



# EXPLANATORY MEMORANDUM

Main Estimates  
2007 - 2008

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## **Introduction**

1. The Main Estimates were laid in the House of Commons on 30 April 2007. They set out the planned expenditure by the Department for Communities and Local Government in 2007-08.

2. The Main Estimates cover two Request for Resources (RfRs). RfR1 (Improving the quality of life by creating thriving, inclusive and sustainable communities in all regions) covers the Department's main programme expenditure and RfR2 (Providing for effective devolved decision making within a national framework) covers local government expenditure.

3. The Main Estimates for RfR1 are structured so that they broadly reflect the strategic priorities of the Department, that is:

- a) Delivering a better balance between **housing supply and demand** by supporting sustainable growth, reviving markets and tackling abandonment;
- b) Ensuring people have **decent places to live** by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing;
- c) **Tackling disadvantage** by reviving the most deprived neighbourhoods, reducing social exclusion, supporting society's most vulnerable groups;
- d) Delivering **better services**, by devolving decision-making to the most effective level - regional, local or neighbourhood. Promoting high quality, customer focused local services and ensuring the availability to local government of adequate, stable resources. Clarifying the roles and functions of local government, its relationship with central and regional government and the arrangements for neighbourhood engagement, in the context of a shared strategy for local government; and
- e) Promoting the **development of the English regions** by improving their economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance taking account of the public's view of what is best for their area.

Expenditure on **reducing inequalities** is included within the Tackling Disadvantage lines of the Estimate.

## A) SUMMARY OF THE ESTIMATE

4. The Department for Communities and Local Government's Main Estimate for 2007-08 requests a net resource provision of £34.2 billion (£10.5 billion for RfR1 and £23.7 billion for RfR2). This compares with the 2006-07 Spring Supplementary Estimate totals of £9.7 billion and £23.9 billion.

## B) DETAILED EXPLANATION OF THE ESTIMATE

### RfR1 - Improving the quality of life by creating thriving, inclusive and sustainable communities in all regions

5. The main programmes covered by the Sections of the Estimate are as follows (all figures in £'000):

#### Resource

#### Spending in Departmental Expenditure Limits (DEL)

##### *Central Government Spending*

##### **Section A - Housing Supply and Demand**

Thames Gateway (Direct Funding)	53,000
Planning Inspectorate	37,836
Other Growth Areas (Direct Funding)	33,000
Planning research and publicity	14,800
New Growth Areas	12,000
Residential Property Tribunal Service	10,220
Housing Market Renewal Fund	9,500
Research	8,571
e-Planning	4,000
Home buying and selling	2,730
Regional Housing Board Advice	1,895
Valuation Office Agency Right to buy charges	1,800
Communications	1,690
New Horizons (research)	580
Housing Corporation Board remuneration and pensions	230
Gypsy site grant	80
<b>Total</b>	<b>191,932</b>

##### **Section B - Decent Places to Live**

Commission for Architecture and the Built Environment (CABE)	6,900
Building Regulation	5,579
Academy for Sustainable Communities	5,500
Housing Action Trusts	1,000
Housing management grants (incl. - Tenant Participation)	1,000
Joint Liveability Programmes	200
Design Awards	50
<b>Total</b>	<b>20,229</b>

## **Section C - Tackling Disadvantage**

Safer and Stronger Communities Fund	36,300
Community Policy	28,650
Employment Relations	22,011
Homelessness	19,693
Coalfields Regeneration Trust	17,650
New Deal for Communities	6,950
Supporting people (administration)	6,761
<b>Total</b>	<b>138,015</b>

## **Section D - Better Services**

Firelink	44,000
New Dimension	53,000
Fire regional control rooms	28,000
Housing mobility grants	4,330
Fire Service College	3,316
Fire Services	12,803
Payments to the Audit Commission for RSL Inspections	1,800
Best Value Intervention in Housing	1,000
Efficiency improvements in local government	464
<b>Total</b>	<b>148,713</b>

## **Section E - Development of English Regions**

Regional Development Agencies	1,586,414
Regional chambers/ assemblies	12,000
Mersey Basin	520
<b>Total</b>	<b>1,598,934</b>

## **Section F - Central Administration**

Central Administration	189,739
Payments to Ordnance Survey for mapping and data services	20,122
<b>Total</b>	<b>209,861</b>

## **Section G - Government Office Administration**

Government Offices Administration	<b>101,716</b>
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## **Section H - European Structural Funds - Net**

European Structural Funds – Net	<b>1</b>
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## **Section I - European Structural Funds - Communities and Local Government**

European Structural Funds – Communities	<b>10,001</b>
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## **Section J - Ordnance Survey**

Ordnance Survey	<b>-20</b>
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## **Section K - Queen Elizabeth II Conference Centre Executive Agency**

Queen Elizabeth II Conference Centre Executive Agency -1,292

## **Section L - Local Area Agreements**

Local Area Agreements (contributions from other government departments) -537,331

## ***Support for Local Authorities***

## **Section M - Housing Supply and Demand**

Regional Housing Pot Grant	436,739
Housing Market Renewal Fund	395,500
Thames Gateway (Direct Funding)	125,000
Planning Delivery Grant	120,000
Other Growth Areas (Direct Funding)	90,000
Gypsy site grant	34,000
New Growth Areas	30,000
Choice Based Lettings	1,000
Housing defects grants	100
<b>Total</b>	<b>1,232,339</b>

## **Section N - Decent Places to Live**

Capital Pooled Housing Receipts	-111,342
Procurement Efficiency and Social Housing	3,000
Private Housing Renewal	2,839
<b>Total</b>	<b>-105,503</b>

## **Section O - Tackling Disadvantage**

Supporting People	1,696,000
New Deal for Communities	242,848
Disabled Facilities Grants	121,000
Homelessness	75,197
Supporting People (administration)	38,239
Local Enterprise Growth Initiative	6,682
<b>Total</b>	<b>2,179,966</b>

## **Section P - Better Services**

Fire Services	<b>Total</b>	<b>20,001</b>
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## **Section Q - Development of English Regions**

Northern Way	25,000
Regional Chambers/Assemblies	6,000
<b>Total</b>	<b>31,000</b>

## **Section R - European Structural Funds - Net**

European Structural Funds - Net	1
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## **Section S - Local Area Agreements**

Local Area Agreements	1,286,749
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## **Spending in Annually Managed Expenditure (AME)**

### ***Central Government spending***

#### **Section T - Decent Places to Live**

Housing Revenue Account Subsidy	679,100
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#### **Section U - Better Services**

Fire Service Superannuation	50
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### ***Support for Local Authorities***

#### **Section V - Better Services**

Fire Service Superannuation	163,354
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## **Non-budget**

### **Section W - Housing Supply and Demand**

Housing Corporation (grant in aid)	2,074,337
English Partnerships (grant in aid)	308,000
Loan charges on Defective Housing Grant	7,000
Leasehold Enfranchisement Advisory Service (grant in aid)	960
<b>Total</b>	<b>2,460,297</b>

### **Section X - Better Services**

Firebuy (grant in aid)	2,040
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### **Section Y - Decent Places to Live**

Overhanging debt repayment on disposal of LA housing stock	616,000
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### **Section Z - Tackling Disadvantage**

Commission for Racial Equality (grant in aid)	19,100
Commission for Equalities & Human Rights (grant in aid)	13,846
Community Development Foundation (grant in aid)	1,546
<b>Total</b>	<b>34,492</b>

## **Capital**

### **Section A -Housing Supply and Demand**

E planning	2,000
Planning inspectorate	744
<b>Total</b>	<b>2,744</b>

### **Section C- Tackling Disadvantage**

Community policy	25
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### **Section D - Better Services**

Fire services	1,337
Firelink	3,000
New dimension	6,000
Control rooms	27,000
<b>Total</b>	<b>37,337</b>
Fire Service College	-22

### **Section F- Central Administration**

Central administration	21,064
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### **Section G- Government Office Administration**

Government Office administration	2,860
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### **Section K- Queen Elizabeth II Conference Centre Executive Agency**

Queen Elizabeth conference centre	-82
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## **RfR 2 Providing for effective devolved decision making within a national framework**

### **Resource**

#### **Spending in Departmental Expenditure Limits (DEL)**

#### ***Central Government Spending***



**Section A - Valuation services**

Valuation Office Agency 174,450

**Section B - Best value inspection subsidies to Public Corporations & best value intervention**

Best Value Inspectorate 20,000  
Best Value intervention costs 2,720  
**Total 22,720**

**Section C - Local Government Research and Publicity, Mapping costs and Electoral law**

Local government research 2,520  
Local Government Publicity 619  
Local Government Commission mapping costs 300  
**Total 3,439**

***Support for Local Authorities***

**Section D - Revenue support grants**

Revenue Support Grants 3,162,931  
PFI Special Grant 563,000  
**Total 3,725,931**

**Section E - Non-domestic Rates Payments**

National non-domestic rate payments **18,500,000**

**Section F - London Governance**

General GLA Grant **38,348**

**Section G - Other Grants and Payments**

PSA performance fund 323,000  
Capacity building 29,696  
LG Efficiency Challenge Fund 10,000  
Local Government ON LINE 7,000  
Emergency financial assistance to local authorities 6015  
Invest to Save special grant 1,733  
Best Value Parishes Grant 1,230  
**Total 378,674**

**Spending in Annually Managed Expenditure (AME)**

***Support for Local Authorities***

## **Section H - Non-domestic Rates Outturn Adjustments and LABGIS**

LA Business Growth Incentive Scheme	409,000
National non-domestic rates outturn adjustment	400,000
<b>Total</b>	<b>809,000</b>

## **Non-budget**

### **Section I - Non-departmental public bodies**

Valuation Tribunals service (grant in aid)	10,743
Local Government Standards Board (grant in aid)	9,732
<b>Total</b>	<b>20,475</b>

## C) PLANNED EXPENDITURE BY PUBLIC SERVICE AGREEMENT (PSA) TARGET

6. The table below breaks down planned spending by the Department for Communities and Local Government in 2007-08 between its Spending Review 2004 PSA targets (based on its **Main** Programmes DEL Total):

<b>PSA Target</b>	<b>Expenditure £'000</b>
<b>1.</b> Tackle social exclusion and deliver neighbourhood renewal working with departments to help them meet their PSA floor targets - by 2010.	<b>2,943</b>
<b>2.</b> Making sustainable improvements in economic performance of English Regions - by 2008.	<b>1,405</b>
<b>3.</b> Reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10% - by 2010.	<b>258</b>
<b>4.</b> Improving effectiveness and efficiency of local government in leading and delivering services to all communities - by 2008.	<b>0</b>
<b>5.</b> Achieving better balance between housing availability and demand.	<b>3,371</b>
<b>6.</b> Planning system to deliver sustainable development outcomes and to achieve best value standards for planning by 2008.	<b>192</b>
<b>7.</b> Bring all social housing into decent condition by 2010	<b>1,663</b>
<b>8.</b> Lead delivery of cleaner, safer, greener public spaces, and improvement of built environment in deprived areas with measurable improvement by 2008.	<b>82</b>
<b>9.</b> By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.	<b>29</b>
<b>10.</b> Reduce race inequalities and build community cohesion.	<b>57</b>
<b>Unallocated (mainly administration costs and receipts)</b>	<b>259</b>
<b>Less administration costs</b>	<b>-291</b>
<b>Less depreciation</b>	<b>-49</b>
<b>Total DEL (excluding depreciation and administration costs)</b>	<b>9,920</b>

## D) DEPARTMENTAL EXPENDITURE LIMITS (DEL)

7. The programme DELs covering RfR 1 and RfR2 at the start of 2007-08 are set out in the following tables:

### RfR1

(£'000)

2007-08	DEL		
	Voted (RFR1)	Non-voted	Total
Resource	4,105,142	217,700	4,322,842
<i>of which:</i>			
Administration budget	290,762	0	290,762
Near cash	4,061,359	132,602	4,193,961
Capital	2,484,096	3,452,998	5,937,094
Depreciation	-26,440	-22,293	-48,733
<b>Total</b>	<b>6,562,798</b>	<b>3,648,405</b>	<b>10,211,203</b>

8. The following Table shows how the DEL was arrived at taking the spending review 2004 (SR04) settlement for 2007-08 as the baseline:

<u>2007-08</u>	<u>Resource</u>	<u>Capital</u>	<u>Total</u>
<b>SR04 settlement</b>	<b>5,895,987</b>	<b>2,518,144</b>	<b>8,414,131</b>
Technical reclassifications required by Treasury	-2,201,230	3,597,451	1,396,221
Transfers resulting from machinery of government changes	-8,617	-3,501	-12,118
Other transfers to and from other government departments	-7,266	-175,000	-182,266
Transfers to and from the Local Government DEL	514,895		514,895
Additional funds from Treasury	129,073		129,073
<b>Total DEL (including depreciation)</b>	<b>6,589,798</b>	<b>3,670,698</b>	<b>10,259,936</b>
Less depreciation	-26,440	-22,293	-48,733
<b>Total DEL</b>	<b>6,562,798</b>	<b>3,648,405</b>	<b>10,211,203</b>

Depreciation, which forms part of the Resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

## Explanation of the changes since the last Spending Review settlement

### *Technical classifications required by Treasury*

9. There have been some significant changes to the scoring of communities' expenditure in DEL since the spending review settlement in 2004.

10. In each case the changes were made in response to Treasury requirements. The major changes were:

- To reclassify capital grants to the private sector from resource DEL to capital DEL (this increased capital DEL by £3.6 billion, reducing resource DEL by the same amount);
- To reclassify European Regional Development Fund income from AME to DEL (reducing resource DEL by £90m and capital DEL by £180m);
- To reclassify profits on disposal of assets from resource DEL to capital DEL (increasing resource DEL and reducing capital DEL by £58m);
- To reclassify certain impairments to AME (reducing resource DEL by £12m);
- To score all Supporting People expenditure in DEL, rather than most in AME and some in DEL (increasing resource DEL by £1.5 billion);
- To score all Arms Length Management Organisations spend in DEL, rather than AME (increasing capital DEL by £145m); and
- To score the purchase of land and buildings treated as stock by English Partnerships, at the point of acquisition, rather than on disposal (increasing capital DEL by £91m).

### *Transfers resulting from Machinery of Government changes*

11. The main components of this were:

- £91m resource to DTI to cover RDAs' non cash costs (other budgets for RDAs already having been transferred to DTI in 2001);
- £25m resource from DTI to cover equalities functions transferred with the Women and Equality Unit;
- £57m resource from Home Office to cover equalities functions transferred relating to race, cohesion and faith;
- £3.5m capital to Wales for fire service functions; and
- £1m resource to the new Deputy Prime Minister's Office to cover functions previously within the Office of the Deputy Prime Minister.

### *Other transfers to other government Departments*

12. These were made up of a number of transfers, most of which were small. The larger ones were:

- A transfer of £175m capital to DCMS for regeneration costs associated with the Olympics; and
- A transfer of £6m resource to DEFRA for accommodation costs (the legacy of an earlier Machinery of government change).

### *Transfers to and from the Local Government DEL*

13. These mainly consist of the transfer of £525m resource for the Neighbourhood Renewal Fund from the Local Government DEL to Main Programmes DEL in order that the fund could be incorporated within the Local Area Agreements budget.

### *Additional funds from Treasury*

14. Made up of

- A number of small awards from the Invest to Save Budget;
- £100m resource awarded in the March 2005 Budget for the Local Enterprise Growth Initiative now within Local Area Agreements ; and
- £25m resource from the Reserve for Housing Market Renewal.

### **RFR2**

<b>2007-08</b>	<b>DEL</b>		
	<b>Voted (RFR2)</b>	<b>Non-voted</b>	<b>Total</b>
Resource	<b>22,709,311</b>	<b>103,854</b>	<b>22,813,165</b>
of which:			
Administration budget	<b>0</b>	<b>0</b>	<b>0</b>
Near cash	<b>22,709,311</b>	<b>103,854</b>	<b>22,813,165</b>
Capital	<b>134,251</b>	<b>8,500</b>	<b>142,751</b>
Depreciation	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>22,843,562</b>	<b>112,354</b>	<b>22,955,916</b>

15. The following Table shows how the DEL was arrived at taking the SR04 Settlement for 2007-08 as the baseline:

2007-08	Resource	Capital	Total
<b>SR04 settlement</b>	<b>50,768,220</b>	<b>248,751</b>	<b>51,016,971</b>
Transfers to and from other government departments	-27,808,220		-27,808,220
Transfers to and from the Main DEL	-514,895		-514,895
Additional funds from Treasury	368,060	-106,000	262,060
<b>Total DEL (including depreciation)</b>	<b>22,813,165</b>	<b>142,751</b>	<b>22,955,916</b>
Less depreciation			
<b>Total DEL</b>	<b>22,813,165</b>	<b>142,751</b>	<b>22,955,916</b>

Explanation of the changes since the last Spending Review settlement

16. Changes since the last spending review settlement comprise:

- Around £28 billion was transferred from Revenue Support Grant to DfES to cover dedicated schools grant, administered directly by DfES;
- A large number of small transfers were made into the LG DEL from relevant government departments to cover new burdens on local authorities;
- As mentioned under main programmes DEL above, there was a transfer of £525m resource DEL for the Neighbourhood Renewal Fund from the Local Government DEL to Main Programmes DEL in order that the fund could be incorporated within the Local Area Agreements budget; and
- £368m was allocated from Treasury to fund concessionary fares.
- £106m reduction in PSA performance fund

Past expenditure

17. The DEL expenditure for RfR1/Main Programmes DEL for the financial years since 2004-05 is set out in the table below. Note that each year reflects the classification treatment and the Departmental functions in place for the relevant year (so that for 2004-05 the DEL relates to the former Office of the Deputy Prime Minister, and , for instance, capital grants to the private sector formed part of the resource DEL in 2004-05 and 2005-06)

Previous years' expenditure against Departmental Expenditure Limits £m						
Year	Voted	Non voted	Total DEL	Outturn	Variance	%
<b>Resource</b>						
2004-05	4,590.7	1,879.7	6,470.3	<b>6,185.6</b>	-284.7	-4.4%
2005-06	4,139.9	1,815.9	5,955.8	<b>5,856.2</b>	-99.6	-1.7%
2006-07	3,544.7	120.9	3,665.5	<b>*3,594.9</b>	-70.6	-1.9%
<b>Capital</b>						
2004-05	1,152.6	1,855.3	3,007.9	<b>2,776.9</b>	-231.0	-7.7%
2005-06	1,312.8	2,242.2	3,555.0	<b>3,450.4</b>	-104.6	-2.9%
2006-07	2,208.0	3,587.9	5,795.9	<b>*5,534.7</b>	-261.2	-4.5%
<b>Total</b>						
2004-05	5,743.2	3,735.0	9,478.2	<b>8,962.5</b>	-515.7	-5.4%
2005-06	5,452.7	4,058.1	9,510.8	<b>9,306.6</b>	-204.2	-2.1%
2006-07	5,752.7	3,708.8	9,461.4	<b>*9,129.6</b>	-331.8	-3.5%

\* forecast outturn only

18. The equivalent for RFR2/Local Government DEL is set out below

Previous years' expenditure against Departmental Expenditure Limits £m						
Year	Voted	Non- voted	Total DEL	Outturn	Variance	%
<b>Resource</b>						
2004-05	43,312	105	43,417	43,316	100	-0.23%
2005-06	46,187	106	46,293	46,244	49	-0.11%
2006-07	22,459	106	22,564	<b>*22,531</b>	34	-0.14%
<b>Capital</b>						
2004-05	363	9	372	257	115	-30.91%
2005-06	379	9	388	316	72	-18.56%
2006-07	259	6	267	<b>*214</b>	53	-19.8%
<b>Total</b>						
2004-05	43,675	114	43,789	43,573	215	-0.49%
2005-06	46,566	115	46,681	46,560	121	-0.26%
2006-07	22,718	112	22,831	<b>*22,744</b>	87	-0.38%

\* forecast outturn only

## E) END YEAR FLEXIBILITY (EYF)



19. The Department uses its EYF to fund ongoing programmes where slippages have occurred and for the management of unbudgeted pressures which arise. The EYF available to the department for 2007-08 will not be finally known until the Public Expenditure Outturn White Paper is published, usually in July. The forecast EYF available for 2007-08, made up of the sum of underspends accumulated in years up until 2005-06, and the current forecast underspend for 2006-07 is set out in the following tables:

#### Main DEL

End year flexibility	Resource				Capital			£m Total
	Administration	EC Structural	Nationalised Industries	Other resource	EC Structural	Nationalised Industries	Other Capital	
EYF accumulated and not drawn down for years up to and including 2005-06	40			36			335	411
Estimated additional End Year Flexibility consistent with forecast outturn for 2006-07 in Main Estimate	8			59			261	328
Forecast total EYF	48			95			596	739

Allocation of accumulated end year flexibility			£m
	Resource	Capital	Total
Central department (Programme & Administration)	76	335	411
<i>of which Ring-fenced</i>	8	54	62
<b>Total</b>	<b>76</b>	<b>335</b>	<b>411</b>

20. The accumulated End Year Flexibility is the sum of previous year's entitlements less amounts drawn down to date.

#### LG DEL

End year flexibility	Resource				Capital			£m Total
	Administration	EC Structural	Nationalised Industries	Other resource	EC Structural	Nationalised Industries	Other Capital	
EYF accumulated and not drawn down for years up to and including 2005-06				41			279	320

Estimated additional End Year Flexibility consistent with forecast outturn for 2006-07 in Main Estimate	34	53	87
Forecast total EYF	75	332	407

Allocation of accumulated end year flexibility			£m
	Resource	Capital	Total
RfR2 (LG Programmes)	41	279	320
<i>of which Ring-fenced</i>	39	253	292
<b>Total</b>	<b>41</b>	<b>279</b>	<b>320</b>

## F) ADMINISTRATION BUDGET

21. The Administration Budget for 2007-08 is £290.762m.

22. The following Table shows how the Administration Budget was arrived at taking the SR04 Settlement for 2007-08 as the baseline:

Administration Budget	£m
<b>SR04 baseline</b>	<b>329.771</b>
Administration to programme reclassification for Planning Inspectorate & Residential Property Tribunal Service	-40.461
Transfers to OGDs	-14.251
Transfer from OGDs	15.703
<b>Total</b>	<b>290.762</b>

### Explanation of the changes since the last Spending Review settlement

23. The administration budget covers the costs of staff and related overheads in the core department and Government Offices

24. The main changes were:

- Reclassification, agreed with Treasury, of the costs of the Planning Inspectorate and the Residential Property Tribunal Service from within the administration budget to programme expenditure. This aligns them with other NDPBs and agencies which already fall outside the administration budget. The change had no impact on overall Resource DEL;
- Transfers to other government departments included £6.5m to DEFRA for rent and telephony costs, £5m to DTI from the Government Offices, £1m to the new Deputy Prime Ministers Office and £1m to Cabinet Office for social inclusion;

- Transfers from other government Departments for equalities functions. These were around £7.5m from Home Office and £3m from DTI; and
- A transfer in from HM Treasury of around £4m reflecting the Department's share of a pension funding change.

## **G) PROVISIONS AND CONTINGENT LIABILITIES**

### **Provisions**

25. 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. The following table sets out the provisions made for the start of 2006-07:

	<b>Early Departure</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Position at 1 April 2007</b>	<b>- 5,923</b>	<b>- 10,486</b>	<b>- 16,409</b>

### **Early Departure Costs**

26. The department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (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. The department and its agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms. In past years the department paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

### **Other Costs**

#### ***Compensation Payments***

27. These relate to claims made by staff and third parties against the department. The majority represent claims by ex Property Services Agency employees who may have contracted an industrial lung disease. It is expected that half of these cases may be settled in 2007-08 with the remainder settled in the following year.

#### ***Dilapidations***

28. The provision relates to complying with lease clauses for buildings which were occupied by the Emergency Fire Service, and for other departmental buildings.

### **Firefighter's Pensions**

29. The Firefighter's Pension Scheme is a small scheme that has similar conditions to the Principal Civil Service Pension Scheme and which was inherited from the Home Department in respect of 16 ex-firefighters and their widows. The Treasury real rate for this pension scheme is 2.8%.

### **Contingent Liabilities**

30. Contingent liabilities are those liabilities where the likelihood and amount of payment are uncertain so they are not provided for in the balance sheet, only disclosed in a note. The departments' contingent liabilities for 2007-08 are:

<b>Nature of Liability</b>	<b>£'000</b>
Housing Association Act 1987, s84. Indemnity of building society mortgages for shared ownership schemes.	251
The Housing Defects Act 1984 (now part XVI of the Housing Act 1985). Payments to Local Authorities	750 -1,000
Derelict Land Act: land stabilisation programme - indemnity against collapse of the mine in Norwich. Cover over and above that which the contractors are able to secure.	150,000
Indemnity given to the Fire and Rescue Services in respect of possible incidents as a result of mass decontamination.	Unquantifiable
English Partnerships, Commission for the New Towns - Sunderland City Council (SCC): the freeholds of several hundred properties transferred to SCC on 1 April 1997. Transfer was subject to a Commission indemnity valid for 30 years against costs which may be incurred in remedying shale related defects. This indemnity was issued with the approval of the Department.	Unquantifiable
Housing Grants, Construction and Regeneration Act 1996 s126. Liability to pay grant in future years relating to annual gap-funding agreements for negative value transfers of council housing stocks.	93,000
Following from application of EC Structural Funds Regulations. Possible obligations to repay EC funds in respect of 1994-2001 programmes which were formally closed on 31 March 2003 and possible irregularities arising from current round of programmes.	20,570
Fire Service Act 1947 s17 and the Fire Service (Discipline Regulations) 1985. Liability to litigation by Fire Authorities resulting from delays in processing appeals to the Secretary of State.	200
The Department's decisions and actions are subject to judicial review and other appeals in the courts. Currently there are a number of cases where proceedings in the courts have commenced. Not all of these cases will come to court.	Unquantifiable
Possible obligations from Employment Tribunal decision including asbestos claims against the Department.	Unquantifiable
Other Employment Tribunal decisions.	68
Possible ex-gratia payments	Unquantifiable
Possible liabilities of bodies sponsored by DCLG which the Department may have to fund.	Unquantifiable
Potential payments under the Housing Revenue Account Subsidy (HRAS) scheme relating to outstanding claims	Unquantifiable
Possible compensation in relation to Midlands Co-op / Thurmaston planning case (Parliamentary Ombudsman case).	5,200 - 26,000
Potentially unresolved litigation costs following termination of the Housing Employment Mobility Service (HEMS) Agreement on 20 July 2006.	4,700

## **H) PROCESS FOR PREPARATION & APPROVAL OF MEMORANDUM**

31. This Memorandum has been prepared in accordance with the suggested format set out in H M Treasury PES Paper 2004(14) and taking account of later guidance, in particular Guidance issued by the House of Commons Scrutiny Unit (October 2006). It has been seen and approved by the Departments Principal Accounting Officer, Peter Housden.

## **ANNEX A**

### **Explanation of key terms and Glossary of abbreviations**

#### **DEL - Departmental Expenditure Limit**

This is spending within the department's direct control, which can be planned over a Spending Review period and includes programme and administration expenditure.

#### **AME - Annually Managed Expenditure**

This demand led spending where it is not possible to forecast accurately the level of resources required in a year.

#### **RfR - Request for Resources**

This is the level at which resources are allocated within the Departmental Estimates. The department has two RfRs:

RfR 1: Improving the quality of life by creating thriving, inclusive and sustainable communities in all regions.

RfR 2: Providing for effective devolved decision making within a national framework.

#### **DUP - Departmental Unallocated Provision**

The Department's contingency reserve, which can be accessed to meet pressures or to deal with in year management of resources by means of Main and Supplementary Estimates.

#### **EYF - End Year Flexibility**

End year flexibility is the mechanism which enables departments to carry forward unspent DEL resources, subject to Parliamentary consent by way of a Supplementary Estimate, for use in future years. It enables the department to plan the use of resources over a Spending Review period. The department allows the carry forward of EYF for specific ringfenced programmes with the remainder used as a central resource to meet pressures arising in year.

#### **Voted and Non-Voted Expenditure**

Voted expenditure is that expenditure which has been approved in Main or Supplementary Estimates. Non-voted expenditure has not been through this Parliamentary process. An example of non-voted expenditure is the resource and capital expenditure by NDPBs. NDPBs' grant-in-aid is voted.

#### **Spending Review**

A fundamental look at resources by the Treasury which (usually) takes place every two years and, usually, covers a three year period. The current budgets are a result of

SR04 and covered the years 2005-06, 2005-07 and 2007-08. The current Review - CSR07 - will provide resources for 2008-09, 2009-10 and 2010-11.

### ***Other Abbreviations***

**ALMOs** - Arms Length Management Organisations

**DTI** - Department of Trade and Industry

**DCMS** - Department for Culture, Media and Sports

**DfES** - Department for Education and Skills

**DWP** - Department for Work and Pensions

**EP** - English Partnerships

**ERDF** - European Regional Development Fund

**HMRF** - Housing Market Renewal Fund

**LAAs** - Local Area Agreements

**MOG** - Machinery of Government

**NDPB** - Non Departmental Public Body

**OGA** - Other Growth Areas

**OGD** - Other Government Departments

**PINS** - The Planning Inspectorate

**PFI** - Private Finance Initiative

**PSA** - Public Service Agreement

**RDAs** - Regional Development Agencies

**RPTS** - Residential Property Tribunal Service

**RSG** - Revenue Support Grant