the European Commission contributes no more than 50 per cent of the eligible cost, although it can be as much as 75 per cent for projects in Objective 1 regions.

1.19.3 ERDF funds are administered and monitored in the nine regional Government Offices on behalf of the Government: North East; North West; Yorkshire & Humberside; West Midlands; East Midlands; East; South West; South East; and London. These Government Offices authorise the payment of grants for each ERDF programme, funded by the Department. The Department then claims the monies back from the Commission.

1.19.4 The Commission can review, at any time, the projects that are being administered through the regions, and can therefore find irregularities relating to the expenditure being incurred.

1.19.5 Recently the Commission has expressed concerns about the monitoring of grant payments by certain Government Offices and suspended payments back to the Department for five of the nine regions. The Department is in close dialogue with the Commission on this issue and there is a continuing programme of work to address the Commission's concerns. This work is now well advanced and the Department expects the suspensions to be lifted in all cases before the end of the current financial year. However, there remains a debtor in the Department for receipt of these funds, and an ongoing risk – recorded as a contingent liability – relating to possible fines that the Department may have to incur if the Commission is not satisfied that enough has been done to correct earlier deficiencies.

1.19.6 During 2006-07, there remained some balances in the accounts relating to old ERDF programmes covering the 1994-1999 round of programmes. As these balances were caused by accounting errors in earlier years they have been written off (see Notes 9 and 29).

1.19.7 A prior year adjustment was made in 2005-06 relating to the pre-funding in Euros of ERDF programmes. The recognition of exchange rate gains and losses was recorded for the first time in 2005-06 and so represented a change in accounting policy. This led to a restatement to reserves of £32,895k.

2 Analysis of net resource outturn by section

		2006-07						2005-06 Restated		
		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
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 1	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Spending									
A	Housing Supply and Demand	-	109,239	24,192	133,431	(8,819)	124,612	146,771	22,159	95,348
B	Decent Places to Live	-	10,576	68,887	79,463	(264)	79,199	79,612	413	78,267
C	Tackling Disadvantage	-	36,267	67,846	104,113	(32,276)	71,837	94,826	22,989	128,764
D	Better Services	-	75,517	2,699	78,216	(6,147)	72,069	85,599	13,530	88,040
E	Development of English Regions	-	520	1,306,377	1,306,897	-	1,306,897	1,329,666	22,769	1,222,607
F	Central Administration	183,934	39,399	100	223,433	(33,105)	190,328	211,731	21,403	193,828
G	Government Office Administration	173,385	-	-	173,385	(35,428)	137,957	138,768	811	138,843
H	European Structural Funds - net	-	812	-	812	-	812	1	(811)	(5,337)
I	European Structural Funds – Communities and Local Government	-	41,979	2,146	44,125	(190)	43,935	49,949	6,014	3,282
J	Ordnance Survey	-	-	2,962	2,962	(4,693)	(1,731)	(20)	1,711	(61)
K	Queen Elizabeth II Conference Centre Executive Agency	-	-	393	393	(1,556)	(1,163)	(1,292)	(129)	(1,462)
	Support for Local Authorities									
L	Housing Supply and Demand	-	922	955,990	956,912	-	956,912	950,694	(6,218)	660,025
M	Decent Places to Live	-	24	3,634	3,658	(102,042)	(98,384)	(94,489)	3,895	(25,190)
N	Tackling Disadvantage	-	340	2,232,575	2,232,915	-	2,232,915	2,263,343	30,428	2,239,937
O	Better Services	-	9	43,847	43,856	-	43,856	48,794	4,938	34,199
P	Development of English Regions	-	-	288,829	288,829	(315)	288,514	285,942	(2,572)	278,760
Q	European Structural Funds – net	-	-	-	-	-	-	1	1	-
	Spending in Annually Managed Expenditure (AME)									
	Central Government Spending									
R	Decent Places to Live	-	769,089	-	769,089	-	769,089	695,819	(73,270)	792,898
S	Better Services	-	37	611	648	-	648	50	(598)	335
	Support for Local Authorities									
T	Better Services	-	-	148,000	148,000	-	148,000	148,000	-	-
	Non-Budget									
U	Housing Supply and Demand	-	-	2,275,581	2,275,581	(3,265)	2,272,316	2,482,778	210,462	2,259,584
V	Better Services	-	-	2,040	2,040	-	2,040	2,040	-	1
W	Decent Places to Live	-	-	542,904	542,904	-	542,904	616,000	73,096	368,113
X	Tackling Disadvantage	-	-	29,870	29,870	-	29,870	28,980	(890)	45,483
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Spending									
Y	Local Area Agreements	-	-	-	-	(422,936)	(422,936)	(413,067)	9,869	-
	Support for Local Authorities									
Z	Local Area Agreements	-	-	505,607	505,607	-	505,607	523,296	17,689	4,331
	Excess Appropriations-in-Aid									
		-	-	-	-	2,154	2,154	-	(2,154)	
	Resource Outturn	357,319	1,084,730	8,505,090	9,947,139	(648,882)	9,298,257	9,673,792	375,535	8,600,595

		2006-07						Estimate		2005-06 Restated
		Outturn				A-in-A	Net Total	Net Total	Net total outturn compared with Estimate	Prior year Outturn
		Admin	Other Current	Grants	Gross Resource Expenditure	£000	£000	£000	£000	£000
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 2	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Spending									
A	Valuation services	-	166,250	-	166,250	-	166,250	167,450	1,200	193,450
B	Best value inspection subsidies to Public Corporations and best value intervention	-	19,341	4,990	24,331	-	24,331	23,991	(340)	20,565
C	Local Government research and publicity, MAPPING costs and electoral law	-	3,671	519	4,190	(6)	4,184	4,355	171	7,203
D	Local governance	-	3	-	3	-	3	11	8	4
	Support for Local Authorities									
E	Revenue support grants	-	-	3,956,254	3,956,254	-	3,956,254	3,956,866	612	27,141,918
F	Non-domestic rates payments	-	-	17,500,000	17,500,000	-	17,500,000	17,500,000	-	18,000,000
G	London Governance	-	-	37,868	37,868	-	37,868	37,868	-	37,493
H	Other grants and payments (resource grants)	-	695	977,674	978,369	-	978,369	1,029,146	50,777	1,052,625
	Spending in Annually Managed Expenditure (AME)									
	Support for Local Authorities									
I	Non-domestic rates outturn adjustments and LABGIS	-	-	1,036,245	1,036,245	-	1,036,245	1,128,000	91,755	524,292
	Non-Budget									
J	Non-Departmental public bodies	-	-	22,004	22,004	-	22,004	22,108	104	21,756
	Resource Outturn	-	189,960	23,535,554	23,725,514	(6)	23,725,508	23,869,795	144,287	46,999,306
	Total Resource Outturn	357,319	1,274,690	32,040,644	33,672,653	(648,888)	33,023,765	33,543,587	519,822	55,599,901

The analysis of prior year comparatives for RfR1 and 2 has been updated since the preparation of the 2005-06 Resource Accounts to reflect changes in the Estimates.

Explanations for Variances between Actual and Estimates:

The Statement of Parliamentary Supply shows an underspend on RfR1 and 2 of £376m and £144m respectively (£180.7m and £243.8m in 2005-06). Variance explanations have been provided 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.

RfR 1

A: Housing Supply and Demand - £22,159k underspend

Of the £22,159k underspend some £10m is offset by an overspend elsewhere in RfR1. £6.25m of the underspend arises from the non-payment of a grant to the Thames Gateway programme for the purchase of land. £2.8m represents the repayment of another grant to the Thames Gateway programme. The balance of some £3m arises from a variety of smaller variances.

C: Tackling Disadvantage - £22,989k underspend

Most of this underspend arises for the following reasons: Planned grants of £8m to the Local Enterprise Growth Initiative (LEGI) were not required to be made. Project slippages within the New Deal for Communities programme led to an underspend of £3.6m. Within the Safer and Stronger Communities Fund programme there was an underspend of £5.2m as well as additional receipts from other Government Departments of £2.2m. The balance of some £4m arises from a variety of smaller variances.

D: Better Services - £13,530k underspend

There was an underspend of £6.9m due to delays in attaining a milestone in relation to the Firelink contract. There was a £1.6m underspend in respect of emergency fire services. The early termination of a contract for housing mobility services

led to an underspend of £1.4m. There was a further £1.1m underspend on depreciation and cost of capital charge relating to New Dimension assets that were delivered later than expected. These underspends were partially offset by the non-receipt of £1.9m of dividends from the Fire Service College. The balance of some £4.4m underspend arises from a variety of smaller variances.

F: Central Administration - £21,403k underspend

The bulk of this represents a cost of capital credit in respect of the Department's negative working capital balance.

H: European Structural Funds – net - £811k overspend

This overspend is caused by unbudgeted exchange rate losses.

I: European Structural Funds – Communities and Local Government - £6,014k underspend

Most of this arises because the write-off relating to old ERDF programmes explained in Note 29.2 was less than budgeted.

J: Ordnance Survey - £1,711k underspend

This arises from the receipt of higher than budgeted dividends from Ordnance Survey.

O: Better Services - £4,938k underspend

This relates to underspends on various accommodation and training grants relating to New Dimension - Search and Rescue, due to the re-appraisal and negotiation of original estimated costs. The largest element of this was the re-assessment of the grants required for Local Training Facilities.

R: Decent Places to Live - £73,270k overspend

This overspend relates to the Housing Revenue Account Subsidy (HRAS). The overspend is largely offset by HRAS CFER receipts that were greater than budget by £47.7m. The net overspend of £25.5m is due to underclaims from Local Authorities relating to costs being greater than income on their housing stock for 2005-06. Through the audit process the claims relating to 2005-06 were revised leading to additional expenditure in 2006-07 which could not be forecast.

S: Better Services - £598k overspend

Most of this was due to a reassessment by the Government Actuary Department of the Firefighters' pension scheme, which resulted in an additional liability.

W: Decent Places to Live - £73,096k underspend

This underspend relates to Overhanging Debt where the anticipated payments relating to the completion of the Parkside housing stock transfer, within Tower Hamlets, to a Registered Social Landlord (a Housing Association), have slipped as a result of a Judicial Review application.

3 Reconciliation of outturn to net operating cost and against Administration Budget**3(a) Reconciliation of net resource outturn to net operating cost**

		2006-07		2005-06
		Outturn	Supply	Restated
		£000	Estimate	Outturn
			£000	£000
	Note		Outturn compared	
			with Estimate	
			£000	
Net Resource Outturn	2	33,023,765	33,543,587	55,599,901
Non-supply income (CFERs)	5	(1,311,087)	(1,270,302)	(1,515,373)
Excess AinA	5	(2,154)	-	2,154
Non-supply Expenditure		-	-	(2,900)
Net operating cost		31,710,524	32,273,285	54,081,628

3(b) Outturn against Final Administration Budget

	2006-07		2005-06
	Budget	Outturn	Restated
	£000	£000	Outturn
			£000
Gross Administration Budget	379,603	357,319	344,608
Income allowable against the Administration Budget	(55,104)	(52,977)	(34,649)
Net Outturn against final Administration Budget	324,499	304,342	309,959

4 Reconciliation of resources to cash requirement

		Estimate	Outturn	Net total outturn
				compared with
				Estimate
				saving/(excess)
	Note	£000	£000	£000
Resources Outturn	2	33,543,587	33,023,765	519,822
Capital:				
Acquisition of fixed assets		52,676	31,413	21,263
Non-Operating A in A				
Proceeds of fixed asset disposal		(107)	(2,133)	2,026
Accruals Adjustments:				
Non-cash items	8/9	(58,309)	(73,946)	15,637
Changes in working capital other than cash		90,000	(131,165)	221,165
Changes in creditors falling due after more than one year	17	-	2,868	(2,868)
Dilapidation liability transferred to creditors		-	-	-
Use of provision	18	14,030	6,633	7,397
Net Cash Requirement		33,641,877	32,857,435	784,442

5 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).

	Note	2006-07 Forecast		2006-07 Outturn	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts - excess appropriation in aid		-	-	2,154	<i>2,154</i>
Other operating income and receipts not classified as A in A	10	1,270,302	<i>1,270,302</i>	1,311,087	<i>1,380,273</i>
Subtotal	19	1,270,302	<i>1,270,302</i>	1,313,241	<i>1,382,427</i>
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		1,270,302	<i>1,270,302</i>	1,313,241	<i>1,382,427</i>

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

	Note	2006-07 £000	2005-06 Restated £000
Operating income	10	2,502,597	2,176,529
Adjustments for transactions between RfRs			
Netted off gross expenditure in sub head		(540,404)	(508,791)
Income payable to NLF		(64)	(66)
Gross Income		1,962,129	1,667,672
Income authorised to be appropriated-in-aid	2	(648,888)	(152,299)
Operating income payable to the Consolidated Fund	5	1,313,241	1,515,373

7 Staff Numbers and Related Costs

Staff costs comprise:

	2006-07					2005-06
	Total	Permanently- employed staff	Ministers	Special Advisers	Others	Restated Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	190,809	189,874	329	147	459	191,206
Social security costs	15,498	15,432	34	15	17	15,843
Other pension costs	37,286	37,189	-	30	67	36,602
Sub Total	243,593	242,495	363	192	543	243,651
Inward secondments / Agency and Temp Staff	19,874	9,428	-	-	10,446	19,997
Total	263,467	251,923	363	192	10,989	263,648
Less recoveries in respect of outward secondments	(3,006)	(3,006)	-	-	-	(3,486)
Total Net Costs	260,461	248,917	363	192	10,989	260,162
Of which:						
Core Department	224,805					227,632

7.1 The Principal Civil Service Pension Scheme (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 2003. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

7.2 For 2006-07, employers' contributions of £37,121,683.04 were payable to the PCSPS (2005-06: £36,407,034.79) at one of four rates in the range 17.1 to 25.5% (2005-06: 16.2 to 24.6%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

7.3 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £90,378.52 (2005-06: £77,375) 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% (2005-06: 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 £11,379.33, (2005-06: £6,861) 0.8 per cent 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 balance sheet date were £3,473.08. Contributions prepaid at that date were nil.

7.4 One person (2005-06: five) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £1,785.67 (2005-06 £9,411).

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.

Objectives	2006-2007 Number					2005-06 Number Restated
	Total Permanent staff	Others	Ministers	Special Advisers		
1.	371	321	48	1	1	416
2.	2,857	2,686	170	1	-	3,167
3.	386	347	38	1	-	468
4.	1,455	1,418	35	1	1	1,544
5.	341	302	37	1	1	263
6.	153	153	-	-	-	153
Total	5,563	5,227	328	5	3	6,011
Local Government support	508	457	50	1	-	549
	6,071	5,684	378	6	3	6,560
Of which:						
Core Department	5,202					5,710

The Department does not collect data relating to staff engaged on capital projects

- Objective 1:** Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.
- Objective 2:** Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.
- Objective 3:** Delivering better services and devolving decision making to the appropriate level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government.
- Objective 4:** Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.
- Objective 5:** Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.
- Objective 6:** Reducing inequalities and building community cohesion.

Local Government support represents the amount of general financial support Local Authorities receive from the Government. Some of this also contributed to delivering the Department's key objectives.

8 Other Administration Costs

	Note	2006-07		2005-06 Restated	
		Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Rentals under operating leases:					
Hire of plant and machinery		1,302	1,302	1,464	1,464
Other operating leases		15,057	15,057	13,531	13,531
Interest charges		14	14	-	-
Research and Development expenditure		56	56	45	45
		16,429	16,429	15,040	15,040
Non Cash Items:					
Depreciation		8,128	8,128	6,193	6,193
Amortisation		420	420	106	106
Profit on disposal of fixed assets (where netted off within the OCS)		(7)	(7)	(10)	(10)
Loss on disposal of fixed assets		3,923	3,923	80	80
Impairment of fixed assets		205	205	3,079	3,079
Cost of capital charge		(24,793)	(24,793)	(20,392)	(20,392)
Auditor's remuneration and expenses *		365	365	365	365
Provisions:					
Provided for in year	18	19,206	19,206	10,800	10,800
Written back	18	(3,565)	(3,565)	(4,315)	(4,315)
Unwinding of discount on provisions	18	(484)	(484)	193	193
Bad debts provision		-	-	172	172
		3,398	3,398	(3,729)	(3,729)
Other expenditure					
Accommodation		63,210	63,210	59,694	59,694
IT expenditure		23,883	23,883	15,150	15,150
Legal, professional and consultancy		13,925	13,925	30,353	30,353
Travel, subsistence and hospitality		5,907	5,907	6,373	6,373
Non-pay staff costs		180	180	2,064	2,064
Training and conferences		3,172	3,172	898	898
Forex Exchange Losses		4	4	10	10
Other		20,057	20,057	4,461	4,461
		130,338	130,338	119,003	119,003
Total		150,165	150,165	130,314	130,314

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

9 Programme Costs

	Note	2006-07		2005-06 Restated	
		Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Rentals under operating leases:					
Hire of Plant and Machinery		254	268	769	774
Other operating leases		-	2,067	-	1,567
Research and Development expenditure		22,083	22,083	19,883	19,883
Interest charges		64	64	66	66
		22,401	24,482	20,718	22,290
Non Cash Items:					
Depreciation		13,347	16,138	11,598	13,908
Amortisation		67	67	49	49
Loss on disposal of fixed assets		84	84	2,643	2,643
De-capitalisation of fixed assets		-	-	9,818	9,818
Impairment of fixed assets		-	10	315	349
Cost of capital charge		8,870	9,179	8,391	8,770
Auditor's remuneration and expenses		-	35	-	35
ERDF Write-off	1.19	38,798	38,798	-	-
Provisions:					
Provided for in year	18	1,605	4,324	1,648	1,890
Written back	18	(809)	(844)	(707)	(707)
Unwinding of discount on provisions	18	611	611	164	164
Provision for doubtful debt		2,146	2,146	-	-
		64,719	70,548	33,919	36,919
Other expenditure					
Accommodation		9,998	12,302	9,672	11,769
IT expenditure		27,934	30,426	35,120	37,661
Legal, professional and consultancy		249,917	249,917	279,319	279,319
Travel, subsistence and hospitality		1,866	4,750	1,603	4,249
Training and conferences		1,157	1,157	923	923
Forex Exchange Losses		812	812	-	-
Grants and subsidies		14,827,035	14,827,035	36,913,505	36,913,505
Non National Domestic Rates		18,536,245	18,536,245	18,524,292	18,524,292
Other		37,932	41,815	29,418	33,268
		33,692,896	33,704,459	55,793,852	55,804,986
Total		33,780,016	33,799,489	55,848,489	55,864,195

10 Income

	2006-07		2005-06 Restated	
	RfR1 £000	RfR2 £000	Total £000	Total £000
CFER income	1,311,087	-	1,311,087	1,515,373
EU funding *	540,594	-	540,594	508,866
Recovery of grants	560,688	-	560,688	74,582
Goods and services	26,933	6	26,939	26,369
Rent **	11,283	-	11,283	11,328
Fees	6,209	-	6,209	6,899
Professional services	4,075	-	4,075	4,120
Reimbursement of expenditure	13,519	-	13,519	13,474
Interest and dividends	6,704	-	6,704	4,541
Foreign currency exchange gains	-	-	-	5,497
Miscellaneous	21,499	-	21,499	5,480
Other non trading income	-	-	-	-
	2,502,591	6	2,502,597	2,176,529

*None of the EU Funding in 2006-07 relates to administration (£75k for 2005-06).

** Rental income relates to operating leases.

The following information relates to services for which a fee is charged, and is not provided for Statement of Standard Accounting Practice (SSAP) 25 – Segmental Reporting, purposes.

Objectives	Full Cost £000	Income £000	(Deficit) £000
Obtain full cost recovery relating to accommodation space occupied by third parties	9,847	9,847	-
Obtain full cost recovery of accounting services provided to third parties	4,630	4,630	-
Obtain cost recovery of information management services, including library services, archiving and storage, with a deliberate subsidy	1,926	1,600	(326)
Obtain cost recovery relating to Pan Government Agreement with a deliberate subsidy to kick start Government access to geographic information – to act as a catalyst for data sharing	27,612	20,707	(6,905)

The financial objectives have been met for all services.

11 Analysis of net operating cost by spending body

	2006-07 Estimate £000	2005-06 Restated Outturn £000	2005-06 Restated Outturn £000
Spending body:			
Core Department	3,701,975	3,559,941	3,264,044
Non-Departmental public bodies	2,541,126	2,326,105	2,335,844
Local Authorities *	25,984,064	25,773,980	48,437,413
Agency	47,417	50,086	41,774
Trading Funds and Public Corporations	(1,297)	412	2,553
Net Operating Cost	32,273,285	31,710,524	54,081,628

* The large reduction in spend relating to the Local Authorities is due to the transfer of the Dedicated Schools Grant to the Department for Education and Skills.

The 2005-06 Outturn has been restated to better reflect the spend according to the analysis in Note 2.

12 Tangible Fixed Assets

	Land & Buildings excluding Dwellings £000	Information Technology £000	Plant & Machinery £000	Furniture & Fittings £000	Payments on Account & Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2006 Restated	39,356	57,880	103,390	477	30,739	231,842
Additions	5,922	6,728	2,954	-	15,562	31,166
Disposals	(1,604)	(6,294)	(1,053)	-	-	(8,951)
Impairment	-	(147)	(58)	-	-	(205)
Revaluation	(6)	(308)	918	7	-	611
Reclassification	1,069	4,736	5,306	-	(11,111)	-
Transfers	-	4,844	-	-	-	4,844
At 31 March 2007	44,737	67,439	111,457	484	35,190	259,307
Depreciation						
At 1 April 2006 Restated	10,616	29,587	25,878	245	-	66,326
Charged in year	851	10,832	12,506	77	-	24,266
Disposals	-	(2,419)	(438)	-	-	(2,857)
Impairment	-	-	-	-	-	-
Revaluation	-	(90)	-	-	-	(90)
Reclassifications	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 March 2007	11,467	37,910	37,946	322	-	87,645
Net book value:						
31 March 2007	33,270	29,529	73,511	162	35,190	171,662
31 March 2006 Restated	28,740	28,293	77,512	232	30,739	165,516

Asset Financing:

Owned	33,270	29,529	73,511	162	35,190	171,662
Finance Leased	-	-	-	-	-	-
Net book value at 31 March 2007	33,270	29,529	73,511	162	35,190	171,662

Analysis of Tangible Fixed Assets:

The net book value of tangible fixed assets comprises: **£000**

Core Department 2007	164,849
Agency 2007	6,813
Core Department 2006 Restated	156,604
Agency 2006	8,912

There are no donated assets within the Department.

As at the 31st March 2007 the following properties were revalued professionally by Atisreal Limited - Chartered Surveyors and international real estate consultants:

Queen Elizabeth II Conference Centre, Broad Sanctuary, London was inspected on 19 March 2007, with a valuation report produced by Mark Gerold BSc MRICS. The total value was put at £28,800,000, but with a value in CLG's accounts of £26,310,000, due to a trading fund outside interest in the property.

New Burlington House, Piccadilly, London was inspected on a number of occasions, most recently on 5 January 2005 with a valuation report produced by Mark Gerold BSc FRICS. Due to the Department's reversionary interest in the property a detailed re-inspection was not carried out for the 2007 report. The value of the property was put at £310,000 (net of liability works)

13 Intangible fixed assets

Intangible fixed assets comprise software and licences for the Department.

	2006-07 £000	2005-06 £000
Cost or valuation		
At 1 April 2006 Restated	1,444	680
Additions	51	764
Disposals	(106)	-
Transfers	847	-
At 31 March 2007	2,236	1,444
Amortisation		
At 1 April 2006 Restated	408	253
Charged in year	487	155
Disposals	(98)	-
At 31 March 2007	797	408
Net book value at 31 March	1,439	1,036

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises: **£000**

Core Department 2007	1,439
Agency 2007	-
Core Department 2006	1,036
Agency 2006	-

14 Investments

	Coal Fields Fund	Ordnance Survey	Queen Elizabeth II Conference Centre	Fire Service College		Total
	£000	PDC £000	PDC £000	PDC £000	Loan £000	£000
Balance at 1 April 2006	9,685	14,000	821	16,721	4,661	45,888
Loans repayable within 12 months transferred to debtors	-	-	-	-	(29)	(29)
Balance at 31 March 2007	9,685	14,000	821	16,721	4,632	45,859

All investments relate to the Core Department.

The Department's share of the net assets and results of the above bodies is summarised below.

	Ordnance Survey	Queen Elizabeth II Conference Centre	Fire Service College
	£000	£000	£000
Net assets at 31 March 2007	76,480	6,720	47,276
Turnover	116,243	10,410	22,728
Surplus/(deficit) for the year (before financing)	6,323	2,001	(1,006)

15 Debtors**15(a) Analysis by type**

	2006-07		2005-06 Restated	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year:				
Trade debtors	5,443	6,129	3,298	4,024
Deposits and advances	344	344	150	150
VAT Debtors	4,886	4,886	468	468
Other debtors	48,733	50,546	15,806	17,437
Prepayments and accrued income	755,694	759,222	664,656	668,058
Current part of NLF loan	1,400	1,400	1,400	1,400
NNDR (National Non-Domestic rates)	142	142	1,444	1,444
Amount due from the Consolidated Fund in respect of supply	-	-	461,704	461,704
	816,642	822,669	1,148,926	1,154,685
Amounts falling due after more than one year:				
Prepayments and accrued income	-	41	-	8
	-	41	-	8
	816,642	822,710	1,148,926	1,154,693

Included in "trade debtors" is an amount of £0.00 (2005-06: £231,676.40), in "other debtors" an amount of £42,037,173.05 (2005-06: £4,357,274.48) and in "prepayments and accrued income" an amount of £186,109,311.83 (2005-06: £292,513,976.64) which are payable to the Consolidated Fund when collected.

15(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07	2005-06 Restated	2006-07	2005-06
	£000	£000	£000	£000
Balances with other central Government bodies	45,236	479,610	-	-
Balances with Local Authorities	249,149	322,295	-	-
NHS Trusts	-	17	-	-
Balances with public corporations and trading funds	4,755	2,777	-	-
Sub-total	299,140	804,699	-	-
Balances with bodies external to Government	523,529	349,986	41	8
Total debtors at 31 March	822,669	1,154,685	41	8

16 Cash at bank and in hand

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(33,507)	(33,507)	63,211	63,385
Net change in cash balances:	219,117	219,117	(96,718)	(96,892)
Balance at 31 March	185,610	185,610	(33,507)	(33,507)

The following balances at 31 March were held at:

Office of HM Paymaster General	185,488	185,488	(33,629)	(33,629)
Commercial banks and cash in hand	122	122	122	122
Balance at 31 March	185,610	185,610	(33,507)	(33,507)

17 Creditors**17(a) Analysis by type**

	2006-07		2005-06 Restated	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year:				
VAT	-	31	5,938	6,320
Other taxation and social security	42	42	64	64
Trade creditors	5,624	6,329	6,928	7,830
Other creditors	104,233	104,967	111,611	112,106
Accruals and deferred income	746,259	748,353	821,027	822,284
NNDR Liability	13,885	13,885	64	64
Current part of NLF loans	1,400	1,400	1,400	1,400
Amount due to the Consolidated Fund in respect of supply	251,565	251,565	-	-
Consolidated fund extra receipts to be paid to the Consolidated Fund:				
- received	239,846	239,846	287,079	287,079
- receivable	228,148	228,148	297,103	297,441
	1,591,002	1,594,566	1,531,214	1,534,588
Amounts falling due after more than one year:				
Other Creditors	250	250	250	250
Deposit Held	262,795	262,795	265,663	265,663
	263,045	263,045	265,913	265,913
Total	1,854,047	1,857,611	1,797,127	1,800,501

17(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07 £000	2005-06 Restated £000	2006-07 £000	2005-06 £000
Balances with other central Government bodies	781,053	623,004	-	-
Balances with Local Authorities	631,311	591,232	-	-
NHS Trusts	1	-	-	-
Balances with public corporations and trading funds	9,364	5,583	-	-
Sub-total	1,421,729	1,219,819	-	-
Balances with bodies external to Government	172,837	314,769	263,045	265,913
Total creditors at 31 March	1,594,566	1,534,588	263,045	265,913

18 Provisions for liabilities and charges

	Core Department			Consolidated		
	Early Retirement and Pension costs	Other	Total	Early Retirement and Pension costs	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2006 Restated	9,002	11,970	20,972	9,076	12,135	21,211
Provided in the year	18,739	2,072	20,811	18,858	4,672	23,530
Provisions not required written back	(3,186)	(1,188)	(4,374)	(3,186)	(1,223)	(4,409)
Provisions utilised in the year	(3,900)	(2,569)	(6,469)	(3,965)	(2,668)	(6,633)
Utilised – pre-funding	(804)	-	(804)	(804)	-	(804)
Unwinding of discount	(484)	611	127	(484)	611	127
Balance at 31 March 2007	19,367	10,896	30,263	19,495	13,527	33,022

18.1 Early Retirement and Pension costs

The Department and its Executive Agency, the Planning Inspectorate, meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

18.2 Other

Details of other provisions are provided in Note 1.13. The closing balances relating to those provisions are as follows: Compensation payments £3,063k; Dilapidations £5,481k; Firefighters' Pensions £2,352k; and HM Revenue & Customs £2,631k.

19 General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2006-07		2005-06 Restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(503,961)	(492,895)	(101,371)	(90,722)
Prior Period Adjustment *	-	-	(32,895)	(32,895)
Adjusted Opening Balance	(503,961)	(492,895)	(134,266)	(123,617)
Net Parliamentary Funding				
Drawn Down	33,063,765	33,109,000	54,737,652	54,779,692
MoG transfer	5,567	5,567	(3,224)	(3,224)
Release from General Fund	-	-	-	(263)
Year end adjustment				
Supply (Creditor)/Debtor – current year	(251,565)	(251,565)	461,704	461,704
Net Transfer from Operating Activities				
Net Operating Cost	(31,660,437)	(31,710,524)	(54,039,854)	(54,081,628)
CFERs repayable to Consolidated Fund	(1,313,241)	(1,313,241)	(1,515,373)	(1,515,373)
Non Cash Charges				
Cost of Capital	(15,923)	(15,614)	(12,001)	(11,622)
Auditors' remuneration	365	400	365	400
Transfer from Revaluation Reserve	695	695	3,005	3,005
Transfer of assets	-	-	(1,969)	(1,969)
Balance at 31 March	(674,735)	(668,177)	(503,961)	(492,895)

* An explanation of the Prior Period Adjustment is to be found at Note 1.19.7.

20 Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2006-07		2005-06	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	4,809	4,809	2,444	2,444
Arising on revaluation during the year (net)	710	710	5,370	5,370
Transferred to General Fund in respect of realised element	(695)	(695)	(3,005)	(3,005)
Balance at 31 March	4,824	4,824	4,809	4,809

21 Notes to the Consolidated Cash Flow Statement**21(a) Reconciliation of operating cost to operating cash flows**

	Note	2006-07 £000	2005-06 Restated £000
Net operating cost	11	(31,710,524)	(54,081,628)
Adjustments for non-cash transactions	8,9	73,946	33,207
Decrease in Debtors		331,983	1,287,697
<i>Less: movements in debtors relating to items not passing through the OCS</i>		<i>(41,419)</i>	<i>(939,561)</i>
Increase/(Decrease) in Creditors		57,110	(970,296)
<i>Less: movements in creditors relating to items not passing through the OCS</i>		<i>(150,423)</i>	<i>1,118,371</i>
Use of provisions	18	(6,633)	(13,886)
Net cash outflow from operating activities		(31,445,960)	(53,566,096)

21(b) Analysis of capital expenditure and financial investment

	Note	2006-07 £000	2005-06 £000
Tangible fixed asset additions	12	(31,166)	(36,433)
Intangible fixed asset additions	13	(51)	(764)
Proceeds of disposal of fixed assets		2,133	395
Adjustment for movement in capital creditors		(196)	359
Net cash outflow from investing activities		(29,280)	(36,443)

21(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	A in A £000	Net total £000
Request for resources 1	31,217	(2,133)	29,084
Request for resources 2	-	-	-
Net movement in debtors/creditors	196	426	622
Total 2006-07	31,413	(1,707)	29,706
Total 2005-06	36,838	-	36,838

21(d) Analysis of financing

		2006-07	2005-06
		£000	Restated £000
	Note		
From the Consolidated Fund (Supply) current year	19	32,647,296	54,779,692
From the Consolidated Fund (Supply) prior year	19	461,704	1,396,789
NNDR – non supply funding		15,123	(825,646)
Net financing		33,124,123	55,350,835

21(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

		2006-07	2005-06
		£000	Restated £000
	Note		
Net cash requirement		(32,857,435)	(55,241,396)
From the Consolidated Fund (Supply) – current year		32,647,296	54,779,692
From the Consolidated Fund – prior year		461,704	1,396,789
Non supply funding		15,123	(825,646)
Amounts due to the Consolidated Fund received in a prior year and paid over		(287,417)	(492,144)
Amounts due to the Consolidated Fund received and not paid		239,846	285,813
Increase /(Decrease) in cash	16	219,117	(96,892)

22 Analysis of Net Resource Outturn by Estimate Subhead and Reconciliation to Operating Cost Statement

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

	2006-07	2005-06
	£000	Restated £000
1. Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	2,934,731	2,873,197
2. Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.	2,278,422	2,019,558
3. Delivering better services and devolving decision making to the appropriate level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government.	354,017	143,257
4. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	3,411,680	2,973,858
5. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.	962,986	1,305,729
6. Reducing inequalities and building community cohesion	132,138	64,927
	10,073,974	9,380,526
Local Government support	23,725,515	46,483,669
	33,799,489	55,864,195

As referred to in the Consolidated Statement of Operating Costs by Departmental Aim and 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.

Capital Employed by Departmental Aim and Objectives at 31 March 2007

	2006-07	2005-06
	£000	Restated £000
1. Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	(268,653)	(137,343)
2. Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.	(80,255)	(183,898)
3. Delivering better services and devolving decision making to the appropriate level. Ensure adequate and stable resources for local Government and clarify the relationship between neighbourhoods and local, regional and central Government.	(99,214)	32,092
4. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	141,558	(158,677)
5. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.	(510,441)	(508,649)
6. Reducing inequalities and building community cohesion	(220,247)	-
	(1,037,252)	(956,475)
Local Government support	373,899	468,389
	(663,353)	(488,086)

23 Capital commitments

Capital commitments at 31 March 2007 for which no provision has been made in these accounts were as follows:

	2006-07		2005-06	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Contracted	16,319	16,356	23,103	23,145
Authorised by the Board but not contracted	-	-	259	259
	16,319	16,356	23,362	23,404

24 Commitments Under Leases

24.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are analysed according to the period in which the lease expires

Obligations under operating leases comprise:	2006-07		2005-06	
	Core	Consolidated	Core	Consolidated
	Department		Department	
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	1,391	1,391	916	916
Expiry after 1 year but not more than 5 years	6,759	6,759	4,662	4,662
Expiry thereafter	314,079	316,113	342,523	344,081
	322,229	324,263	348,101	349,659
Other:				
Expiry within 1 year	57	57	71	71
Expiry after 1 year but not more than 5 years	299	317	343	358
Expiry thereafter	-	-	-	-
	356	374	414	429

24.2 Finance Leases

The Department had no finance lease commitments at 31 March 2007.

25 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:

Obligations under financial commitments:	2006-07		2005-06	
	Core	Consolidated	Core	Consolidated
	Department		Department	
	£000	£000	£000	£000
Expiry within 1 year	40,007	40,007	21,684	21,684
Expiry after 1 year but not more than 5 years	52,967	53,560	20,974	21,546
Expiry thereafter	240,026	240,026	420	420
	333,000	333,593	43,078	43,650

26 Financial Instruments

26.1 FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities, but do not affect the risks facing the Department in undertaking its activities.

Currency Risk

26.2 A creditor balance of €390,077,897 has been translated at the Balance Sheet date to £262,795,479.20 (£265,662,551.76 as at 31 March 2006). This relates to a prepayment from the EU for ERDF Programmes. This will be utilised as the programmes near completion. In addition, as ongoing funding for these programmes is processed through the EU there are exchange rate gains and losses, as the sterling equivalent is settled. The

Department is therefore exposed to a risk relating to the gain or loss associated with this balance and transactions, but it is not considered to be significant.

Liquidity Risk

26.3 The Department's net resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Department is not therefore exposed to significant liquidity risks.

Interest Rate Risk

26.4 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

26.5 The following tables show the interest rate profile of the Department's financial liabilities and assets.

Financial Liabilities

Currency	Total	Floating rate financial liabilities	Non-interest bearing financial liabilities
	£000	£000	£000
At 31 March 2007:			
Euro – European Regional Development Fund	262,795	262,795	-
Gross Financial Liabilities	262,795	262,795	-
At 31 March 2006:			
Sterling – Cash at Bank	33,507	-	33,507
Euro – European Regional Development Fund	265,663	265,663	-
Gross Financial Liabilities	299,170	265,663	33,507

Financial Assets

All in Sterling	Total	Fixed-rate financial assets			
		Fixed rate financial assets	Non-interest bearing financial assets (Note a)	Weighted average interest rate	Weighted average period for which rate is fixed
		£000	£000	%	Years
At 31 March 2007:					
Cash at bank and in hand	185,610		185,610		
QEII Conference Centre	821		821	0.0	40.0
Fire Service College	21,382	4,661	16,721	8.3	44.0
Ordnance Survey	14,000		14,000		
Coalfields Enterprise Fund	9,685		9,685		
Gross Financial Assets	231,498	4,661	226,837		
At 31 March 2006:					
QEII Conference Centre	903	82	821	7.6	1.0
Fire Service College	21,409	4,688	16,721	8.3	45.0
Ordnance Survey	14,000	-	14,000	-	-
Coalfields Enterprise Fund	9,685	-	9,685	-	-
Gross Financial Assets	45,997	4,770	41,227	7.95	23.0

Note (a):

The Department's non-interest bearing financial assets comprise the Public Dividend Capital of the Queen Elizabeth II Conference Centre, Fire Service College and Ordnance Survey, which is of unlimited term.

Fair Values

26.6 Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2007.

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Primary Financial Instruments:			
<i>Financial Assets:</i>			
Cash at bank	185,610	185,610	
Queen Elizabeth II Conference Centre Public Dividend Capital	821	821	Note b
Fire Service College Public Dividend Capital	16,721	37,984	Note b
Ordnance Survey Public Dividend Capital	14,000	48,074	Note b
Coalfields Enterprise Fund	9,685	9,685	Note b
<i>Financial Liabilities:</i>			
European Regional Development Fund	262,795	262,795	

Note (b):

Fair value amounts to net assets less the amount of any loan included in the balance sheet.

27 Contingent liabilities disclosed under FRS 12

In accordance with Government policy, none of the properties included in Fixed Assets in the balance sheet is insured. Other contingent liabilities are set out below.

	2006-07	2005-06
	£m	£m
27.1 Possible administrative irregularities (Article 4 and 10 checks) in respect of the European Regional Development Fund programme, where approximately 50% of the total irregularities value would not be recovered due to insolvency occurring. This is based on the historical trend of the programme.	4.9	-
27.2 Possible fine for irregularities with EC funds in respect of the European Regional Development Fund programme.	62.0	-
27.3 Three Local Authorities (Corby, Slough and Tewkesbury) have launched legal action against the Department for underpayment of the Local Authority Business Growth Incentive Scheme (LABGIS) grant. There is a chance that the court will rule in favour of the Local Authorities. This would result in an additional payment to Local Authorities of up to £84m.	84.0	-
27.4 Possible obligations from Employment Tribunal decision including asbestos claims against the Department.	Unquantifiable	Unquantifiable
27.5 Where bodies outside the boundary (see Note 33) are unable to meet their own liabilities, then there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming.	Unquantifiable	Unquantifiable
27.6 Potential payments under the Housing Revenue Account Subsidy (HRAS) scheme that are unable to be reliably measured at year end.	Unquantifiable	Unquantifiable
27.7 Liability to pay grant in future years relating to annual gap-funding agreements for negative value transfers of council housing stocks.	237.5	94.0
27.8 Liability to litigation by Fire Authorities results from delays in processing of appeals to the Secretary of State under legislation.	0.2	0.20
27.9 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 Planning Inspectorate. The timing and value of these payments are very difficult to predict.	0.05	0.05
27.10 Other possible ex-gratia payments in the Department.	Unquantifiable	Unquantifiable
27.11 Payments to Local Authorities under the Housing Defects Scheme.	0.75-1.0	0.75-1.0
27.12 Possible compensation in relation to a planning case at the Midlands Co-operative store in Thurmaston planning case. The Department is waiting for the claimant's agreement to the level of compensation. This is a Parliamentary Ombudsman case.	5.2-26.0	5.2-26.0
27.13 Possible obligations from employment tribunal decisions.	Unquantifiable	Unquantifiable
27.14 Other employment tribunal decisions.	0.02	0.03
27.15 Litigation costs which may possibly 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.	0.41	0.35

27.16	Possible obligations to repay EC funds in respect of 1994-2001 for projects which were formally closed by 31 March 2003. This is no longer a contingent liability as the programme has been formally closed and any liabilities have crystallised.	-	19.00
27.17	Judicial Review – relating to development at the White City. This case has been referred to the European Court of Justice. The result of the judicial review given on 5 May 2006 relieved the Department of any potential liability.	-	Unquantifiable
27.18	Possible obligations in respect of Local Authorities meeting conditions, as set out in Section 31 grant determinations issued by the Department.	-	195.0

28 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

28.1 Quantifiable:

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2006	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2007	Amount reported to Parliament by Departmental minute £000
	£000	£000	£000	£000	£000	£000
Indemnities						
Indemnity given by the Housing Corporation to building societies under Section 84 of Housing Association Act 1985.	251	-	-	(76)	175	35,000
Indemnity given by CLG for the Land Stabilisation Project to proceed in Northwich under Section 1 of the Derelict Land Act 1982	150,000	-	-	(80,000)	70,000	150,000
	150,251	-	-	(80,076)	70,175	

28.2 Unquantifiable:

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 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.

29 Losses, Special Payments and Gifts

29.1 Government Accounting 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:

	2006-07		2005-06	
	Cases	£000	Cases	£000
Losses	126	41,040	139	372
Special Payments	132	1,004	176	1,476

- 29.2 There were two individual losses recorded in the accounts for 2006-07 that were over £250,000 as follows:
- £38,798,301.58: Following the closure of old ERDF programmes, covering 1994-1999, residual balances have been reviewed, and where appropriate written-off; and
 - £2,146,302: Write off of an ERDF project. The company went into administration and the liquidator has stated that there are no funds available for distribution, and there is no chance of recovery.

- 29.3 During the year the Department gifted eight individual items with a book value of £1k (215 items with a value of £1,046k in 2005-06). There were no individual items over £250k.

30 Related Party Transactions

- 30.1 The Department was the parent Department of the Planning Inspectorate and a number of sponsored bodies listed in Note 33. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

- 30.2 In addition, the Department and its sponsored bodies has made a number of transactions with other Government Departments and other Central Government bodies.

- 30.3 Sir Bob Kerslake (Chief Executive of Sheffield City Council), Sarah Weir (Executive Director of the Arts Council England, London), Peter Doyle (Director of Corporate Development, Benfield Group) and Jane Todd (Regional Director of Government Office East Midlands) are Non-Executive members of the Department's Board.

- 30.4 Vanessa Lawrence (Director General and Chief Executive of the Ordnance Survey) and Keith Barnes (Regional Director of Government Office North West) were Non-Executive Board members until they stood down on 31 August 2006 and 31 January 2007 respectively.

- 30.5 All 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. If an issue were to arise, the Board member would withdraw from discussions to avoid any actual or perceived conflict of interest

- 30.6 Board members and key managerial staff are related to persons employed by bodies with which the Department has financial dealings. These related party relationships, although between two organisations which have a financial interest, do not involve any personal financial gain by the individuals concerned. No Board members, apart from those disclosed above, or key managerial staff, had any direct interests with organisations or suppliers in receipt of grants or other payments.

- 30.7 None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

31 Post Balance Sheet Events

- 31.1 The Department's financial statements are laid before the Houses of Parliament by HM Treasury. FRS 21 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 CLG's management to HM Treasury. The authorised date for issue is 12 July 2007.

32 Third Party Assets

Twining with EU Accession States

- 32.1 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, for projects where the Department is involved, 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.

- 32.2 The projects are funded by the European Commission and are bid for, in competition amongst Member States. The beneficiary countries decide which bids are successful. The Department won six Structural Fund Twinning projects in 2004-05; two in Romania, two in Bulgaria, one in Hungary and one in Poland. The Hungary, Poland and two Romanian Structural Fund Twinning projects were successfully completed during 2005-06. The remaining two in Bulgaria also finished in 2005-06. In 2006-07 two more twinning projects were won by the Department, one in North East Romania and one in Turkey.
- 32.3 The projects have bank accounts, which are managed by the Department, but these are not Departmental assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below:

Projects	1 April 2006	Gross Inflows	Gross	31 March 2007
	£000	£000	Outflows £000	£000
North East Romania	39	196	(167)	68
South Muntenia – Romania	3	81	(84)	-
Bulgaria Cohesion Structural Funds	255	96	(344)	7
Bulgaria Regional Development	26	-	(5)	21
Hungary Technical Assistants	8	5	(13)	-
Hungary	86	-	(86)	-
Poland Cohesion Funds	101	87	(188)	-
Turkey	-	375	(36)	339
	518	840	(923)	435

33 Entities within the Departmental boundary

- 33.1 The entities within the boundary during 2006-07 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.

Advisory Bodies

Advisory Panel on Beacon Councils
 Advisory Panel on Standards for the Planning Inspectorate
 Building Regulations Advisory Committee
 Community Forum
 Women's National Commission
 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

- 33.2 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

Ordnance Survey
Queen Elizabeth II Conference Centre
Fire Service College

Public Corporations

Architects Registration Board
Audit Commission for Local Authorities in England & Wales

Executive Non-Departmental Public Bodies

English Partnerships
Stonebridge Housing Action Trust
Housing Corporation
London Thames Gateway Development Corporation
Standards Board for England
Thurrock Development Corporation
Valuation Tribunals Service
West Northamptonshire Development Corporation
Independent Housing Ombudsman Ltd
Leasehold Advisory Service
Equal Opportunities Commission
Community Development Foundation
Commission for Racial Equality
Firebuy Ltd

Other Bodies Not Classed as NDPBs

Commission for Local Administration

Glossary

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 can not reasonably be subject to firm multi-year limits.

Appropriations in Aid: 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 on a three-year basis in Spending Reviews.

European Regional Development Fund: 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 can not be retained by the Department and must be surrendered to the Consolidated Fund.

Government Accounting: Government Accounting 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.

Government Offices: Representing 11 Whitehall Departments, Government Offices are 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.

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.

Financial Reporting Manual (FReM): The Financial Reporting Manual is the technical accounting guide that complements guidance on the handling of public funds. It applies UK Generally Accepted Accounting Practice for the public sector.

Local Area Agreements: Local Area Agreements (LAAs) are made between central and local Government in a local area. Their aim is to achieve local solutions that meet local needs, while also contributing to national priorities and the achievement of standards set by central Government.

Local Strategic Partnerships: Local Strategic Partnerships (LSPs) are non-statutory, multi-agency partnerships, which matches 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.

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 depending on the number of residents.

Non-Departmental Public Body: 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 the 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;
- **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 are expected to deliver with the resources allocated to them. The Government monitors progress against PSA targets, and Departments report in detail twice a year in their annual Departmental Reports (published in Spring) and in their Autumn performance reports. These reports provide Parliament and the public with regular updates on Departments' performance against their targets.

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 Government Accounting.

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

Revenue Support Grant (RSG): A Government grant to make up the shortfall between a Local Authority's Formula Spending Share (formerly Standard Spending Assessment) and the amount it would receive from Assumed National Council Tax and redistributed business rates. 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 three years. This process was started in the 1998 Comprehensive Spending Review (CSR), which was a comprehensive review of Departmental aims and objectives alongside a zero-based analysis of each spending programme, to determine the best way of delivering the Government's objectives. The 1998 CSR introduced Public Service Agreements (PSAs). Each major Government Department was given its own PSA setting out clear targets for achievements in terms of public service improvements.

The 1998 CSR also introduced the DEL/ AME framework for the control of public spending. Successive Spending Reviews in 2000, 2002 and 2004 have continued setting plans for Departments. The 2007 Comprehensive Spending Review will represent a long-term and fundamental review of Government expenditure. It will cover Departmental allocations for 2008-09, 2009-10 and 2010-11. Allocations for 2007-08 will be held to the agreed figures already announced by the 2004 Spending Review.

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.

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Web site: <http://www.planning-inspectorate.gov.uk>

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