English Partnerships Report on the Financial Statements 2008/2009

Commission for the New Towns

Report on the Financial Statements presented to Parliament by the Secretary of State for the Department for Communities and Local Government on behalf of the Comptroller and Auditor General in pursuance of Section 9(a) of the New Towns and Urban Development Corporation Act 1985.

Urban Regeneration Agency

Report on the Financial Statements presented to Parliament by the Secretary of State for the Department for Communities and Local Government on behalf of the Comptroller and Auditor General in pursuance of paragraph 9 of Schedule 18 of the Leasehold Reform, Housing and Urban Development Act 1993.

The Commission for the New Towns and the Urban Regeneration Agency carried out their activities jointly under the name of English Partnerships.

Ordered by the House of Commons to be printed on 1 July 2009

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BOARD MEMBERS' REPORT

The Board Members are pleased to present their report on the affairs of The Commission for the New Towns and The Urban Regeneration Agency (together, English Partnerships), along with the audited Financial Statements and the auditors' reports for the year ended 31 March 2009.

HOMES AND COMMUNITIES AGENCY

On 17 January 2007, the Secretary of State for Communities and Local Government (CLG) announced the Government's intention to create a new agency which combines the functions of English Partnerships, the investment arm of the Housing Corporation, the Academy for Sustainable Communities and a range of programmes carried out by CLG. The new agency, the Homes and Communities Agency (HCA), came into being on 1 December 2008 under the powers contained in the *Housing and Regeneration Act 2008.* On 1 December 2008, assets and liabilities, duties and obligations formerly vested in the Agency and the Commission were transferred to the HCA. The Act also transferred Welsh functions of the Commission to the Welsh Ministers and made other amendments of the *New Towns Act 1981* (c.64). These Financial Statements and related notes show the position as at 31 March 2009. The related notes also illustrate the balances transferred to the HCA on 1 December 2008.

STATUTORY BACKGROUND

Commission for the New Towns

The Commission for the New Towns (the Commission) was established by Parliament under the provisions of the *New Towns Act 1959* and came into being in October 1961. The Commission operated under the provisions of the *New Towns Act 1981,* as amended by the *New Towns and Urban Development Corporations Act 1985, the Urban Development Corporations in England (Transfer of Property, Rights and Liabilities) (Commission for the New Towns) Order 1998*, the *North Hull Housing Action Trust (Dissolution) Order 1998, the Waltham Forest Housing Action Trust (Dissolution) Order 2002,* the *Tower Hamlets Housing Action Trust (Dissolution) Order 2004, the Castle Vale Housing Action Trust (Dissolution) Order 2005,* the *Liverpool Housing Action Trust (Dissolution) Order 2005 and the Stonebridge Housing Action Trust (Dissolution) Order 2007*.

The *Housing and Regeneration Act 2008* confers the power to abolish the Commission on such day as the Secretary of State may by order appoint, this being 31 March 2009.

Urban Regeneration Agency

The Urban Regeneration Agency (the Agency) was established under the provisions of the *Leasehold Reform, Housing and Urban Development Act 1993*. It came into existence and took over City Grant on 10 November 1993, following Parliamentary approval of the *Leasehold Reform, Housing and Urban Development Act 1993 (Commencement and Transitional Provisions No. 3) Order 1993*. The Agency became fully operational on 1 April 1994 when it took over Derelict Land Grant and English Estates under the provisions of the *Leasehold Reform, Housing and Urban Development Act 1993 (Commencement No. 4) Order 1994*.

The *Housing and Regeneration Act 2008* confers the power to abolish the Agency on such day as the Secretary of State may by order appoint, this being 31 March 2009.

PRINCIPAL ACTIVITIES

Commission for the New Towns

The purposes for which the Commission existed are set out in Section 36 of the 1981 Act. These were:

- to take over, and with a view to its eventual disposal, manage and turn to account the property of the New Town and Urban Development Corporations and Housing Action Trusts transferred to the Commission; and

- as soon as it considers it expedient to do so, to dispose of the property so transferred and any other property held by it.

The Commission, in relation to any new town, urban development or housing action trust area, was required to have due regard to:

- the convenience and welfare of persons residing, working or carrying on business in the area; and

- until disposal, the maintenance and enhancement of the value of the land held and the return obtained from it.

The Commission’s principal activities were transferred to the HCA on 1 December 2008.

Urban Regeneration Agency

The overall aim of the Agency was to secure the regeneration of areas of need through the reclamation, development or redevelopment of land and buildings. Whilst concentrating on the regeneration of land it, wherever possible, operated within a broader regeneration framework working with local and regional partners, aiming to tackle the problems of an area in the round. Its programme addressed the need for land for a variety of purposes, including housing, industrial and commercial premises, the attraction of inward investment, infrastructure, leisure, recreation and environmental improvements.

The Agency's principal activities were transferred to the HCA on 1 December 2008.

FORMAT OF THE FINANCIAL STATEMENTS

Commission for the New Towns

The Commission's Financial Statements for the year to 31 March 2009 have been prepared in accordance with the Direction on the Annual Accounts issued on 27 March 2007 by the Secretary of State with the consent of HM Treasury and in accordance with Section 9(a) of the *New Towns and Urban Development Corporations Act 1985*.

Urban Regeneration Agency

The Agency's Financial Statements for the year to 31 March 2009 have been prepared in accordance with the Direction on the Annual Accounts issued on 27 March 2007 by the Secretary of State, with the consent of HM Treasury and in accordance with paragraph 9 of schedule 18 of the *Leasehold Reform, Housing and Urban Development Act 1993*.

The Government Financial Reporting Manual (FReM) requires that Non Departmental Public Bodies regard grants in aid received for revenue and capital purposes as a financing flow and therefore credited to the income and expenditure account reserve on the Balance Sheet. The result of this accounting treatment is to create deficits for the current and prior periods which represent the level of investment made by our Sponsor department.

PENSION ARRANGEMENTS

The accounting policy on pensions is disclosed in Note 1 of each of the Commission's and Agency's Notes to the Financial Statements. Information on Board Members' and Key Managers' pension entitlements at 30 November 2008 is disclosed in the Remuneration Report which starts on page 19.

REVIEW OF ACTIVITIES

Details of English Partnerships' performance during the year are contained in the Management Commentary, which starts on page 13.

RESULTS AND TRANSFER TO RESERVES

Commission for the New Towns

The Commission's results for the year ended 31 March 2009 are set out in the Financial Statements on pages 32 to 83. The adoption of Financial Reporting

Standards relating to Financial Instruments has resulted in a change in accounting policy for development assets. The comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The effect of this change on the certified Financial Statements for the year ended 31 March 2008 and the impact of the change on the results of the current year is shown in Note 14 of the Commission's Financial Statements.

The operating deficit for the year amounted to £86.82m (2008: Operating deficit of £6.29m, restated). After charging interest payable and crediting interest receivable, the deficit for the year on ordinary activities before taxation was £67.75m (2008: surplus of £23.19m, restated).

A taxation credit of £0.66m (2008: charge of £0.66m, restated) has arisen during the year, therefore, the overall deficit for the year was £67.09m (2008: retained surplus of £22.53m, restated). Further entries recognised through the Statement of Total Recognised Gains & Losses relating to actuarial losses resulted in £54.57m of losses (2008: gains of £25.69m, restated) to be transferred to reserves.

Urban Regeneration Agency

The Agency's results for the year ended 31 March 2009 are set out in the Financial Statements on pages 84 to 129. The adoption of Financial Reporting Standards relating to Financial Instruments has resulted in a change in accounting policy where the Agency provides financial assistance to buyers and key workers, or funds strategic infrastructure. The comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The effect of this change on the certified Financial Statements for the year ended 31 March 2008 and the impact of the change on the results of the current year is shown in Note 11 of the Agency's Financial Statements. Any deficit in the year is transferred from the Income and Expenditure Account to the grant reserve in the respective period. The retained deficit in the year is £374.33m (2008: deficit of £151.48m, restated) and represents the level of investment made by our Sponsor department.

BETTER PAYMENT PRACTICE CODE

In accordance with *Managing Public Money,* English Partnerships complied with the British Standard for Achieving Good Payment Performance in Commercial Transactions and with the *Late Payment of Commercial Debts (Interest) Act 1998*, as amended. We aimed to pay all undisputed invoices within 30 days of receipt and at least 90 per cent of invoices, whether disputed or not, within this timescale. It was the policy to:

- settle the terms of payments with suppliers when agreeing the terms of each transaction and pay bills in accordance with contract;
- ensure that the suppliers were made aware of the terms of payment;
- abide by the payment terms of individual suppliers; and

- deal reasonably with complaints and disputes and advise suppliers without delay when invoices or parts of invoices, are contested.

During the 2009 financial year English Partnerships paid, on average, 92 per cent of all invoices within 30 days of receipt (2008: 92 per cent) and was committed to maintaining this high standard of performance as it saw prompt payment as a factor in achieving regeneration.

VALUATION OF LAND AND BUILDINGS

In accordance with the Accounts Directions, the Commission and the Agency have estimated the value of property assets as at 31 March 2009. This value is nil as the portfolio of development assets transferred to the HCA on 1 December 2008. The entire portfolio has since been valued by the HCA as at 31 March 2009. This valuation was carried out by both internal and external qualified valuers, with independent external valuers appointed to perform the majority of the portfolio's value and also to value complex properties. In all cases, the valuations were in accordance with the *Statement of Asset Valuation and Guidance Notes (6th Edition)* published by the Royal Institution of Chartered Surveyors.

In order to give a true and fair view of the book value of development assets transferred to the HCA and the impairment charge for the 8 month period prior to transfer, it has been necessary to establish a valuation at 30 November 2008. This has been achieved by comparing each individual asset's valuation at 31 March 2008 and 31 March 2009 and assuming a straight line movement in value. Where valuations have increased the movement has been added to the 31 March 2008 valuation, where values have decreased the movement has been deducted from the 31 March 2008 valuation, to establish an estimated value as at 30 November 2008. This estimated value was then compared to book value. If the value at 30 November was lower than book value, the asset was written down to estimated value and the impairment charged via the Income and Expenditure account. An impairment charge of £56.1m (2008: £10m) was made for the Commission (note 19) and £263.7m (2008: £21.5m) for the Agency (note 16). Each are considered exceptional by virtue of their size and is principally due to the current deterioration in the UK housing market.

Commission for the New Towns

The valuation method used in 2009 reflects a recognised industry standard of measuring market value. The future liabilities associated with property interests with a negative valuation have been prudently provided for in provisions for liabilities and charges (Note 24 to the Financial Statements) in accordance with modified valuations that take into account contractual, legal or constructive obligations.

Urban Regeneration Agency

Open market value is considered to be at least equivalent to the net realisable value of land and buildings except in cases where specific limiting conditions attach to the Agency's approval and decision to acquire or develop the land for purposes which may affect the future realisable value. In such cases net realisable value is assessed by reference to the specific conditions applying to individual properties.

EMPLOYMENT OF DISABLED PERSONS

Under its recruitment policies, English Partnerships gave full and fair consideration to all applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If any employee had become disabled while employed by the Agency or the Commission, arrangements would have been made wherever possible for appropriate retraining with a view to continued employment. The policies in respect of training, career development and promotion recognised the need to make appropriate provision for disabled staff according to opportunities available and to organisational requirements.

EMPLOYEE RELATIONS

English Partnerships was an equal opportunities employer. All applicants were given full and fair consideration and were judged on the merit of their qualifications and experience in relation to the particular requirements of the post. Considerable emphasis was placed on an open management style with frequent and informal consultation at working level.

In the period up to the creation of the HCA, monthly updates were received by colleagues from Sir Bob Kerslake, Chief Executive of the HCA. An Intranet web page on the HCA Set-up Team was also made available to colleagues. This enabled the Set-up Team to communicate directly with all staff affected by the creation of the HCA.

We had a single, integrated Equality and Diversity Strategy that not only reflected the changes in English Partnerships' legal obligations under equal opportunities legislation, but also reinforced English Partnerships' diversity commitment to staff, partners, stakeholders and the wider community within which we operated.

OPEN GOVERNMENT AND FREEDOM OF INFORMATION

As a public body, English Partnerships was committed to the principles of Open Government, most notably those relating to service standards, customer service, information provision and value for money. The complaints handling procedure and standards of service were widely distributed internally and externally. Openness in information provision was continued through the Annual Open Meeting, the ongoing development and improvement of the website and a wide range of literature. Large-scale public consultation regarding major development and regeneration projects was also undertaken.

The *Freedom of Information Act* became law on 30 November 2000 with all provisions in place on 1 January 2005, and established a right of access to all types of 'recorded' information held by public authorities. We introduced our *Freedom of Information Act* publication scheme on schedule in November 2002 and implemented the terms of the Act in January 2005. We operated an Openness Policy, initiatives under which included the publication of Minutes of key meetings, including main Board meetings, on our website.

AUDITORS

Commission for the New Towns

The Comptroller and Auditor General is the statutorily appointed auditor under the provisions of the *New Towns Act 1981*, as amended by the *Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003*.

Urban Regeneration Agency

The Comptroller and Auditor General is the statutorily appointed auditor under the provisions of the *Leasehold Reform, Housing and Urban Development Act 1993,* as amended by *the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.*

The cost of work performed by the auditors for the Commission and the Agency, in respect of the year ended 31 March 2009, is as follows:

	£'000
Audit Fee – Commission for the New Towns	60
Audit Fee – Urban Regeneration Agency	60

So far as we are aware, there is no relevant audit information of which the auditors are unaware, and we have taken all the steps to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

CORPORATE GOVERNANCE REPORT

Corporate governance is the way in which organisations are directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance.

In July 2005 HM Treasury published a Code of Good Practice for corporate governance in Central Government departments. Whilst this is not directed specifically at Non Departmental Public Bodies the relevant principles contained within it are applied in English Partnerships.

English Partnerships' approach to corporate governance is set out in the following section on English Partnerships' Board, and in the Statement on Internal Control on pages 26 to 31.

English Partnerships' Board

The English Partnerships' Board was in place up to 30 November 2008 and comprised nine non executive directors, one executive director (the Chief Executive), and two ex officio directors (Steve Douglas, the Chief Executive of the Housing Corporation and, with effect from 24 March 2008, Sir Bob Kerslake, Chief Executive of the Homes and Communities Agency). The Board was chaired by Robert Napier. All appointments were made by the Secretary of State. The recruitment process for non executive directors was run by CLG in accordance with the Code of Practice for Public Appointments Procedures issued by the Commissioner for Public Appointments. Non executive directors were appointed initially for periods of up to three years, and the level of their emoluments was set by the Secretary of State.

BOARD MEMBERSHIP

Details of the Board composition are contained in the Remuneration Report which also includes details of Key Managers.

A Register of Interests held by Board Members was maintained by the Agency. The Register was open to the public and access was obtainable at the premises of English Partnerships.

BOARD MEMBERS' RESPONSIBILITIES

Up until 30 November 2008 the Chairman and Board Members had overall responsibility for the conduct of the business of English Partnerships, both for ensuring that they met their statutory responsibilities and for the quality of their management. This included responsibility for the stewardship of public funds to ensure the highest standard of regularity, propriety and value for money for all financial transactions. Members were responsible, subject only to the directions of the Secretary of State and the advice of the Accounting Officer, for determining English Partnerships' strategy and for developing its policies and programmes.

The Financial Memorandum issued by the Secretary of State, together with English Partnerships' internal delegations, sets out a number of matters that required specific Board and Departmental approval and authorisation limits. In addition, the Board had formally adopted a Code of Practice for Board Members based on Cabinet Office guidance.

Residuary Board

From 1 December 2008 a Residuary Board was set-up to wind-up the affairs of the Commission and the Agency. Its terms of reference state "The Residuary Board for the Urban Regeneration Agency (URA) and Commission for New Towns (CNT) shall be responsible for ensuring that the affairs of the URA and CNT are expeditiously wound up, and that the financial accounts for the URA and CNT for the financial year 2008/09 are properly finalised and submitted to the Chief Executive of the Homes and Communities Agency (HCA)."

The Residuary Board comprises John Parker, Richard Harrold and Dr Pauleen Lane CBE. There is also one Executive member, Andrew Lean.

For the Commission, under Section 9(a) of the *New Towns and Urban Development Corporations Act 1985* and for the Agency, under Schedule 18 of the *Leasehold Reform, Housing and Urban Development Act*, the Board is required to prepare Financial Statements for each financial year in the form and on the basis determined by the Secretary of State with the approval of HM Treasury. This requirement now falls under the Residuary Board's remit.

The Financial Statements of both are required to be prepared on an accruals basis and to give a true and fair view of the state of affairs at the year end and of the Income and Expenditure Account and cash flows for the financial year.

In preparing the Financial Statements the Residuary Board is required to:

- observe the Directions on the Annual Accounts issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- advise as to whether the going concern basis for the preparation of the Financial Statements is appropriate;
- make judgements and estimates on a reasonable and prudent basis; and
- state whether applicable United Kingdom law and accounting standards have been followed, and disclose and explain any material departures in the Financial Statements.

The Financial Statements of both the Commission and the Agency have been prepared on a going concern basis as, although each entity ceased to trade as of 30 November 2008, their functions transferred by statute to the HCA on 1 December 2008 and continued within the new Agency.

COMMITTEES OF THE BOARD

During the year English Partnerships had formally appointed an Audit Committee, a Remuneration Committee and a Committee for the Milton Keynes Partnership.

Audit Committee

In the period to 30 November 2008, John Parker chaired the Agency's Audit Committee. The other members during the period were, Dr Pauleen Lane CBE, Dr Anne Wright CBE, Aman Dalvi OBE and Richard Harrold. From 1 December 2008 the Residuary Board was responsible for the winding-up of English Partnerships by 31 March 2009.

Remuneration Committee

In the period to 30 November 2008, the Remuneration Committee comprised Dr Anne Wright CBE (Chair), Robert Napier, Dr Pauleen Lane CBE and Dr John Belcher CBE.

The Head of Human Resources acted as the Secretary to the Committee and the Chief Executive was able to attend meetings at the invitation of the Remuneration Committee.

The Committee advised the Board of English Partnerships on the remuneration, terms and conditions and objectives for the Chief Executive and also on broader staffing issues such as English Partnerships' organisational structure.

The Committee monitored and approved:

- English Partnerships' Human Resource requirements against the organisational structure and revenue budget agreed by the Board;
- the terms and conditions of service, overall pay levels and performance awards that were referred to the Committee by the Executive; and ensured
- that there were clear legal and administrative arrangements covering the provision of the English Partnerships' pension schemes in respect of benefits and contributions, the administration of the schemes and the management of the pension funds.

The remit of the Committee was expanded to address the potential issue of recruitment and retention of key staff posts as part of the transition to the Homes and Communities Agency.

Milton Keynes Partnership Committee

The Milton Keynes Partnership Committee was a sub committee of the main English Partnerships Board, but was a partnership between English Partnerships, Milton Keynes Council, the Local Strategic Partnership, representatives from the health, community and business sectors and independent representation. John Lewis became Chief Executive on 1 April 2008 and on 1 December 2008 the Committee became a sub committee of the main HCA Board. It co-ordinates and implements the delivery of future growth in Milton Keynes and plays a key role in ensuring that infrastructure and community facilities are provided to support growth. The position of Chairman was filled by Dr Ann Limb on 7 April 2008. English Partnerships' Board Members on the Committee were Dr Pauleen Lane CBE and John Walker CBE. The Committee has granted development control powers to determine major planning applications within a defined Urban Development Area (UDA) and has formally established a Planning Sub Committee to exercise these planning authority powers.

MANAGEMENT COMMENTARY

Introduction

The Management Commentary takes into consideration the recommendations outlined in the Accounting Standards Board's Reporting Statement *Operating and Financial Review*. Its objective is to provide a balanced analysis of:

- the development and performance of the businesses during the financial year;
- the position at the end of the financial year; and
- the main trends and factors underlying development, performance and position during the financial year and which are likely to affect the entities' futures.

Nature, objectives and strategies

The overall aim of the Commission was to take over and, with a view to its eventual disposal, manage and turn to account the property of the New Town and Urban Development Corporations and Housing Action Trusts transferred to the Commission and as soon as it considered it expedient to do so, to dispose of the property so transferred and any other property held by it.

The overall aim of the Agency was to secure the regeneration of areas of need through the reclamation, development or redevelopment of land and buildings.

These overall aims continue as part of the HCA.

The Commission and the Agency were sponsored by the Department of Communities and Local Government (CLG) which in turn is governed by HM Treasury. There was regular liaison between CLG and English Partnerships to ensure that Departmental Expenditure Limits were met and to ensure that accounting treatment is consistent with HM Treasury guidance.

Objectives and Business Strategy

English Partnerships had three core business areas and delivered its objectives through:

- unlocking and increasing the supply of land – particularly surplus public sector sites – to meet housing and other growth needs; minimising greenfield development and tackling visual and economic blight;

- creating and sustaining well-served mixed communities where people enjoy living and working, using our skills and expertise to help Local Authorities and other partners deliver their vision;

- improving quality of life and enhancing the environment through innovation and raising standards; and promoting the importance of good design, planning and build, to underpin the well-being of communities.

CURRENT DEVELOPMENT AND PERFORMANCE

Business development and performance

Significant features of the businesses in the financial year are contained within the Financial Performance section on page 16.

Trends and factors underlying performance and position

English Partnerships was dependent upon budgetary allocations received from CLG supplemented by our own self-generated receipts, primarily from property disposals. Because of this we were also exposed to any economic changes in the general land and property markets within our areas of operation.

Resources and relationships

Resources

Knowledge base

We had the skills and experience to work on large and complex programmes and were able to share our expertise and skills with our partners, adding substantial value to the projects in which we became involved.

People

We recognised our staff as our greatest asset and focused closely over the period on the development of leadership and management training programmes as well as technical training for regeneration professionals.

Our sickness absence rate amounted to 1.6% of calendar days being lost.

Environment

English Partnerships was committed to the promotion of environmental sustainability in both our daily working practices and through the promotion of new standards for sustainable development and the advancement of best practice in our delivery programme.

Delivery Programme

We set higher standards on all our development schemes through the adoption of our revised Quality standards. These most recently included the Code for Sustainable Homes level 3, Chartered Institute of Building Services Engineers standards, Civil Engineering Environmental Quality Assessment and Award Scheme and noise reduction.

We supported increased innovation and carbon reduction on agreed exemplar projects, such as the Carbon Challenge where we adopted the Code for Sustainable Homes level 6.

We continued to promote learning on our previous exemplar programmes, such as the Millennium Communities and Design for Manufacture through research, events and publications.

We had a specialist environmental sustainability consultancy panel to ensure that we had the best advice available to our delivery teams.

Through our Environmental Policy statement, we:

- demonstrated continual environmental improvement against set targets and monitored performance reporting to CLG;

- met the requirements of all relevant environmental legislation;

- responded to relevant government policies and initiatives;

- used energy efficiently, including meeting an agreed target for reducing energy consumption at our offices; and

- actively promoted environmental issues amongst all staff and offered a range of environmental training courses.

As we moved towards the Homes and Communities Agency we worked together to ensure that the new Agency adopts the best environmental practices of both organisations.

Relationships

Sponsor bodies, partners and suppliers

English Partnerships has had good working relationships with its sponsor department and other bodies such as Regional Development Agencies, Local Authorities, the Housing Corporation and HM Treasury.

This allowed the sharing of expertise and best practice across the regeneration and development sector.

Employees

A Joint Staff Council provided a mechanism for management and staff to discuss pay, conditions of service and other matters of concern. Through this procedure, through the management process and by means of newsletters, notices and circulars, all employees were advised on a regular basis of business performance and any related financial and economic factors which contributed to that performance.

The ‘Women into Management’ programme, which was developed to help address the issue of gender equality in the sector, continues into the HCA.

Management development and leadership were identified by the Executive Management Board as priority areas for training within English Partnerships. Those staff who had responsibility for managing others were given the opportunity to participate in a newly developed management development programme – 'Managing and Leading through Change'. The programme was designed to develop a shared management approach, language and style across English Partnerships which supported improved performance of teams and individuals.

FINANCIAL REVIEW

Financial performance

Commission for the New Towns
The most significant transactions within the Commission during the year included:

- an impairment charge of £56m as a result of the current deterioration in the housing market;
- the providing for a £12.6m debt following the liquidation of a developer. The Commission exercised its step-in rights to seize back the related development land;
- the disposal of land at the Gateway site in Harlow;
- the adoption of new Financial Instrument Standards which required the restatement of comparatives by way of a prior year adjustment.

Urban Regeneration Agency
The most significant transactions within the Agency during the year included:

- an impairment charge of £263.7m as a result of the current deterioration in the housing market;
- the continued funding of the First Time Buyers' Initiative;
- the acquisition of Castle College Northside site in Sheffield;
- the acquisition of St Clements Hospital, East London, surplus public sector land;
- the adoption of new Financial Instrument Standards which required the restatement of comparatives by way of a prior year adjustment.

Capital structure
English Partnerships generated resources, primarily through property disposals. The Agency also received grant in aid from CLG as its activities were not fully self funded.

Treasury policies and objectives
The Treasury Management Policy was designed to maximise the return on surplus funds by investing at the best interest rates and minimising risk by investing in financially stable institutions, with limited exposure in each. It was reviewed and approved by the Board on an annual basis.

The Commission held the majority of cash balances and these were often invested with financially stable counterparties for periods up to a maximum of six months. The Agency did not carry surplus funds, relying as it did on Grant in aid to meet its expenditure commitments. Any surplus monies were, therefore, short-term and invested on an overnight basis.

As part of the establishment of the HCA, HM Treasury required that the Commission's cash balances be transferred to the Exchequer once HCA had commenced. As a result monies were invested with shorter maturity profiles to facilitate the transfer of funds as soon as possible.

A series of internal and external controls existed to enforce segregation of duties and to help achieve the above objectives.

Full details of cash balances are provided in Notes 21 and 22 to the Commission's Financial Statements and on the Balance Sheet for the Agency, respectively.

Cash flows and liquidity
As noted previously, the Agency relied upon grant in aid receipts from CLG to maintain general liquidity. The Commission was self-funded and maximised the earning capability of cash surpluses from profits of land sales whilst adhering to the Treasury Management Policy.

Pensions
Employees of the Agency and the Commission were able to participate in contributory pension arrangements afforded by either the English Partnerships' Pension Fund or a statutory Local Government Scheme administered by West Sussex County Council. These pension schemes have broadly comparable benefits and provide benefits based on final pensionable remuneration. The disclosures required by *FRS 17, Retirement benefits* are contained in Note 30 to the Financial Statements for the Commission and Note 27 for the Agency.

Financial Key Performance Indicators

Financial Targets

The Secretary of State sets Departmental Expenditure Limits for Resource Consumption and Resource Capital. These limits were set for the Commission and the Agency, but surpluses in one entity were able to be used to offset deficits in the other. On 1 December 2008 the combined limits for English Partnerships were transferred to the HCA.

Departmental Expenditure Limits exist as a budgetary tool to control the financial activity of English Partnerships throughout the financial year. Monthly submissions summarising actual performance against these limits together with estimates of annual forecasts were made to CLG.

REMUNERATION REPORT

UNAUDITED INFORMATION

Constitution of the Remuneration Committee

The constitution of the Remuneration Committee is set out on page 12.

Remuneration policy

In setting the remuneration policy, the Remuneration Committee had regard, within the constraints of being a Non Departmental Public Body, to the following considerations:

- To provide rewards to attract high-calibre management necessary to enable English Partnerships to fulfil its responsibilities; and

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

Service contracts

John Walker's appointment as Chief Executive was originally set for a fixed term to April 2009 but he left on 30 November 2008 following the accelerated launch of the HCA to 1 December 2008.

The Secretary of State appointed non-executive Board Members, with the exception of Steve Douglas, Jon Rouse and Sir Bob Kerslake, for periods of up to three years and also sets the level of their emoluments. Their appointments required three month's notice of termination.

Steve Douglas was the Chief Executive of the Housing Corporation and was appointed as a non-remunerated Board Member while he held that position. There was a reciprocal arrangement and the Chief Executive of English Partnerships sat on the Board of the Housing Corporation until 30 November 2008.

The Board membership at 30 November 2008 included local authority, regional development agency, Housing Corporation and private sector representatives.

English Partnerships' Secretary was Eileen Scott to 30 November 2008.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chairman, Board Members and Key Managers.

ENGLISH PARTNERSHIPS
REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

AUDITED INFORMATION

Board Members' emoluments

	To 30 November 2008 £'000	2008 £'000
Chairman		
Robert Napier (appointed Chairman 1 January 2008)	78	31
The Baroness Ford (to 1 January 2008)	-	66
Board Members		
Non-Executive		
Dr Pauleen Lane, CBE (Deputy Chairman)	37	63
Dr John Belcher, CBE	8	12
Aman Dalvi, OBE	8	12
Steve Douglas (appointed 2 July 2007)	-	-
Margaret Fay, OBE	8	12
Richard Harrold	8	13
Sir Bob Kerslake (appointed 24 March 2008)	-	-
John Parker	8	13
Dr Anne Wright, CBE	8	12
Geoffrey Wright	8	12
Executive		
John Walker, CBE Chief Executive and Accounting Officer	153	221
Former Board Members		
Non-Executive		
Jon Rouse (to 30 June 2007)	-	-

There were no pension contributions made on behalf of non-executive Board Members. John Walker, CBE (Chief Executive), was Accounting Officer to 28 November 2008, at which point Sir Bob Kerslake, Chief Executive of the Homes and Communities Agency was appointed Accounting Officer for English Partnerships. Comparative disclosure for Dr Pauleen Lane, CBE includes £9,146 due from the previous year following her increased commitment to three days from November 2006.

Residuary Board Members

The Residuary Board received no emoluments from English Partnerships, costs being reimbursed by the HCA. Although Andrew Lean was nominated Executive Member, he did not receive any additional remuneration for these duties.

Chief Executive's emoluments

	Salary £'000	Taxable Benefits £'000	Employer's Contribution to Pension Fund £'000	Total 2009 £'000	Total 2008 £000
John Walker, CBE	127	4	22	153	221

Key Managers' emoluments

	Salary £'000	Performance Related Pay £'000	Taxable Benefits £'000	Employer's Contribution to Pension Fund £'000	Total 2009 £'000	Total 2008 £'000
Trevor Beattie Director, Corporate Strategy	99	9	4	20	132	195
David Edwards Regional Director Southern England	85	4	5	17	111	104
David Hughes Regional Director North East, Yorkshire and East Midlands	83	2	4	16	105	160
Duncan Innes Director, Strategic Land	98	9	5	19	131	205
John Lewis Regional Director Eastern England and Milton Keynes	90	8	4	23	125	193
Stephen Oakes Regional Director London & Thames Gateway	74	1	4	17	96	115
Charlie Parker Director of Investment and Performance (to 12 October 2008)	84	-	6	8	98	182

Key Managers' emoluments (continued)

	Salary £'000	Performance Related Pay £'000	Taxable Benefits £'000	Employer's Contribution to Pension Fund £'000	Total 2009 £'000	Total 2008 £'000
Eileen Scott Director, Organisational Development	99	9	3	20	131	193
Paul Spooner Regional Director North West and West Midlands	90	17	4	18	129	176

All directors' appointments ceased on 30 November 2008, with the exception of Charlie Parker, Director of Investment and Performance who left on 12 October 2008. He was previously on secondment.

The disclosed emoluments of Trevor Beattie, Duncan Innes and Stephen Oakes, who were appointed to their existing posts during the year, represent their total remuneration covering any changes in responsibilities during the period and not just in their current capacity. Stephen Oakes and Duncan Innes shared responsibility for London & Thames Gateway for the month of January prior to Duncan Innes taking up his new role as Director Strategic Land.

Termination payments
John Walker, CBE (Chief Executive), who left on 30 November 2008, received a termination payment on redundancy of £102k. David Hughes and Eileen Scott who also left on 30 November received termination payments on redundancy of £128k and £47k, respectively.

Salary
Basic salaries were determined by taking into account each individual's responsibilities, performance against agreed objectives and experience together with market trends.

Board Members were appointed to the Boards of the Agency and the Commission. All Board Members, including the Chief Executive, were paid directly by the Agency, which recharged a proportion of the emoluments to the Commission. The Secretary of State determined the Board Members' emoluments.

All non-executive Board Members committed three days per month to English Partnerships except the Chairman who committed three days per week and Dr Pauleen Lane CBE (Deputy Chairman) who committed three days per week.

John Walker CBE was the highest paid employee.

Performance related pay

Executive Board Members and Key Managers, who were direct employees of the Agency, benefitted from a Performance Related Pay scheme whereby any bonuses were determined with reference to performance against agreed objectives.

The Chairman was not eligible for performance related payments or other taxable benefits as a result of his appointment.

The post of Chief Executive was entitled to a bonus payment related to performance measured annually against objectives agreed by the Board. John Walker's salary above includes performance related pay of £23,403 relating to the appraisal period ended 30 June 2008.

No non-executive Board Members were eligible for performance related pay as a result of their appointment to the Agency.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. They were in respect of lease cars.

Pension benefits

Board Members

	Accrued pension at 30 November 2008	Accrued pension at 31 March 2008 (as adjusted by inflation)	Real decrease in accrued pension	CETV 30 November 2008	CETV 31 March 2008 restated*	Real decrease in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
John Walker, CBE Chief Executive and Accounting Officer	72	80	(8)	1,389	1,534	(151)

Pension benefits (continued)

Key Managers

	Accrued pension at 30 November 2008	Accrued pension at 31 March 2008 (as adjusted by inflation)	Real increase in accrued pension	CETV 30 November 2008	CETV 31 March 2008 restated*	Real Increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
Trevor Beattie	47	47	-	912	909	(2)
David Edwards	2	1	1	35	-	-
David Hughes	27	27	-	421	413	4
Duncan Innes	10	9	1	189	175	9
John Lewis	21	21	-	324	315	3
Stephen Oakes	9	7	2	198	148	46
Eileen Scott	15	8	7	309	167	137
Paul Spooner	51	51	-	1,086	1,086	(5)

*restated using 30 November 2008 pension factors

The Chief Executive and Key Managers were eligible to participate in the English Partnerships' Pension Scheme, which was a multi-employer defined benefit scheme. Robert Napier was not a member of the English Partnerships' Pension Scheme.

Accrued pension at 30 November 2008
The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 30 November 2008. There were no transfers into the Scheme from previous employment during the year.

Real increase in accrued pension
The increase in accrued pension during the year looks at the movement in accrued pension benefits by comparing the accrued pension at the end of the year with the accrued pension at the beginning of the year (as adjusted by inflation of 5 per cent).

Cash Equivalent Transfer Value (CETV) 30 November 2008
The transfer values are the actuarially assessed capitalised value of pension scheme benefits. It is an amount payable 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 figures shown relate to benefits that the individual has accrued as a consequence of their total membership of the pension scheme and not just the service in a senior capacity to which disclosure applies.

CETV 31 March 2008
The CETV as at 31 March 2008 has been recalculated using 30 November 2008 pension factors so that it is calculated on the same basis as the CETV figure for November 2008.

Real increase in CETV

This is the actuarial value of the "real increase in accrued pension" and reflects the increase or decrease in CETV attributable to the employer's funding. It takes account of the increase in accrued pension due to inflation, employee contributions and uses common market valuation factors. Although benefits transferred from another pension scheme or arrangement are included in the CETV figure they would normally be excluded from this figure to reflect the element of the cost that is effectively funded by the employer. There were no transfers-in during the period.

Robert Napier	**Sir Bob Kerslake**
Chairman	**Accounting Officer**
22 June 2009	**22 June 2009**

ENGLISH PARTNERSHIPS
STATEMENTS BY THE ACCOUNTING OFFICER

RESPONSIBILITIES OF THE ACCOUNTING OFFICER

The Accounting Officer for CLG designated the Chief Executive of English Partnerships as the Accounting Officer for English Partnerships to 28 November 2008 and then Sir Bob Kerslake, Chief Executive of the Homes and Communities Agency from that date. Relevant responsibilities as Accounting Officer, including responsibility for signing the Commission's and Agency's Financial Statements, for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper accounting and other records and systems, are set out in the Financial Memorandum issued to English Partnerships by the Secretary of State.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility
I was formally appointed as Accounting Officer of the Homes and Communities Agency (HCA) with effect from 28 November 2008, and, until their formal wind up on 31 March 2009, the Commission for the New Towns (CNT) and the Urban Regeneration Agency (URA) that jointly operated as English Partnerships. This statement is specific to my role as Accounting Officer for English Partnerships.

Although my appointment as Accounting Officer only took effect part way through the year I have the formal responsibility for the whole period for maintaining a sound system of internal control that supports the achievement of agreed policies, aims and objectives, whilst safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Accountability arrangements

English Partnerships was a Non Departmental Public Body sponsored up until 30 November 2008 by CLG. On 1 December 2008 the assets, liabilities, staff, rights and duties of English Partnerships passed to the HCA and as a result it ceased to trade or have any operational function. The legal entities comprising English Partnerships, however, remained in existence and were formally a part of the accountability arrangements of the Homes and Communities Agency until 31 March 2009 when both the Commission and the Agency were wound up following the issue of Statutory Instrument 8012009, bringing into effect Commencement Order 4 (SI 803C522009) of the *Housing and Regeneration Act 2008*.

The Accounting Officer for English Partnerships from 1 April 2008 to 30 November 2008 was John Walker, CBE. As part of the formal arrangements for the transition from English Partnerships to the HCA, he was required to provide assurances to the CLG Accounting Officer that, as far was reasonable, arrangements to facilitate the transfer of all people, property, assets, liabilities and systems to the HCA in readiness for vesting had been made. These assurances were also provided to me and support the statement below.

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 the Agency's 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;

- a set of governance arrangements designed to:

  - ensure that all decisions taken by the Agency conform to the freedoms and constraints allowed to it by CLG;

  - ensure accountability of staff and managers through internal structures and networks of delegated powers;

  - encourage staff and managers to act in the desired manner without requiring continual detailed intervention; and

  - a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review.

Pre vesting assurances confirmed that the system of internal control was in place in English Partnerships for the period up to 30 November 2008, and I have ensured appropriate arrangements have been made for the period from 1 December 2008 to 31 March 2009 when the Commission and the Agency were wound up by the *Housing and Regeneration Act 2008.*

Capacity to handle risk

In the period up to 30 November 2008

English Partnerships had in place an agreed Risk Management Policy and Strategy, which was last reviewed and updated in February 2007 and presented to the Audit Committee in March 2007. This set out the Agency's objectives in respect of risk management and the strategy to be employed in putting the policy into effect.

Central to the strategy was a framework of accountabilities and reporting, which flowed down from the Board, through the Accounting Officer and Risk Sponsor, to the Executive Management Board, Executive Directors and risk owners. The operation of the risk management framework was supported by a dedicated Risk Manager. Following on from the identification, analysis and management of the key strategic risks to the Agency, this work extended into the operational areas of the Agency by means of interviews and workshops with key members of staff resulting in the ongoing compilation of operational risk registers. An on-line risk register facility in the Project Control System software captured individual project risks. A quarterly risk report to Executive Management and the Audit Committee was prepared and presented on the accumulated exposure. In addition an annual risk workshop was held with the Board. Corporate and Business Plans identified risks, and consideration of risk was embedded in the project approval and appraisal process. Advice was provided to staff based on good practice identified in various Government publications on risk, including the Treasury Publication, *Management of Risk – Principles and Concepts*, and from information from relevant professional institutes e.g. Institute of Risk Management.

Information Risk / Data Handling
In the period to 30 November 2008 English Partnerships had made good progress in meeting mandatory Government directives/target dates for information handling, as summarised below.

- Senior Information Risk Owner (SIRO) appointed in April 2008, to act as an advocate for information risk on the board and in internal discussions
- Following approval for mandatory information security awareness training in April 2008, 324 staff attended training sessions.
- Information Handling Project Board was set up in June 2008 to progress Cabinet Office requirements and monitor information risk. The group met quarterly.
- English Partnerships system security controls were reviewed by CESG, and authorisation to connect to the Government's Extranet (GSx), was given in June 2008.
- Phase 1 of a Protective Marking policy was implemented in July 2008, requiring information risk assessments to be performed in all areas, with particular emphasis on identification and protection of sensitive personal information.
- In addition an overall information risk assessment was produced identifying key risks in respect of personal data.

In the period from 1 December 2008 to 31 March 2009

The only risks not related to the assets, liabilities, staff, rights and duties passed to the HCA and so retained by English Partnerships relate to the formal closure of the entities' accounts and tax matters. In order to ensure that those risks have been formally managed, an Executive lead has been appointed supported by a Non Executive Residuary Board comprising members drawn from the former Non Executive members of English Partnerships. In addition the HCA finance team have been given formal responsibility to prepare the accounts as at 31 March 2009.

Information Risk / Data Handling
Since 1 December 2008 all information and data has been formally owned by the HCA and further disclosures related to Information Security are covered in that body's Statement on Internal Control.

The risk and control framework

In the period to 30 November 2008 English Partnerships had in place a number of structures and processes that were designed to identify, evaluate and manage the risks to the achievement of objectives. These operated throughout the period.

Structures

- A formally constituted Board.
- The Milton Keynes Partnership Committee (MKPC).
- An Audit Committee, supported by assurances provided on the system of internal control by Corporate Assurance, and on external financial reporting by the National Audit Office.
- A Remuneration Committee.
- An Executive Management Board (EMB) that considered current issues, future plans and put into operation the strategic direction of the organisation agreed by the Board within the policy and resources framework agreed by the Secretary of State. EMB along with the Board was responsible for the identification and evaluation of strategic risks and the development and execution of strategies to manage those risks.
- Regular meetings of Executive Committees to consider and make decisions on the whole range of issues affecting English Partnerships within a framework of freedoms and constraints issued by CLG and others, and the system of internal delegated authorities approved by the Board. This included Executive Committees in each of the organisation’s Directorates that met regularly (at varying frequencies) to discuss key business issues and make decisions in accordance with their delegated authority. Each Committee had a defined Terms of Reference which set out its role and remit, and the conduct, scope and authority of its operation.
- The Projects Executive continued to review all projects above the delegation of Regional Director and requiring either Chief Executive or Board approval. Projects Executive met on a monthly basis. Projects within Regional Director delegation were subject to scrutiny at a local level following defined standard Agency procedures. A sample of such projects was independently reviewed during the year by Corporate Assurance among other things to determine if the required procedures are being followed.
- A Joint Staff Council discussed a range of staffing issues during the year.
- A Leaders for Change forum, including all of the organisations senior managers, that focused on key business issues.

Processes

English Partnerships developed an operating framework to support the on-going management of risk. The development of this risk management framework was designed to address risks associated with achieving the objectives of the business.

Risk assessment and management featured as an integral part of English Partnerships' core management processes, in particular the corporate/business planning, project appraisal and performance management processes. This was achieved by having:

- a business planning process that required explicit assessment and identification of the key business and programme risks, together with robust plans to monitor, mitigate and manage those risks;

- an integrated performance and risk management process and supporting management information that ensured the key risks were regularly reviewed and appropriate mitigation or contingent actions taken; and

- continuous investment in the coaching and development of risk management skills at multiple levels within English Partnerships.

Risks were recorded in several locations, depending on category, to enable identification, assessment, control and review of all relevant risks:-

- Strategic risk in a key risk register compiled by Board and EMB
- Programme risk in Business Plans, Directorate key risk registers and Area key risk registers compiled by Regional Directors, Area Directors and Heads of Service
- Operational risk in Project risk registers compiled by Project Managers

The most up to date consolidated risk position was reported to EMB on 12 November and the Audit Committee on 26 November and covered the period to the end of October 2008. This identified the Agency's top risks as being:

- The slowdown in the housing market
- Transition to HCA and the effects of the uncertainty on staff
- Capacity and capability of delivery partners
- Managing stakeholder expectations
- Organisational uncertainty
- Budgetary changes

Since 1 December 2008 the arrangements in place have been those needed to ensure that formal accounts, giving a true and fair view of the activity of English Partnerships up to 31 March 2009, are prepared and that the tax affairs of the two entities are dealt with effectively; an Executive Lead, a Non Executive Residuary Board to give oversight, and the accounts closure process managed by the HCA Finance team.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

In the period up to 30 November 2008 the arrangements were the subject of review by the National Audit Office and the English Partnerships Corporate Assurance team. The outcome of Corporate Assurance's review was reported throughout the year to the English Partnerships Audit Committee and was drawn to a close on 26 November 2008 with a suite of reports integral to the pre vesting assurances provided by the former English Partnerships Accounting Officer to the CLG Accounting Officer. My review has also been informed by the work of the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework.

Since 1 December 2008 the arrangements for the preparation of the final English Partnerships accounts have been reviewed by HCA Corporate Assurance and the accounts themselves have been audited by the National Audit Office. The results of the review have been reported to me by the Residuary Board and their oversight has been considered by the HCA Audit and Risk Committee.

Significant Issues

Whilst assurances provided indicate that the system of internal control remained strong throughout the period, the only significant issue that should be highlighted in this Statement is the impact that the continuing poor performance of the house building market had on the activity in English Partnerships in the period up to 30 November 2008. (As all assets and liabilities transferred to the HCA on 1 December 2008 the absolute impact is reflected in these accounts and any further impact will be borne by the HCA). Every effort was made to mitigate the effects of this and ensure that the financial and operational positions remained sound and well controlled, by ensuring spending commitments were matched by anticipated receipts from land sales and obtaining approval from CLG for an increased level of capital resource cover.

Sir Bob Kerslake
Accounting Officer
22 June 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Commission for the New Towns for the year ended 31 March 2009 under the New Towns Act 1981 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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 Commission for the New Towns, Accounting Officer and Auditor

The Commission for the New Towns and Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements in accordance with the New Towns Act 1981 and Secretary of State 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 the New Towns Act 1981 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the Remuneration Report, 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 Commission for the New Towns 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 Commission for the New Towns' 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 form an opinion on the effectiveness of Commission for the New Towns' corporate governance procedures or its risk and control procedures.

THE CERTIFICATE AND REPORT OF THE INDEPENDENT AUDITORS TO THE HOUSES OF PARLIAMENT (CONTINUED)

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 Board Members' Report and the unaudited part of the Remuneration Report. I consider the implications for my report 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 Commission for the New Towns and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission for the New Towns' 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 New Towns Act 1981 and directions made thereunder by the Secretary of State, of the state of the Commission for the New Towns' affairs as at 31 March 2009 and of its deficit, 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 the New Towns Act 1981 and Secretary of State directions made thereunder; and

- information, which comprises the Management Commentary and the Remuneration Report, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

24 June 2009

COMMISSION FOR THE NEW TOWNS
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
INCOME			
Proceeds from disposal of property assets	**2**	26,072	93,513
Rent and other property income	**3**	2,422	4,220
Other operating income	**4**	5,469	20,619
		33,963	118,352
EXPENDITURE			
Cost of property disposals	**2**	17,937	41,006
Administration and management		14,842	19,298
Repairs and maintenance		3,090	4,401
Rent of lease back properties		568	1,515
Project costs	**5**	7,220	38,024
Impairment of development assets	**7,19**	56,092	10,034
Provision for other liabilities and charges	**24**	5,103	2,501
Provision for pension liabilities	**25**	(609)	(844)
Depreciation on tangible fixed assets	**16**	132	174
Other operating costs	**6**	16,409	8,536
		120,784	124,645
OPERATING LOSS	**8**	(86,821)	(6,293)
Interest receivable	**10**	19,723	30,142
Interest payable	**11**	(648)	(656)
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(67,746)	23,193
Taxation (Credit)/Charge	**12**	(656)	656
(DEFICIT)/SURPLUS FOR THE YEAR		(67,090)	22,537
Retained (deficit)/surplus for the year		(67,090)	22,537

All activities above for the current year arose in the 8 months to 30 November 2008. From 1 December 2008 the Commission ceased to trade and the principal activities were transferred to the Homes and Communities Agency. The accompanying notes are an integral part of these Financial Statements.

COMMISSION FOR THE NEW TOWNS
STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
YEAR ENDED 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
(Deficit)/Surplus for the year		(67,090)	22,537
Actuarial (loss)/gain from West Sussex Pension Fund	**25**	(3,031)	2,081
(Loss)/Gain on revaluation of Fixed Assets	**29**	(1,073)	1,073
Total recognised gains and losses in the period		(71,194)	25,691
Prior year adjustment (note 14)		16,623	-
Total recognised gains and losses since last Financial Statements		(54,571)	25,691

The accompanying notes are an integral part of these Financial Statements.

COMMISSION FOR THE NEW TOWNS
BALANCE SHEET
AS AT 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
FIXED ASSETS			
Tangible fixed assets	**16**	-	6,439
LOANS AND MORTGAGES			
Water companies	**17**	-	31,030
Other loans and mortgages	**18**	-	2,838
		-	40,307
CURRENT ASSETS			
Property assets	**19**	-	265,521
Debtors due after one year	**20**	-	117,714
Debtors due within one year	**20**	-	61,344
Cash at bank and in hand	**21**	-	70,844
Investments	**22**	-	279,000
		-	794,423
CREDITORS: amounts falling due within one year	**23**	-	(41,801)
NET CURRENT ASSETS		-	752,622
TOTAL ASSETS LESS CURRENT LIABILITIES		-	792,929
PROVISIONS FOR LIABILITIES AND CHARGES	**24**	-	(24,730)
PROVISIONS FOR PENSIONS	**25**	-	(16,939)
		-	751,260
RESERVES			
Income and Expenditure Account	**29**	-	750,187
Revaluation Reserve	**29**	-	1,073
		-	751,260

The accompanying notes are an integral part of these Financial Statements.

Approved by the Board on 22 June 2009 and signed on their behalf by:

Robert Napier
Chairman

Sir Bob Kerslake
Accounting Officer

COMMISSION FOR THE NEW TOWNS
CASH FLOW STATEMENT
YEAR ENDED 31 March 2009

	2009 £'000	Restated 2008 £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(13,055)	(31,313)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	20,365	29,634
Interest paid	-	(12)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20,365	29,622
TAXATION		
Corporation tax paid	-	(16,642)
NET CASH OUTFLOW FROM TAXATION	-	(16,642)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Loans repaid to Commission: annual repayments	151	303
Cash transferred to HCA	(166,305)	-
Short-term deposits transferred to HCA	(191,000)	-
NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(357,154)	303
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING	(349,844)	(18,030)
MANAGEMENT OF LIQUID RESOURCES		
Decrease in cash invested on short term deposits	279,000	13,000
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES	279,000	13,000
DECREASE IN CASH	(70,844)	(5,030)

The Commission includes as liquid resources term deposits of less than a year.
The accompanying notes are an integral part of these Financial Statements.

COMMISSION FOR THE NEW TOWNS
NOTES TO THE CASH FLOW STATEMENT
YEAR ENDED 31 March 2009

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	Note	2009 £'000	Restated 2008 £'000
Operating loss		(86,821)	(6,293)
Surplus on disposal of property assets	**2**	(8,135)	(52,507)
Provisions for disposal of property assets	**19**	56,092	10,034
Provisions for liabilities and charges	**24**	5,103	2,501
Provision for pensions	**25**	(609)	(844)
Depreciation on tangible fixed assets	**16**	132	174
Expenditure on property assets	**19**	(24,521)	(41,874)
Disposal proceeds	**2**	26,072	93,513
Direct sales expenses and allocated admin costs	**2**	(6,555)	(11,926)
Expenditure charged against provisions	**24,25**	(106)	(8,632)
		(39,348)	(15,854)
Decrease/(Increase) in debtors due after one year		28,894	(3,354)
Decrease/(Increase) in debtors due within one year		2,533	(19,932)
(Decrease)/Increase in creditors		(5,134)	7,827
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(13,055)	(31,313)

The cash flows above are in relation to the Commission's trading activities in the 8 months to 30 November 2008.

ANALYSIS OF CHANGES IN NET FUNDS

	1 April 2008 £'000	Cash Flow £'000	31 March 2009 £'000
Cash at bank and in hand	70,844	(70,844)	-
Short term deposits	279,000	(279,000)	-
	349,844	(349,844)	-

The accompanying notes are an integral part of these Financial Statements.

1. STATEMENT OF ACCOUNTING POLICIES

(a) Statutory basis

The Financial Statements of the Commission for the New Towns ('the Commission') are governed by the provisions of the *New Towns Act 1981*, as amended by the *New Towns and Urban Development Corporations Act 1985*, and by the Direction on the Annual Accounts given by the Secretary of State, with approval of HM Treasury, under the Act. The Direction issued on 27 March 2007 reflects Government policy that the Financial Statements should, insofar as appropriate, conform to the accounting and disclosure requirements contained in *Managing Public Money* and in the HM Treasury guidance, *Financial Reporting Manual*. This guidance aims to ensure that Financial Statements are prepared in accordance with applicable accounting standards, are produced on a commercial accounting basis and comply with generally accepted accounting practice in the UK. A copy of the Direction on the Annual Accounts issued by the Secretary of State on 27 March 2007 is shown on pages 78 to 83.

(b) Basis of accounting

The Financial Statements are prepared under the historical cost convention as set out in the Accounts Direction, modified to include the revaluation of tangible fixed assets as set out in the HM Treasury guidance, *Financial Reporting Manual*. The Financial Statements have been prepared on a going concern basis as, although the Commission ceased to trade, its functions transferred by statute to the Homes and Communities Agency on 1 December 2008 and continued within the new Agency.

(c) Adoption of new Financial Instrument Standards

With effect from 1 April 2008, the *Financial Reporting Manual* (FReM) requires non-departmental public bodies to adopt Financial Instruments standards. The Commission has adopted the following during the year.

FRS 25, Financial Instruments: Presentation and *FRS 29 Financial Instruments: Disclosures*
These standards require disclosure of information that enables users of the financial statements to evaluate the significance of the Commission's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

FRS 26 Financial Instruments: Recognition and Measurement
This standard sets out requirements for the measurement, recognition and de-recognition of financial instruments.

The related accounting policy for Financial Instruments is disclosed in Note 1(m).

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The Commission has revised its accounting policies where applicable to conform with these standards. These policies have been applied consistently to all the years presented. The financial effect of the adoption of financial instrument standards is shown in Note 14 to the Financial Statements.

(d) Format of disclosure notes

On 1 December 2008 the Homes and Communities Agency (HCA) was created by the *Housing and Regeneration Act 2008*. On this date all assets and liabilities of the Commission were transferred to the HCA and the Commission ceased to trade. However to enable a fuller understanding of balances transferred, the notes disclose balances pre-transfer as at 30 November 2008 and the subsequent transfer to HCA. The accounting policies referred to below were applicable prior to the cessation of trade. Note 15 provides further information on the balances transferred.

(e) Tangible fixed assets and depreciation

Furniture and fittings are stated at cost less accumulated depreciation and any impairment in value.

Land and freehold buildings are recognised initially at cost and thereafter measured at fair value, less depreciation on buildings and any impairment subsequent to the date of valuation. Land is not depreciated.

An assessment is carried out at each year end by a qualified valuer to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A full valuation is performed every five years.

Depreciation is charged to the Income and Expenditure Account based upon cost or fair value (in the case of revalued assets), less estimated residual value of each asset evenly over its expected useful life.

- Buildings are depreciated on a straight-line basis over their estimated useful economic life and are assumed to have a 15 per cent residual value.

- Furniture and fittings are depreciated on a straight-line basis over 15 years and are assumed to have no residual value.

Depreciation has been charged for the 8 months ended 30 November 2008.

Any revaluation surplus is credited to the revaluation reserve except where it reverses a decrease in the carrying value of the same asset previously recognised in the Income and Expenditure Account, in which case the increase is recognised in the Income and Expenditure Account. An annual transfer is made from the revaluation reserve to revenue reserves for the depreciation relating to the revaluation surplus.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to the Income and Expenditure Account Reserve

Furniture, equipment, plant and vehicles, which are not material in the context of the Commission's operations, are charged to administration costs in the year of purchase.

(f) Property disposals

Disposal receipts of property are recognised, net of VAT, at the earlier of the date when the Commission becomes contractually entitled to the income under an irrevocable contract, or on the transfer of title. Similarly the Commission releases an appropriate allocation of property asset expenditure to the Income and Expenditure Account when the income for the sale is recognised.

Where proceeds are receivable over a period of more than 12 months after the balance sheet date, the proceeds are discounted at the Commission's cost of capital rate to reflect the net present value of the receipts.

The corresponding debtor is also discounted and the difference between actual cash receipts and the net present value of the receipts is credited to interest receivable over the life of the debt.

(g) Taxation

Corporation tax is provided for in accordance with principles agreed between HM Revenue and Customs and the Commission. Deferred taxation is provided in accordance with *FRS 19*, *Deferred Tax* to include the estimated future taxation consequences of transactions and events recognised in the Financial Statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are discounted.

(h) Administration costs

These are allocated to property assets, disposals or the appropriate category within the Income and Expenditure Account.

(i) Operating leases

Operating lease rentals receivable and payable are accounted for in the Income and Expenditure Account on a straight line basis over the terms of the leases.

(j) Pension costs

The Commission accounts for pension costs in accordance with *FRS 17, Retirement Benefits*. During 2008/09 Commission employees were able to participate in the

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

English Partnerships' Pension Scheme, or the Local Government Pension Scheme ("the West Sussex Scheme"), which are both multi-employer defined benefit schemes as described in paragraph 9 of *FRS 17.* In the case of the English Partnerships' Pension Scheme, contributions are affected by a surplus or deficit in the scheme, but the Commission is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The actuaries of the West Sussex Scheme, however, are able to estimate the Commission's share of underlying assets and liabilities on a consistent and reasonable basis. The Commission's share of assets and liabilities is included in the accounts. The Commission provides for liabilities relating to unfunded benefits within provisions for pensions. These are independently assessed by the funds' actuaries.

(k) Provisions in respect of community related assets

Provisions are made in respect of the estimated future maintenance costs of community related assets. This is done on the basis that these assets have no value and are not income generating and because it is the Commission's policy to transfer such assets to Local Authorities and other appropriate organisations. On transfer the Commission is usually required to transfer other assets of value, including cash, which equate to the estimated future maintenance liability attaching to such assets.

(l) Property and civic assets

In accordance with the Accounts Direction, property and civic assets are held at the lower of cost or estimated market value.

The portfolio of development assets was transferred to the Homes and Communities Agency on 1 December 2008 so the book value of development assets at 31 March 2009 is nil. The entire portfolio has since been valued by the Homes and Communities Agency as at 31 March 2009. In order to give a true and fair view of the book value of development assets transferred to the HCA and the impairment charge for the 8 month period prior to transfer, it has been necessary to establish an Open Market Value ('OMV') at 30 November 2008. This has been established by comparing each individual asset's OMV at 31 March 2008 and 31 March 2009 and assuming a straight line movement in value. This movement has been added (in the case of a year on year increase) or deducted (in the case of year on year decrease) to the OMV at 31 March 2008 to establish an estimated OMV at 30 November 2008

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Commission becomes a party to the contractual provisions of the instrument.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The Commission derecognised a financial asset only when the contractual rights to the cash flows for the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

The Commission derecognised a financial liability only when the Commission's obligations are discharged, cancelled, expire or are transferred to another entity.

Financial assets

Non-derivative financial assets are classified as loans and receivables and include Loans and mortgages and Trade and other receivables.

Loans and mortgages

Loans and mortgages are shown at amortised cost using the effective interest rate and are included within non current assets.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included within current assets, except for those with maturities greater than 12 months after the Balance Sheet date which are classified as non-current assets, and are measured at amortised cost less a provision for bad debts. The net of these balances are classified as 'Trade and other receivables' in the balance sheet.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each Balance Sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the financial asset is considered to be objective evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents include cash and balances in bank accounts with no notice or less than three months notice from inception and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as 'loans and receivables'.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All non-derivative financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities consist of Trade and other payables.

Financial liabilities are classified as current liabilities unless the Commission has an unconditional right to defer settlement for at least twelve months after the Balance Sheet date.

2. DISPOSAL OF PROPERTY ASSETS

	2009 £'000	Restated 2008 £'000
Proceeds from disposals	26,072	93,513
Cost of property disposal:		
Direct sales expenses and allocated administration costs	(6,555)	(11,926)
Book value of property disposals	(13,072)	(47,838)
Provisions utilised on disposals	1,690	18,758
	(17,937)	(41,006)
Surplus on disposal	8,135	52,507

3. RENT AND OTHER PROPERTY INCOME

	2009 £'000	2008 £'000
Building rents	1,146	1,713
Ground rents	957	833
Leaseback rents	213	892
Service charges	21	751
Miscellaneous	85	31
	2,422	4,220

4. OTHER OPERATING INCOME

	2009 £'000	2008 £'000
Housing Action Trusts	1,979	3,723
Contributions	-	312
Car Park Income	886	1,403
Release of restrictive covenants and other income	2,604	15,181
	5,469	20,619

5. PROJECT COSTS

	2009 £'000	2008 £'000
Asset Transfer	-	1,271
Urban Renaissance	3,132	25,777
Brownfield Regeneration	31	355
Sustainable Communities	4,057	10,621
	7,220	38,024

Project costs include contributions to other bodies, feasibility and other preliminary expenditure on wider strategic projects and on projects relating to property not in our ownership but which support our remit.

6. OTHER OPERATING COSTS

	2009 £'000	2008 £'000
Housing Action Trusts	1,983	4,127
Property Operating Costs	1,633	3,170
Movement in bad debt provision (note 7)	12,576	(39)
Redundancy and Restructuring	75	250
Early Retirement Pension Costs	142	1,026
Miscellaneous	-	2
	16,409	8,536

7. EXCEPTIONAL COSTS

Impairment of development assets

In accordance with the Accounts Direction, the Commission conducted a review of the carrying value of its development assets at 30 November 2008. This has resulted in an impairment charge of £56m (2008: £10m), principally due to the current deterioration in the UK housing market. Further details on this impairment are given in note 19 (b)iii.

Movement in bad debt provision

In the period to 30 November 2008, the Commission exercised its step-in rights to seize possession of development land previously disposed of and resulted in the Commission having to provide for a debt of £12.6m (note 6).

8. OPERATING LOSS

	2009 £'000	2008 £'000
The Operating Loss has been arrived at after charging/(crediting) the following:		
Auditor's remuneration -audit fee	60	80
Operating lease rentals	1,212	2,514
Redundancy and restructuring	75	250
Bad debts written off/movement in bad debt provision (note 7)	12,576	(39)

9. STAFF COSTS

(a) Total staff costs

	2009 £'000	2008 £'000
Salaries and wages	3,846	5,973
Social security costs	346	543
Other pension costs	1,180	1,837
	5,372	8,353
Staff expenses reimbursed	218	348
Temporary Staff	199	456
	5,789	9,157

There were no staff costs capitalised in 2009 (2008:nil). All new employees to English Partnerships are employed by the Urban Regeneration Agency. Any work that staff perform for the Commission for the New Towns is recovered via a recharge.

(b) Average number of staff employed by the Commission

	2009 Total Number	2008 Total Number
Management	29	30
Professional/Technical	70	75
Administrative	29	34
Temporary staff	5	8
	133	147

10. INTEREST RECEIVABLE

	2009 £'000	Restated 2008 £'000
Short term deposits	13,921	21,379
Water companies	2,409	3,654
Unwinding of discount on financial assets	3,172	4,424
Local Authorities	127	197
Disposal of property assets	21	220
Housing mortgages	2	4
Miscellaneous interest	71	264
	19,723	30,142

Interest receivable from Local Authorities relates to interest due on loans in respect of assets transferred from the Commission or from New Town Development Corporations prior to their wind-up (note 18).

11. INTEREST PAYABLE

	2009 £'000	2008 £'000
Notional interest on provisions	648	644
Interest on overdue tax	-	12
	648	656

The notional interest on provisions reflects unwinding of discount that has been applied to the unfunded pension liability provisions.

12. TAXATION

(a) Taxation charge in the Income and Expenditure Account comprises:

	2009 £'000	Restated 2008 £'000
Corporation tax on the results for the year @ 28/30 per cent	-	656
Adjustment in respect of previous years	(656)	-
	(656)	656

Taxation has been provided for on the basis of the agreed methodology between the Commission and HM Revenue and Customs.

(b) Deferred taxation

Deferred tax assets have not been recognised in respect of timing differences relating to provisions and funded and unfunded pension liabilities as there is insufficient evidence that the assets will be recovered. The amounts of the assets not recognised at 30 November 2008 were £8m, £3m and £2m respectively.

In addition, a deferred tax asset has not been recognised in respect of trading losses of £17.6m. These losses can be carried forward into the HCA. The amount of the asset not recognised for ring-fenced losses, which can only be used against surpluses relating to certain towns, was £47m as at 30 November 2008. We have been informed by HM Revenue and Customs that, under the statutory provisions of the *Housing and Regeneration Act 2008*, these losses cannot be carried forward into the HCA.

12. TAXATION (CONTINUED)

(c) Reconciliation of taxation charge

	2009 £'000	Restated 2008 £'000
(Deficit)/Surplus on Ordinary activities before taxation	(67,746)	23,193
Taxation on surplus @ 28/30 per cent	(18,969)	6,958
Effects of:		
UDC asset disposal adjustments	-	(46)
Purchase of plant/equipment	7	37
Depreciation	37	52
Capital allowances on plant and machinery	(41)	(86)
Industrial/Agricultural building allowances	-	(1)
Net increase/(decrease) in provisions	1,410	(1,923)
Losses used in period	(656)	(4,335)
Losses not utilised in period and carried forward into the HCA	17,556	-
Taxation charge for period	(656)	656

13. SURPLUS FUNDS

Under Section 65 of the *New Towns Act 1981*, the Secretary of State is entitled to direct that the whole or part of any surplus funds shall be paid into the Exchequer.

Although in the period to 30 November 2008, none was repaid (2007/08: Nil), HM Treasury required that the Commission's cash balances be transferred to the Exchequer on the establishment of HCA.

14. PRIOR YEAR ADJUSTMENT

The adoption of new financial instrument standards has resulted in a change of accounting policy for development assets disposed of via 'plot sale' agreements. These are mechanisms whereby the Commission sells sites with payment (other than a deposit) being paid on the earlier of the sale of individual plots or a contracted long stop date.

The long stop date is fixed at the start of the contract and provides the Commission with contractual surety that the sales price will be received.

Historically, the Commission has recognised sales income at the earlier of each individual plot disposal and the long stop date.

14. PRIOR YEAR ADJUSTMENT (CONTINUED)

Using the definitions set out in *FRS 26 Financial Instruments: Recognition and Measurement*, the Commission has a contractual right to receive cash upon signing of the development agreement and, therefore, a financial asset exists. Income is now recognised upon the signing of development agreements.

Comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The effect of this change on the (audited) Financial Statements for the year ended 31 March 2008 is shown below.

Income and Expenditure Account

	Year ended 31 March 2008 (as previously stated)	Impact of new standards	Year ended 31 March 2008 (restated)
	£'000	£'000	£'000
Proceeds from disposal of property assets	87,717	5,796	93,513
Cost of property disposals	32,744	8,262	41,006
Administration and Management	19,530	(232)	19,298
Interest receivable	29,009	1,133	30,142
Taxation	987	(331)	656

Balance Sheet

	At 31 March 2008 (as previously stated)	Impact of new standards	At 31 March 2008 (restated)
	£'000	£'000	£'000
Property assets	274,926	(9,405)	265,521
Debtors due after one year	95,708	22,006	117,714
Debtors due within one year	51,160	10,184	61,344
Creditors: amounts falling due within one year	(35,639)	(6,162)	(41,801)
Income and Expenditure Account reserves	733,564	16,623	750,187

15. TRANSFER OF ASSETS AND LIABILITIES TO THE HOMES AND COMMUNITIES AGENCY

On 30 November 2008 the Commission ceased to trade and on 1 December 2008 the assets and liabilities transferred to the Homes and Communities Agency. The following is a summary of the Balance Sheet as at 30 November and the subsequent transfer of assets and liabilities to the Homes and Communities Agency.

	Note	As at 30 November £'000	Transfer to HCA £'000	As at 1 December 2008 & 31 March 2009 £'000
Fixed assets				
Tangible Fixed Assets	**16**	4,912	(4,912)	-
Loans and Mortgages				
Water Companies	**17**	30,953	(30,953)	-
Other loans and mortgages	**18**	2,764	(2,764)	-
		38,629	**(38,629)**	**-**
Current Assets				
Property Assets	**19**	222,567	(222,567)	-
Debtors due after more than one year	**20**	88,820	(88,820)	-
Debtors due within one year	**20**	58,825	(58,825)	-
Cash at bank and in hand	**21**	166,305	(166,305)	-
Investments	**22**	191,000	(191,000)	-
		727,517	**(727,517)**	**-**
Creditors : amounts falling due within one year	**23**	36,344	(36,344)	-
Net Current Assets		691,173	(691,173)	-
Total assets less current liabilities		729,802	(729,802)	-
Provision for liabilities and charges	**24**	29,785	(29,785)	-
Provision for Pensions	**25**	19,951	(19,951)	-
		680,066	**(680,066)**	**-**
Reserves				
Income and Expenditure account		**680,066**	**(680,066)**	**-**

16. TANGIBLE FIXED ASSETS

	Land £'000	Freehold Buildings £'000	Furniture & Fittings £'000	Total £'000
Cost				
At 1 April 2008	595	5,205	1,372	7,172
Revaluations	(150)	(1,316)	-	(1,466)
At 30 November 2008	445	3,889	1,372	5,706
Transfer to HCA on 1 December 2008	(445)	(3,889)	(1,372)	(5,706)
Cost/valuation at 31 March 2009	**-**	**-**	**-**	**-**
Depreciation				
At 1 April 2008	-	-	733	733
Provided during year	-	71	61	132
Adjustment on revaluation	-	(71)	-	(71)
At 30 November 2008	-	-	794	794
Transfer to HCA on 1 December 2008	-	-	(794)	(794)
	-	-	-	-
At 31 March 2009	-	-	-	-
Net Book Value				
At 1 April 2008	595	5,205	639	6,439
At 31 March 2009	**-**	**-**	**-**	**-**

Tangible fixed assets above comprise the Commission's offices at Arpley House, Warrington. CB Richard Ellis, a member of the Royal Institute of Chartered Surveyors, carried out an independent valuation at 31 March 2008, which showed the value of land and buildings to be £5.8m, and, having been transferred to the HCA, at 31 March 2009 which showed the value to be £3.6m. The reduction in value has been pro-rated to establish a deemed market value as at 30 November 2008. To calculate the carrying value, land is not depreciated. The revalued building is assumed to have a 15 per cent residual value.

Depreciation on the revalued amount is charged on a straight line basis over its remaining useful economic life. Furniture and fittings are depreciated on a straight line basis over 15 years and are assumed to have no residual value.

17. WATER COMPANIES

This represents loans to water companies, which are in respect of assets constructed by former development corporations for the provision of water and sewerage facilities to new town developments where ownership has been transferred to the relevant local water company under the 1973 Water Act. The final redemption dates of the remaining water company loans will be between March 2030 and March 2053. On 1 December 2008 these loans were transferred to HCA.

	2009 £'000	2008 £'000
Loans outstanding at 1 April	31,030	31,208
Repayment of loans	(77)	(178)
Loans outstanding at 30 November 2008	30,953	-
Transfer to HCA on 1 December 2008	(30,953)	-
Loans outstanding at 31 March	-	31,030

18. OTHER LOANS AND MORTGAGES

	2009 £'000	2008 £'000
Local Authorities at 1 April	2,522	2,629
Repayment of loans	(62)	(107)
	2,460	2,522
Mortgages on housing property at 1 April	316	334
Repayment of mortgages	(12)	(18)
	304	316
Total loans outstanding at 30 November 2008	2,764	-
Transfer to HCA on 1 December 2008	(2,764)	-
Loans outstanding at 31 March	**-**	**2,838**

Loans to Local Authorities represent the notional loan debt transferred to the appropriate local authority in respect of assets transferred. In the main this represented assets, which had been taken over by the local authority, at a valuation equivalent to the outstanding loan debt at the date of transfer, translated into a new loan agreement between the Commission and the local authority concerned. The final redemption dates of the remaining loans will be between March 2017 and March 2033. On 1 December 2008 loans to local authorities were transferred to HCA.

The number of outstanding mortgages on housing property reduced from 26 at 1 April 2008 to 21 at 30 November 2008. On 1 December mortgages on housing property were transferred to HCA.

19. PROPERTY AND CIVIC ASSETS

	Built Assets £'000	Land £'000	Total £'000
Balance at 1 April 2008 as restated			
At cost	23,616	398,323	421,939
Provisions	(9,010)	(147,408)	(156,418)
Net total as restated	14,606	250,915	265,521
Movement in the year			
Capital expenditure	18	24,503	24,521
Costs of property assets disposed	(168)	(12,904)	(13,072)
Impairment of development assets	(133)	(55,959)	(56,092)
Provisions utilised on disposals	-	1,689	1,689
Net total at 30 November 2008	(283)	(42,671)	(42,954)
Closing Balance at 30 November 2008			
At cost	23,466	409,922	433,388
Provisions	(9,143)	(201,678)	(210,821)
Net total at 30 November 2008	14,323	208,244	222,567
Transfer to HCA on 1 December 2008	(14,323)	(208,244)	(222,567)
Net total at 31 March 2009	-	-	-

19. PROPERTY AND CIVIC ASSETS (CONTINUED)

(a) Property assets

Property assets are categorised according to type as built assets or land.

(b) Movement in the year

(i) Capital expenditure

Capital expenditure to acquire and improve property assets, construct and improve civic assets, or to disengage from community related assets amounted to £24.5m after crediting £0.9m of contributions, including £0.4m of contributions from Local Authorities. Expenditure to construct or improve civic assets, which are anticipated to realise no value on the ultimate transfer, disposal or adoption of the asset, is included in capital expenditure. In accordance with the Accounts Direction these assets are held on the balance sheet at the lower of cost or estimated market value. As civic assets have no value any expenditure is fully provided for and results in a charge to the Income and Expenditure Account on the creation of the provision.

(ii) Costs of property assets disposed

The cost of property assets, including community related assets, which were disposed of during the year amounted to £13.1m (2007/08: £39.8m) and this amount is offset against disposal proceeds received.

(iii) Impairment of development assets and provision utilised on disposals

Where the sale of a property asset is unlikely to cover costs incurred on that asset the Commission provides for future losses. This provision is reviewed annually and any adjustment is taken to the Income and Expenditure Account. Any provision against an asset is utilised against the cost of disposal when that asset is sold.

The impairment of development assets is classified as an exceptional cost by virtue of its size (note 7).

(c) Valuation

(i) General

The majority of valuations have been carried out by independent external valuers holding a relevant professional qualification, in accordance with the *Statement of Asset Valuation and Guidance Notes (6th Edition)* published by the Royal Institution of Chartered Surveyors.

19. PROPERTY AND CIVIC ASSETS (CONTINUED)

(ii) Built assets

Residual built asset valuations are primarily on the basis of market value and exclude any subsequent marriage values.

(iii) Land

Land constitutes the majority of the Commission's property holdings. The valuations of these land holdings are carried out on the basis that the land will be sold in a phased and orderly manner and according to disposal strategies laid down in the Commission's Corporate Plan. Projected receipts in accordance with this strategy are abated to allow for costs to be incurred and discounted to reflect the estimated year of disposal, market risks and other uncertainties relating to the holding of large areas of undeveloped land.

(iv) Property interests with negative value

The market valuation excludes property interests with a negative value. The future liabilities associated with these property interests are fully provided for in provisions for liabilities and charges (note 24). Such provisions are prudently made based on modified valuation data that takes into account any contractual, legal or constructive obligations.

20. DEBTORS

	2009 £'000	Restated 2008 £'000
(a) Amounts falling due after more than one year:		
Disposal of property assets	88,820	117,714
At 30 November 2008	88,820	-
Transfer to HCA on 1 December 2008	(88,820)	-
At 31 March	-	117,714

20. DEBTORS (CONTINUED)

	2009 £'000	Restated 2008 £'000
(b) Amounts falling due within one year:		
Disposal of property assets	37,298	42,909
Interest on short term deposits	3,984	4,626
Rents	559	317
Corporation Tax	7,049	6,393
VAT	1,879	2,456
Other taxation	450	450
Prepayments	370	241
Other debtors	7,236	3,952
At 30 November 2008	58,825	-
Transfer to HCA on 1 December 2008	(58,825)	-
At 31 March	-	61,344

(c) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2009 £'000	Restated 2008 £'000	2009 £'000	Restated 2008 £'000
Balances with other Central Government bodies	8,928	14,154	-	-
Balances with Local Authorities	24	2,134	-	-
Intra-Government balances	8,952	16,288	-	-
Balances with bodies external to government	49,873	45,056	88,820	117,714
At 30 November 2008	58,825	-	88,820	-
Transfer to HCA on 1 December 2008	(58,825)	-	(88,820)	-
At 31 March	-	61,344	-	117,714

21. CASH AT BANK AND IN HAND

	2009 £'000	2008 £'000
Cash at bank and in hand (note 26)	166,305	70,844
At 30 November 2008	166,305	-
Transfer to HCA on 1 December 2008	(166,305)	-
At 31 March	-	70,844

22. CURRENT INVESTMENTS

	2009 £'000	2008 £'000
Cash on sterling deposit (note 26)	191,000	279,000
At 30 November 2008	191,000	-
Transfer to HCA on 1 December 2008	(191,000)	-
At 31 March	-	279,000

23. CREDITORS

a) amounts falling due within one year

	2009 £'000	Restated 2008 £'000
Miscellaneous deposits	246	257
Works contracts	2,107	2,173
Urban Regeneration Agency	7,552	8,138
Trade and other creditors and accruals	14,379	17,839
Housing Action Trusts deferred income	12,060	13,394
At 30 November 2008	36,344	-
Transfer to HCA on 1 December 2008	(36,344)	-
At 31 March	-	41,801

23. CREDITORS (CONTINUED)

b) Intra-Government Balances

	2009 £'000	Restated 2008 £'000
Balances with other Central Government bodies	7,552	8,138
Balances with bodies external to Government	28,792	33,663
At 30 November 2008	36,344	-
Transfer to HCA on 1 December 2008	(36,344)	-
At 31 March	-	41,801

24. PROVISIONS FOR LIABILITIES AND CHARGES

	CRA Transfers £'000	Property Interests with Negative Value £'000	Other Liabilities £'000	Total £'000
Balance at 1 April 2008	22,439	1,561	730	24,730
Charge/(Credit) to Income and Expenditure Account	5,109	-	(6)	5,103
Expenditure against provisions	(48)	-	-	(48)
At 30 November 2008	27,500	1,561	724	29,785
Transfer to HCA on 1 December 2008	(27,500)	(1,561)	(724)	(29,785)
At 31 March 2009	-	-	-	-

24. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

(a) CRA transfers

The Commission's policy is to transfer Community Related Assets to Local Authorities and other appropriate organisations. To the extent that the activities of the Commission have raised a reasonable expectation with third parties that these transactions will proceed, a provision has been made in the Financial Statements.

These liabilities will be discharged by forming balancing packages of industrial and commercial assets and by cash endowment. Any asset transferred as part of a balancing package will not as a consequence realise disposal receipts. Where community related assets are transferred, the provision that has been made is utilised in the cost of property disposals to offset the cost of the assets transferred.

(b) Property interests with negative value

Provision has been made for estimated liabilities arising in respect of disengagement from property interests with negative value. These relate to lease/leaseback interests, rental guarantees and assets where disengagement is dependent upon significant investment in sites by the Commission, the cost of which exceeds the value to be realised in future asset sales. Although the ultimate cost of disengagement from these interests is uncertain, the extent of the Commission's liability has been estimated in consultation with retained property agents. The estimates are based on costed investment requirements that take into account legal, contractual and constructive obligations, on rents payable and, where appropriate, both rents receivable and repair and maintenance obligations, in respect of each individual interest.

(c) Other

Other liabilities primarily comprise specific provision for property transactions and legal actions.

25. PROVISION FOR PENSIONS

(a) Movement in *FRS 17* liability during the year

	Unfunded £'000	Funded £'000	Total £'000
Balance at 1 April 2008	8,101	8,838	16,939
(Credit)/charge to Income and Expenditure Account	(1,145)	536	(609)
Notional interest	648	-	648
Expenditure against provisions	(58)	-	(58)
Actuarial loss charged to Statement of Total Recognised Gains & Losses	-	3,031	3,031
At 30 November 2008	7,546	12,405	19,951
Transfer to HCA 1 December 2008	(7,546)	(12,405)	(19,951)
At 31 March 2009	-	-	-

The unfunded pension provision of £7.5m (2008: £8.1m) represents the Commission's estimated liabilities for the Housing Trust Orders of £0.3m (2008: £0.3m) and West Sussex County Council of £7.2m (2008: £7.8m). The liability to West Sussex County Council is in respect of enhanced benefits payable to former employees which are not met from the assets of the West Sussex County Council Pension Fund. Details are set out in note 30(b).

The funded pension provision represents the share of scheme liabilities as estimated by the actuaries for West Sussex County Council Pension Fund. The details of the scheme are set out in note 30(b).

25. PROVISION FOR PENSIONS (CONTINUED)

(b) Analysis of amount in the Statement of Total Recognised Gains and Losses

	West Sussex Pension Fund 2009 £'000	West Sussex Pension Fund 2008 £'000
Experience losses on assets	(9,119)	(4,005)
Experience gains/(losses)	4	(6,086)
Changes in financial assumptions underlying the present value of the Scheme's Liabilities - current year	6,084	12,172
Actuarial (loss)/gain	(3,031)	2,081

The actuarial loss is recognised in the Statement of Total Recognised Gains and Losses for the period to 30 November 2008.

26. FINANCIAL ASSETS

The carrying values and fair values of the Commission's financial assets, by classification, are as follows:

	2009 Fair value £'000	2009 Carrying value £'000	2008 Fair value £'000	2008 Carrying value £'000
Loans and receivables				
Cash at bank and in hand	-	-	70,844	70,844
Investments	-	-	279,000	279,000
Debtors	-	-	169,518	169,518
Loans and mortgages	-	-	33,868	33,868
Total financial assets	**-**	**-**	**553,230**	**553,230**

Prepayments, tax and social security are excluded from the table above as these are non-financial assets. The fair values of financial assets above are determined as described in note 27.

27. FINANCIAL LIABILITIES

The carrying values and fair values of the Commission's financial liabilities, by classification, are as follows:

	2009 Fair value	2009 Carrying value	2008 Fair value	2008 Carrying value
	£'000	£'000	£'000	£'000
Other financial liabilities				
Creditors	-	-	28,407	28,407
Total financial liabilities	**-**	**-**	**28,407**	**28,407**

Deferred income, tax and social security are excluded from the table above as these are non-financial liabilities.

The fair values of financial assets and liabilities are calculated by discounting their future cash flows using discount rates set by HM Treasury, or the rate intrinsic to the financial instrument if higher.

28. FINANCIAL RISK MANAGEMENT

The Commission's financial assets and liabilities are detailed in notes 26 and 27.

Up until 30 November 2008 the Commission was exposed to operational risk in its activities, particularly as it was generally involved in developments at locations where the private sector was unwilling to proceed without intervention. Through transactions with developers, the Commission's intervention resulted in financial risks, most significantly credit risk and liquidity risk. The Commission was exposed to interest rate risk as a result of financial instruments that attracted interest at variable rates.

The Commission managed risk from a strategic and operational perspective, which included the financial aspects of risk management. The Commission had a corporate risk management function whose role was to provide advice and assistance to managers on handling risk across the Commission including:

- Providing a risk management framework for the Commission,
- Facilitating risk assessment workshops for strategic, programme, regional and project activities,
- Providing quarterly reports to senior management.

The Commission approved a risk management framework including policy, strategy, processes and reporting responsibilities. A monthly review of risk took place across the Commission, from which the Corporate Team and the Audit and Risk Committee were informed on a quarterly basis. The monthly reviews incorporated numerically scored assessments of both the likelihood and impact of specific risks arising, which were combined to direct management's attention to the areas requiring action. Quantitative data, for example on debtor balances, was provided as necessary.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

The potential exposure to bad or doubtful debts was a key focus for management, particularly in the current economic climate. In order to mitigate this risk, the Commission adopted the following approach to transactions with developers:

- Potential exposure to credit risk was monitored by the Business Appraisal team, including the accumulation of risk where the same developers were referred for financial vetting for geographically distant projects,
- For existing credit risks, assessments were performed monthly by delivery teams and reported to Central Finance,
- Development agreements resulting in the sale of property have always been secured by the Commission's right to retake possession of the disposed property in the event of a default by the buyer.

On 1 December 2008 all assets and liabilities of the Commission were transferred to the HCA. The Commission therefore had no assets or liabilities, or risks arising from financial instruments, at the balance sheet date. The risk disclosures below are therefore presented using the balances existing on 30 November 2008, immediately preceding the transfer to the HCA.

(a) Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Commission's maximum exposure to credit risk was the same as the carrying amount of financial assets recorded in the financial statements, as disclosed in note 26, assuming that any security held has no value.

In addition, the Commission had guaranteed the payments under loan obligations of other entities, as disclosed in note 33. The total maximum exposure under these guarantees was £27.1m, of which £21.7m related to Home Housing Association. This guarantee was backed by the right for the Commission to take a first charge over the Association's saleable assets.

Cash deposits were all held with one financial institution and investments were held with various financial institutions, in accordance with the Commission's processes for treasury management as approved by the Board. The maximum amount of investments held with any one institution at 30 November 2008 was £40m (2008: £45m). Loans to water companies related to only one debtor.

All significant debtors arising from disposals of property were major developers and house builders in the private sector, with the balance generally being housing associations. The maximum exposure to a single counterparty at 30 November 2008 was £42.1m (2008: £46.6m), and the five largest debtors accounted for 96% of the total balance (2008: 88%). Amounts receivable from the disposal of property were always secured by the Commission's right to retake possession of the disposed property in the event of a default by the buyer, and in appropriate cases were backed by financial guarantees. There were no significant concentrations of credit risk in the Commission's other debtors.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

In the year ended 31 March 2009 the Commission suffered a bad debt expense of £12.6m (note 7) resulting from the liquidation of one developer and the administration of its guarantors. As a consequence the Commission retook possession of the development land previously disposed of, which will be used in the Commission's ordinary activities in future. The carrying value of the land at 30 November 2008 was £2.3m.

(b) Liquidity risk
Liquidity risk is the risk that the Commission will be unable to meet its liabilities as they fall due.

The Commission's Treasury Management Policy was reviewed and approved by the Board on an annual basis. The criterion of accepted best practice was adhered to, including compliance with all statutory and relevant regulatory codes.

Sufficient liquidity was retained at all times to meet expected liabilities through the investment of cash surpluses in financial instruments with maturity profiles necessary to ensure the availability of funds when required while optimising returns on investments. Investment of cash surpluses was only made with approved counterparties and in accordance with established exposure limits.

Investments were all short-term sterling deposits which did not exceed six months. The Commission did not engage in speculative activity and its policy did not allow the use of more complex financial instruments, such as derivatives.

The remaining contractual maturities of the Commission's financial liabilities were all less than one year from 30 November 2008. The Commission's financial guarantee contracts (as disclosed in note 33) could have been called upon at any time and this continued under the HCA from 1 December 2008.

(c) Interest rate risk
The Commission was exposed to interest rate risk on its financial assets classified as loans and receivables, where these paid interest at a variable rate. However, the Commission had no significant loans and receivables which carried interest at a variable rate. There was, therefore, no significant interest rate risk exposure arising from the Commission's loan and receivables or other financial instruments.

(d) Market price risk
The Commission's results and equity were dependent upon the prevailing conditions of the UK economy, in particular UK house prices. The UK housing market affects the valuation of the Commission's non-financial assets and liabilities, especially development assets, but did not directly affect its financial assets.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Currency risk
The Commission's dealings were almost entirely Sterling denominated, therefore the Commission had no material exposure to currency risk.

29. RESERVES

	Revaluation Reserve £'000	Income and Expenditure Account £'000	Total £'000
At beginning of year as previously stated	1,073	733,564	734,637
Prior year adjustment (note 14)	-	16,623	16,623
At beginning of year as restated	1,073	750,187	751,260
Loss on revaluation of Fixed Assets	(1,073)	-	(1,073)
Retained deficit for the year	-	(67,090)	(67,090)
Actuarial loss from West Sussex Pension Fund	-	(3,031)	(3,031)
At 30 November 2008	-	680,066	680,066
Transfer to HCA on 1 December 2008	-	(680,066)	(680,066)
At 31 March 2009	**-**	**-**	**-**

30. PENSION ARRANGEMENTS

During 2009 Commission employees were able to participate in contributory pension arrangements afforded by either the English Partnerships' Pension Fund or a statutory Local Government Scheme administered by West Sussex County Council. These pension schemes have broadly comparable benefits.

(a) English Partnerships' Pension Scheme

This is a multi-employer defined benefit scheme as described in paragraph 9 of *FRS 17, Retirement Benefits*. The Scheme was initially started in English Estates and has evolved through several changes, the main ones of which being the formation of RDAs and the LDA and the merger of the Agency and the Commission.

Because of this complex history it is not possible to allocate the scheme's assets and liabilities to each individual contributing employer on a reasonable and consistent basis.

The rate of employers' contributions is the same for all contributing entities in the scheme based on the needs of the scheme in total. This rate is reviewed on a

30. PENSION ARRANGEMENTS (CONTINUED)

periodic basis, normally three yearly, with additional reviews as necessary and is adjusted in order to ensure that the full liabilities of the scheme will be met.

Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the scheme.

A valuation of the scheme's total assets and liabilities at 30 November 2008 in accordance with *FRS 17* has been prepared and the results together with the key assumptions used are noted below:

Actuarial value of the liability	£143.5m
Market value of assets	£109.3m
Net pension deficit	£34.2m

Salary increase rate	4.5 per cent
Pension increase rate	2.9 per cent
Discount rate	6.0 per cent
Price inflation	2.9 per cent

The Financial Statements of the English Partnerships' Pension Scheme are available from the Secretary, at St George's House, Kingsway, Team Valley, Gateshead, NE11 0NA. All employees who are members of the English Partnerships' Pension Scheme are issued with a summary of the Financial Statements.

On 1 December 2008 the scheme was re-named the Homes and Communities Agency Pension Scheme.

(b) West Sussex County Council Pension Fund

This is also a multi-employer defined benefit scheme as described in paragraph 9 of *FRS 17, Retirement Benefits*. The Commission's contributions are affected by a surplus or deficit in the scheme. The scheme's actuaries have estimated its share of net liabilities to be £19.6m as disclosed in Note 25 to the Financial Statements.

A valuation of the Commission's total assets and liabilities at 30 November 2008 in accordance with *FRS 17* has been prepared and the key assumptions used, together with the results for the last five years, are noted below:

Salary increase rate	4.5 per cent
Pension increase rate	3.0 per cent
Discount rate	7.2 per cent
Price inflation	3.0 per cent

Mortality assumptions
Life expectancy is based upon the *PFA92* and *PMA92* actuarial mortality tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based upon these assumptions, the average future life expectancies at age 65 are:

30. PENSION ARRANGEMENTS (CONTINUED)

	At 30 November 2008
	Years
Current pensioners:	
Males	21.5
Females	24.4
Future pensioners:	
Males	23.5
Females	26.4

The five-year history of experience adjustments is as follows.

	At 30 November 2008	At 31 March 2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(50,539)	(55,346)	(60,410)	(54,831)	(49,641)
Fair value of scheme assets	30,899	38,703	41,216	40,778	34,220
Deficit in the scheme	(19,640)	(16,643)	(19,194)	(14,053)	(15,421)
Experience adjustments on scheme liabilities	4	(6,086)	2	121	(1,575)
Experience adjustments on scheme assets	(9,119)	(4,005)	(781)	5,816	1,477

30. PENSION ARRANGEMENTS (CONTINUED)

Amounts recognised in the Income and Expenditure account in respect of the West Sussex Scheme are as follows:

	At 30 November 2008	At 31 March 2008
	£'000	**£'000**
Current service cost	155	344
Interest cost	2,490	3,231
Expected return on scheme assets	(1,800)	(2,918)
Past service costs	142	-
Losses on curtailments and settlements	304	219
Total	**1,291**	**876**

Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The actual return on scheme assets was a loss of £7.2m (31 March 2008: loss of £1.2m).

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £4.5m (31 March 2008: loss of £1.5m).

Movements in the present value of defined benefit obligations were as follows:

	At 30 November 2008	At 31 March 2008
	£'000	**£'000**
At 1 April	55,346	60,410
Service cost	155	344
Interest cost	2,490	3,231
Contributions from scheme members	69	97
Actuarial gains	(6,088)	(6,086)
Past service costs	142	-
Losses on curtailments	304	219
Unfunded benefits paid	(319)	(478)
Funded benefits paid	(1,560)	(2,391)
At 30 November 2008	**50,539**	**-**
At 31 March	**-**	**55,346**

30. PENSION ARRANGEMENTS (CONTINUED)

Movements in the fair value of the scheme assets were as follows:

	At 30 November 2008	At 31 March 2008
	£'000	**£'000**
At 1 April	38,703	41,216
Expected return on scheme assets	1,800	2,918
Actuarial losses	(9,119)	(4,005)
Contributions by the employer	1,325	1,346
Contributions from scheme members	69	97
Unfunded benefits paid	(319)	(478)
Funded benefits paid	(1,560)	(2,391)
At 30 November 2008	**30,899**	**-**
At 31 March	**-**	**38,703**

An analysis of the fair value of the Commission's share of the Scheme's assets and the expected rate of return at the Balance Sheet date was as follows:

	Fair value of assets					**Expected return**	
	30 November 2008		**31 March 2008**			**30 November 2008**	**31 March 2008**
	£m	%	£m	%		% p.a.	% p.a.
Equities	21.6	70	27.7	71		7.4	7.7
Bonds	5.9	19	6.6	17		5.7	5.7
Property	2.5	8	3.0	8		5.2	5.7
Cash	0.9	3	1.4	4		4.3	4.8
Total	30.9	100	38.7	100	Weighted average	6.8	7.1

(c) Other Unfunded pension liabilities

In respect of pensions to ex-employees of the Commission and the former development corporations, the Commission is obligated to meet the annual unfunded costs arising from the implementation of the Pension Increase Acts and enhanced benefits awarded to former employees. For the period to 30 November 2008 these costs were £0.06m (2007/08: £0.2m). A provision of £7.5m (2007/08: £8.1m) is included within the £19.95m provisions for pensions, this being the estimated capital value of future liabilities relating to unfunded benefits in payment (Note 25).

31. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for, but not provided for, amounted to nil at 31 March 2009 (31 March 2008: £187m).

32. OPERATING LEASES

At 31 March 2009 the Commission had no annual commitments under operating leases as all leases were transferred to HCA.

	2009 Land and Buildings £'000	2009 Others £'000	2008 Land and Buildings £'000	2008 Others £'000
Leases expiring				
- within one year	-	-	182	107
- between one and five years	-	-	382	203
- in over five years	-	-	917	-
	-	-	1,481	310

Most of the leases relating to land and buildings are part of lease and leaseback arrangements entered into by the Commission or by former development corporations and are subject to rent review periods ranging from 1 to 21 years.

33. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

The Commission has in certain instances disposed of land on the basis that if there is a subsequent change in use of the land, which materially increases the return to the purchaser, the Commission has a right to participate in the returns achieved. The normal term during which this arrangement remains in force is 21 years. For social housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain; therefore, it is not possible to quantify the likely income, which may ultimately be received by the Commission.

33. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Contingent liabilities

(a) Home Housing Association

On 6 May 1987 with the Secretary of State's consent, the Milton Keynes Development Corporation together with one other development corporation and 12 Local Authorities jointly and severally guaranteed the punctual payment of interest and any other monies due together with the repayment of principal in the year 2037 in respect of 8.75 per cent guaranteed loan stock amounting up to a maximum of £100m created by North Housing Association which subsequently became Home Housing Association. The initial stock issued in May 1987 totalled £66.3m.

On 30 May 1991 the liability of the one other development corporation was transferred to a Local Authority. Since that date further tranches of the stock amounting to £33.7m have been issued and the number of participating authorities increased to 19.

The money has been used by Home Housing Association to develop assured tenancy housing on sites made available to it by the 19 authorities. Each participant's contingent liability is determined by the amount of development expenditure incurred in its area, as a percentage of the total stock issued. On this basis, the Commission's currently assessed contingent liability in respect of 450 completed dwellings is 21.65 per cent.

In the event of Home Housing Association failing to make good any default within two months, the Commission and other authorities are entitled to take a first legal charge on sufficient of the association's saleable assets as represents adequate security for the debt.

(b) Sunderland City Council

The freeholds of several hundred properties on two estates in Washington were transferred to Sunderland City Council on 1 April 1997. The transfer was subject to a Commission indemnity valid for a period of 30 years against costs which may be incurred in remedying shale related defects. This indemnity was issued with the approval of the Department. The extent of this liability is unquantifiable at this time.

33. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

(c) Other Contingent Liabilities

The Commission also has the following contingent liabilities:

	2009 £'000	2008 £'000
Indemnities to building societies with regard to housing mortgages	-	5,463

The indemnities represent the value of the mortgage outstanding when the Commission took over the indemnity. It is not practical to assess the current balance outstanding because of the number of individual loans involved.

The Commission is contingently liable for certain miscellaneous claims by developers, contractors and individuals in respect of costs and claims not allowed for in development agreements, construction contracts, grants and claims such as Compulsory Purchase Orders. Payment, if any, against these claims may depend on lengthy and complex litigation and potential final settlements cannot be determined with any certainty at this time. As claims reach a more advanced stage they are considered in detail and specific provisions are made in respect of those liabilities to the extent payment is considered probable.

All potential claims and contingent liabilities transferred to the HCA on 1 December 2008.

34. RELATED PARTY TRANSACTIONS

The Commission is a non departmental public body sponsored by CLG. Hence any other bodies sponsored by CLG are considered to be related parties.

The Commission has a close working relationship with the Urban Regeneration Agency. Where certain functions, costs or staffing related to both organisations, but for efficiency were controlled by one, appropriate recharges of costs have been made. Recharges in the year totalled £3.3m (2007/08: £5m).

On 1 December 2008, the assets and liabilities of the Commission were transferred to the HCA. Details are provided in Note 15.

35. LOSSES AND SPECIAL PAYMENTS

In accordance with the provisions of the Accounts Direction, the Commission must summarise all losses and special payments made during the year, being transactions of a type, which Parliament cannot be supposed to have contemplated.

35. LOSSES AND SPECIAL PAYMENTS (continued)

During the course of the financial year the Commission made no losses or special payments requiring disclosure.

36. POST BALANCE SHEET EVENTS

The Commission's Financial Statements are laid before the Houses of Parliament by the Secretary of State of Communities and Local Government. *FRS21, Events After the Balance Sheet Date* requires the Commission to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Commission's management to the Secretary of State of Communities and Local Government.

The authorised date for issue is 24 June 2009.

COMMISSION FOR THE NEW TOWNS

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH SECTION 9(a) OF THE NEW TOWNS AND URBAN DEVELOPMENT CORPORATIONS ACT 1985

1. The annual accounts of the Commission for the New Towns (hereafter in this accounts direction referred to as "the Commission") shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts for 2006/2007 and subsequent years shall be prepared in accordance with:

(a) the accounting and disclosure requirements given in *Government Accounting* and in the *Government Financial Reporting Manual* issued by the Treasury ("the FreM") as amended or augmented from time to time, and subject to Schedule 1 to this direction;

(b) any other relevant guidance that the Treasury may issue from time to time;

(c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Commission and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury in which case the exception shall be described in the Notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act 1985 and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State and further explanations of Treasury requirements are set out in Schedule 2.

3. This direction shall be reproduced as an appendix to the annual accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

....…

Andy Rudd

An officer in the Department for Communities and Local Government

Date 27 March 2007

SCHEDULE 1

1. The requirement in the *Government Financial Reporting Manual* to include a notional charge in the income and expenditure account for the cost of capital shall not apply to the Commission.

2. The requirement in the *Government Financial Reporting Manual* to use the alternative accounting rules (as set out in the Companies Act 1985) shall not apply to the Commission.

3. Stocks of land and buildings shall be included in the balance sheet at the lower of cost and estimated market value calculated on the basis that the property will be sold in a phased and orderly manner according to the disposal strategy in the Commission's corporate plan. Projected receipts in accordance with this strategy shall be abated to allow for costs to be incurred and discounted at 8 per cent from the estimated year of disposal.

4. The annual accounts shall be signed and dated by the chairman on behalf of the board members, and by the accounting officer.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraphs 1 and 2 of this direction.

1. **The income and expenditure account, or the Notes thereto**

(a) the following income -

(i) European Regional Development Fund grants

(ii) proceeds on the disposal of properties

(iii) rents and maintenance charges receivable

(iv) contributions from Local Authorities

(b) the following expenditure -

(i) book value of properties sold

(ii) movements in provisions for losses on properties

(iii) repairs and maintenance of property

(iv) contributions to water companies

(v) debts written off and movements in provisions for bad and doubtful debts.

2. **The Notes to the annual accounts**

(a) details of employees, other than board members, showing:-

(i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Commission, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)

(ii) the total amount of loans to employees

(iii) employee costs during the year, showing separately:-

(1) wages and salaries

(2) early retirement costs

(3) social security costs

(4) contributions to pension schemes

(5) payments for unfunded pensions

(6) other pension costs

(7) amounts recoverable for employees on secondment or loan to other organisations;

(The above analysis shall be given separately for the following categories:

I. employed directly by the Commission
II. on secondment or loan to the Commission
III. agency or temporary staff
IV. employee costs that have been capitalised);

(b) an analysis of interest receivable;

(c) an analysis of interest payable;

(d) an analysis of fixed asset loans and mortgages between:

(i) the assumed loan debt to Local Authorities

(ii) loans to water companies

(iii) mortgages on housing property

(iv) mortgages on industrial and commercial property

(v) and other loans and mortgages;

(e) an analysis of stocks of land and buildings, showing for each category the cost and the estimated market value calculated on the basis that the property will be sold in a phased and orderly manner according to the disposal strategy in the Commission's corporate plan. Projected receipts in accordance with this strategy shall be abated to allow for costs to be incurred and discounted at 8 per cent from the estimated year of disposal;

(f) an analysis of liquid resources, as defined by accounting standards;

(g) in the note on debtors, prepayments and payments on account shall each be identified separately;

(h) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Commission's operations;

*(i) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Commission), between the Commission and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:

(i) transactions and balances of £5,000 and below are not material

(ii) parties related to board members and key managers are as notified to the Commission by each individual board member or key manager

(iii) the following are related parties:

(1) subsidiary and associate companies of the Commission

(2) pensions funds for the benefit of employees of the Commission or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)

(3) board members and key managers of the Commission

(4) members of the close family of board members and key managers

(5) companies in which a board member or a key manager is a director

(6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer

(7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member

(8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest

(9) settlements in which a board member or a key manager is a settlor or beneficiary

(10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest

(11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager is a partner or venturer

(12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary

(13) the Department for Communities and Local Government, as the sponsor department for the Commission.

For the purposes of this sub-paragraph:

(i) A key manager means a member of the Commission's management board.

(ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.

(iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30 per cent or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

* Note to Schedule 2 paragraph 2(i): under the Data Protection Act 1998 individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Urban Regeneration Agency for the year ended 31 March 2009 under the Leasehold Reform, Housing and Urban Development Act 1993 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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 Urban Regeneration Agency, Accounting Officer and Auditor

The Urban Regeneration Agency and Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Leasehold Reform, Housing and Urban Development Act 1993 and Secretary of State 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 the Leasehold Reform, Housing and Urban Development Act 1993 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the Remuneration Report, 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 Urban Regeneration Agency 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 Urban Regeneration Agency'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 form an opinion on the effectiveness of the Urban Regeneration Agency's corporate governance procedures or its risk and control procedures.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT (CONTINUED)

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 Board Members' Report and the unaudited part of the Remuneration Report. I consider the implications for my report 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 Urban Regeneration Agency and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Urban Regeneration Agency'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 Leasehold Reform, Housing and Urban Development Act 1993 and directions made thereunder by the Secretary of State, of the state of Urban Regeneration Agency's affairs as at 31 March 2009 and of its deficit, 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 the Leasehold Reform, Housing and Urban Development Act 1993 and Secretary of State directions made thereunder; and

- information, which comprises the Management Commentary and the Remuneration Report, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

24 June 2009

URBAN REGENERATION AGENCY
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
INCOME			
Clawback of grants and contributions		103	5,597
Rents and maintenance charges		1,562	4,376
Other operating income		4,445	5,745
Contributions from partners		5,464	38,848
Proceeds from disposal of development assets	3	6,889	239,344
		18,463	293,910
EXPENDITURE			
Cost of property disposals	3	12,819	223,267
Administration and management		21,222	27,080
Promotion and publicity costs		1,477	1,788
Estate management costs		8,145	11,967
Project costs	4	85,390	159,089
Grant clawback returnable to HM Treasury		378	2,847
Depreciation on tangible fixed assets	13	213	311
Other operating costs		7,961	7,024
Impairment of development assets	16	263,720	21,519
Release of negative asset provision	20	-	(595)
Provision for bad debts		(289)	109
Notional cost of capital	6	23,901	39,143
		424,937	493,549
OPERATING DEFICIT	8	(406,474)	(199,639)
Interest receivable	9	8,607	9,683
Interest payable		(222)	(662)
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(398,089)	(190,618)
Taxation	10	(138)	-
DEFICIT AFTER TAXATION		(398,227)	(190,618)
Notional cost of capital	6	23,901	39,143
NET EXPENDITURE FOR THE YEAR		(374,326)	(151,475)

All activities above are funded primarily by grant in aid provided by the Sponsor Department for specified types of expenditure.

All activities above for the current year arose in the 8 months to 30 November 2008. From 1 December 2008 the Agency ceased to trade and the principal activities were transferred to the Homes and Communities Agency. The accompanying notes are an integral part of these Financial Statements.

URBAN REGENERATION AGENCY
STATEMENT OF RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
Deficit for the year		(374,326)	(151,475)
Total recognised losses in the period		(374,326)	(151,475)
(Deficit)/Gain on revaluation of fixed assets	**23**	(452)	792
Prior year adjustment – Income and expenditure reserve	**22**	203,894	-
Prior year adjustment – Fair value reserve	**24**	13,984	-
Total recognised losses since last Financial Statements		(156,900)	(150,683)

The accompanying notes are an integral part of these Financial Statements.

URBAN REGENERATION AGENCY
BALANCE SHEET
AS AT 31 March 2009

	Note	2009 £'000	Restated 2008 £'000
FIXED ASSETS			
Tangible fixed assets	**13**	-	2,964
Investment in subsidiary undertakings	**14**	-	25,000
Investment in associated undertakings	**14**	-	43,350
Available for sale financial assets	**15**	-	107,875
		-	179,189
CURRENT ASSETS			
Development assets	**16**	-	718,882
Debtors			
- due after more than one year	**17(a)**	-	248,281
- due within one year	**17(b)**	-	127,606
Cash at bank and in hand		-	91,485
		-	1,186,254
CREDITORS:			
Amounts falling due within one year	**18**	-	(69,461)
NET CURRENT ASSETS		-	1,116,793
TOTAL ASSETS LESS CURRENT LIABILITIES		-	1,295,982
Provision for liabilities and charges	**20**	-	(115,674)
		-	1,180,308
RESERVES			
Income and Expenditure Reserve	**22**	-	1,165,532
Revaluation Reserve	**23**	-	792
Fair value Reserve	**24**	-	13,984
		-	1,180,308

The accompanying notes are an integral part of these Financial Statements.

Approved by the Board on 22 June 2009 and signed on their behalf by:

Robert Napier
Chairman

Sir Bob Kerslake
Accounting Officer

URBAN REGENERATION AGENCY
CASH FLOW STATEMENT
YEAR ENDED 31 March 2009

	2009 £'000	Restated 2008 £'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(35,098)	72,749
Returns on investments and servicing of finance		
Interest received	8,955	9,094
Interest paid	(222)	(662)
Net cash inflow from returns on investments and servicing of finance	8,733	8,432
Net cash inflow from taxation	-	-
Capital expenditure and financial investment		
Purchase of fixed assets	(107)	(318)
Purchase of available for sale assets	(58,558)	(88,497)
Disposal of available for sale assets	2,940	4,968
Purchase of loan stock in associate	(3,307)	(6,665)
Cash transferred to HCA	(6,088)	-
Net cash outflow from capital expenditure and financial investment	(65,120)	(90,512)
Net cash outflow before financing	(91,485)	(9,331)
Decrease in cash	(91,485)	(9,331)

The accompanying notes are an integral part of these Financial Statements.

URBAN REGENERATION AGENCY
CASH FLOW STATEMENT
YEAR ENDED 31 March 2009

RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Note	2009 £'000	Restated 2008 £'000
Operating deficit		(406,474)	(199,639)
Deficit/(Surplus) on the disposal of development assets	**3**	5,930	(16,077)
Impairment of development assets	**16**	263,720	21,519
Depreciation of tangible fixed assets	**13**	213	311
Development asset additions	**16**	(35,336)	(135,037)
Proceeds on the disposal of development assets	**3**	6,889	239,344
Movement in negative asset provision	**20**	-	(595)
Grant in aid	**22**	64,318	261,009
Notional cost of capital	**6**	23,901	39,143
Indexation movement on available for sale assets		(278)	(367)
		(77,117)	209,611
Decrease/(Increase) in debtors		30,168	(147,361)
Increase in creditors		11,851	10,499
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(35,098)	72,749

The cashflows above are in relation to the Agency's trading activities in the 8 months to 30 November 2008.

ANALYSIS OF CHANGES IN NET FUNDS DURING THE YEAR

	2009 £'000	2008 £'000
Cash at bank and in hand at 1 April	91,485	100,816
Net cash outflow	(91,485)	(9,331)
Cash at bank and in hand at 31 March	-	91,485

The accompanying notes are an integral part of these Financial Statements.

1. STATEMENT OF ACCOUNTING POLICIES

(a) Statutory basis

The Financial Statements of the Agency are governed by the provisions of the *Leasehold Reform, Housing and Urban Development Act 1993* (“the Act”), and by the Direction on the Annual Accounts given by the Secretary of State, with the approval of HM Treasury, under the Act. A copy of the Direction on the Annual Accounts issued by the Secretary of State on 27 March 2007 is shown on pages 125 to 129. The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, without limiting the information given, met the accounting and disclosure requirements of the *Companies Act 1985*. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(b) Basis of accounting and consolidation

The Financial Statements are prepared on the modified historical cost basis as set out in Treasury guidance.

The financial statements have been prepared on a going concern basis as although the Agency ceased to trade, its functions transferred by statute to the HCA on 1 December 2008 and continued within the new Agency.

An important departure from prior years to note is that the Financial Statements for URA are presented on a company only basis. In prior years, as URA was the parent of an active subsidiary, English Partnerships (Limited Partner) Limited (EP(LP) Limited), group accounts were prepared which included a group Income and Expenditure Account, a group Balance Sheet and a group Cash Flow Statement. As at 31 March 2009, URA was not a parent company as its shareholding in EP (LP) Limited was transferred to the HCA on 1 December 2008. Accordingly the Financial Statements, including comparatives, are presented on a company only basis.

The retained deficit after taxation for the company was £374m (2007/08: retained deficit of £151m restated).

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of New Financial Instrument Standards

With effect from 1 April 2008, the Financial Reporting Manual (FReM) requires non-departmental public bodies to adopt Financial Instruments standards. The Agency had adopted the following during the year.

FRS 25, Financial Instruments: Presentation and *FRS 29 Financial Instruments: Disclosures*

These standards require disclosure of information that enables users of the financial statements to evaluate the significance of the Agency's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

Further details regarding the determination of fair value of financial instruments are given in note 21.

FRS 26 Financial Instruments: Recognition and Measurement
This standard sets out requirements for the measurement, recognition and de-recognition of financial instruments.

The related accounting policy for Financial Instruments is disclosed in Note 1(l).

The Agency has revised its accounting policies where applicable to conform with these standards. These policies have been applied consistently to all the years presented. The financial effect of the adoption of financial instrument standards is shown in Note 11 to the Financial Statements.

(d) Format of disclosure notes

On 1 December 2008 the HCA was created by the *Housing and Regeneration Act 2008*. On this date all assets and liabilities of the Agency were transferred to the HCA and the Agency ceased to trade. However to enable a fuller understanding of balances transferred, the notes disclose balances pre-transfer as at 30 November 2008 and the subsequent transfer to the HCA. The accounting policies referred to below were applicable prior to the cessation of trade. Note 12 provides further information on the balances transferred.

(e) Tangible fixed assets and depreciation

Tangible fixed assets, excluding freehold and long leasehold property, are stated at cost less accumulated depreciation and any impairment in value.

Land and freehold buildings are recognised initially at cost and thereafter measured at fair value, less depreciation on buildings and any impairment subsequent to the date of valuation. Land is not depreciated.

An assessment is carried out at each year end by a qualified valuer to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A full valuation is performed every five years.

Depreciation is charged to the Income and Expenditure Account based upon cost or fair value (in the case of revalued assets), less estimated residual value of each asset evenly over its expected useful life as follows:

Freehold and long leasehold property	Remaining useful economic life
Leasehold buildings with less than 25 years to run	Period of lease
Office furniture and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Any revaluation surplus is credited to the revaluation reserve except where it reverses a decrease in the carrying value of the same asset previously recognised in the Income and Expenditure Account, in which case the increase is recognised in the Income and Expenditure Account. An annual transfer is made from the revaluation reserve to revenue reserves for the depreciation relating to the revaluation surplus. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to the Income and Expenditure Account Reserve.

Furniture, equipment, plant and vehicles, which are not material in the context of the Agency’s operations, are charged to administration costs in the year of purchase.

(f) Development assets

Development assets, consisting of land and buildings, are shown at the lower of estimated replacement cost and estimated net realisable value. Accordingly, where this figure is lower, the assets are included at their estimated market value and, where necessary, reductions in holding value are written off to the Income and Expenditure Account.

The portfolio of development assets was transferred to the HCA on 1 December 2008 so the book value of assets at 31 March 2009 is nil. The entire portfolio has since been valued by the HCA as at 31 March 2009. In order to give a true and fair view of the book value of development assets transferred to the HCA and the impairment charge for the 8 month period prior to transfer, it has been necessary to establish an Open Market Value (‘OMV’) at 30 November 2008. This has been

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

achieved by comparing each individual asset's OMV at 31 March 2008 and 31 March 2009 and assuming a straight line movement in value. This movement has been added (in the case of a year on year increase) or deducted (in the case of year on year decrease) to the OMV at 31 March 2008 to establish an estimated OMV at 30 November 2008.

The Agency recognised income from disposals of development assets when there was a legally binding sale agreement, which had become unconditional and irrevocable by the Balance Sheet date, subject to any provisions necessary to cover residual commitments relating to the property.

Where proceeds are receivable over a period of more than 12 months after the balance sheet date, the proceeds were discounted at the Agency's cost of capital rate of 3.5 per cent to reflect the net present value of the receipts.

The corresponding debtor was also discounted and the difference between actual cash receipts and the net present value of the receipts was credited to interest receivable over the life of the debt.

Similarly, where amounts are payable on development assets over a period of more than 12 months after the Balance Sheet date, the corresponding creditor was discounted at the HM Treasury rate of 2.2 per cent.

(g) Funding

The Agency's activities were funded primarily by Grant in aid provided by the Sponsor Department for specified types of expenditure. Grant in aid received is credited to the Income and Expenditure Account Reserve in full. Any profit or loss for the period is transferred to the reserve. Self generated funds receivable for goods and services provided in the normal course of business are stated net of VAT. Income from property disposals is recognised when the contract is irrevocable, which is normally on completion.

(h) Investments

Fixed asset investments are shown at cost less provision for impairment.

(i) Operating leases

Operating lease rentals receivable and payable are accounted for in the Income and Expenditure Account on a straight line basis over the terms of the leases.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(j) Pension costs and other post retirement benefits

The Agency accounted for pension costs in accordance with *FRS 17, Retirement Benefits*. Certain of the employees of the Agency participated in the English Partnerships' Pension Scheme. The English Partnerships' Pension Scheme was a multi-employer defined benefit scheme as described in paragraph 9 of *FRS 17.* Contributions were affected by a surplus or deficit in the scheme, but the Agency was unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the scheme.

(k) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided in accordance with *FRS 19, Deferred Tax* to include the estimated future taxation consequences of transactions and events recognised in the Financial Statements of the current and previous periods. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(l) Financial instruments

Financial assets and financial liabilities were recognised on the Balance Sheet when the Agency became party to the contractual provisions of the instrument.

The Agency derecognised a financial asset only when the contractual rights to the cash flows for the asset expired, or it transferred the financial asset and substantially all the risks and rewards of ownership to another entity.

The Agency derecognised a financial liability only when the Agency's obligations were discharged, cancelled or expired.

Financial assets

Non-derivative financial assets are classified as either available for sale or loans and receivables. The classification depends upon the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

The Agency provides financial assistance to first time buyers and key workers to buy a share in a new build home. The buyer must take out an affordable mortgage, which along with any deposit, must make up a minimum of 50% of the full purchase price of the property. In return the Agency will assist with up to 50% of the full property price. The assistance is paid to the participating housebuilder, not the buyer. However, as

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

part of the sales agreement, the Agency has an entitlement to a share of the future sales proceeds which will be equal to the market value of the initial percentage contribution. This is secured by a second charge on the property.

The Agency's entitlement to the future sale proceeds on these properties is classified as being available for sale and is stated at fair value.

Gains and losses arising from changes in fair value are recognised directly in Reserves with the exception of impairment losses which are recognised directly in the Income and Expenditure account. Where the financial asset is disposed of, the cumulative gain previously recognised in Reserves is included in the Income and Expenditure account for that period.

Loans and receivables

Loans and mortgages and Trade and other receivables are classified as loans and receivables.

Loans and mortgages

Loans and mortgages are shown at amortised cost using the effective interest rate and are included within non current assets.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included within current assets, except for those with maturities greater than 12 months after the Balance Sheet date which are classified as non-current assets, and are measured at amortised cost less a provision for bad debts. The net of these balances are classified as trade and other receivables in the balance sheet.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each Balance Sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the financial asset is considered to be objective evidence of impairment.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash and balances in bank accounts with no notice or less than three months notice from inception and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as loans and receivables.

Financial liabilities

All non-derivative financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities consist of Trade and other payables.

Financial liabilities are classified as current liabilities unless the Agency had an unconditional right to defer settlement for at least twelve months after the Balance Sheet date.

2. FEES AND CHARGES

The Agency was required, in accordance with *HM Treasury's Fees and Charges Guide*, to disclose performance results for the areas of its activities where fees and charges were made.

The segmental analysis is not intended to meet the requirements of the *Statement of Standard Accounting Practice 25 : Segmental Reporting*.

All services are charged at full cost and, therefore, result in no attributable surplus or deficit. During the year, the Agency provided services to other public sector bodies. The amounts, included in Rents & Other Operating Income, were as follows:

	2009 £'000	**2008 £'000**
IT and systems support	33	67
Administrative support	3,333	5,000
	3,366	5,067

3. DISPOSAL OF PROPERTY ASSETS

	Note	2009 £'000	Restated 2008 £'000
Proceeds from disposals		6,889	239,344
Cost of property disposal:			
Book value of property disposals	16	(9,792)	(109,384)
Provision for additional consideration payable for development assets	20	(3,027)	(113,883)
		(12,819)	(223,267)
(Deficit)/Surplus on disposal		(5,930)	16,077

4. PROJECT COSTS

Grants and contributions and other non-asset, project specific payments made during the year together with claims approved for payment at the end of the year are charged to the Income and Expenditure Account and are shown under Project Costs. These are further analysed into the Business Lines below.

	2009 £'000	Restated 2008 £'000
Brownfield Regeneration	48,834	70,955
Sustainable Communities	13,719	25,488
Urban Renaissance	22,837	62,646
	85,390	159,089

Grants and contributions clawback receivable during the period is credited to the Income and Expenditure Account. Grant clawback returnable to HM Treasury in the year is charged to the Income and Expenditure Account.

Commitments in respect of future claims for approved grants, included in Note 26, were transferred to the HCA on 1 December 2008.

5. STAFF COSTS

(a) Total staff costs

The costs of full time salaried staff, excluding Board Members, were as follows:

	2009 £'000	2008 £'000
Salaries and wages	11,880	15,852
Social security costs	1,084	1,474
Other pension costs	2,345	3,165
	15,309	20,491
Cost of temporary staff	728	866
Cost of seconded staff	308	414
Total excluding Board Members	16,345	21,771

	2009	2008
Staff expenses reimbursed	1,272	1,495
Non-executive Board Member expenses reimbursed	48	53
	1,320	1,548

There were no staff costs capitalised in 2009 (2008:nil). All new employees to English Partnerships were employed by the Urban Regeneration Agency. Any work that staff performed for the Commission for the New Towns was recovered via a recharge.

(b) Average number of staff employed by the Agency

	2009 Total Number	2008 Total Number
Management	96	90
Professional/Technical	202	185
Administrative	112	104
Temporary staff	19	16
	429	395

5. STAFF COSTS (CONTINUED)

(c) Chief Executive's and Board Members' emoluments

Information relating to the emoluments of the Chief Executive, Board Members and Key Managers is disclosed in the Remuneration Report.

6. NOTIONAL COST OF CAPITAL

The Financial Reporting Manual requires that as part of operating costs, to the extent that there is no real charge for it, the notional cost of capital be calculated. To this end the notional cost of capital has been calculated at 3.5 per cent (2007/08: 3.5 per cent) of the average of total assets less total liabilities pro-rated for the 8 month operating period. An entry reversing this amount after the deficit after taxation has also been made in accordance with the Manual.

7. EXCEPTIONAL COST

In accordance with the Accounts Direction, the Agency conducted a review of the carrying value of its development assets at 30 November 2008. This has resulted in an impairment charge of £263.7m (2008: £21.5m), principally due to the current deterioration in the UK housing market. Further details on this impairment are given in note 16.

The rationale for establishing the carrying value of the Agency's development assets as at 30 November 2008 is provided in note 1(f).

8. OPERATING DEFICIT

		2009 £'000	2008 £'000
Operating deficit has been arrived at after charging the following:			
Auditors' remuneration	- audit fee	60	80
Operating lease rentals	- land & buildings	896	1,394
	- other	635	637
Redundancy and restructuring		424	30
Early retirement pension costs		666	368

9. INTEREST RECEIVABLE

	2009 £'000	Restated 2008 £'000
Unwinding of discount for disposals receivable via instalments	5,201	4,305
Bank deposits	2,070	3,396
Loan interest	1,060	1,770
Other interest	276	212
	8,607	9,683

10. TAXATION

(a) Taxation charge in the Income and Expenditure Account comprises:

	2009 £'000	2008 £'000
Corporation tax on the results for the period @ 28 per cent	138	-
	138	-

(b) Factors that may affect tax charge

At 30 November 2008 the Agency had estimated tax losses of £86m (31 March 2008: £86m). On 1 December 2008 these losses were transferred to the HCA.

(c) Reconciliation of taxation charge

	2009 £'000	Restated 2008 £'000
Deficit on ordinary activities before taxation	(398,089)	(190,618)
Taxation on deficit @ 28 per cent (2008: 30 per cent)	(111,465)	(57,185)
Effects of:		
Non taxable grant income	(1,559)	(13,334)
Expenditure not deductible for taxation, including grant payments	21,694	42,320
Notional cost of capital	6,691	11,742
Grant clawback	106	854
Losses not utilised in period and carried forward into the HCA	84,671	15,603
	138	-

11. PRIOR YEAR ADJUSTMENT

The adoption of new financial instrument standards resulted in a change of accounting policy which necessitated a prior year adjustment. The nature of this change in accounting policy and the effect is illustrated below.

The Agency provided financial assistance, via developers, to buyers and key workers to buy a share in a new build house. It also provided financial assistance to fund the development of certain strategic infrastructure that was required before private developers were able to develop an area.

Historically, the Agency had expensed these programmes of assistance through the Income and Expenditure Account as project costs.

Using the definitions set out in *FRS26 Financial Instruments: Recognition and Measurement*, the Agency had a contractual right to receive income. In the case of financial assistance to first time buyers and key workers the Agency had entitlement to a share of the future sales proceeds equal to the initial percentage contribution when properties were sold.

In the case of the funding of strategic infrastructure, the Agency was legally entitled to repayment of its contribution once outline planning permission had been granted on development sites.

The Agency's entitlement to future sales proceeds and contribution repayments is classified as available for sale financial assets and is stated at fair value.

Monies that have been forwarded to developers but have not yet been passed to first time buyers are classified as trade and other receivables within Debtors due after more than one year.

Comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The effect of this change on the (audited) Financial Statements for the year ended 31 March 2008 is shown below.

11. PRIOR YEAR ADJUSTMENT (CONTINUED)

Income and Expenditure Account

	Year ended 31 March 2008 (as previously stated)	Impact of new standards	Year ended 31 March 2008 (restated)
	£'000	£'000	£'000
Project costs	271,144	(112,055)	159,089
Proceeds from disposal of Development assets	(246,047)	6,703	(239,344)

Balance Sheet

	At 31 March 2008 (as previously stated)	Impact of new standards	At 31 March 2008 (restated)
	£'000	£'000	£'000
Available for sale financial assets	-	107,875	107,875
Debtors due after more than one year	129,930	118,351	248,281
Creditors: amounts falling due within one year	(61,113)	(8,348)	(69,461)
Income and Expenditure Account reserve	961,638	203,894	1,165,532
Fair value reserve	-	13,984	13,984

12. TRANSFER OF ASSETS AND LIABILITIES TO THE HOMES AND COMMUNITIES AGENCY

On 30 November 2008 the Agency ceased to trade and on 1 December 2008 the assets and liabilities transferred to the HCA. The following is a summary of the Balance Sheet as at 30 November and the subsequent transfer of assets and liabilities to the HCA.

	Note	As at 30 November £'000	Transfer to HCA £'000	As at 1 December & 31 March 2009 £'000
Fixed assets				
Tangible Fixed Assets	**13**	2,406	(2,406)	-
Investment in subsidiary undertakings	**14**	25,000	(25,000)	-
Investment in associated undertakings	**14**	46,657	(46,657)	-
Available for sale financial assets	**15**	164,308	(164,308)	-
		238,371	**(238,371)**	-
Current Assets				
Development Assets	**16**	480,706	(480,706)	-
Debtors due after more than one year	**17**	175,086	(175,086)	-
Debtors due within one year	**17**	170,286	(170,286)	-
Cash at bank and in hand		6,088	(6,088)	-
		832,166	**(832,166)**	**-**
Creditors : amounts falling due within one year	**18**	81,451	(81,451)	-
Net Current Assets		750,715	(750,715)	-
Total assets less current liabilities		989,086	(989,086)	-
Provision for liabilities and charges	**20**	120,701	(120,701)	-
		868,385	**(868,385)**	**-**
Reserves				
Income and Expenditure account	**22**	855,524	(855,524)	-
Revaluation reserve	**23**	340	(340)	-
Fair value reserve	**24**	12,521	(12,521)	-
		868,385	**(868,385)**	**-**

13. TANGIBLE FIXED ASSETS

	Long Leasehold Land & Buildings	Short Leasehold Buildings	Furniture & Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2008	2,505	1,257	912	4,674
Additions	-	-	107	107
Revaluations	(467)	-	-	(467)
Transfer to HCA on 1 December 2008	(2,038)	(1,257)	(1,019)	(4,314)
At 31 March 2009	-	-	-	-
Depreciation				
At 1 April 2008	-	851	859	1,710
Charge in year	15	122	76	213
Revaluations	(15)	-	-	(15)
Transfer to HCA on 1 December 2008	-	(973)	(935)	(1,908)
At 31 March 2009	-	-	-	-
Net Book Value				
At 1 April 2008	2,505	406	53	2,964
At 31 March 2009	-	-	-	-

The land and long leasehold buildings comprise the Agency's offices at St. George's House, Gateshead. An independent professional valuation was carried out by GVA Grimley Ltd, a member of the Royal Institute of Chartered Surveyors, at 31 March 2009 which showed the value to be £2.038m. An accounting adjustment was made to reflect this value.

If land and freehold buildings had not been revalued the historical cost and accumulated depreciation would have been:

	2009 £'000	2008 £'000
Historical cost		
Land	1,034	1,034
Freehold buildings	737	737
	1,771	1,771
Accumulated depreciation		
Land	-	-
Freehold buildings	68	59
	68	59
Net book value		
Land	1,034	1,034
Freehold buildings	669	678
	1,703	1,712

Land is not depreciated. Buildings are depreciated on a straight line basis over their remaining useful economic life.

14. INVESTMENTS

SUBSIDIARY UNDERTAKINGS

Cost or Valuation

	2009 £'000	2008 £'000
At 1 April 2008	25,000	25,000
Transfer to HCA on 1 December 2008	(25,000)	-
At 31 March 2009	**-**	25,000

14. INVESTMENTS (CONTINUED)

The Agency had a subsidiary, EP(LP) Limited, in which it held 25,000,000 ordinary shares of £1 (2007/08: 25,000,000 ordinary shares of £1), representing 100 per cent of the issued share capital. The company commenced trading during 2003 and the nature of its business is investment in property related projects.

The Agency's investment in EP(LP) Limited was transferred to the HCA on 1 December 2008.

The Agency also held a 100 per cent interest in the ordinary shares of Beehive Workshops Limited which was dormant throughout the period.

All subsidiary undertakings, registered in England, were transferred to the HCA on 1 December 2008.

ASSOCIATED UNDERTAKINGS

	Shares £'000	Loans £'000	Total £'000
Cost			
At 1 April 2008	10,349	40,501	50,850
Additions	-	3,307	3,307
Transfer to HCA on 1 December 2008	(10,349)	(43,808)	(54,157)
At 31 March 2009	-	-	-
Provision for impairment			
At 1 April 2008	(7,500)	-	(7,500)
Transfer to HCA on 1 December 2008	7,500	-	7,500
At 31 March 2009	-	-	-
Net Book Value			
At 1 April 2008	2,849	40,501	43,350
At 31 March 2009	-	-	-

14. INVESTMENTS (CONTINUED)

ASSOCIATED UNDERTAKINGS (CONTINUED)

Name of Undertaking	Interest	Nature of Business
Priority Sites Limited	49 per cent 'B' Ordinary	Property rental & development
Network Space Limited	49 per cent 'A' Ordinary 100 per cent 'C' Deferred, non-voting	Development of workspace
English Cities Fund (General Partner) Limited	33 $^{1}/_{3}$ per cent 'A' Ordinary	Property development
Land Restoration Trust	½ membership	Land development
English Cities Fund	Limited partnership	Property development
Blueprint East Midlands Regeneration Partnership	25 per cent	Property rental and development
Creative Sheffield	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Sheffield
Liverpool Vision	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Liverpool
New East Manchester	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of East Manchester
Tees Valley Regeneration	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Tees Valley
Leicester Regeneration Company	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Leicester
Sunderland arc	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Sunderland
Meden Valley Making Places Ltd	Company limited by guarantee ¼ membership	Regeneration of Meden Valley
Barking Riverside Ltd	49 per cent Ordinary Shares	Development of land
English Environment Fund	Company limited by guarantee $^{1}/_{2}$ membership	Promotion of Environmental projects
Liverpool Land Development Company	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Liverpool
Derby Cityscape	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Derby
Gloucester Heritage	Company limited by guarantee ¼ membership	Regeneration of Gloucester
Regenco (Sandwell)	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of West Bromwich
Walsall Regeneration Company	Company limited by guarantee $^{1}/_{3}$ membership	Regeneration of Walsall
Aylesbury Vale Advantage	Company limited by guarantee $^{1}/_{5}$ membership	Regeneration of Aylesbury
CL:AIRE	Company limited by guarantee $^{1}/_{5}$ membership	Research

14. INVESTMENTS (CONTINUED)

ASSOCIATED UNDERTAKINGS (CONTINUED)

Name of Undertaking	Interest	Nature of Business
Central Salford URC Ltd	Company limited by guarantee $^1/_3$ membership	Regeneration of Central Salford
Opportunity Peterborough	Company limited by guarantee $^1/_3$ membership	Regeneration of Peterborough
CPR Regeneration	Company limited by guarantee ¼ membership	Regeneration of Camborne, Pool and Redruth
Renaissance Southend	Company limited by guarantee $^1/_5$ membership	Regeneration of Southend-on-Sea
Hull URC	Company limited by guarantee $^1/_3$ membership	Regeneration of Hull
The New Swindon Company	Company limited by guarantee $^1/_3$ membership	Regeneration of Swindon

The Agency has invested in English Cities Fund (ECF), a limited partnership. The majority of its investment is by way of loan stock in ECF via the Agency's wholly owned subsidiary EP (LP) Limited. The return to the Agency varies according to the level of profits achieved and its share of net assets is influenced proportionately.

On 1 December 2008 the Agency's interest in associated undertakings was transferred to the HCA.

15. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets relate to the Agency's entitlement to future sale proceeds that is equal to the percentage contribution of financial assistance provided to first time buyers and key workers. They are stated at fair value.

	Note	2009 £'000	Restated 2008 £'000
Balance at 1 April		107,875	10,460
Additions		58,558	88,497
Disposals		(2,940)	(4,968)
Fair value adjustment	**24**	(1,185)	13,886
Increase in provision for negative assets	**20**	2,000	-
At 30 November 2008		164,308	-
Transfer to HCA on 1 December 2008		(164,308)	-
At 31 March		-	107,875

16. DEVELOPMENT ASSETS

	2009 £'000	2008 £'000
Net book value at 1 April	718,882	714,748
Additions in year	35,336	135,037
	754,218	849,785
Disposals	(9,792)	(109,384)
Impairment	(263,720)	(21,519)
At 30 November 2008	480,706	-
Transfer to HCA on 1 December 2008	(480,706)	-
Net book value at 31 March	-	718,882

Impairment of development assets principally represents reductions in net realisable value resulting from intended change of use, following acquisition, to affordable housing and changes in market conditions.

The impairment of development assets is classified as an exceptional cost by virtue of its size (note 7). All development assets were transferred to the HCA on 1 December 2008.

17. DEBTORS

	2009 £'000	Restated 2008 £'000
(a) Amounts falling due after more than one year		
Due from disposal of development assets	81,422	129,930
Trade and other receivables	93,664	118,351
At 30 November 2008	175,086	-
Transfer to HCA on 1 December 2008	(175,086)	-
At 31 March	-	248,281

17. DEBTORS (CONTINUED)

	2009 £'000	2008 £'000
(b) Amounts falling due within one year		
Due from disposal of development assets	124,825	102,310
Prepayments	910	537
Commission for the New Towns	7,552	8,138
Other debtors	36,983	16,600
Loans to employees	16	21
At 30 November 2008	170,286	-
Transfer to HCA on 1 December 2008	(170,286)	-
At 31 March	-	127,606

(c) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2009 £'000	2008 £'000	2009 £'000	Restated 2008 £'000
Balances with other Central Government bodies	42,139	9,426	-	-
Balances with Local Authorities	742	1,091	-	-
Balances with public corporations and trading funds	16	338	-	-
Balances with NHS Trusts	4	-	-	-
Intra-Government balances	42,901	10,855	-	-
Balances with bodies external to government	127,385	116,751	175,086	248,281
At 30 November 2008	170,286	-	175,086	-
Transfer to HCA on 1 December 2008	(170,286)	-	(175,086)	-
At 31 March	-	127,606	-	248,281

18. CREDITORS: amounts falling due within one year

	2009 £'000	Restated 2008 £'000
Trade creditors	21,951	22,417
Taxation and social security	1,096	16,076
Other creditors	46	42
Accruals and deferred income	55,016	27,584
Amount due to subsidiary undertaking	3,342	3,342
At 30 November 2008	81,451	-
Transfer to HCA on 1 December 2008	(81,451)	-
At 31 March	-	69,461

19. CREDITORS: Intra-Government Balances

	2009 £'000	Restated 2008 £'000
Balances with other Central Government bodies	14,038	29,226
Balances with Local Authorities	-	-
Balances with public corporations and trading funds	-	3
Intra-Government balances	14,038	29,229
Balances with bodies external to government	67,413	40,232
Total creditors to 30 November	81,451	-
Transfer to HCA on 1 December 2008	(81,451)	-
At 31 March	-	69,461

20. PROVISION FOR LIABILITIES AND CHARGES

	Property interests with negative values £'000	Available for sale assets with negative values £'000	Additional consideration payable for the purchase of development assets £'000	Total £'000
Balance at 1 April 2008	1,791	-	113,883	115,674
Movement in provision	-	2,000	3,027	5,027
At 30 November 2008	1,791	2,000	116,910	120,701
Transfer to HCA on 1 December 2008	(1,791)	(2,000)	(116,910)	(120,701)
At 31 March	-	-	-	-

(a) Property interests with negative values

The provision relating to property interests with negative values represent an estimate of liabilities arising in respect of disengagement from specific property interests. On 1 December 2008 this provision was transferred to the HCA.

(b) Available for sale assets with negative values

The provision relating to available for sale assets with negative values represent an estimate of liabilities, based on the net present value of future cash flows, arising in respect of disengagement from certain sites within the London Wide Initiative portfolio of assets. On 1 December 2008 this provision was transferred to the HCA.

(c) Additional consideration payable for the purchase of development assets

In 2005/06 the Agency entered into an agreement with a third party to acquire a portfolio of surplus public sector land. The development agreement was structured so that initial consideration payable would be supplemented by further consideration when milestones for income and profit were triggered. Based on sales completed to date and forecasts for remaining disposals it is almost certain that additional consideration will be payable.

In order to match income recognised in the Agency's accounts with the true cost of disposal, the Agency has established the above provision. The provision calculates the proportion of additional consideration that will become payable attributable to sales recognised to date. The movement in this provision has been charged against Cost of Property disposals in the Income and Expenditure Account. On 1 December 2008 this provision was transferred to the HCA.

21. FINANCIAL INSTRUMENTS

(a) Financial assets

The carrying values and fair values of the Agency's financial assets, by classification, are as follows:

	2009 Fair value	2009 Carrying value	2008 Fair value	2008 Carrying value
	£'000	£'000	£'000	£'000
Loans and receivables				
Cash at bank and in hand	-	-	91,485	91,485
Debtors	-	-	375,350	375,350
Available for sale				
Financial assets	-	-	107,875	107,875
Total financial assets	**-**	**-**	**574,710**	**574,710**

Prepayments, tax and social security are excluded from the table above as these are non-financial assets. The fair values of financial assets above were determined as described below.

(b) Financial liabilities

The carrying values and fair values of the Agency's financial liabilities, by classification, are as follows:

	2009 Fair value	2009 Carrying value	2008 Fair value	2008 Carrying value
	£'000	£'000	£'000	£'000
Other financial liabilities				
Creditors	-	-	39,286	39,286
Provisions for liabilities and charges	-	-	113,883	113,883
Total financial liabilities	**-**	**-**	**153,169**	**153,169**

Deferred income, tax, social security and certain provisions are excluded from the table above as these are non-financial liabilities.

The fair values of financial assets and liabilities were determined as follows:

- The fair values of available for sale financial assets were calculated using movements in the CLG house price index at a regional level, being the most relevant available observable market data. Therefore these fair values were categorised as level 2 in the fair value hierarchy as defined by FRS 29.
- The fair values of other financial instruments were calculated by discounting their future cash flows using discount rates consistent with the Agency's cost of capital.

(c) Financial risk management

The Agency's financial assets and liabilities are detailed in notes above.

Up until 30 November 2008 the Agency was exposed to operational risk in its activities, particularly as it generally became involved in developments at locations where the private sector was unwilling to proceed without intervention. Through transactions with developers, the Agency's intervention resulted in financial risks, most significantly credit risk and liquidity risk. The Agency also had exposure to market price risk arising from financial instruments as a result of its equity interests in housing.

The Agency managed risk from a strategic and operational perspective, which includes the financial aspects of risk management. The Agency had a corporate risk management function whose role was to provide advice and assistance to managers on handling risk across the Agency including:

- Providing a risk management framework for the Agency,
- Facilitating risk assessment workshops for strategic, programme, regional and project activities,
- Providing quarterly reports to senior management.

The Agency approved a risk management framework including policy, strategy, processes and reporting responsibilities. A monthly review of risk took place across the Agency, from which the Corporate Team and the Audit and Risk Committee were informed on a quarterly basis. The monthly reviews incorporate numerically scored assessments of both the likelihood and impact of specific risks arising, which were combined to direct management's attention to the areas requiring action. Quantitative data, for example on debtor balances, was provided by Central Finance as necessary.

The potential exposure to debtor balances was a key focus for management, particularly in the current economic climate. In order to mitigate this risk, the Agency adopted the following approach to transactions with developers:

- Potential exposure to credit risk was monitored by Business Appraisal, including the accumulation of risk where the same developers were referred for financial vetting for geographically distant projects,
- For existing credit risks, assessments were performed monthly by delivery teams and reported to Central Finance,
- Development agreements resulting in the sale of property were always secured by the Agency's right to retake possession of the disposed property in the event of a default by the buyer.

On 1 December 2008 all assets and liabilities of the Agency were transferred to the HCA. The Agency, therefore, had no assets or liabilities, or risks arising from financial instruments, at the balance sheet date. The risk disclosures below are therefore presented using the balances existing on 30 November 2008, immediately preceding the transfer to the HCA.

(d) Credit risk
Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Agency's maximum exposure to credit risk, without taking into account any security held, was the same as the carrying amount of financial assets recorded in the financial statements, as disclosed above.

Cash deposits were held with various financial institutions in accordance with the Agency's processes for treasury management as approved by the board. At both 31 March 2008 and 30 November 2008 the whole cash balance was held with one institution.

The counterparties to other financial assets were generally major developers and house builders in the private sector, which normally arose from disposals of development assets. However, available for sale financial assets related mainly to amounts receivable individually from the private owners of housing units when their properties are sold, resulting in a broad spread of credit risk for the majority of these assets. Amounts receivable from the disposal of property were always secured by the Agency's right to retake possession of the disposed property in the event of a default by the buyer, and in appropriate cases were backed by financial guarantees. Amounts receivable from the owners of housing units are secured by a second charge over their property.

For all financial assets excluding cash, the maximum exposure to a single counterparty at 30 November 2008 was £114.8m (2008: £138.4m), and the five largest counterparties accounted for 51% of the total balance (2008: 61%).

(e) Liquidity risk
Liquidity risk is the risk that the Agency will be unable to meet its liabilities as they fall due.

The Agency's Treasury Management Policy was reviewed and approved by the Board on an annual basis. The criteria of accepted best practice were adhered to, including compliance with all statutory and relevant regulatory codes.

Sufficient liquidity was retained at all times to meet expected liabilities through the investment of cash surpluses in financial instruments with maturity profiles necessary to ensure the availability of funds when required while optimising returns on investments. Investment of cash surpluses may only be with approved counterparties and in accordance with established exposure limits.

The Agency did not engage in speculative activity and its policy did not allow the use of more complex financial instruments, such as derivatives.

(e) Liquidity risk (continued)

The expected undiscounted cash flows of financial liabilities, based on the earliest date on which the Agency can be required to make payment, are as follows:

	Carrying value £'000	Contractual cash flows £'000	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
2009						
Other financial liabilities						
Creditors	36,238	36,238	36,238	-	-	-
Provisions for liabilities and charges	116,910	116,910	-	29,715	87,195	-
Total	**153,148**	**153,148**	**36,238**	**29,715**	**87,195**	**-**
2008						
Other financial liabilities						
Creditors	39,286	39,286	39,286	-	-	-
Provisions for liabilities and charges	113,883	113,883	-	17,646	96,237	-
Total	**153,169**	**153,169**	**39,286**	**17,646**	**96,237**	**-**

Deferred income, certain provisions, tax and social security are excluded from the table above as these are non-financial liabilities.

The provisions shown above are contractually payable only when cash has been received from debtors arising from disposals of the relevant property. The contractual cash flows above reflect the estimated timing of cash receipts as used in the calculation of the carrying value of the related amount included in debtors.

(f) Interest rate risk

The Agency was exposed to interest rate risk on its financial assets classified as loans and receivables, where these pay interest at a variable rate. However, the Agency's loans and receivables normally carried interest at fixed rates. Therefore there was no significant interest rate risk exposure arising from the Agency's loans and receivables or other financial instruments.

(g) Market price risk
The Agency's results and equity were dependent upon the prevailing conditions of the UK economy, in particular UK house prices. The UK housing market affected the valuation of the Agency's non-financial assets and liabilities, especially development assets.

The Agency was also exposed to market price risk in its available for sale financial assets. The financial assets were the Agency's interests in housing units located in geographically diverse areas within the UK. As these assets were classified as available for sale, any market price movements were normally reflected in changes in reserves, and had no effect on the reported surplus or deficit for the period unless an impairment had been reported.

The Agency has performed a sensitivity analysis that measured the change in fair value of the financial assets held for hypothetical changes in market prices. The sensitivity analysis was based on a proportional change to all prices applied to the financial instrument balances existing at 30 November 2008.

At 30 November 2008, if UK house prices had been 10% higher/lower and all other variables were held constant, the Agency's reserves, before the effects of taxation, would have been £12.3m higher/lower than as stated (2008: £7.8m higher/lower).

(h) Currency risk
The Agency's dealings were almost entirely Sterling denominated, and therefore the Agency had no material exposure to currency risk.

22. INCOME AND EXPENDITURE RESERVE

	Note	2009 £'000
Balance at 1 April as previously stated		961,638
Prior year adjustment	11	203,894
Balance at 1 April as restated		1,165,532
Grant in aid received during the period		64,318
Net expenditure for the period		(374,326)
At 30 November 2008		855,524
Transfer to HCA on 1 December 2008		(855,524)
At 31 March		-

23. REVALUATION RESERVE

	2009 £'000
Balance at 1 April	792
Revaluations	(452)
At 30 November 2008	340
Transfer to HCA on 1 December 2008	(340)
At 31 March	-

24. FAIR VALUE RESERVE

	Note	2009 £'000
Balance at 1 April as previously stated		-
Prior year adjustment	**11**	13,984
Balance at 1 April as restated		13,984
Fair value loss on available for sale assets		(1,185)
Transfer to Income and Expenditure		(278)
At 30 November 2008		12,521
Transfer to HCA on 1 December 2008		(12,521)
At 31 March		-

25. OPERATING LEASES

As at 31 March 2009 the Agency had no annual commitments under operating leases as all leases were transferred to the HCA on 1 December 2008.

	2009		2008	
	Land & Buildings £'000	Others £'000	Land & Buildings £'000	Others £'000
Leases expiring:				
- within one year	-	-	229	205
- between one and five years	-	-	1,141	510
- in over five years	-	-	186	-
At 31 March	-	-	1,556	715

26. CAPITAL EXPENDITURE COMMITMENTS

	2009 £'000	2008 £'000
Expenditure that has been authorised by the Agency at 31 March	-	782,224

As at 31 March 2009 the Agency had no capital expenditure commitments as all commitments were transferred to the HCA on 1 December 2008.

27. PENSION SCHEME

(a) Employees of the Agency participate in the English Partnerships' Pension Scheme, which is a multi-employer defined benefit scheme. The Scheme is set up under trust and the assets of the Scheme are, therefore, held separately from those of the Agency.

The Financial Statements of the Agency's Pension Scheme are available from the Secretary, at St George's House, Kingsway, Team Valley, Gateshead, NE11 0NA. All employees are issued with a summary of the Financial Statements.

(b) The English Partnerships' Pension Scheme is a multi-employer defined benefit scheme as described in paragraph 9 of *FRS 17, Retirement Benefits*. The Scheme was initially started in English Estates and has evolved through several changes, the main ones of which being the formation of RDAs and the LDA and the merger of the Agency and the Commission.

Because of this complex history it is not possible to allocate the Scheme's assets and liabilities for each individual contributing employer on a reasonable and consistent basis.

The rate of employers' contributions is the same for all contributing entities in the Scheme based on the needs of the Scheme in total. This rate is reviewed on a periodic basis, normally three yearly, with additional reviews as necessary and is adjusted in order to ensure that the full liabilities of the Scheme will be met.

Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the Scheme.

27. PENSION SCHEME (continued)

A valuation of the Scheme's total assets and liabilities at 30 November 2008 in accordance with *FRS 17* has been prepared and the results together with the key assumptions used are noted below:

Actuarial value of the liability	£143.5m
Market value of assets	£109.3m
Net pension deficit	£34.2m

Salary increase rate	4.5 per cent
Pension increase rate	2.9 per cent
Discount rate	6.0 per cent
Price inflation	2.9 per cent

On 1 December 2008 the scheme was re-named the Homes and Communities Agency Pension Scheme.

28. RELATED PARTY TRANSACTIONS

The Agency is a Non Departmental Public Body sponsored by CLG. Hence any other bodies sponsored by CLG are considered to be related parties. During the year, the Agency has had a significant number of material transactions with CLG.

The Agency and the Commission have a close working relationship. Where certain functions, costs or staffing related to both organisations, for efficiency were controlled by one, appropriate recharges of costs have been made. Recharges in the year totalled £3.3m (2007/08 : £5m).

In addition, the Agency has had a number of material transactions with other Government Departments and other Central Government bodies, including various Local Authorities, Regional Development Agencies and the Department for Business, Enterprise and Regulatory Reform. The Agency also had a number of material transactions with its associated undertakings including:

- Priority Sites Ltd (PSL) in which the Agency had a 49 per cent interest:
  - the provision of grant funding totalling £2.3m (2007/08: £10.3m)
  - the receipt of loan stock interest totalling £0.5m (2007/08 : £0.8m)

- Urban Regeneration Companies, in most of which the Agency was a 1/3 member:
  - contributions to the operating costs, research and studies of these companies totalling £5m (2007/08: £7m)

- Land Restoration Trust in which the Agency had a 50 per cent holding:
  - grant funding totalling £0m (2007/08: £0.5m)

28. RELATED PARTY TRANSACTIONS (continued)

- Meden Valley Making Places in which the Agency had a 25 per cent holding:
  - payment of grant funding totalling £0m (2007/08 : repayment of £3.5m)

- Blueprint East Midlands in which the Agency had a 25 per cent holding:
  - investment by way of loan stock and shares in the form of cash and property £0m (2007/08: £2.5m)

- Barking Riverside Ltd in which the Agency had a 49 per cent holding:
  - investment by way of loan stock £3.3m (2007/08 : £4.2m)

On 1 December 2008, the assets and liabilities of the Agency were transferred to the HCA. Details are provided in Note 12.

The Agency's internal approval procedures were established so that members of staff nominated to act as directors or officers of associated undertakings did not have delegated authority with regard to the relevant undertaking.

There were no other transactions in which Board Members and related parties had a direct or indirect financial interest.

During the year none of the senior managers or related parties had undertaken any material transactions with the Agency.

29. POST BALANCE SHEET EVENTS

The Agency's Financial Statements are laid before the Houses of Parliament by the Secretary of State of Communities and Local Government. *FRS 21, Events after the Balance Sheet Date* requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Agency's management to the Secretary of State of Communities and Local Government.

The authorised date for issue is 24 June 2009.

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH PARAGRAPH 9, SCHEDULE 18 OF THE LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993.

1. The annual accounts of the Urban Regeneration Agency (hereafter in this accounts direction referred to as "the Agency") shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts for 2006/2007 and subsequent years shall be prepared in accordance with:-

   (a) the accounting and disclosure requirements given in *Government Accounting* and in the *Government Financial Reporting Manual* issued by the Treasury ("the FReM"), as amended or augmented from time to time, and subject to Schedule 1 to this direction;

   (b) any other relevant guidance that the Treasury may issue from time to time;

   (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Agency and are in force for the year for which the accounts are prepared, and except where agreed otherwise between the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State and further explanations of Treasury requirements are set out in Schedule 2.

3. This direction shall be reproduced as an appendix to the annual accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

....

Andy Rudd

An officer in the Department for Communities and Local Government

Date 27 March 2007

SCHEDULE 1

1. Stocks and work in progress shall be included in the balance sheet at the lower of estimated replacement cost and estimated net realisable value.

2. The annual accounts shall be signed and dated by the chairman on behalf of the board members, and by the accounting officer.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraphs 1 and 2 of this direction.

1. **The income and expenditure account or the notes thereto**

(a) the following income -

(i) proceeds on the disposal of development properties

(ii) proceeds on the disposal of fixed assets

(iii) rents and maintenance charges receivable

(iv) joint venture profits

(b) the following expenditure -

(i) book value of development properties sold

(ii) movements in provisions for losses on development properties

(iii) joint venture losses

(iv) debts written off and movements in provisions for bad and doubtful debts.

2. **The notes to the annual accounts**

(a) an analysis of grants from:

(i) government departments

(ii) European Community funds

(iii) other sources, identified as to each source;

(b) an analysis of the total amount of grant from the Department for Communities and Local Government, showing how the grant was used;

(c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account;

(d) details of employees, other than board members, showing:-

(i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Agency, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)

(ii) the total amount of loans to employees

(iii) employee costs during the year, showing separately:-

(1) wages and salaries

(2) early retirement costs

(3) social security costs

(4) contributions to pension schemes

(5) payments for unfunded pensions

(6) other pension costs

(7) amounts recoverable for employees on secondment or loan to other organisations

(The above analysis shall be given separately for the following categories:

I employed directly by the Agency

II on secondment or loan to the Agency
III agency or temporary staff
IV employee costs that have been capitalised);

(e) an analysis of liquid resources, as defined by accounting standards;

(f) in the note on debtors, prepayments and payments on account shall each be identified separately;

(g) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Agency's operations;

*(h) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Agency), between the Agency and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:

(i) transactions and balances of £5,000 and below are not material

(ii) parties related to board members and key managers are as notified to the Agency by each individual board member or key manager

(iii) the following are related parties:

(1) subsidiary and associate companies of the Agency

(2) pension funds for the benefit of employees of the Agency or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)

(3) board members and key managers of the Agency

(4) members of the close family of board members and key managers

(5) companies in which a board member or a key manager is a director

(6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer

(7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member

(8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest

(9) settlements in which a board member or a key manager is a settlor or beneficiary

(10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest

(11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager is a partner or venturer

(12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary

(13) the Department for Communities and Local Government, as the sponsor department for the Agency.

For the purposes of this sub-paragraph:

(i) A key manager means a member of the Agency's management board.

(ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.

(iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30 per cent or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

* Note to Schedule 2 paragraph 2(h): under the Data Protection Act 1998 individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.

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