Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6 (4).

Department for Communities and Local Government

Resource Accounts 2007-08

Ordered by the House of Commons to be printed 21 July 2008

LONDON: The Stationery Office
HC 791

21 July 2008
Price: £12.85

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ISBN:978 010295768 6

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Annual Report for the Year Ended 31 March 2008

Resource Accounts: Communities and Local Government

Scope

1 Entities Consolidated

The Report and Accounts present the consolidated results for the financial year 2007-08 of the following principal entities: the Department for Communities and Local Government, comprising the Central Department and Government Offices – the core Department – and its Executive Agency the Planning Inspectorate (PINS). Note 35 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.

2 Annual Review

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

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

- **Departmental Annual Report**: this report was presented to Parliament on 15 May 2008. It presents a review of the Department's activities and performance during the year, including performance against its strategic objectives, PSAs and efficiency targets, and summarises its plans for the future. The report also describes how the Department is structured, the strategic context within which the Department operates and outlines some of the challenges it faces in the context of the Comprehensive Spending Review 2007 (CSR07). More detail on the achievements described in the Annual Report is provided in the Management Commentary at section 3 of this report. 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 published on 20 December 2007, and set out updated information on the Department's progress towards its Public Service Agreement (PSA) and efficiency targets since the publication of the Department's 2007 Annual Report in May 2007. This can again be found on the Department's website.

2.3 Communities and Local Government's aim is to create vibrant, diverse and attractive places with strong local economies where people want to live, work and raise their families. The Consolidated Statement of Net Operating Costs by Departmental Aim and Objectives, on Page 38 of these accounts, reports the resources used by the Department in achieving its Strategic Priorities. The Strategic Priorities are those used in 2006-07 and 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.

2.4 Over the year we have restructured the Department to reflect our changing delivery priorities. The Department now comprises six major groups each headed by a Director General (DG), with an additional Directorate:

- Housing and Planning Group: leads on housing supply and delivery, affordable housing and the decent homes programme; planning reform and performance; housing reform; home buying and selling reform (including Home Information Packs); establishment of the new Homes and Communities Agency, and the new Tenants Services Authority; Supporting People; tackling homelessness; building regulations; design; and championing environmental and sustainable development issues in our policy work across the Department. The Group led on the delivery of PSAs 5, 6 and 7 under SR04 and is responsible for the new PSA 20 (Housing Supply and Affordability) and related DSO2 (Housing) and DSO5 (Planning) under CSR07.
- Local Government and Regeneration Group: leads on local government reform, performance and finance; community empowerment and local democracy; economic development including implementation of the Sub-National Review (SNR); regeneration and promoting work; quality of place; departmental communications; and the Ministerial group. The Group led on delivery of PSAs 2, 4 and 8 under SR04 and is responsible for the new DSO1 (Local Government and Empowerment) and DSO3 (Economic performance and regeneration) under CSR07. It also contributes to the new PSA 21 (Cohesive, empowered and active communities).
- Regions and Communities Group: leads on regeneration of the Thames Gateway and capturing legacy benefits of hosting the Olympic Games in 2012; the nine regional Government Offices (GOs) which act as Whitehall in the regions, transformation of the GO network and support for regional ministers.
- Cohesion and Resilience Group: leads on community cohesion; tackling prejudice and extremism; delivering race equality; the Fire and Rescue Service; national and regional resilience and the Department's role in post-incident recovery; European policies and programmes; and the Department's cross-cutting interests in migration. The Group led on delivery of PSAs 1, 3 and 10 under SR04 and is responsible for the new PSA21 (Cohesive, empowered and active communities), DSO4 (Cohesive, active and resilient to extremism) and DSO6 (Fire and Rescue Service) under CSR07.
- Finance and Corporate Services Group: leads on legal, financial and analytical advice, including the Office of the Chief Scientist; workplace environment; and IT and knowledge management;
- Human Resources and Business Change Group: leads on human resources and organisational change; and
- Strategy and Performance Directorate: supports Ministers and the Board across strategic/policy challenges, performance and delivery, and corporate governance.

Ministers

2.5 The following served the Department during the year ended 31 March 2008:

Ministers after the Prime Ministerial transition changes in June 2007

The Rt Hon Hazel Blears MP	Secretary of State for the Department for Communities and Local Government
The Rt Hon Yvette Cooper MP (until 24 January 2008)	Minister of State for Housing and Planning
The Rt Hon Caroline Flint MP (from 24 January 2008)	Minister of State for Housing and Planning
John Healey MP	Minister for Local Government
Parmjit Dhanda MP	Parliamentary Under Secretary of State
Iain Wright MP	Parliamentary Under Secretary of State
Baroness Kay Andrews OBE	Parliamentary Under Secretary of State

Ministers before the Prime Ministerial transition changes June 2007

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

2.6 The Permanent Secretary chairs the Department's Board, which at 31 March 2008 included two Non-Executive Board members. The Permanent Head of the Department is the Permanent Secretary, Peter Housden. The composition of the Board at 31 March 2008 was as follows:

Board Members

Peter Housden	Permanent Secretary and Principal Accounting Officer
Joe Montgomery	Director General – Regions and Communities and Additional Accounting Officer
Richard McCarthy	Director General – Housing and Planning
Chris Wormald	Director General – Local Government and Regeneration and Additional Accounting Officer

Susan Scholefield	Director General – Cohesion and Resilience
Hunada Nouss	Director General – Finance and Corporate Service Delivery
Mike Falvey	Director General – Human Resources and Business Change
Christina Bienkowska	Director – Strategy and Performance
Non-Executive Board Members	
Sarah Weir	UK Cultural Olympiad Launch Executive, London Organising Committee of the Olympics Games
Peter Doyle	Independent financial consultant and chair of the Church Urban Fund

The following were also Board members during 2007-08:

Sir Robert Kerslake (until December 2007)	Chief Executive of Sheffield City Council
Jane Todd (until January 2008)	Director of Government Office Transformation

Board Objectives

2.7 The Board gives collective strategic leadership at official level, and supports Ministers in steering the work of the Department. The role of the Board is to:

- Develop with Ministers and take forward the Department's strategic aims and objectives;
- 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.

2.8 The following Board sub-committees were in place in 2007-08:

- The Audit and Risk Committee gives independent advice to the Accounting Officer and Board on the adequacy of the Department's risk management, audit arrangements, financial reporting and internal controls;
- 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 Delivery Sub-Committee (established in June 2007) is responsible for scrutinising and ensuring the successful delivery of the Department's key, high risk delivery programmes, intervening where necessary to provide additional support and resolve problems which may threaten progress. The Committee meets fortnightly to assess

progress against and risks to Departmental top-tier programmes and to carry out detailed scrutiny of specific key programmes, such as mission critical projects.

- The Contingencies Planning Committee (established in June 2007) advises and assures the Board and Ministers on the Department's overall state of preparedness to respond to and recover from emergencies and continue with its essential business in the face of any serious disruption to our staff or infrastructure.

Programme Boards

2.9 During the year, the Department has been restructured to reflect changing delivery priorities. This has included revised group structures, the establishment of the new Delivery Sub-Committee and a revised Programme Board structure to oversee the Department's key delivery programmes.

2.10 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. The Programme Board structure in 2007-08 was:

Board Directors General	Programme Board responsibilities
Joe Montgomery	**Thames Gateway Programme Board** Responsible for managing progress against the Thames Gateway Delivery Plan ensuring alignment of the Thames Gateway Programme with other Departmental Strategic Objectives, managing risks and steering wider stakeholder engagement. **Government Office Transformation Board** Responsible for overseeing delivery progress on the Government Office Transformation Programme.
Richard McCarthy	**Cross-Departmental Board on PSA20 and Internal Housing Supply Delivery Board** Responsible for driving improvements to housing affordability and increasing the use of temporary accommodation for homeless households by increasing housing supply and related infrastructure support. **Planning Programme Board** Provides strategic oversight of performance against DSO 5. Responsible for planning policy and delivery across all of the Department's responsibilities. **Home & Communities Agency/Tenants Services Authority Programme Board** Responsible for ensuring the successful establishment of a new housing and regeneration agency and a new social housing regulator.
Chris Wormald	**Community Empowerment Programme Board** Responsible for driving progress, managing risks and resolving issues which threaten or delay delivery of the community empowerment programme. **Local Government Reform Programme Board**

	Responsible for ensuring that the desired outcomes of the Local Government White Paper are delivered and managing cross programme risks, dependencies, communications and stakeholders. **Economic Development and Regeneration Programme Board** Responsible for managing progress on economic development and promoting work including the effective delivery of the SNR reforms and for ensuring that the transition is well managed across government.
Susan Scholefield	**Cross-Departmental Board on PSA 21** Responsible for overseeing delivery of PSA21 to build more cohesive, empowered and active communities and overseeing progress on all of its supporting indicators. **Cohesion Programme Board** Drives progress and oversees delivery in response to the Commission on Integration and Cohesion. **Preventing Violent Extremism Programme Board** Provides strategic oversight and assurance to the Department and the wider cross-government governance structure on delivery of this programme. **Fire and Rescue Service and Resilience Programme Board** Provides strategic direction for the development and delivery of the Department's policies in respect of fire and resilience. **Migration Programme Board** Responsible for taking forward the Department's interests in migration.
Hunada Nouss	**Group Corporate Services Programme Board** Responsible for ensuring a more integrated approach to corporate service delivery across the wider Communities and Local Government Group. Provides strategic oversight and monitors progress of the corporate change programme. **Olympics Delivery Board** Responsible for driving progress and managing risks around our financial contribution to the Olympic budget. Supports the creation of a sustainable Olympics legacy. **European Regional Development Fund Programme Board** Responsible for ensuring strategic financial risk management of all ERDF programmes in England.

2.11 The Audit and Risk Committee is chaired by Peter Doyle, a Non-Executive Member of the Departmental Board, supported by three independent external members: Janet Pope, Sue Nelson and Martin Evans. Martin Evans was appointed in May 2007. The Permanent Secretary, Director General Finance and Corporate Service Delivery, Director of Strategy and Performance, Head of

Internal Audit Services and representatives of the National Audit Office attend meetings. The Committee met on five occasions during 2007-08. Its work included:

- Giving its assurance on the Department's Annual Accounts and Statement on Internal Control (SIC);
- Reviewing and providing advice to the Accounting Officer on the corporate governance arrangements of the Department, including the management of risk;
- Considering and providing feedback on the forward plans, progress and findings of both internal and external auditors, including major audit work and fraud; and
- Considering the Department's systems and processes for ensuring data security, at the request of the Accounting Officer.

2.12 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.

3 Management Commentary

3.1 The Department's main achievements in 2007–08 are reported in detail in the Annual Report 2008, which was published on 15 May 2008. The report may also be accessed through the Department's web-site: www.communities.gov.uk. A summary of some of the main issues is outlined in the following paragraphs.

3.2 The work of the Department in 2007-08 was split between six Strategic Priorities and nine Public Service Agreement (PSA) targets, as set out in the HM Treasury spending plans for 2005 – 2008, and across our three efficiency targets. (Note the Department was previously responsible for ten PSA targets, but that responsibility for PSA9 on Gender Equality moved to the new Government Equalities Office in July 2007.) These can be summarised as follows:

SR04 Strategic Priorities	Public Service Agreement targets
Strategic Priority 1 Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	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.
Strategic Priority 2 Promoting the development of English Regions by improving their economic performance so that all are able to reach their full potential.	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 for Business Enterprise and Regulatory Reform (BERR) and HM Treasury). Following the 2007 Machinery of Government changes the REP PSA is now led by BERR. CLG, HMT, DIUS, DWP, and DEFRA all contribute to its delivery along with regional partners.
Strategic Priority 3	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%.

SR04 Strategic Priorities	Public Service Agreement targets
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.	PSA4 – Local Government: By 2008, to improve the effectiveness and efficiency of local government in leading and delivering services to all communities.
Strategic Priority 4 Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	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.
	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.
Strategic Priority 5 Ensuring people have decent places to live by improving the quality and sustainability of local environments & neighbourhoods.	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.
	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)
Strategic Priority 6 Reducing inequalities and building community cohesion.	PSA 10 – Race Equality and Community Cohesion: To reduce race inequality and build community cohesion
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

Strategic Priority 1 – Tackling Disadvantage, and PSA1 (Neighbourhood Renewal)

3.3 The Department and Government as a whole have a long standing commitment to tackle disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.

3.4 The Department manages a number of programmes to tackle disadvantage. These include

- In 2007-08 £525m was made available through the Neighbourhood Renewal Fund to support 86 of England's most deprived Local Authorities. For the future, our ambition is reflected in the development of the new Working Neighbourhoods Fund (WNF). This was launched in a joint initiative with DWP in December 2007 and is worth £1.5bn over three years. It is part of a concerted drive to get people off welfare and into training and work. The fund focuses on the most deprived areas and supports local authorities and their communities in their effort to tackle worklessness and other elements of deprivation.
- The Local Enterprise Growth Initiative programme was worth £100m in 2007-08 with a total of £300m allocated for the three years covered by CSR07. The programme is designed to release the productivity and economic potential of our most deprived local areas.
- The Department contributed £128m to the Safer and Stronger Communities Fund in 2007-08 – a fund which provides additional resources for neighbourhood based initiatives.
- The New Deal for Communities is a key programme in the Government's strategy to tackle multiple deprivation in our most deprived neighbourhoods and £480m is available over the remaining years of the programme to 2010.
- In 2007-08 £1,696m was allocated to 150 top-tier authorities through the Supporting People Programme to fund housing related support. This funding enabled support to more than a million socially excluded or disadvantaged people

3.5 Details of performance on PSA 1 (Neighbourhood Renewal) against key performance indicators are provided in the Annual Report. In brief performance against indicators is 'on course' for Health, Crime, Worklessness, and Housing, 'slippage' on Education and progress is 'ahead' on Liveability. Our overall assessment for PSA1 is 'slippage'.

3.6 Other initiatives during 2007-08 included publication of 'A Review of the Alternative Approaches to Regional Casino-led Regeneration' in February 2008, the Department's response to the Communities and Local Government Committee Report on Coastal Towns and development of a National Strategy for Housing in an Ageing Society.

Strategic Priority 2 – Promoting the Development of English Regions, and PSA 2 (Regional Economic Performance)

3.7 The Department aims to create vibrant, diverse and attractive places with strong local economies where people want to live and work. We contributed £1.6bn to the Regional Development Authorities (RDAs) in 2007-08, about 70% of their programme funding for business innovation, encouraging enterprise, building the skills base and regenerating town centres and communities.

3.8 The European Regional Development Fund provided grants for economic development and regeneration activity across England. The grants programme was managed by the Government Office network and the 2000-2006 programme will, by its closure at the end of December 2008, have spent around €5.18bn in England and helped fund almost 6,800 projects.

3.9 There are two performance indicators for PSA2 on Regional Economic Performance. We have set out our performance in the Annual Report. In brief we have reported 'slippage' on Improving trend rate of Gross Value Added in all regions and 'on course' on Closing the gap between regions. Our overall assessment against this PSA is 'slippage'.

3.10 The Department for Business, Enterprise and Regulatory Reform has lead responsibility for the regional economic performance PSA (now PSA7) in the CSR07 period. However the Department continues to be a delivery partner for PSA7 and will make a significant contribution to supporting regional economic performance including by, amongst other things, acting as overall managing, certifying and audit authority for the 2007-13 round of ERDF which is worth about €3.2bn in England.

Strategic Priority 3 – Better Local Services, and PSAs 3 (Fire and Rescue Service) and 4 (Local Government)

3.11 The Government considers that improving local services is at the heart of the its commitment to greater devolution as a basis for more effective decision making. Good progress has been made during 2007-08 in delivering the 2006 local government white paper 'Strong and Prosperous Communities'.

3.12 Councils throughout England continued to significantly improve their overall performance in 2007-08, the third year in which councils have faced the "harder test" of the CPA framework. For the second year running, no single tier or county council achieved a 0* rating. Most councils not only achieved a high standard in administration but were also judged to be improving their services. Furthermore local government is expected to have delivered more than £8.2bn efficiency gains over the period 2004-05 to 2007-08, well ahead of the target of £6.45bn.

3.13 The spending plans for local government over the next three years (2008-09 to 2010-11) were set out in CSR07. During 2007-08 the Department introduced the first three year settlement for local government so providing stability in funding for the period.

3.14 Details of performance indicators for PSA target 4 'Local government' are given in the Annual Report. There are six component targets, two are assessed as 'ahead', three as 'on course' and one is not yet assessed. Our overall assessment of PSA4 is 'on course'.

3.15 The Fire and Rescue Service (FRS) has played a key role in delivering the lowest level of accidental fire deaths since 1959. The FRS also contributes significantly to the wider community, working with partners to tackle issues as diverse as youth crime, the safety of vulnerable younger and old people, smoking, poor quality housing, drug and alcohol abuse and reducing road accidents.

3.16 The Department has invested significantly in the Fire and Resilience Programme to provide the FRS with the resilience needed to meet the challenges of an increased terrorist threat and the risks posed by major incidents such as last year's flooding. The programme comprised New Dimension to provide equipment and training, Firelink to provide a single digital wide-area radio system and FiReControl to create a network of nine integrated and fully networked Regional Control Centres.

3.17 Details of performance against the indicators for PSA target 3 (Fire and Rescue Services) are given in the Annual Report. There is one main target covering a reduction of accidental fire-related deaths in the home, this is assessed as 'on course'. There are also two sub-targets, one of which is assessed as 'slippage' and the other as 'ahead'. Our overall assessment is 'slippage'.

Strategic Priority 4 – Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment, and PSAs 5 (Housing Supply) and 6 (Planning)

3.18 Homes are the building blocks of our communities. The Housing green paper: 'Homes for the Future: More Affordable, More Sustainable' published by the Department in July 2007, set out the progress that has been made on housing over the last 10 years, the housing challenges and the government's plans to address those challenges. And a responsive, efficient planning system is crucial to the delivery of the homes and communities to be provided.

3.19 Latest figures show overall housing supply in England has risen to 199,200 net additions to the housing stock in 2006-07, up from a low point of around 130,000 in 2001-02.

3.20 There are four growth areas for new housing including the Thames Gateway, which is the largest. Between 2006 and 2008 about £400m has been allocated in the three newer growth areas for capacity building and infrastructure. Between 2005 and 2008, £460m was invested by this

Department for regeneration and provision of infrastructure in the Thames Gateway. £200m has been allocated across all growth areas for transport via the Community Infrastructure Fund which is administered jointly with the Department for Transport.

3.21 The Thames Gateway Delivery Plan, launched by the Prime Minister in November 2007, builds on the vision set out in the Interim Plan in 2006 of the Gateway as a great place to invest, to live, to work and to visit.

3.22 In addition to the growth areas 29 local authorities and partnerships have been named as growth points and this programme is being extended with locations to be added during mid 2008. In July 2007 local authorities and developers were invited to propose locations for eco-towns which are exemplar green developments of 5,000 to 20,000 homes. A consultation process was launched in April 2008 to identify the proposed locations.

3.23 The Department announced in January 2008 that the new Homes and Community Agency will take over the Department's housing and regeneration delivery functions.

3.24 Good progress has also been made with affordable housing with about 24,000 low income households being helped into home ownership in 2007-08. The Housing green paper sets out the Government's commitment to deliver at least 70,000 affordable houses a year by 2010-11.

3.25 The Housing Market Renewal programme has continued to address the consequences of low demand for housing in parts of the North and Midlands. The Government has invested £1.2bn between 2002-08 with a further £1.038bn committed to the programme over the period 2008-11.

3.26 Planning is fundamental to the delivery of housing and to the government's wider objectives for sustainable development. The Department's white paper – 'Planning for a Sustainable Future' – was published in May 2007 and brought forward a range of proposals to further improve the planning system and process Key components have been progressing through the Planning Bill, introduced in November 2007.

3.27 Details of performance indicators for PSA target 5 (Housing Supply) and PSA target 6 (Planning) are given in the Annual Report. For PSA 5 there are three broad performance indicators, two of which are assessed as 'on course' and one as 'ahead'. Our overall assessment for PSA 5 is 'on course'. For PSA 6 there are eight indicators, three are assessed as 'on course', one 'met', one 'slippage' and three 'not met'. Our overall assessment of PSA6 is 'not met'.

Strategic Priority 5 – Decent Homes and Neighbourhoods, and PSAs 7 (Decent Homes) and 8 (Liveability)

3.28 The Government believes that everyone deserves a decent home at a price they can afford, clean safe and green communities are equally important.

3.29 The Department's Decent Homes programme is the main mechanism for delivering improvements to the social housing stock and £3.4bn is being made available over the period 2006-07 to 2009-10 along with £1.8bn in Private Finance Initiative credits. The Department's Cleaner, Safer, Greener Communities Programme has lead work to improve the quality of local neighbourhoods which is integral to creating communities where people want to live.

3.30 The Housing green paper was accompanied by our 'Building a Greener Future' policy statement setting a timetable for all new homes to be zero carbon from 2016. In December 2007 the Department published the Planning Policy Statement: 'Planning and Climate Change' which sets out the role of local and regional planning in supporting low carbon and zero carbon development.

3.31 Details of performance indicators for PSA 7 (Decent Homes) and PSA 8 (Liveability) are given in the Annual Report. For PSA 7 there are two performance indicators, one is assessed as 'ahead' and one as 'slippage'. Our overall assessment of PSA7 is 'slippage'. For PSA 8 there are seven indicators, two of which are assessed as 'ahead', two as 'on course', two as 'slippage' and one as 'not met'. Our overall assessment of PSA8 is slippage.

Strategic Priority 6 – Reducing inequalities and Building Community Cohesion, and PSA 10 (Race Equality and Community Cohesion)

3.32 In the Machinery of Government changes in July 2007 many of the Department's previous responsibilities for equalities relating to gender equality and equalities legislation, including race, were passed to the new Government Equalities Office. Responsibility for sponsorship of the new Equalities and Human Rights Commission was also transferred. However the Department retains a central role in reducing inequalities and building community cohesion with strong links to other areas of the Department's business including new approaches to community engagement and empowerment.

3.33 'Improving Opportunity, Strengthening Society' is the Government's strategy to increase race equality and build community cohesion and the second annual report was published in August 2007. It shows that sound progress is being made and a study aimed at better understanding the drivers of black and Asian peoples perception of racial discrimination in public services was published in January 2008.

3.34 Much of the Department's work on community cohesion has focussed on support to the Commission on Integration and Cohesion and taking forward the government's response to their recommendations. The Commission delivered its report 'Our Shared Future' in June 2007 and the government's formal response was published in February 2008.

3.35 The Department leads the community based response to violent extremism and key to this is making the agenda a key part of local authority business. In April 2007 the Department announced a new £6m Pathfinder fund to support local authorities work to understand and engage with their communities.

3.36 Details of performance indicators for PSA target 10 (Race Equality and Community Cohesion) are given in the Annual Report. There are three performance indicators, one is assessed as 'on course', one as 'slippage' and one as 'not met'. Responsibility for PSA target 9 was passed to the new Government Equalities Office in July 2007.

Efficiencies

3.37 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.

3.38 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.

3.39 We have reported £1,128 million efficiency gains as at 31 March 2008, of which £610 million is cash-releasing. All workstreams have established appropriate performance quality measures to demonstrate that efficiencies have not affected the quality of service delivery. 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 2007 have been validated as part of these reviews.

3.40 We have reported a workforce reduction of 999 Full Time Equivalent staff (against June 2004 baseline) in CLG and Government Offices as at 31 March 2008. This reflects the progress made on civil service workforce reductions in the Department, Government Offices and in our NDPBs and Agencies. We do not expect to report any further significant reduction in workforce as part of the SR04 programme.

3.41 There has been a relocation of 205 posts as at 31 March 2008. On current plans we expect to meet our target to relocate 240 posts out of London and the South East by 2010.

The Future

3.42 This Government is committed to making high quality places where people want to live, work and raise families. This Department is at the heart of making that happen. Through our work on local government reform, we are strengthening and empowering authorities to lead local delivery of solutions to national and international challenges. Alongside that, we are empowering and equipping our citizens to play an active role in determining and achieving those priorities. Through our housing, planning and regeneration roles, we are shaping places where people want to live, work and raise families, and we are supporting communities to be cohesive and resilient to extremism and to adverse events. Through all our policy responses, and in the way we behave as an employer, we are also committed to supporting people so that, regardless of their race, disability or gender, they are able to fulfil their potential.

3.43 We are the lead Department for two of the Government's priorities:

- PSA 20 – To increase long term housing supply and affordability; and
- PSA 21 – To build more cohesive, empowered and active communities.

The Department also makes a major contribution to delivering other key priorities – including, through our work to support regional economic performance (PSA 7), to support socially excluded adults (PSA 16), to ensure a lasting Olympic legacy through regenerating East London (PSA 22), and the contribution of our Preventing Violent Extremism work to reducing the risk from international terrorism (PSA 26). In addition, through our oversight of the local government system, we help to make sure national priorities are translated into local delivery on the ground.

3.44 As a result of CSR07 the Department has set and published new Departmental Strategic Objectives (DSOs). The new objectives, which apply from 1 April 2008 onwards, are:

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

3.45 These DSOs will provide the basis for the Department to measure and report our performance to Parliament and the public. The detailed indicators for our DSOs were published in the Annual Report.

3.46 The Department's current allocations under CSR07 are as follows:

Main Departmental Spending Programmes			
			£million
	2008-09 Plans	**2009-10 Plans**	**2010-11 Plans**
Total Departmental Spending			
Supporting local government	23.8	25.8	25.3

Improving the supply and quality of housing	7,014.7	5,788.6	6,154.7
Building prosperous communities, promoting regeneration and tackling deprivation	2,501.5	2,413.0	2,231.7
Developing communities that are cohesive, active and resilient to extremism	41.4	64.0	81.8
Providing a more efficient, effective and transparent planning system	186.2	251.6	340.6
Ensuring safer communities by providing the framework to prevent and respond to emergencies	478.3	530.6	485.0
Central and Government Office Administration	329.1	313.6	312.2
Local and Regional Government	25,255.5	26,161.3	26,948.3
Other	692.1	2,389.2	2,397.5
Total Departmental Spending	**36,522.3**	**37,937.8**	**38,977.1**
of which:			
Resource DEL	29,032.1	30,066.0	31,010.7
Capital DEL	7,062.1	7,444.1	7,617.1
Total DEL	36,094.2	37,510.1	38,627.8
Total AME	537.1	541.5	482.3

Note: Total Departmental Spending is the sum of the resource budget and capital budget less depreciation.

Investment and Funding

3.47 The Department is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds. The Department then drew down funds in year from the Consolidated Fund as required.

3.48 Within the Supply Estimates the Department had two Requests for Resources (RfR) for 2007-08: 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 33 of the Accounts, shows Outturn figures against Estimates for RfRs 1 and 2.

3.49 The Cash Flow Statement, set out on Page 37, analyses the net cash flow from operating activities, identifies cash spent by the Department on capital expenditure and investment and shows the funding that the Department drew down from the Consolidated Fund in order to finance its activities during the year.

3.50 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.

2007-08 Outturn against Estimate

3.51 The Statement of Parliamentary Supply shows that there was a total underspend of £722 million (across RfR1 and 2), which was 2.1% on a budget of £35.1 billion (£520 million versus 1.5% on a budget of £34 billion in 2006-07). 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 47 and 48.

3.52 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:

	2007-08
	£000
Net Resource Requirement	34,365,542
Adjustments to additionally include:	
Non-voted expenditure on the Operating Cost Statement (OCS)	899
Consolidated Fund Extra Receipts in the OCS	(1,294,249)
Excess Appropriations in Aid	261
Net Operating Costs (Accounts)	33,072,453
Adjustments to remove:	
Capital grants to Local Authorities	(1,536,211)
Voted expenditure outside the budget	26,413
Adjustments to additionally include:	
Resource consumption of Non Departmental Public Bodies	(3,020,891)
Other Consolidated Fund Extra Receipts	671,805
Other adjustments	(1,142,106)
Resource Budget	28,071,463
Of which	
Departmental Expenditure Limit (DEL)	26,952,438
Annually Managed Expenditure (AME)	1,119,025

Going Concern

3.53 The Balance Sheet at 31 March 2008 shows negative Taxpayers' Equity of £1,593m. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be from grants of Supply, approved annually by Parliament, to meet the Department's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund, other than is required for the service of the specified year, or retained in excess of that need. All unspent monies, including those derived from the Department's income, are to be surrendered to the Fund.

3.54 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 2008-09 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

3.55 The Department's policy is to pay all undisputed invoices within 30 days of receipt, or within the contractual terms if less, in line with the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 1997/571. Our target is not to let prompt payment performance drop below 98%. Performance in 2007-08 showed that 92.94% (2006-07: 95.37%) of invoices were paid on time. In December 2007 invoice processing was centralised so as to improve efficiency and, over the longer term, to secure improvements in service delivery. This has highlighted compliance issues in our process, and has led to an initial deterioration in performance, reflecting a more transparent and rigorous process, which is now recovering. Further improvements, including automated invoice matching and targeting recurring problem areas, are planned.

Financial Organisation of the Department

3.56 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.

3.57 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 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 Machinery of Government changes in July 2007.

3.58 During the year the Department enhanced its arrangements to secure better financial management, key examples of which are shown below:

- 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 Heads of Finance to lead them;
- Improving financial skills of staff through targeted training and guidance and encouraging them to acquire professional qualifications;

- Improvements to the Investment Board processes to scrutinise and challenge major projects and programmes, and
- Delivery through Programme Boards to provide strategic oversight and assurance to the Board and Ministers.

3.59 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

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

Auditors

3.61 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 £405k (£400k in 2006-07).

3.62 The National Audit Office also performed other statutory audit work including Value for Money work and other reports to management at no cost to the Department.

3.63 So far as the Accounting Officers are aware, there is no relevant audit information of which the External Auditors are unaware.

3.64 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

3.65 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:

- Publication of our Building A Greener Future policy statement, setting a timetable for all new homes to be zero carbon from 2016;
- Announcement, as part of Budget 2008, of Government's ambition for all new non-domestic buildings to be zero carbon from 2019 (with consultation on the timeline and its feasibility);
- Publication of the Planning Policy Statement: Planning and Climate Change, which sets out a clear and challenging role for regional and local planning in supporting low carbon and zero carbon development;
- Announcement that, with effect from May 2008, it will be mandatory for new homes to be rated against the Code for Sustainable Homes;
- Consultation on using building regulations to require improvements in the water efficiency of new homes and subsequent announcement that we will introduce a new requirement of 125 litres per person per day from April 2009;
- Introduction of Energy Performance Certificates (EPCs) for dwellings as part of the roll-out of Home Information Packs.
- Publication of the new National Indicator Set, as part of the new local government performance framework, including indicators providing a broad overview of some of the most pressing environmental concerns, including climate change.
- Publication of Sustainable Operations Policy, with particular focus on reducing carbon emissions of operations and procurement

- Recertified the Department's Environmental Management System to ISO14001:2004
- Rated 2nd out of twenty-one other departments in the Sustainable Development Commission's 2007 Sustainable Development in Government (SDiG) Report
- Extended coverage of government estate sustainability targets to 100% of executive agencies and three largest NDPBs
- Upgraded Eland House Building Energy Management Systems (BEMS) to improve energy efficiency
- Successful lodgement of an EPC for Eland House
- Promotion of Departmental Sustainably focused Procurement guidance (addressing environmental, social and economic issues), to the Department and its devolved Bodies (ie. Agencies and NDPB's) via training and networking etc.
- Actively seeking and promoting other 'case studies' of sustainable procurement best practice.

Equality and Diversity

3.66 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.

3.67 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.

3.68 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.

3.69 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.

3.70 Workshops on dignity and respect in the workplace were rolled out to all staff.

3.71 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.

3.72 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

3.73 The Department's key priorities in 2007-08 included improving individual skills in using evidence to develop policies and strategies, working more effectively with ministers, better programme and project management, and coaching skills to drive improved performance. We remain committed to creating a positive working environment where colleagues treat each other with dignity and respect and feel safe to speak up. Staff survey results show improvements in the numbers who say they would report problems and increased confidence that action would be taken. We are placing greater emphasis on induction training, particularly at senior levels, to ensure clarity about what we do and the values and behaviours that we need to demonstrate.

3.74 The Department is always looking to strengthen the way in which we manage the performance of our people. This year, we have introduced a range of learning and development options including workshops aimed at improving the skills needed for effective performance management. Our HR

Business Partners have worked with Directors to focus on colleagues who need support to improve their contribution and through our Prime Objective we have continued to foster a coaching and mentor. Our staff have access to counselling and support services and Trade Union membership and representation. There is also a formal industrial relations mechanism facilitating communications between management and the trade unions representing staff.

3.75 The Transformation Team initiated a wide-ranging debate within the Department on what our values should be. During December 2007, randomly invited staff of all grades joined focus groups to help shape a set of Departmental values, and behaviours to underpin them. This consultation continued throughout January and February 2008 via divisions, staff networks and staff away days. Altogether, more than half the staff in the Department talked about what mattered most about how we work together and the kind of themes that should be reflected in our values.

3.76 The Department has now developed values that incorporate support, openness, professionalism, and the freedom and confidence to speak up and be heard. The chosen values are:

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

Occupational Health & Safety Report

3.77 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.

3.78 A Health and Safety policy for the Department was issued on 12th June 2006.

3.79 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. The Department has introduced twice yearly Health and Safety forums for all staff involved in Health and Safety matters, including staff from HQ areas, the Agencies and Government Office Network.

3.80 During the year there have been two accidents involving staff that are reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. In total 35 accidents, one to a contractor and one to a visitor and four near misses were reported during the year.

4 Remuneration Report

Remuneration Policy

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

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

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

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

Service Contracts

4.4 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.

4.5 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

The information in the following paragraphs in this section has been subject to audit.

Salary and Pension Entitlements

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

Remuneration

Ministers	**2007-08**		**2006-07**	
	Salary £	**Benefit -in-Kind (to nearest £100)**	**Salary** £	**Benefit -in-Kind (to nearest £100)**
The Rt. Hon Hazel Blears MP	58,105[1]	-	-	-
The Rt Hon Caroline Flint MP	6,649[2]	-	-	-
John Healey MP	30,031[3]	-	-	-
Parmjit Dhanda MP	22,794[4]	-	-	-
Iain Wright MP	-[5]		-	
Baroness Kay Andrews OBE	109,339	-	91,613	-
The Rt. Hon Ruth Kelly MP	19,226[6]	-	63,407[11]	-
Yvette Cooper MP	33,244[7]	-	39,405	-
Phil Woolas MP	13,298[8]	-	39,405	-
Meg Munn MP	10,093[9]	-	42,004[12]	-
Angela Smith MP	14,972[10]	-	24,965[13]	-
Jim Fitzpatrick MP	-	-	4,915[14]	-
The Rt Hon David Miliband MP	-	-	12,484[15]	-

2007-08

1. Figure quoted is for the period 28 June 2007 to 31 March 2008. The full year equivalent is £76,904
2. Figure quoted is for the period 21 January 2008 to 31 March 2008. The full year equivalent is £39,893
3. Figure quoted is for the period 29 June 2007 to 31 March 2008. The full year equivalent is £39,893
4. Figure quoted is for the period 29 June 2007 to 31 March 2008. The full year equivalent is £30,280

5. Iain Wright MP is unpaid for his Ministerial duties.
6. Figure quoted is for the period 1 April 2007 to 28 June 2007. The full year equivalent is £76,904
7. Figure quoted is for the period 1 April 2007 to 24 January 2008. The full year equivalent is £39,893
8. Figure quoted is for the period 1 April 2007 to 28 June 2007. The full year equivalent is £39,893
9. Figure quoted is for the period 1 April 2007 to 28 June 2007. The full year equivalent is £30,280.
10. Figure quoted is for the period 1 April 2007 to 28 June 2007 and includes severance pay. The full year equivalent is £30,280.

As noted in 4.8, the salary for the Minister in the House of Lords was paid in full by the Department.

2006-07

11. Figure quoted is for the period 5 May 2006 to 31 March 2007. The full year equivalent is £75,963
12. Figure 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
13. Figure quoted is for the period 5 May 2006 to 31 March 2007. The full year equivalent is £29,909
14. Figure quoted is for the period 1 April 2006 to 4 May 2006. The full year equivalent is £29,909
15. Figure quoted is for the period 1 April 2006 to 4 May 2006. The full year equivalent is £75,963

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

Officials	**2007-08**		**2006-07**	
	Salary £000	**Benefit -in-Kind (to nearest £100)**	**Salary** £000	**Benefit -in-Kind (to nearest £100)**
Peter Housden *Permanent Secretary*	190-195	1,200	170-175	1,600
Joe Montgomery *Director General*	145-150	-	140-145	-
Richard McCarthy *Director General*	185-190	-	185-190	-
Chris Wormald *Director General*	130-135	-	30-35[3]	-
Susan Scholefield *Director General*	130-135	-	20-25[4]	-
Hunada Nouss *Director General*	150-155	-	70-75[5]	-
Mike Falvey *Director General* (From 1 March 2008)	105-110[1]	-		-
Christina Bienkowska *Director*	110-115	-	105-110	-
Alun Evans *Director General* (To 14 September 2007)	60-65[2]	-	120-125	-
Neil Kingham			135-140	-
Peter Unwin			110-115	-
Clare Tyler			40-45	-

2007-08

1 Figure quoted is for the period 10 September 2007 to 31 March 2008. The full year equivalent is in the range £150k - 155k

2. Figure quoted is for the period 1 April to 14 September 2007. The full year equivalent is in the range £125k- £130k.

2006-07

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

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

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

Details of Benefits-in-Kind are explained in paragraph 4.9

Salary

4.7 Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

4.8 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 (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in Kind

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

Pension Benefits

Ministers	Real increase in pension £	Pension at End Date 31/03/08 £	CETV at start date 31/03/07 £	CETV at 31/03/08 £	Ministers' contributions and transfers in £	Real increase in CETV funded by employer £
The Rt Hon Hazel Blears MP	926	5,358	42,865	53,338	3,880	5,338
The Rt Hon Caroline Flint MP	179	4,127	32,725	34,427	741	748
John Healey MP	700	5,927	45,913	54,767	3,008	3,464
Parmjit Dhanda MP	555	2,093	9,577	13,560	2,283	1,314
Iain Wright MP[1]	-	-	-	-	-	-
Baroness Kay Andrews OBE	1,462	25,134	287,130	330,095	7,099	12,109

The Rt. Hon Ruth Kelly MP	286	6,162	39,467	43,180	1,255	751
Phil Woolas MP	224	4,844	41,365	43,798	981	1,048
Yvette Cooper MP	739	6,643	38,782	45,055	3,248	1,765
Meg Munn MP	180	863	6,001	7,662	745	857
Angela Smith MP	165	4,330	37,519	39,384	736	762

[1] Iain Wright is unpaid so no disclosure is required.

Ministerial Pensions

4.10 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).

4.11 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.

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 or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

Cash Equivalent Transfer Value (CETV)

4.12 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The Real Increase in the Value of the CETV

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

Officials	Accrued pension at pension age at 31/03/08 £000	Real increase in Pension at pension age £000	CETV at 31/03/08 £000	CETV at 31/03/07 £000	Real increase in CETV during the year £000
Peter Housden	70-75 plus	0-2.5 plus	1,778	1,557	16

	220-225 lump sum	0-2.5 lump sum			
Joe Montgomery	5-10 plus 25-30 lump sum	0-2.5 plus 2.5-5 lump sum	173	129	23
Richard McCarthy	20-25 plus nil lump sum	0-2.5 plus nil lump sum	366	291	26
Chris Wormald	25-30 plus nil lump sum	5-7.5 plus nil lump sum	350	232	70
Susan Scholefield	45-50 plus 145-150 lump sum	10-12.5 plus 30-35 lump sum	991	684	198
Hunada Nouss	0-5 plus nil lump sum	0-2.5 plus nil lump sum	48	15	27
Alun Evans	35-40 plus 105-110 lump sum	2.5-5 plus 7.5-10 lump sum	568	608	57
Christina Bienkowska	40-45 plus 130-135 lump sum	0-2.5 plus 2.5-5 lump sum	913	771	29
Mike Falvey	0-2.5 plus nil lump sum	0-2.5 plus Nil lump sum	21	-	18

Civil Service Pensions

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

4.15 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

4.16 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up

to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

4.17 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service Pension arrangements can be found on the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Value

4.18 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The Real Increase in the Value of the CETV

4.19 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.

5 Personal Data Related Incidents

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2007-08

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
	Communities and Local Government have had no data incidents which need to be reported			
Further action on information risk	Communities and Local Government and its Agencies and NDPBS manage a range of data which relates to staff and citizens. Most of the data relating to citizens does not allow us to identify individual citizens and is used to support policy analysis and review. We have procedures and processes to protect our information and to ensure that it is not used for purposes that it was not collected for. We have contributed fully to the Cabinet Office Review into Data Handling and are working towards further strengthening our procedures and ensuring compliance with our processes. We have not had to report any losses of personal information to either the Information Commissioner or to the Cabinet Office review this year.			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2007-08

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

TABLE 3: YEAR-ON-YEAR TOTAL NUMBERS OF PROTECTED PERSONAL DATA RELATED INCIDENTS PRIOR TO 2007-08

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number

	I	II	III	IV	V	Total
2006-07						nil
2005-06						nil

Total number of other protected personal data related incidents, by category number

	I	II	III	IV	V	Total
2006-07						nil
2005-06						nil

Peter Housden **16 July 2008**
Principal Accounting Officer
Department for Communities and Local Government

Statement of Accounting Officer's Responsibilities

1. Under Section 5 of the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, in conformity with a HM 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 the objectives, recognised gains and losses and cash flows for the financial year.
3. In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
   - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
   - make judgements and estimates on a reasonable basis;
   - state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
   - prepare the accounts on an ongoing basis.
4. HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department. In addition, HM Treasury has appointed Chris Wormold as 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. The Accounting Officer has also appointed Joe Montgomery as additional Accounting Officer for the Government Offices.
5. The allocation of Accounting Officer responsibilities in the Department was as follows

Principal Accounting Officer:	Peter Housden, Permanent Secretary
Additional Accounting Officers for RfR2:	Chris Wormald
Additional Accounting Officer for the Government Offices:	Joe Montgomery

6. The responsibilities of an Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money. Under the terms of the Accounting Officers' Memorandum, the relationship between the Department's Principal and additional Accounting Officers, together with their respective responsibilities, is set out in writing.

Statement on Internal Control

Scope of responsibility

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

I delegate authority for the management and accountability of resources to my Directors-General, including budget provision for the year ahead, programme near cash, non cash and capital budgets, and administration allocations. Directors-General sub-delegate this authority to their Directors and Deputy Directors. I require all submissions to Ministers which have financial implications to be cleared with Finance Directorate and Heads of Finance who support Directors-General.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Communities and Local Government for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk is identified, assessed, managed and reviewed within the department to ensure the efficient, effective and economical delivery of the objectives, targets and business.

Over the past year, the Department has strengthened its corporate governance and risk management process. The Delivery Sub Committee of the Board provides additional scrutiny, focussed specifically on the effective management of risk across our key programmes.

The introduction of Programme Boards to manage our business across the Department has strengthened our capacity to handle risk with nominated Senior Responsible Officers accountable for the effective management and escalations of risks within their programmes.

The risk and control framework

During 2007-08 risk processes and assurance were applied as follows:

- The departmental Board reviewed the critical risks to departmental business and the actions being taken to mitigate them on a monthly basis through the Board risk register.
- The Audit & Risk Committee under the independent chairmanship of a Non-Executive Member of the Board reviewed and endorsed the approach to risk management and corporate governance across the Department.
- The key Programme Boards across the Department regularly review their risks and escalate strategic and cross cutting risks to the departmental Board through monthly reports.
- The Delivery Sub Committee of the Board provides scrutiny of the highest risk programmes, focussing its time on assuring that the key risks are being effectively managed.
- Directors and heads of unit within the Department reported how they were managing risk through their Statement on Internal Control returns provided to me at mid-year and at the end of the financial year.

- The Chief Executives of the Executive Agency and of our Trading Funds provided draft Statements on Internal Control to me at mid-year and end-year, which outlined how they were managing risk.

The Department has invested in a significant training programme to build the skills of staff in managing Programmes and Projects. This training has a specific focus on risk management as part of our ongoing commitment to continue to strengthen risk management across the Department.

The Department has reviewed and reinforced its data security measures. No data security issues of concern have been identified. By reviewing data held and processes in place, the Department has ensured that it is compliant with the recently announced minimum requirements for personal data handling and in certain areas has chosen to apply additional measures (e.g. code of conduct, increased communications). By increasing general communication and setting up a group to regularly review personal data handling processes and risk management, we have also increased assurance that the departmental family is aware of its obligations and that best practice is shared to further manage this risk

Review of effectiveness

As 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 is informed by the work of the internal auditors and the executive 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 letter and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I require all Directors and heads of unit within the Department to complete a return at mid-year and end-year providing a self-assessment of how well they have managed their corporate responsibilities. This encompasses; (a) strategy, planning, monitoring and review, (b) risk management, (c) relationship with Agencies, Non-Departmental Public Bodies and Government Offices for the Regions, (d) system of financial management and control, and (e) other management responsibilities. All returns must be counter-signed by relevant Directors-General.

An analysis of returns and draft Statements on Internal Control provided is presented to the Audit & Risk Committee. At mid-year, the Committee recommends any actions necessary to address any significant internal control concerns. At end-year, the Committee advises me whether I have the necessary level of assurance from senior colleagues in order to sign this Statement on Internal Control.

No significant internal control issues were identified.

Peter Housden **16 July 2008**
Principal Accounting Officer
Department for Communities and Local Government

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

I certify that I have audited the financial statements of the Department for Communities and Local Government for the year ended 31 March 2008 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 Cash Flow Statement and the Statement of Net 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, the information which comprises the Annual Review and Management Commentary, included in the Annual 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. This other information comprises the unaudited part of the Remuneration Report. 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

- 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 2008, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to objectives, recognised gains and losses and cash flows 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 which comprises the Annual Review and Management Commentary, included within the Annual Report, is consistent with the financial statements.

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.

T J Burr

Comptroller and Auditor General

National Audit Office

151 Buckingham Palace Road

Victoria

London

SWIW 9SS

Date: 17 July 2008

Statement of Parliamentary Supply

for the year ended 31 March 2008

Summary of Resource Outturn 2007-08

		Estimate			Outturn			2007-08 £000	2006-07 Restated £000 Outturn
Request for Resources	Note	**Gross Expenditure**	**A-in-A**	**Net Total**	**Gross Expenditure**	**A-in-A**	**Net Total**	**Net Total outturn compared with Estimate: saving/ (excess)**	Net Total
RFR 1	2	12,614,946	(1,341,587)	11,273,359	12,102,779	(1,276,274)	10,826,505	446,854	9,260,558
RFR 2	2	23,852,323	(38,165)	23,814,158	23,570,235	(31,198)	23,539,037	275,121	23,725,508
Total resources	2, 3	36,467,269	(1,379,752)	35,087,517	35,673,014	(1,307,472)	34,365,542	721,975	32,986,066
Non-operating cost A-in-A	4						(290)	290	(2,133)

Net cash requirement 2007-08

		2007-08 £000			2006-07 Restated £000
	Note	**Estimate**	**Outturn**	**Net Total outturn compared with estimate: saving/ (excess)**	Outturn
Net cash requirement	4	35,429,552	33,432,183	1,997,369	32,857,435

Summary of the 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)

		Forecast 2007-08 £000		Outturn 2007-08 £000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	5	1,308,218	*1,308,218*	1,295,316	*1,440,644*

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

The Notes on pages 39 to 75 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2008

							2007-08 £000		2006-07 Restated £000
		Core Department					Consolidated	Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs:									
Staff Costs	8	193,091			193,091			204,531	204,531
Other administration costs	9		136,526			136,526		150,055	150,055
Operating income	11			(48,479)			(48,479)	(53,127)	(53,127)
Programme Costs									
Request for resources 1									
Staff costs	8	28,059			63,962			17,464	52,498
Programme costs	10		12,296,615			12,314,647		10,019,654	10,042,756
Income	11			(3,112,866)			(3,120,714)	(2,434,706)	(2,442,756)
Dividend Receivable	11			(5,230)			(5,230)	(6,243)	(6,243)
Interest Receivable	11			(466)			(466)	(461)	(461)
Interest Payable	10		78			78		64	64
Request for Resources 2									
Programme costs	10		23,570,236			23,570,236		23,725,515	23,725,515
Income	11			(31,198)			(31,198)	(6)	(6)
Totals		221,150	36,003,455	(3,198,239)	257,053	36,021,487	(3,206,087)	31,622,740	31,672,826
Net Operating Costs	3, 12			33,026,366			33,072,453	31,622,740	31,672,826

The Notes on pages 39 to 75 form part of these accounts.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

		2007-08 £000		2006-07 Restated £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Net gain/(loss) on revaluation of tangible fixed assets	13	525	531	710	710
Net gain/(loss) on revaluation of investments	15	(1,029)	(1,029)	-	-
Recognised gains and losses for the financial year		(504)	(498)	710	710

The Notes on pages 39 to 75 form part of these accounts.

Balance Sheet

as at 31 March 2008

	Note	2008 £000 Core Department	2008 £000 Consolidated	2007 Restated £000 Core Department	2007 Restated £000 Consolidated
Fixed Assets					
Tangible assets	13	182,812	187,290	164,849	171,662
Intangible assets	14	969	969	1,439	1,439
Investments	15	44,798	44,798	45,859	45,859
Debtors falling due after more than one year	17	-	35	-	41
Current assets:					
Stocks	16	28,489	28,489	-	-
Debtors	17	816,743	822,399	814,681	820,708
Cash at bank and in hand	18	338,865	338,865	185,610	185,610
		1,184,097	1,189,753	1,000,291	1,006,318
Creditors (amounts falling due within one year)	19	(2,558,652)	(2,562,133)	(1,559,788)	(1,563,352)
Net current assets		(1,374,555)	(1,372,380)	(559,497)	(557,034)
Total assets less current liabilities		(1,145,976)	(1,139,288)	(347,350)	(338,033)
Creditors (amounts falling due after more than one year)	19	(346,972)	(346,972)	(263,045)	(263,045)
Provisions for liabilities and charges	20	(105,861)	(107,201)	(30,263)	(33,022)
Total		(1,598,809)	(1,593,461)	(640,658)	(634,100)
Taxpayers' equity:					
General fund	21	(1,603,985)	(1,598,637)	(645,482)	(638,924)
Revaluation reserve	22	5,176	5,176	4,824	4,824
Total		(1,598,809)	(1,593,461)	(640,658)	(634,100)

Peter Housden **16 July 2008**
Principal Accounting Officer
Department for Communities and Local Government

The Notes on pages 39 to 75 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2008

	Note	2007-08 £000	2006-07 Restated £000
Net cash outflow from operating activities	23a	(32,006,415)	(31,445,960)
Capital expenditure and financial investment	23b	(40,295)	(29,280)
Receipts paid to the Consolidated Fund which are outside the scope of the Department's activities	23e	(54,112)	-
Payments of amounts due to the Consolidated Fund		(1,381,039)	(1,429,766)
Financing	23d	33,635,116	33,124,123
Increase/(decrease) in cash in the period		153,255	219,117

The Notes on pages 39 to 75 form part of these accounts.

Net Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

			2007-08 £000			2006-07 Restated £000
	Gross	Income	Net	Gross	Income	Net
Aim						
Objective 1	4,210,509	(1,087,789)	3,122,720	2,836,093	(461,774)	2,374,319
Objective 2	2,419,112	(642,506)	1,776,606	2,400,822	(582,669)	1,818,153
Objective 3	340,253	(12,112)	328,141	302,824	(12,932)	289,892
Objective 4	3,599,499	(17,660)	3,581,839	3,401,877	(19,114)	3,382,763
Objective 5	2,111,352	(1,408,244)	703,108	1,450,032	(1,419,635)	30,397
Objective 6	27,580	(6,576)	21,004	58,260	(6,467)	51,793
Total Resources	12,708,305	(3,174,887)	9,533,418	10,449,908	(2,502,591)	7,947,317
Local Government Support (Aggregate External Finance - *AEF)	23,570,235	(31,200)	23,539,035	23,725,515	(6)	23,725,509
Net operating costs	36,278,540	(3,206,087)	33,072,453	34,175,423	(2,502,597)	31,672,826

*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 were as follows:

The Department's objectives follow the Strategic Priorities, in section 3. The objectives were as follows:

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.

Included in the above figures is expenditure of £27,053k (£29,487k in 2006-07) and income of £19,787k (£20,113k in 2006-07) 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 39 to 75 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement of accounting policies

1.1 General

1.1.1 These financial statements have been prepared in accordance with the 2007–08 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.

1.1.2 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 Net Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

1.1.3 Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for 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.

1.2 Accounting convention

1.2.1 These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and stocks.

1.2.2 These accounts comprise a consolidation of the non-agency parts of the department including its non-executive NDPBs accounted for as supply-financed agencies (the core department) and those entities which fall within the Departmental boundary as defined in the FReM (chapter 2.4). Transactions between entities included in the consolidation are eliminated.

1.2.3 A list of all those entities within the Departmental boundary is given at Note 35.

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 in accordance with policy for the asset class in question 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 is undertaking a programme of accommodation changes and improvements designed to ensure economic and effective use of space. As part of this new furniture and telecommunication assets are being purchased and during the year the Department adopted a revised policy to allow capitalisation of such assets when purchased together. Purchases of individual or small groups of such items not part of a refurbishment project will continue to be expensed at the point of purchase.

1.3.6 The Department allows grouping of items as follows:

- Networked computer infrastructure;
- Strategic IT equipment;

- Telecommunications assets;
- Civil resilience strategic material; and
- Furniture assets purchased as part of a refurbishment project.

1.3.7 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.

1.3.8 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
- Motor Vehicles 5 (unspecialised) to 20 years (specialised)
- 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 The Department has no significant holdings of stock or work in progress other than those noted below and all non-capital purchases are expensed.

1.6.2 As part of the Fire Control project the Department has set up contracts for the construction of buildings to accommodate new control centres. The costs of these buildings are being borne by the developers with costs to be recovered from local special service companies jointly owned by Fire and Rescue Services in the locality. Transfer of the buildings' leases from developers to local companies is either direct or via the Department. For transfers via the Department the value of the leases is treated

as work-in-progress in the Department's balance sheet to reflect the Department's short term interest. A matching liability has also been raised. When the responsibility for the leases passes to the local company both asset and liability will be extinguished in the Department's accounts.

1.7 Research and development expenditure

1.7.1 Expenditure on research and development has been treated as programme expenditure in the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.8 Operating Income

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

1.8.2 Operating income is income that 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.

1.9 Administration and Programme Expenditure

1.9.1 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.

1.10 Capital Charge

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

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.

1.11 Value Added Tax

1.11.1 Most of the activities of the Department are outside the scope of VAT and, in general output tax does not apply. Input VAT is recovered on a small number of business activities and certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.12 Foreign Exchange

1.12.1 Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. For ERDF and other grant receipts from the European Union translations are recorded in sterling at the rate of exchange applied by H M Treasury. ERDF deposits are held on the

balance sheet in sterling and revaluated to reflect variances in exchange rates using rates supplied by the European Union. Translation differences are dealt with in the Operating Cost Statement.

1.13 Pensions

1.13.1 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.

1.14 Provisions

1.14.1 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 2.5% 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 provision is calculated based on general experience of what the maximum for each type of claim is worth.

(iii) Dilapidations:

The provision relates to complying with lease clauses for buildings which are occupied by the Department. The 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 17 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 2.5%.

(v) ERDF

Following consideration of some potential ineligible grant payments the Department has raised provisions totalling £72.9m. Details are given in paragraphs 1.20.7 to 1.20.9.

1.15 Grants Payable

1.15.1 Grants made by the Department are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs, or with non-ringfenced grant on the occurrence of such other event giving rise to entitlement.

1.16 Leases

1.16.1 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. Any leases that satisfy the definition of finance leases are recognised in the accounts.

1.17 Contingent Liabilities

1.17.1 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 Managing Public Money. These comprise:

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

1.17.2 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.

1.18 Third Party Assets

1.18.1 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.

1.19 Machinery of Government Changes

1.19.1 Prior year comparatives for 2006-07 have been restated due to the Machinery of Government (MoG) changes resulting from the creation of the Government Equalities Office during 2007-08.

1.19.2 The MoG changes resulted in a net decrease to the operating costs of £38m in 2006-07.

1.20 European Regional Development Fund

1.20.1 The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). 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.

1.20.2 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.

1.20.3 ERDF funds are administered and monitored by 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 manage grant programmes and authorise payment of grants for each ERDF programme within their region. Each Government Office submits claims on a broadly quarterly basis for re-imbursement by the Commission.

1.20.4 It is also the Government Offices' responsibility to review projects and ensure ineligible expenditure is clawed back from grant recipients. The Commission can also review, at any time, the

projects that are being administered through the regions, and can also identify ineligible expenditure requiring clawback.

1.20.5 During 2006-07 the Commission expressed concern about grant payments by certain Government Offices and suspended payments to the Department for five of the nine regions. A financial correction, whereby grant payments would be withdrawn, was expected although the probability, value and timing of such a correction was unclear. Accordingly the Department disclosed a contingent liability of £62m in the 2006-07 Resource Accounts. Following close dialogue with the Commission and instigation of a continuing programme of detailed work to address the Commission's points the majority of the Commission's concerns were satisfied and the grant payment suspensions lifted. However in the North West some problems remained and the Commission imposed a financial correction of €24.8m. The sterling equivalent of this amount (£19.8m) has been accounted for in the operating cost statement in 2007/08.

1.20.6 During 2007-08 the Commission also reported on some earlier audit work on other programmes being managed by the Department. The programmes covered included the 1997-99 round of ERDF in the North East and North West, some further concerns about the 2000-2006 round and aspects of the Interreg programme. The total amount of grant at risk to the Department in respect of ERDF and Interreg is about £230m, however the Department believes that many of the Commission's concerns will be assuaged and will be working vigorously to minimise the value of any potential corrections imposed by the EU. Notwithstanding this, however, the Department considers that accounting action and disclosures are appropriate as described in the following paragraphs.

1.20.7 In relation to the 1997-99 round in the NE and NW, the Commission have concerns relating to some specific projects and they have then extrapolated across the whole programme to reach a total potential disallowance. Having examined the projects in question the Department has acknowledged to the Commission that there are problems with the eligibility of some expenditure for grant, and the Department accepts that £6.979m of grant will be disallowed. Therefore this amount has been accrued in 2007-08. Of the remainder, the Department considers that it would be prudent to provide for £25.7m in 2007-08 and raise a contingent liability for the remainder (£76m).

1.20.8 In relation to the 2000-2006 round the Department assesses the total amount at risk to be about £104m, but having examined the circumstances considers that only some payments in the NW totalling £1m are ineligible for grant. This amount has therefore been accrued in 2007-08. In addition it is considered that a further £41m is at serious risk and therefore a provision has been raised for this amount. The remainder, £62m, is disclosed as a contingent liability.

1.20.9 There are also sums totalling about £17m at risk on projects undertaken by Business Links and under the Interreg programme. The Department has significant concerns about some of this expenditure and has therefore raised a provision of just over £6m. The remainder (£11m) is disclosed as a contingent liability.

1.20.10 In 2007-08 a thorough review of ERDF balances in the accounts relating to the 2000-2006 ERDF programmes has been undertaken to ensure the validity of the balances. A number of unsupported balances were identified which were caused by accounting errors in earlier years. These balances have been written back (see Notes 10 and 29).

1.20.11 A new round of structural funds projects is now underway covering the period 2007-2013. The ERDF component of this relating to England is the responsibility of the Department and new arrangements are being set up whereby the detailed management of the projects will be assigned to the Regional Development Agencies rather than Government Offices. Claims from the RDAs will be assessed by the Certifying Authority within the Department who will be responsible for submitting claims of certified expenditure to the Commission. The whole process will be overseen by the Department acting as Managing Authority and assurance provided by the Department's internal audit unit as Audit Authority.

2 Analysis of net resource outturn by section

		2007-08								2006-07 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
	RfR 1	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Spending									
A	Housing Supply and Demand	-	101,115	17,017	118,132	(8,334)	**109,798**	167,527	57,729	**124,612**
B	Decent Places to Live	-	6,883	96,878	103,761	(74)	**103,687**	105,006	1,319	**79,199**
C	Tackling Disadvantage	-	24,044	86,332	110,376	(2,255)	**108,121**	116,141	8,020	**65,142**
D	Better Services	-	78,683	3,334	82,017	(5,706)	**76,311**	111,922	35,611	**72,069**
E	Development of English Regions	-	520	1,598,165	1,598,685	-	**1,598,685**	1,601,370	2,685	**1,306,897**
F	Central Administration	175,831	34,266	-	210,097	(32,992)	**177,105**	221,105	44,000	**187,674**
G	Government Office Administration	150,968	2,818	-	153,786	(31,248)	**122,538**	122,540	2	**137,957**
H	European Structural Funds - net	-	-	-	-	-	**-**	1	1	**812**
I	European Structural Funds – Communities and Local Government	-	14,077	-	14,077	(112)	**13,965**	10,103	(3,862)	**43,935**
J	Ordnance Survey	-	-	3,839	3,839	(3,630)	**209**	(2,280)	(2,489)	**(1,731)**
K	Queen Elizabeth II Conference Centre Executive Agency	-	-	464	464	(1,600)	**(1,136)**	(1,498)	(362)	**(1,163)**
L	Local Area Agreements	-	-	-	-	(1,079,488)	**(1,079,488)**	(1,090,548)	(11,060)	**(422,936)**
	Support for Local Authorities									
M	Housing Supply and Demand	-	(135)	1,158,515	1,158,380	-	**1,158,380**	1,139,734	(18,646)	**956,912**
N	Decent Places to Live	-	-	(967)	(967)	(107,875)	**(108,842)**	(115,261)	(6,419)	**(98,384)**
O	Tackling Disadvantage	-	438	2,197,546	2,197,984	-	**2,197,984**	2,203,853	5,869	**2,232,915**
P	Better Services	-	-	74,948	74,948	-	**74,948**	71,888	(3,060)	**43,856**
Q	Development of English Regions	-	-	8,670	8,670	(113)	**8,557**	6,000	(2,557)	**288,514**
R	European Structural Funds – net	-	-	-	-	-	**-**	1	1	**-**
S	Local Area Agreements	-	-	1,850,475	1,850,475	-	**1,850,475**	1,850,285	(190)	**505,607**
	Spending in Annually Managed Expenditure (AME)									
	Central Government Spending									
T	Decent Places to Live	-	749,644	-	749,644	-	**749,644**	690,063	(59,581)	**769,089**
U	Better Services	-	196	-	196	-	**196**	50	(146)	**648**
	Support for Local Authorities									
V	Better Services	-	-	167,052	167,052	-	**167,052**	175,854	8,802	**148,000**
	Non-Budget									
W	Housing Supply and Demand	-	-	2,283,457	2,283,457	(2,847)	**2,280,610**	2,535,916	255,306	**2,272,316**
X	Better Services	-	-	3,287	3,287	-	**3,287**	2,040	(1,247)	**2,040**

Y	Decent Places to Live	-	-	1,212,864	1,212,864	-	**1,212,864**	1,350,000	137,136	**542,904**
Z	Tackling Disadvantage	-	-	1,555	1,555	-	**1,555**	1,546	(9)	**1,520**
AA	ERDF New Programmes	-	-	-	-	-	**-**	37,259	37,259	**-**
AB	ERDF New Programmes	-	-	-	-	-	**-**	(39,009)	(39,009)	**-**
AC	ERDF New Programmes	-	-	-	-	-	**-**	1,751	1,751	**-**
	Excess Appropriations-in-Aid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,154**
	Resource Outturn	**326,799**	**1,012,549**	**10,763,431**	**12,102,779**	**(1,276,274)**	**10,826,505**	**11,273,359**	**446,854**	**9,260,558**

		2007-08								2006-07 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 2									
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Spending									
A	Valuation services	-	169,450	-	169,450	-	**169,450**	174,450	5,000	**166,250**
B	Best value inspection subsidies to Public Corporations and best value intervention	-	21,072	-	21,072	-	**21,072**	22,910	1,838	**24,331**
C	Local Government research and publicity, MAPPING costs and electoral law	-	3,172	-	3,172	(2)	**3,170**	3,554	384	**4,184**
	Local governance	-	-	-	-	-	**-**	-	-	**3**
	Support for Local Authorities									
D	Revenue support grants	-	-	3,756,682	3,756,682	-	**3,756,682**	3,762,931	6,249	**3,956,254**
E	Non-domestic rates payments	-	-	18,500,000	18,500,000	-	**18,500,000**	18,500,000	-	**17,500,000**
F	London Governance	-	14	38,348	38,362	-	**38,362**	38,348	(14)	**37,868**
G	Other grants and payments (resource grants)	-	150	221,084	221,234	(31,196)	**190,038**	335,459	145,421	**978,369**
	Spending in Annually Managed Expenditure (AME)									
	Support for Local Authorities									
H	Non-domestic rates outturn adjustments and LABGIS	-	-	840,363	840,363	-	**840,363**	955,599	115,236	**1,036,245**
	Non-Budget									
I	Non-Departmental public bodies	-	-	19,900	19,900	-	**19,900**	20,907	1,007	**22,004**
	Resource Outturn	**-**	**193,858**	**23,376,377**	**23,570,235**	**(31,198)**	**23,539,037**	**23,814,158**	**275,121**	**23,725,508**
	Total Resource Outturn	**326,799**	**1,206,407**	**34,139,808**	**35,673,014**	**(1,307,472)**	**34,365,542**	**35,087,517**	**721,975**	**32,986,066**

Explanations for Variances between Actual and Estimates:

The Statement of Parliamentary Supply shows an underspend on RfR1 and 2 of £447m and £275m respectively (£376m and £144m in 2006-07). Variance explanations are provided below where the comparison of outturn against Estimate has resulted in an overspend or an underspend of the greater of £500k and 10% of the Estimate.

RfR 1

A: Housing Supply and Demand - £57,729k underspend

The underspend arose partly because Thames Gateway delivery expenditure (about £35m) was channelled through NDPB delivery partners whose results are not consolidated in resource accounts. Expenditure of over £10m on New Growth Points grants was channelled through Local Authorities and therefore appears against section M of the Estimates rather than this section. There is a resulting overspend on section M. Savings were also achieved in PINS administration expenditure relating to a lower than expected tax liability.

D: Better Services - £35,611k underspend

This underspend is due to: £8.5m underspend on the New Dimension programme (the result of: unspent contingency for warehouse and logistics; late rollout of the Urban Search And Rescue Two Module; delays with the Enhanced Command Support training, and in building ECS vehicles; and delays in capital expenditure resulting in lower than expected depreciation charges); £16m underspend in the Fire Link programme (due to delay in delivery of the Airwave programme); £4m underspend in the Fire Control programme (due to the delay in letting the Infrastructure Services Contract); £3m underspend due to the cancellation of the Fire Service College accommodation block build; and £3m underspend as the result of a timing difference regarding the disposal of an asset.

F: Central Administration - £44,000k underspend

This underspend arises from improvement in efficiencies in the Department, arising from programmes of work delivered to ensure that the Department is in better shape to meet the challenges imposed by the Government's policy of delivering savings in administration over the CSR07 period.

I: European Structural Funds – Communities and Local Government - £3,862k overspend

This net overspend results from a number of factors affecting ERDF expenditure, including foreign exchange gains on grants received from the EU (£57m) and foreign exchange losses on ERDF deposits held (£41m) together with the impact of financial corrections imposed or provided for (£101m).

J: Ordnance Survey - £2,489k overspend

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

Q: Development of English Regions - £2,557k overspend

This relates to expenditure on Regional Chambers which was delivered by local authorities but where provision was made in the Central Government line (E) which shows an underspend of a similar magnitude.

W: Housing Supply and Demand - £255,306k underspend

This underspend arises from a number of agreed changes in the way housing programmes were delivered. It included an underspend in grant to the Housing Corporation of £233m arising from a timing difference between grant drawdown and grant supported expenditure by the Housing Corporation and an agreed reduction in grant paid of £25m. There were also changes in the way programmes were delivered by the Urban Development Corporations in the Thames Gateway with a net increase in Grant In Aid paid of about £3m.

X: Better Services - £1,247k overspend

This overspend is on the Firebuy project and reflects changes in the way expenditure is classified and matches in part an underspend elsewhere – see D above.

Y: Decent Places to Live - £137,136k underspend

This relates entirely to expenditure on overhanging debt repayment on disposal of LA housing stock. The original non DEL/AME budget of £616m in 07-08 provided cover for a number of anticipated stock

transfers which included Manchester City South. The budget was increased in the spring supplementary Estimates to £1,350m to provide for the anticipated payment to the Public Works Loan Board for the Liverpool stock transfer which took place on 31 March 08. The underspend was mainly due to the Manchester stock transfer which, at the time of the spring supplementary Estimates exercise, was expected to take place in March 08 at a cost of approximately £105m but was later delayed to June 08.

AA, AB & AC: ERDF New Programmes - £37,259k underspend, £39,009k overspend and £1,751k underspend; net £1k underspend

No projects were started under the 2007-13 round of ERDF and so no claims for project expenditure were received nor income declarations made.

RfR 2

G: Other Grants and Payments - £145,421k underspend

The largest items contributing to the underspend were Local Public Service Agreement (LPSA) Performance Fund and Bellwin (emergency relief) Grants. The Bellwin grants are a demand led grant and qualifying spending by Local Authorities fell short of the provision by £11 million. LPSA grants were £129m below forecast, which was agreed with Treasury to assist the future funding of the programme. Initial programme planning assumed 100% programme achievement but actual performance was lower (c50% in 07/08) and expenditure has been re-phased under CSR07 to support the future years of the PSA programme utilising end year flexibility. Whilst not forecast in amendments to Estimates the underspend was anticipated.

H: NNDR Outturn and LABGIS - £115,236k underspend

The total underspend is made up of £12,173k NNDR due to billing authorities not qualifying for repayment of contributions to the level estimated. The remaining £103,024K is due to money being set aside as a contingency as a prudent precaution against the uncertainty and complexity created by ongoing legal challenge.

3 Reconciliation of outturn to net operating cost and against Administration Budget

3(a) Reconciliation of net resource outturn to net operating cost

		2007-08			2006-07 restated
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn restated
		£000	£000	£000	£000
	Note				
Net Resource Outturn	2	34,365,542	35,087,517	721,975	32,986,066
Non-supply income (CFERs)	5	(1,294,249)	(1,308,218)	(13,969)	(1,311,087)
Excess A-in-A	5	261	-	(261)	(2,154)
Non-supply Expenditure		899	907	8	-
Net operating cost		**33,072,453**	**33,780,206**	**707,753**	**31,672,826**

3(b) Outturn against Final Administration Budget

	2007-08		2006-07
	Budget	**Outturn**	**Outturn**
	£000	**£000**	**£000**
Gross Administration Budget	352,657	326,799	354,661
Income allowable against the Administration Budget	(48,273)	(48,232)	(52,973)
Net Outturn against final Administration Budget	**304,384**	**278,567**	**301,688**

4 Reconciliation of resources to cash requirement

		Estimate	Outturn	Net total outturn compared with Estimate saving/(excess)
	Note	**£000**	**£000**	**£000**
Resources Outturn	2	**35,087,517**	**34,365,542**	**721,975**
Capital:				
Acquisition of fixed assets	13,14	82,162	40,854	41,308
Non-Operating A-in-A				
Proceeds of fixed asset disposal	7	-	(261)	261
Repayment of Investments	15	(104)	(30)	(74)
Accruals Adjustments:				
Non-cash items	9/10	(53,170)	(114,747)	61,577
Changes in working capital other than cash		300,000	(782,662)	1,082,662
Changes in creditors falling due after more than one year	19	-	(83,927)	83,927
Dilapidation liability transferred to creditors		-	(250)	250
Use of provision	20	13,147	6,765	6,382
Contingency Fund Advance Expenditure		-	899	(899)
Net Cash Requirement		**35,429,552**	**33,432,183**	**1,997,369**

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).

		2007-08 Forecast		2007-08 Outturn	
		Income	Receipts	Income	Receipts
	Note	£000	£000	£000	£000
Operating income and receipts - excess appropriation in aid		-	-	-	-
Other operating income and receipts not classified as A-in-A	11	1,308,218	*1,308,218*	1,294,249	*1,439,577*
Operating income payable to the Consolidated Fund		**1,308,218**	***1,308,218***	**1,294,249**	***1,439,577***
Non-operating income and receipts - excess A-in-A	7	-	-	261	*261*
Other amounts collectable on behalf of the Consolidated Fund		-	-	806	*806*
Total income payable to the Consolidated Fund		**1,308,218**	***1,308,218***	**1,295,316**	***1,440,644***

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

		2007-08	2006-07 restated
	Note	£000	£000
Operating income	11	3,206,087	2,502,593
Adjustments for transactions between RfRs			
Netted off gross expenditure in sub head		(604,290)	(540,404)
Income payable to NLF		(78)	(64)
Gross Income		**2,601,719**	**1,962,125**
Income authorised to be appropriated-in-aid	2	(1,307,470)	(648,884)
Operating income payable to the Consolidated Fund	5	**1,294,249**	**1,313,241**

7 Non-operating Income – Excess A-in-A

	Estimate	2007-08	2006-07
	£000	£000	£000
Principal repayments of voted loans	104	-	-
Proceeds on disposal of fixed assets	-	261	-
Non-operating income – excess A-in-A	**104**	**261**	**-**

8 Staff Numbers and Related Costs

Staff costs comprise:

	2007-08					2006-07 restated
	Permanently-employed staff	**Ministers**	**Special Advisers**	**Others**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Wages and salaries	175,921	305	150	268	176,644	185,074
Social security costs	14,757	30	15	14	14,816	15,200
Other pension costs	36,319	-	29	73	36,421	37,001
Sub Total	**226,997**	**335**	**194**	**355**	**227,881**	**237,275**
Inward secondments / Agency and Temp Staff	7,620	-	-	21,552	29,172	19,754
Gross Total	**234,617**	**335**	**194**	**21,907**	**257,053**	**257,029**
Less recoveries in respect of outward secondments disclosed as income.	(2,812)	-	-	-	(2,812)	(3,006)
Total Net Costs	231,805	335	194	21,907	254,241	254,023
Of which:						
Core Department					**221,150**	**221,995**

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 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £36,859,703 were payable to the PCSPS (2006-07: £37,121,683) at one of four rates in the range 17.1% to 25.5% (2006-07: 17.1% to 25.5%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same (the rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £30,650 (2006-07: £90,379) 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% (2006-07: 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 £5,600, (2006-07: £11,379) 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 £504 (2006-07: £3,473). Contributions prepaid at that date were nil.

Three people (2006-07: one) retired early on ill-health grounds; the additional accrued pension liabilities in the year amounted to £7,671 (2006-07 £1,786).

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.

	2007-2008 Number					2006-07 Number restated
Objectives	**Total**	**Permanent staff**	**Ministers**	**Special Advisers**	**Others**	
1.	370	335	1	1	33	471
2.	2,657	2,491	1	-	165	2,960
3.	360	257	1	-	102	520
4.	1,265	1,219	1	1	44	1,403
5.	433	389	1	1	42	446
6.	109	102	1	-	6	153
Total	**5,194**	**4,793**	**6**	**3**	**392**	**5,953**
Of which:						
Core Department	4,435					5,155

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.

9 Other Administration Costs

	Note	2007-08 Core Department	2007-08 Consolidated	2006-07 restated Core Department	2006-07 restated Consolidated
		£000	£000	£000	£000
Rentals under operating leases:					
Hire of plant and machinery		1,150	1,150	1,302	1,302
Other operating leases		16,473	16,473	15,057	15,057
Interest charges		(6)	(6)	14	14
Research and Development		153	153	56	56
		17,770	**17,770**	**16,429**	**16,429**
Non Cash Items:					
Depreciation		8,246	8,246	8,128	8,128
Amortisation		410	410	420	420
Profit on disposal of fixed assets (where netted off within the OCS)		(2)	(2)	(7)	(7)
Loss on disposal of fixed assets		303	303	3,923	3,923
Impairment of fixed assets		-	-	205	205
Write off deposit		100	100		
Cost of capital charge		(17,456)	(17,456)	(24,793)	(24,793)
Auditor's remuneration*		369	369	365	365
Provisions:					
Provided for in year	20	7,356	7,356	19,206	19,206
Written back	20	(296)	(296)	(3,565)	(3,565)
Unwinding of discount	20	128	128	(484)	(484)
Doubtful debts provision		54	54	-	-
		(788)	**(788)**	**3,398**	**3,398**
Other expenditure					
Accommodation		61,189	61,189	63,204	63,204
IT expenditure		23,682	23,682	23,880	23,880
Legal, professional and consultancy		12,800	12,800	13,913	13,913
Travel, subsistence and hospitality		5,101	5,101	5,856	5,856
Non-pay staff costs		143	143	180	180
Training and conferences		4,879	4,879	3,140	3,140
Forex Exchange Losses		3	3	4	4
Other		11,747	11,747	20,051	20,051
		119,544	**119,544**	**130,228**	**130,228**
Total		**136,526**	**136,526**	**150,055**	**150,055**

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

10 Programme Costs

	Note	2007-08 Core Department	2007-08 Consolidated	2006-07 Restated Core Department	2006-07 Restated Consolidated
		£000	£000	£000	£000
Rentals under operating leases:					
Hire of Plant and Machinery		121	130	231	245
Other operating leases		-	1,839	-	2,067
Research and Development expenditure		24,015	24,015	22,058	22,058
Interest charges		78	78	64	64
		24,214	**26,062**	**22,353**	**24,434**
Non Cash Items:					
Depreciation		14,348	16,978	13,347	16,138
Amortisation		67	67	67	67
Loss on disposal of fixed assets		226	220	84	84
Write down on Investment	15	1,029	1,029	-	-
Impairment of fixed assets		-	-	-	10
Cost of capital charge		(8,521)	(8,316)	8,870	9,179
Auditor's remuneration		-	36	-	35
ERDF write-off & disallowances	1.20	30,389	30,389	38,798	38,798
Provisions:					
Provided for in year	20	74,613	75,896	1,605	4,324
Written back	20	(87)	(2,232)	(809)	(844)
Unwinding of discount	20	94	94	611	611
Provision for doubtful debt		1,374	1,374	2,146	2,146
		113,532	**115,535**	**64,719**	**70,548**
Other expenditure					
Accommodation		25,294	27,565	9,964	12,267
IT expenditure		14,228	17,183	27,875	30,368
Legal, professional and consultancy		208,231	210,353	244,474	248,103
Travel, subsistence and hospitality		2,329	5,183	1,851	4,735
Training and conferences		4,800	4,800	1,089	1,089
Grants and subsidies		16,047,913	16,047,913	14,798,070	14,798,070
NNDR and LABGIS		19,340,363	19,340,363	18,536,245	18,536,245
ERDF exchange losses	1.20	41,363	41,363	812	812
Homes & Communities Agency set up costs		899	899	-	-
Other		43,763	47,742	37,781	41,664
		35,729,183	**35,743,364**	**33,658,161**	**33,673,353**
Total		**35,866,929**	**35,884,961**	**33,745,233**	**33,768,335**

11 Income

	2007-08			2006-07 restated
	RfR1	**RfR2**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
CFER income	1,294,249	-	1,294,249	1,311,087
EU funding *	546,935	-	546,935	540,594
Recovery of grants	1,191,775	31,196	1,222,971	560,688
Goods and services	27,165	2	27,167	26,935
Rent **	11,085	-	11,085	11,283
Fees	4,901	-	4,901	6,209
Professional services	3,713	-	3,713	4,075
Reimbursement of expenditure	8,231	-	8,231	13,519
Interest and dividends	5,696	-	5,696	6,704
ERDF exchange gains	57,352	-	57,352	-
Miscellaneous	23,787	-	23,786	21,499
	3,174,889	**31,198**	**3,206,087**	**2,502,593**

*None of the EU Funding in 2007-08 relates to administration (£nil for 2006-07).

** Rental income relates to operating leases.

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

Objectives	**Full Cost £000**	**Income £000**	**(Deficit) £000**
Obtain full cost recovery relating to accommodation space occupied by third parties	21,886	21,886	-
Obtain full cost recovery of accounting and internal audit services provided to third parties	3,261	3,261	-
Obtain cost recovery for staff counselling services and other staff support services provided to third parties.	222	222	-
Obtain cost recovery of information management services, including library services, archiving and storage.	1,544	1,544	-
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	24,037	23,837	(200)
Provision of Leasehold Tribunal Services by Leasehold Valuation Tribunal	N/A	264	-
Leasehold Advisory Services Training	3	3	-
Map and publication sales	139	139	-

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.

The financial objectives have been met for all services.

12 Analysis of net operating cost by spending body

	2007-08		2006-07 restated
	Estimate	Outturn	Outturn
	£000	£000	£000
Spending body:			
Core Department	2,204,327	2,128,879	3,552,745
Non-Departmental public bodies	3,910,409	3,518,217	2,297,757
Local Authorities	27,616,663	27,380,195	25,773,980
Agency	51,678	46,089	50,086
Trading Funds and Public Corporations	(3,778)	(927)	412
Net Operating Cost	**33,779,299**	**33,072,453**	**31,674,980**

13 Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2007	**44,737**	**67,439**	**111,457**	**484**	**35,190**	**259,307**
Additions	-	13,830	1,187	462	25,368	**40,847**
Disposals	(101)	(3,707)	(944)	(115)	(293)	**(5,159)**
Revaluation	759	13	(171)	11	-	**612**
Reclassification	-	4,061	11,836	-	(15,897)	**-**
At 31 March 2008	**45,395**	**81,636**	**123,365**	**842**	**44,369**	**295,607**
Depreciation						
At 1 April 2007	**11,467**	**37,910**	**37,946**	**322**	**-**	**87,645**
Charged in year	1,077	10,671	13,384	92	-	**25,224**
Disposals	(101)	(3,703)	(716)	(113)	-	**(4,633)**
Revaluation	-	81	-	-	-	**81**
At 31 March 2008	**12,443**	**44,959**	**50,614**	**301**	**-**	**108,317**
Net book value:						
31 March 2008	**32,952**	**36,677**	**72,751**	**541**	**44,369**	**187,290**
31 March 2007	**33,270**	**29,529**	**73,511**	**162**	**35,190**	**171,662**
Asset Financing:						
Owned	**32,952**	**36,677**	**72,751**	**541**	**44,369**	**187,290**

Net book value at 31 March 2008	**32,952**	**36,677**	**72,751**	**541**	**44,369**	**187,290**

Analysis of Tangible Fixed Assets:

The net book value of tangible fixed assets comprises:	**£000**
Core Department 2008	**182,812**
Agency 2008	**4,478**
Core Department 2007	**164,849**
Agency 2007	**6,813**

There are no donated assets within the Department.

As at 31 March 2008 the following property was revalued professionally by Atisreal Limited - Chartered Surveyors and international real estate consultants:

Queen Elizabeth II Conference Centre, Broad Sanctuary, London was inspected on 5 March 2008, with a valuation report produced by Mark Gerold BSc FRICS. The total value was put at £28,800,000, but with a value in CLG's accounts of £25,716,000, due to a trading fund outside interest in the property.

14 Intangible fixed assets

Intangible fixed assets comprise software and licences for the Department.

	2007-08	2006-07
	£000	£000
Cost or valuation		
At 1 April 2007	**2,236**	**1,444**
Additions	7	51
Disposals	-	(106)
Transfers	-	847
At 31 March 2008	**2,243**	**2,236**
Amortisation		
At 1 April 2007	**797**	**408**
Charged in year	477	487
Disposals	-	(98)
At 31 March 2008	**1,274**	**797**
Net book value at 31 March	**969**	**1,439**

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises:	£000
Core Department 2008	**969**
Agency 2008	**-**
Core Department 2007	**1,439**
Agency 2007	**-**

15 Investments

	Coal Fields Fund	Ordnance Survey	Queen Elizabeth II Conference Centre	Fire Service College		Total
		PDC	PDC	PDC	Loan	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2007	9,685	14,000	821	16,721	4,632	45,859
Loan repayments	-	-	-	-	(30)	(30)
Write downs	(1,029)	-	-	-	-	(1,029)
Loans repayable within 12 months transferred to debtors	-	-	-	-	(2)	(2)
Balance at 31 March 2008	**8,656**	**14,000**	**821**	**16,721**	**4,600**	**44,798**

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 2008	81,924	7,391	50,223
Turnover	118,740	10,785	22,614
Surplus/(deficit) for the year (before financing)	22,548	1,935	(732)

16 Stocks

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Stocks	28,489	28,489	-	-
	28,489	**28,489**	**-**	**-**

17 Debtors

17(a) Analysis by type

	2007-08		2006-07 restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	3,431	4,211	5,439	6,125
Deposits and advances	162	162	344	344
VAT Debtor	2,698	2,823	4,886	4,886
Other debtors	466,925	468,409	48,733	50,546
Prepayments and accrued income	342,013	345,280	753,737	757,265
Current part of NLF loan	1,400	1,400	1,400	1,400
NNDR (National Non-Domestic rates)	114	114	142	142
	816,743	**822,399**	**814,681**	**820,708**
Amounts falling due after more than one year:				
Prepayments and accrued income	-	35	-	41
	-	**35**	**-**	**41**
	816,743	**822,434**	**814,681**	**820,749**

Included in "other debtors" is an amount of £8,027k (2006-07: £42,037k) and in "prepayments and accrued income" is an amount of £128,903k (2006-07: £186,109k) which are payable to the Consolidated Fund when collected. Also included in "other debtors" an amount of £254,432k (2006-07: £6,855k) and in "prepayments and accrued income" an amount of £114,157k (2006-07: £505,181k) which are related to the European Regional Development Fund (ERDF).

17(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	**2006-07 restated**	**2007-08**	**2006-07**
	£000	**£000**	**£000**	**£000**
Balances with other central Government bodies	266,884	43,279	-	-
Balances with Local Authorities	175,617	249,149	-	-
NHS Trusts	48	-	-	-
Balances with public corporations and trading funds	3,790	4,755	-	-
Sub-total	**446,338**	**297,183**	**-**	**-**
Balances with bodies external to Government	376,060	523,525	35	41
Total debtors at 31 March	**822,399**	**820,708**	**35**	**41**

18 Cash at bank and in hand

	2007-08		2006-07	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
	£000	**£000**	**£000**	**£000**
Balance at 1 April	185,610	185,610	(33,507)	(33,507)
Net change in cash balances:	153,255	153,255	219,117	219,117
Balance at 31 March	**338,865**	**338,865**	**185,610**	**185,610**
The following balances at 31 March were held at:				
Office of HM Paymaster General	338,612	338,612	185,488	185,488
Commercial banks and cash in hand	253	253	122	122
Balance at 31 March	**338,865**	**338,865**	**185,610**	**185,610**

19 Creditors

19(a) Analysis by type

	2007-08		2006-07 restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
VAT	-	-	-	31
Other taxation and social security	2,592	2,592	42	42
Trade creditors	7,886	8,828	5,624	6,329
Other creditors	61,656	62,437	104,233	104,966
Accruals and deferred income	1,709,536	1,711,294	715,045	717,140
NNDR Liability	-	-	13,885	13,885
Current part of NLF loans	1,400	1,400	1,400	1,400
Contingency Fund creditor	930	930	-	-
Amount due to the Consolidated Fund in respect of supply	392,381	392,381	251,565	251,565
Consolidated fund extra receipts to be paid to the Consolidated Fund:				
- received	245,340	245,340	239,846	239,846
- receivable	136,931	136,931	228,148	228,148
	2,558,652	**2,562,133**	**1,559,788**	**1,563,352**
Amounts falling due after more than one year:				
Other Creditors	-	-	250	250
Deposit Held	346,972	346,972	262,795	262,795
	346,972	**346,972**	**263,045**	**263,045**
Total	**2,905,624**	**2,909,105**	**1,822,833**	**1,826,397**

19(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	**2006-07 restated**	**2007-08**	**2006-07**
	£000	**£000**	**£000**	**£000**
Balances with other central Government bodies	1,569,399	749,838	-	-
Balances with Local Authorities	759,100	631,312	-	-
NHS Trusts	55	1	-	-
Balances with public corporations and trading funds	11,387	9,364	-	-
Sub-total	**2,339,941**	**1,390,515**	**-**	**-**
Balances with bodies external to Government	222,192	172,837	346,972	263,045
Total creditors at 31 March	**2,562,133**	**1,563,352**	**346,972**	**263,045**

20 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 2007	19,367	10,896	30,263	19,495	13,527	33,022
Provided in the year	6,680	75,289	81,969	7,580	75,672	83,252
Provisions not required written back	(91)	(292)	(383)	(91)	(2,437)	(2,528)
Provisions utilised in the year	(4,976)	(1,232)	(6,208)	(5,085)	(1,680)	(6,765)
Utilised – pre-funding	(252)	250	(2)	(252)	250	(2)
Unwinding of discount	128	94	222	128	94	222
Balance at 31 March 2008	**20,856**	**85,005**	**105,861**	**21,775**	**85,426**	**107,201**

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.

Other

Details of other provisions are provided in Note 1.14 The closing balances relating to those provisions are as follows: Compensation payments £3,793k; Dilapidations £6,024k; Firefighters' Pensions £2,272k; ERDF £72,915k; Ex gratia £136k and Adverse costs £286k.

21 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.

	2007-08		2006-07 Restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(645,482)	(638,924)	(503,961)	(492,895)
Net Parliamentary Funding				
Drawn Down	33,528,160	33,573,000	33,063,766	33,109,000
Deemed Supply	251,565	251,565	-	-
MoG transfer	-	-	(32,132)	(32,132)
Year end adjustment				
Supply (Creditor)/Debtor – current year	(392,381)	(392,381)	(251,565)	(251,565)
Net Transfer from Operating Activities				
Net Operating Cost	(33,026,364)	(33,072,453)	(31,622,740)	(31,672,826)
CFERs repayable to Consolidated Fund	(1,294,047)	(1,294,249)	(1,313,241)	(1,313,241)
Non Cash Charges				
Cost of Capital	(25,977)	(25,772)	(15,922)	(15,613)
Auditors' remuneration	369	405	365	400
Machinery of Government transfer	-	-	29,253	29,253
Transfer from Revaluation Reserve	172	172	695	695
Balance at 31 March	**(1,603,985)**	**(1,598,637)**	**(645,482)**	**(638,924)**

22 Revaluation Reserve

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

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	4,824	4,824	4,809	4,809
Arising on revaluation during the year	524	531	710	710
Released to Operating Cost Statement	-	(7)	-	-
Transferred to General Fund in respect of realised element	(172)	(172)	(695)	(695)
Balance at 31 March	**5,176**	**5,176**	**4,824**	**4,824**

23 Notes to the Consolidated Cash Flow Statement

23(a) Reconciliation of operating cost to operating cash flows

	Note	2007-08	2006-07 Restated
		£000	£000
Net operating cost	12	(33,072,453)	(31,672,826)
Adjustments for non-cash transactions	9,10	114,746	73,946
(Increase)/Decrease in stock	16	(28,489)	-
(Increase)/Decrease in debtors	17	(1,684)	333,940
Less: movements in debtors relating to items not passing through the OCS		*(27,503)*	*(43,376)*
Increase/(Decrease) in Creditors	19	1,082,708	25,896
Less: movements in creditors relating to items not passing through the OCS		*(67,225)*	*(156,907)*
Agreed dilapidation liability transferred to creditors		250	-
Use of provisions	20	(6,765)	(6,633)
Net cash outflow from operating activities		**(32,006,415)**	**(31,445,960)**

23(b) Analysis of capital expenditure and financial investment

	Note	2007-08	2006-07 Restated
		£000	£000
Tangible fixed asset additions	13	(40,846)	(31,166)
Intangible fixed asset additions	14	(7)	(51)
Proceeds of disposal of fixed assets		262	2,133
Repayments from other bodies		28	-
Adjustment for movement in capital creditors		268	(196)
Net cash outflow from investing activities		**(40,295)**	**(29,280)**

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

	Capital expenditure	A-in-A	Net total
	£000	£000	£000
Request for resources 1	40,854	(262)	40,592
Request for resources 2	-	-	-
Net movement in debtors/creditors	158	(426)	(268)
Total 2007-08	**41,012**	**(688)**	**40,324**
Total 2006-07	**38,839**	**(1,178)**	**37,662**

23(d) Analysis of financing

	Note	2007-08 £000	2006-07 £000
From the Consolidated Fund (Supply) - current year	21	33,573,000	32,647,296
From the Consolidated Fund (Supply) - prior year	21	-	461,704
Advances from the contingency fund		930	-
NNDR – non supply funding		13,857	15,123
ERDF non-supply funding		47,329	-
Net financing		**33,635,116**	**33,124,123**

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

	Note	2007-08 £000	2006-07 £000
Net cash requirement	4	(33,432,183)	(32,857,435)
From the Consolidated Fund (Supply) – current year	21	33,573,000	32,647,296
From the Consolidated Fund (Supply) - prior year	21	-	461,704
Non supply funding		61,056	15,123
Receipts paid to the Consolidated Fund which are outside the scope of Departmental activity		(54,112)	-
Amounts due to the Consolidated Fund received in a prior year and paid over		(239,846)	(287,417)
Amounts due to the Consolidated Fund received and not paid	19	245,340	239,846
Increase /(Decrease) in cash	**18**	**153,255**	**219,117**

24 Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

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

	2007-08	2006-07 Restated
	£000	£000
1. Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	4,180,197	2,899,948
2. Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.	2,231,757	2,278,422
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.	295,951	354,017
4. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	3,518,957	3,415,309
5. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.	2,076,276	962,986
6. Reducing inequalities and building community cohesion	11,587	132,138
	12,314,725	**10,042,820**
Local Government support	23,570,236	23,725,515
	35,884,961	**33,768,335**

As referred to in the Consolidated Statement of Net 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 2008

	2007-08	2006-07 Restated
	£000	£000
1. Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	(55,436)	(239,400)
2. Promoting the development of English regions by improving their economic performance so that all are able to reach their full potential.	(400,238)	(80,255)
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.	(171,105)	(99,214)

4. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.	(361,518)	141,558
5. Ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods.	(1,263,244)	(510,440)
6. Reducing inequalities and building community cohesion	(214,334)	(220,247)
	(2,465,875)	**(1,007,998)**
Local Government support	800,906	373,898
Government Equalities Office funding	71,508	-
	(1,593,461)	**(634,100)**

25 Capital commitments

Capital commitments at 31 March 2008 for which no provision has been made in these accounts were as follows:

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Contracted	98,606	98,643	16,319	16,356
Authorised by the Board but not contracted	-	-	-	-
	98,606	**98,643**	**16,319**	**16,356**

26 Commitments Under Leases

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

	2007-08		2006-07 Restated	
Obligations under operating leases comprise:	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	3,988	3,988	1,391	1,391
Expiry after 1 year but not more than 5 years	4,022	4,022	2,166	2,166
Expiry thereafter	27,186	29,115	25,264	27,298
	35,196	**37,125**	**28,821**	**30,855**
Other:				
Expiry within 1 year	144	160	57	57
Expiry after 1 year but not more than 5 years	218	340	299	299
Expiry thereafter	-	-	-	18
	362	**500**	**356**	**374**

Finance Leases

The Department had no finance lease commitments at 31 March 2008 (31 March 2007: nil).

27 Other financial commitments

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

	2007-08		2006-07	
Obligations under financial commitments:	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
	£000	**£000**	**£000**	**£000**
Expiry within 1 year	34,567	34,567	40,007	40,007
Expiry after 1 year but not more than 5 years	68,667	69,266	52,967	53,560
Expiry thereafter	364,055	364,055	240,026	240,026
	467,289	**467,888**	**333,000**	**333,593**

28 Financial Instruments

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

A creditor balance of €390m has been translated at the balance sheet date to £297m (£263m at 31 March 2007). This relates to a payment from the EU for the 2000-2006 round of ERDF Programmes. This will be utilised as the programmes near completion. In addition, €66m (£47m) which is 2% of the contribution from the Structural Funds to the operational programme was received from the EU as pre-financing for the 2007-2013 ERDF programmes. This has been translated at the balance sheet date to £50m. The ongoing funding for these programmes is processed through the EU for reimbursement. There are inevitably foreign 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.

Liquidity Risk

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

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

Interest Rate Profile

The following 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 2008:			-
Euro – European Regional Development Fund	346,973	346,973	-
Gross Financial Liabilities	**346,973**	**346,973**	**-**
At 31 March 2007:			
Euro – European Regional Development Fund	262,795	262,795	-
Gross Financial Liabilities	**262,795**	**262,795**	**-**

Financial Assets

All in Sterling	Total	Fixed rate financial assets	Non-interest bearing financial assets (Note a)	Fixed-rate financial assets: Weighted average interest rate	Fixed-rate financial assets: Weighted average period for which rate is fixed
	£000	£000	£000	%	Years
At 31 March 2008:					
Cash at bank and in hand	338,365	-	338,365	-	-
QEII Conference Centre	821	-	821	0.0	40
Fire Service College	21,321	4,600	16,721	8.3	44
Ordnance Survey	14,000	-	14,000	-	-
Coalfields Enterprise Fund	8,656	-	8,656	-	-
Gross Financial Assets	**383,163**	**4,600**	**378,563**		
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**		

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

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 2008.

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Primary Financial Instruments:			
Financial Assets:			
Cash at bank	338,365	338,365	
Queen Elizabeth II Conference Centre Public Dividend Capital	821	821	Note b
Fire Service College Public Dividend Capital	16,721	45,593	Note b
Ordnance Survey Public Dividend Capital	14,000	43,645	Note b
Coalfields Enterprise Fund	8,656	8,656	Note b
Financial Liabilities:			
European Regional Development Fund	346,972	346,972	

Note: (b) Fair value amounts to net assets less the amount of any loan included in the balance sheet.

29 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.

		2007-08	2006-07
		£m	£m
29.1	Two local authorities (Corby and Slough) 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 and this would result in an additional payment of up to £100m.	100.0	84.0
29.2	Possible obligations from Employment Tribunal decisions relating to industrial injuries which are mainly claims for asbestosis arising from work for the Department or its predecessors. There were 63 claims outstanding against the Department at year end.	3.8	Unquantified
29.3	Potential payments under the Housing Revenue Account Subsidy (HRAS) scheme that are unable to be reliably measured at year end.	Unquantifiable	Unquantifiable
29.4	Liability to pay grant in future years relating to annual gap-funding agreements for negative value transfers of council housing stocks.	363.1	237.5
29.5	Payments to Local Authorities under the Housing Defects Scheme.	0.75 – 1.0	0.75-1.0

29.6	Compensation in relation to a planning case at the Midlands Co-operative store in Thurmaston. The Ombudsman has determined that the Department should pay compensation calculated as a proportion of Claimant's assessment of losses. No claim has yet been submitted and the amount of compensation remains unknown.	5.2 – 26.0	5.2-26.0
29.7	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.	24.9	4.9
29.8	Possible obligations to repay EC funds in respect of the 1994-1999 ERDF programmes for projects which were formally closed by 31 March 2003. The European Commission has questioned payments made and extrapolated across the whole programmes in the area concerned. The maximum liability is considered to be about £109m of which £33m has been accrued or provided for. The remaining element is seen as uncertain and is disclosed as a contingent liability.	76.0	-
29.9	Possible financial corrections for irregularities with EC funds in respect of the administration of the 2000-2006 European Regional Development Fund programmes. The amount recorded in 2006-07 has now crystallised as 24.8m EUR which has been accounted for in 2007-08. However further corrections by the EC are possible with a maximum liability of about £104m of which £42m has been accrued or provided for. The remaining element is seen as uncertain and is disclosed as a contingent liability.	62.0	62.0
29.10	Possible financial corrections in relation to the Interreg programme and for ERDF projects undertaken by Business Links. The maximum liability is seen as about £17m and a provision of £6m has been made. The remainder is disclosed as a contingent liability.	11.0	-

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

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 2007	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2008	Amount reported to Parliament by Departmental minute
	£000	£000	£000	£000	£000	£000
Indemnities						
Indemnity given by the Housing Corporation to building societies under Section 84 of Housing Association Act 1985.	175	-	-	37	138	35,000
Indemnity given by CLG for the Land Stabilisation Project to proceed in Northwich under Section 1 of the Derelict Land Act 1982	70,000	-	-	45,000	25,000	150,000
	70,175	**-**	**-**	**45,037**	**25,138**	**185,000**

Unquantifiable:

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these 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.

31 Losses, Special Payments and Gifts

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

	2007-08		2006-07	
	Cases	£000	Cases	£000
Losses	99	735	126	41,040
Special Payments	111	1,411	132	1,004

None of the individual losses or special payments recorded in the accounts for 2007-08 was over £250,000.

During the year the Department gifted seven individual items with a book value of £1k (8 items with a value of £1k in 2006-07). There were no individual items over £250k.

32 Related Party Transactions

The Department was the parent Department of the Planning Inspectorate and a number of sponsored bodies listed in Note 35. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

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

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 Sir Bob Kerslake was a non-Executive Board member until he stood down on 31 December 2007; he was also Chief Executive of Sheffield City Council. Sheffield City Council, along with other local authorities, receives funding from the Department. If an issue arose at a Board meeting which were to have a direct specific impact on Sheffield City Council Sir Bob Kerslake would take no part in the discussion.

Malcolm Davey, a Grade 6 in the Government Office for the South West, is the partner of an individual contracted to provide HR support to a member of the Government Office staff. He is not directly involved in decisions relating to the contract.

Dave Duggan, a Grade 6 in the Government Office for the South West, is a board member of Equalities South West (ESW) a charity working to support equality and diversity. GOSW paid £6,500 to ESW to carry out review of equalities in the 2008 LAA process. Dave Duggan is not directly involved in decisions relating to the contract.

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

33 Post Balance Sheet Events

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 21 July 2008.

34 Third Party Assets

Twinning with EU Accession States

Twinning projects involve the secondment of one or more experts (Resident Twinning 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.

The projects are funded by the European Commission through a competitive bidding process between Member States. The beneficiary countries decide which bids are successful. The Department won six Structural Fund 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.

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 2007 £000	Gross Inflows £000	Gross Outflows £000	31 March 2008 £000
North East Romania	75	-	(64)	11
Bulgaria Cohesion Structural Funds	2	1	(3)	-
Bulgaria Regional Development	23	86	(109)	-
Turkey	388	14	(290)	112
General Twinning	-	478	-	478
	488	**579**	**(466)**	**601**

35 Entities within the Departmental boundary

The entities within the boundary during 2007-08 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

National Housing and Planning Advice Unit

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

Tribunals

Rent Assessment Panels

Valuation Tribunals

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

Trading Funds

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 (wound up September 2007)
Housing Corporation
London Thames Gateway Development Corporation
Standards Board for England
Thurrock Thames Gateway Development Corporation
Valuation Tribunals Service
West Northamptonshire Development Corporation
Independent Housing Ombudsman Ltd
Leasehold Advisory Service
Community Development Foundation
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 cannot reasonably be subject to firm multi-year limits.

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

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

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

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

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

Departmental Expenditure Limit (DEL): Spending, which is planned and controlled on a three-year basis in Spending Reviews.

Departmental Strategic Objectives (DSOs): Introduced in CSR07 these represent the full range of a department's business and reflect the contributions departments' make to PSAs, which are increasingly delivered by a number of departments or other organisations working together. DSOs are supported by appropriate performance indicators.

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

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

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 Authority Business Growth Incentive Scheme (LABGIS): The scheme delivers financial rewards directly to local authorities that promote the greatest levels of continued economic growth in their local areas by allowing them to retain increases in revenue derived from business rates. The scheme encourages local authorities to build partnerships with local business and promote long-term economic sustainability in their areas.

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

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

Managing Public Money: Managing Public Money, which has replaced 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.

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

Outturn: Actual expenditure.

Permanent Secretary: The permanent head of a department.

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

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

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

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

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

- Executive Agency: is a public institution that delivers Government services for Government. An Agency does not set the policy required to carry out its functions, these are determined by the Department that oversees the Agency. Agencies are headed by Chief Executives, who are personally responsible for day-to-day operations. They are normally directly accountable to the responsible Minister in the Department;
- Executive NDPB: established in statute and carrying out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets;
- Advisory NDPB: provides independent and expert advice to Ministers on particular topics of interest. They do not usually have staff, but are supported by staff from the Department. They do not usually have their own budget, as costs incurred come within the Department's expenditure;
- 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. Rather than hold a spending review in line with the two year cycle in 2006 the review was not held and a Comprehensive Review was held in 2007 instead (CSR07). Allocations for 2007-08 were held to the agreed figures already announced by the 2004 Spending Review with CSR07 covering departmental allocations for 2008-09, 2009-10 and 2010-11. CSR07 was a long-term and fundamental review of the Government's programme and introduced the concept of Departmental Strategic Objectives.

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 at http://www.communities.gov.uk

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5748999 08/08

Printed on Paper containing 75% recycled fibre content minimum.

information & publishing solutions

Published by TSO (The Stationery Office) and available from:

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www.tsoshop.co.uk

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ISBN 978-0-10-295768-6

9 780102 957686