Homes &
Communities
Agency

HOMES AND COMMUNITIES AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013/14

Homes and Communities Agency

Annual Report and Financial Statements 2013/14

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This report aims to give a snapshot of our work, which is covered in more detail on our website at homesandcommunities.co.uk

STRATEGIC REPORT
WHO WE ARE AND WHAT WE DO

The Homes and Communities Agency (HCA) is the Government's housing, land and regeneration agency; and the Regulator of social housing providers in England.

The HCA is a national body delivering locally, using its programmes, land assets and regulatory role to protect and sustain existing stock, to boost overall housing supply and economic growth, delivering at scale and at pace with a range of national, local, private and public sector partners.

The statutory objectives of the HCA as defined by the *Housing and Regeneration Act 2008* are to:

- improve the supply and quality of housing in England
- secure the regeneration or development of land or infrastructure in England
- support in other ways the creation, regeneration or development of communities in England for their continued wellbeing
- contribute to the achievement of sustainable development and good design in England, with a view to meeting the needs of people living in England.

These can be summarised as promoting economic growth, affordability, renewal and sustainability.

The Localism Act 2011 set out the HCA's statutory objectives in respect of regulation; that the Regulator must perform its functions with a view to achieving (so far as possible):

- the economic regulation objective
- the consumer regulation objective.

The statutory objectives of the Localism Act are available at www.legislation.gov.uk

STRATEGIC REPORT
HOW WE ARE MANAGED

We are governed by a Board of, currently, 10 members appointed by the Secretary of State for Communities and Local Government, which is responsible for ensuring the HCA carries out its functions effectively. The HCA's regulatory responsibilities are directed by an independent Regulation Committee, currently of 6 members. Members of both the Board and the Regulation Committee are obliged to act in accordance with the Agency's Code of Practice and a register of members' interests is available for inspection on the Agency website.

Our Board has established a number of committees and sub-committees to help conduct business on a range of important issues such as audit and risk, investment and remuneration. The full list of committees is available from homesandcommunities.co.uk/board-committees

To support our strategic objectives and values, four advisory boards have been established to provide focus and challenge to the HCA's work in the areas of design and sustainability, equality and diversity, rural housing and vulnerable and older people. Each group includes membership from our Board to champion its issues.

For more detail on how we are managed and governed and for profiles of our Board Members, please visit homesandcommunities.co.uk/aboutus

HCA Board Members

Members who served throughout the year, and those who serve currently, are as follows:

Robert Napier, CBE, Chairman
Andrew Rose, Chief Executive (from 15 April 2013)
Julian Ashby
Keith House
Richard Hyde
Bob Lane, OBE
Dr Ann Limb, OBE
Anthony Preiskel
Jane May (from 1 May 2013 to 30 June 2014)
Ian Robertson
Ruth Thompson, OBE (to 31 May 2014)

HCA Regulation Committee Members

Members who served throughout the year, and those who serve currently, are as follows:

Julian Ashby (Chair)
Jane May (to 30 June 2014)
Richard Moriarty
Piers Williamson
Inge Kettner
Jonathan Adlington (from 1 April 2013)
Tariq Kazi (1 June 2013 to 30 November 2013)

STRATEGIC REPORT

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

We are very pleased to report another strong delivery performance for the Homes and Communities Agency in 2013/14.

We continued to focus on our core priorities – delivery of the Affordable Homes Programme; bringing surplus public land to the market to drive housing growth; supporting local economic growth through the development of assets; increasing private sector housing starts through equity, loans and other market interventions; and maintaining investor confidence in the sector through effective regulation – and with the support of our partners we met or exceeded all of our key targets.

Our activities made a difference to the lives of thousands of people in communities across the country from a small scheme to address the causes of homelessness in Chester le Street in Durham, to the country's first Build to Rent scheme at Centenary Quay in Southampton. In doing so we continued to help meet Government aspirations for housing and local growth.

We completed a total of 33,143 new homes against a target of 30,990; and started on site with a further 38,845. Of the homes completed, 26,325 were for affordable rent or sale. As a result, we are currently well on track to deliver our contribution to Government's aspiration of 170,000 new affordable homes by 2015.

Following the Chancellor's announcement of the new Help to Buy equity loan scheme in the March 2013 Budget, the HCA successfully went from a standing start to launch of the scheme on 1 April; a period of just 2 weeks. This was a significant achievement and sales under Help to Buy, along with FirstBuy, helped 20,359 families into home ownership during the year. Over 1,000 house builders are registered to deliver the scheme, with all the major high street lenders offering mortgages. Government statistics published in May 2014, showed that 87% of Help to Buy sales up to the end of April 2014 were to first time buyers, with an average sale price of £205,424.

During the year, we also appointed a new network of Help to Buy agents, who undertake the crucial role of helping potential home-buyers access suitable homes. Our re-procurement will deliver significant cost savings in the provision of this service. All of these activities have laid strong foundations for Help to Buy in the year ahead.

In further support of housing and local economic growth, we also brought land to market to support delivery of over 5,940 new homes – 25% higher than target – while 114ha of previously developed land was brought back into productive use, helping to remove the blight of dereliction. The employment capacity of the land we disposed of was 263,182 sqm, exceeding our target by 36%; while we created over 320,000 sqm of new employment floorspace, supporting new and expanding business and jobs, and exceeding our target by 47%. This is core business for the HCA, recognised in the Spending Round settlement where Government announced that from 1 April 2015, the HCA would be the Government's land disposal agency. Government's decision builds on our experience of managing large portfolios of public land, our commercial expertise and our local market knowledge.

Our investment for the year was on budget at £2.4bn.

Our delivery activities were underpinned by continued effective regulation. In the second full year since the Agency assumed responsibility for the regulation of registered providers, our independent Regulation Committee continued to raise awareness of risk in a more complex and diverse sector, and take the necessary steps to strengthen our regulatory function. During the year, we published discussion documents on changes to the Regulatory Framework and on a fee charging regime; undertook a major assessment of registered providers compliance with the Value for Money Standard; reviewed our experience of consumer regulation, giving greater clarity on examples of serious detriment; and undertook significant work internally to strengthen our regulatory capacity. We published over 200 regulatory judgements, giving lenders to the sector the assurance they need that registered providers are well governed and financially viable.

New programmes, new approaches

As in previous years, our successes in 2013/14 were achieved alongside the HCA continuing to assume new responsibilities, moving quickly to launch new programmes in support of Government aspirations; while undergoing further change. In January we closed our corporate office in Milton Keynes, relocating staff to Government office space in Bedford, and began preparation for a similar move for office staff in London. As noted above, the Regulator undertook a substantial restructure, equipping it with the teams necessary to move to a more joined up system of risk based regulation. In February we began a programme of internal change to manage our increasing portfolio of loans and equity investments, and preparation for our role as the Government's land disposal agency from April 2015.

Our track record of successful delivery was recognised in each of the major fiscal events of 2013/14. The Spending Round settlement in June set out the Agency's enhanced land role from 2015, and signalled £3.3bn of new investment for affordable housing up to 2018 including £2.9bn for the Affordable Homes Programme (AHP), of which £1.7bn will be administered by the Agency outside of London. We moved quickly during the year to set out plans for the 2015-18 Programme so that our partners could make the best use of lead-in time once allocations are announced to ensure delivery starts from day one. We published an AHP bidding prospectus in January, with bids to be received by the end of April. Bids will be assessed rigorously, while at the same time in our capacity as Regulator, we will ensure that they are consistent with partners remaining viable and being able to deliver financially on their commitments. Initial allocations will be announced in July 2014.

The Spending Round settlement also gave long term certainty for the social housing rent regime of CPI+1%, bringing welcome stability to registered providers when managing their income streams and planning for development.

Overall the Spending Round settlement was welcomed by many in the sector as recognition of the importance of meeting affordable housing need and supporting the supply of housing overall, as well as the direct role it plays alongside other crucial infrastructure in driving economic growth. There are significant opportunities in the years ahead for house builders and registered providers to meet their development aspirations.

In his Autumn Statement, the Chancellor announced an additional £1bn investment which was subsequently made available through the HCA's Large Sites Infrastructure Programme. This is accelerating the delivery of locally supported, large scale housing schemes by investing in upfront works – such as installing utilities or linking to existing road networks – through commercial loans or equity investment. The investment – covering the period up to 2020 – is intended to bring forward around 250,000 new homes and builds on the Agency's existing major investment in schemes at Cranbrook, Sherford and Wokingham.

Finally, the March Budget saw housing policies to support over 200,000 new homes including a 4 year, £6bn extension of Help to Buy to 2020; a new Builder's Finance Fund to provide access to £525m of finance on smaller housing developments; and a £150m revolving loan fund to re-start regeneration of some of the country's most challenged housing estates. Government has confirmed that these programmes will be managed by the HCA, adding to our significant and rapidly growing portfolio of recoverable investment.

As these new programmes and responsibilities have been given to the Agency, we have sought additional capacity as required. However, the scale and scope of our increasing role – particularly around land and 'recoverable' investment where our complex portfolio may grow considerably within the next few years – means it is now timely to look at the operating model of the HCA in the longer term.

We have acknowledged that this is change and should be managed as such. As with any change programme, it is important that partners understand our ultimate objectives and recognise the benefits to them in using our programmes to meet their, and our, objectives. In February we began this internal change in earnest under the banner of 'Shaping Our Future'. Plans are

STRATEGIC REPORT

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT (CONTINUED)

progressing well with the establishment of a new business unit within the Agency HCA-Investments (HCA-I). HCA-I is intended to provide the Agency with additional technical expertise and discipline of the type that would be expected in an organisation undertaking significant recoverable investment, alongside Government expectations for social and policy outcomes.

While HCA-I has been identified as the means by which we will manage our large scale public sector financial transactions, a significant number of recoverable investment programmes are already underway. Our priority is therefore to increase our current capacity and to develop HCA-I alongside the launch and due diligence of live programmes. This work will continue in the year ahead as we move to the start of the new spending period in April 2015.

The Government's land disposal agency

In 2013/14 we again acted as a key delivery partner of Government in increasing the amount of public land for development. We are the third largest contributor of land supply in Government and our expertise includes master-planning with local partners, overseeing public investment into development sites, pioneering innovative finance methods such as deferred receipts, and accelerating disposals through our Developer Partner Panel, which since it was re-procured in March 2013 has been used by 70 partners to procure around 17,000 new homes.

Throughout the year we have shown that we can bring land forward more efficiently through making targeted investment to de-risk sites, working with developers, understanding the local market and engaging with the local planning authority. In doing so we add value to surplus public sites with development potential and speed up sales to help increase economic growth; while our development partners are clear about the value of having land coming through in order that they can meet growing demand.

In July we announced the first three sites to receive investment through the £190m Public Land Investment Fund. As a result, The Avenue in Chesterfield, Haltwhistle in Northumberland, and Maghull, a former hospital site in Sefton, will benefit from the upfront infrastructure works necessary to de-risk them in preparation for market sale, turning surplus public land into development opportunities. We also announced, in November, that four HCA-owned sites would be brought forward specifically for use under Custom Build, showing how the Agency can combine land opportunities with available funding to maximise impact.

Based on our performance during the year, and as set out in our refreshed Land Development and Disposal Plan published in December, we are on track to dispose of enough land by April 2015 to support delivery of more than 16,000 homes. This is a significant contribution to Government's commitment to support the construction of up to 100,000 new homes on public sector land.

In preparation for future delivery as the Government's land disposal agency from April 2015, we are already adding more surplus public land sites to our disposal pipeline, acquiring 20 surplus sites from Central Government during the year, including six Department of Health site transfers that took place on 1 April 2014, as a pilot for the future transfer model.

We worked closely with the Government Property Unit in its strategic land and property review, which confirmed scope in the March Budget for £5bn of land and property assets for disposal, with a commitment to quantify housing and growth ambitions for public land by the next Autumn Statement. Throughout the year we have also worked with Government departments to develop the transfer model and the principles of our new approach.

As with our investment portfolio, the difference in our enhanced land role is largely in the scale of our activity, and while we already dispose of land in a variety of ways, it is clear that the amount we handle will increase in the years ahead.

A strong housing offer

Government has stated that everyone needs the security of a decent affordable home, and that more people who aspire to own their own home should have the opportunity to do so.

The importance of housing and construction to economic growth is also well recognised, and driving local economic growth remained an important HCA priority. A strong housing offer supports jobs in the construction industry and its wider supply chain is critical in attracting firms to locate and invest, helps local employers to attract and retain staff, and stimulates new economic activity in local areas.

The Spending Round settlement placed housing alongside road, rail and energy as part of the vital infrastructure investment needed nationally to allow local places to grow and prosper.

Throughout the year we have moved quickly to deliver additional investment allocated to the Agency, while focusing on delivery of our existing programmes, such as the 2011-15 Affordable Homes Programme. Our starts on site in the previous year and the swift progress we made in allocating new and additional investment set the foundation for delivery, while we continued to seek ways of maximising the number of new affordable homes for the funding invested, and secure early delivery. Our partners are being encouraged to demonstrate how they can use good procurement practices such as driving supply chain efficiencies and innovative construction techniques, to maximise the delivery of new supply by reducing the initial and whole life costs of building homes.

Strong progress has also been made under the Get Britain Building programme. A total of 3,036 new homes were completed during the year, with nearly 1,000 more started on site. One such deal was particularly innovative, with Notting Hill Housing Group, the Greater London Authority and the HCA using a £45m loan under Get Britain Building to create a £90m private rented sector portfolio.

The sector's appetite to invest in purpose-built new homes for rent – bringing a rental and capital growth return – has been demonstrated by the Agency's £1bn Build to Rent Fund, with both Round 1 and Round 2 having been heavily over-subscribed. The programme is intended to deliver 10,000 new homes, and progress during 2013/14 has seen five contracts signed under Round 1, with a further 12 in the process of being signed; and an additional 36 shortlisted schemes under Round 2 progressing through due diligence. The quality of the bids received and our approach to due diligence will ensure that the fund is spent on deliverable bids that represent value for money for the taxpayer.

Throughout our housing activities, we have continued to pay close attention to the needs of all sections of the community. Our advisory groups on vulnerable and older people, and on equality and diversity have been instrumental in ensuring that the principles of good design to meet varied needs of those who will live in our homes, are applied across our programmes. For example, we anticipate that nearly 10% of our current Affordable Homes Programme will meet the needs of vulnerable and older people; while our Care and Support Specialised Housing Fund, managed on behalf of the Department of Health, seeks to widen the housing options of older people and adults with disabilities. In July we announced the 86 registered providers that will deliver more than 3,000 new affordable homes through this fund.

The Agency's Local Infrastructure Fund has provided support to deliver the infrastructure needed to boost Enterprise Zone schemes and accelerate locally-supported large scale housing developments. A total of 18 Enterprise Zones and large housing development sites are currently progressing towards contract, building on the deals made to date at Cranbrook, Wokingham and Sherford, which are set to speed up delivery of over 14,500 new homes.

Looking forward, Government reiterated its commitment to housing throughout the year with key programmes such as Help to Buy, Build to Rent, and the Affordable Homes Programme all having been extended into the next spending period, bringing a welcome degree of certainty to our partners and setting in place a solid foundation for delivery post 2015, that builds on the success of our current programmes.

STRATEGIC REPORT
CHAIRMAN AND CHIEF EXECUTIVE'S REPORT (CONTINUED)

Protecting social housing assets

The HCA's effective regulation protects social housing assets and helps maintain the right conditions for new supply. A well regulated sector helps providers to access the finance they need at competitive rates, while tenants benefit from the reassurance that the Regulator brings. During the year the sector has retained its enviable record of financial security.

However the operating environment is becoming more challenging and the inherent risk of being a registered provider is increasing. Throughout the year our independent Regulation Committee has ensured that as regulator we have taken steps necessary to keep on top of developments in the sector.

We have strengthened our operational capacity, backed by a more risk-based approach to regulation. We have continued to highlight risk, making robust and transparent judgements on registered providers and we continued to set out how we expect registered providers to give us the greater assurance we need that they are dealing with the risks they are facing.

We have worked in a co-regulatory way with registered providers so that identified exposures are managed to ensure continued compliance with our economic standards.

In September, we published our second Sector Risk Profile, which again emphasised that effective governance and risk management are vital, making clear that our co-regulatory approach means registered providers need to have appropriate strategies in place to manage risks and boards need to understand the interaction between the various risks and their overall 'portfolio' impact. This will remain a theme in the year ahead.

We have also been clear that the Regulator and its approach also have to change in order to keep pace with developments in the sector. As well as strengthening our capacity through internal change, in April 2013 we published a discussion document on necessary changes to the HCA's Regulatory Framework, which achieved the aim of initiating debate within the sector.

As the diversity of organisations in the sector makes a 'one size fits all' approach to protecting social housing assets impractical, our formal consultation sets out different and proportionate arrangements to achieve comparable outcomes. For all registered providers we would expect to see effective risk management and boards undertaking multivariate analysis against a range of scenarios to understand what could cause their business significant financial distress and plan mitigating strategies to deal with any exposures. A thorough, documented understanding of their assets and liabilities will also be essential. Ring-fencing of social housing assets in a separate legal entity may be appropriate for 'for profit' registered providers and we have also set out our expectations on the role of unregistered parents in group structures.

This effectively equates to good governance and we remain clear that through the co-regulatory approach the onus is on boards to have the appropriate skills, capabilities and independence, to manage their business effectively.

Good governance is also central to registered providers success in meeting our consumer standards, and in October we identified our first case of serious detriment, the threshold at which we are mandated to intervene in consumer regulation issues. A revised regulatory judgement downgraded the registered provider's governance rating as a result of this and other issues; while two further cases of serious detriment, also, like the first, relating to gas safety, were identified later in the year. In November, we published a review of consumer regulation, detailing how the Agency has gone about implementing the new legislation, helping landlords and the local bodies that hold them to account to ensure that problems do not get to the stage where the Regulator has to get involved.

An assessment of compliance with the Regulator's Value for Money (VfM) Standard was also undertaken during the year. Following a review of the VfM statements of all registered providers with more than 1,000 homes, our findings showed a range of responses, with some good statements and some that did not provide us with the necessary assurance. As a result, a total of 15 registered providers received a

revised regulatory judgement, published in February, with 14 receiving a downgraded governance rating. While 2013/14 was effectively the first year of this new standard, and our response was proportionate, the Regulatory Framework is clear that VfM is an important part of our economic standards and we anticipate registered providers will seek to give greater assurance in the year ahead.

While our regulatory activity this year has continued to demonstrate the need for registered providers to deal effectively with risk and has identified a number of instances where the Regulator has had serious cause for concern, our Quarterly Surveys and the Global Accounts published in March show that the sector remains financially sound and continues to access the finance it requires at competitive rates. In the main, registered providers are well run and are managing exposures to the housing market effectively.

With a well run, well organised and well regulated sector, we are strongly placed to continue our leading role in seeing the homes the country needs built, housing some of the most vulnerable in society.

Local priorities, local action

As a national agency that works locally, our activities throughout the year have continued to support locally identified priorities for land, housing and economic growth. Local authorities and other local bodies such as Local Enterprise Partnerships (LEPs) remain key partners for the HCA. While our programmes and approaches are changing with an increased use of loans and equity investment, the outcomes we are seeking remain the same: creating successful places with homes and jobs.

Throughout the year, we have remained integral to the work of the core cities, by supporting local partners in implementing their City Deals to meet their ambition for local economic growth. Our local teams are engaged in bespoke governance structures, such as Greater Manchester, Leeds City Region and the Bristol Property Board. We have continued to align our priorities and activity as far as possible with local growth priorities so that they are mutually supportive; to increase or accelerate delivery. The recently agreed Preston, South Ribble and Lancashire City Deal, for example, will accelerate and deliver over 17,000 new homes, and as a key element of this is unlocking surplus public land we are working closely with local partners providing a blend of investment, skills and expertise to support this ambition.

Following the City Deals, the 39 LEPs have finalised their strategic economic plans as part of the growth deal process. The final plans will be assessed, with decisions due to be made on allocations of local growth funding, alongside wider flexibilities, expected to be announced in July 2014. Throughout this process we have worked closely with LEP partners to identify ways in which the Agency can support local solutions for housing and economic growth that align with our strategic priorities and Government objectives. In addition, we continue to use our land and investment to support Enterprise Zones, creating new and innovative opportunities for businesses, linked to the wider community. We have also combined our economic assets with our other programmes, to boost local economic growth and ensure value for public money; and through our Economic Assets and Property and Regeneration programmes alone we attracted nearly £1.4bn of private investment to the sector in 2013/14.

As ever, it is in the impact we have made in local communities – in individual projects and initiatives – that the true test of our success lies.

In our East and South East operating area, further progress has been made at Northstowe; the biggest proposed new town since Milton Keynes and one of the HCA's top priorities. The development outside Cambridge will provide up to 10,000 new homes, three employment areas (135,000 sqm floorspace) and other community facilities. At Betteshanger, a former colliery site near Dover, we have worked with Hadlow College to bring forward the Betteshanger Sustainable Parks Development, which is expected to bring over 1,000 jobs to East Kent as well as providing a higher education campus along with a sustainable energy visitor centre.

During 2013/14, we also brought a number of significant sites to market for much needed homes

STRATEGIC REPORT

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT (CONTINUED)

and non-residential space to support economic development. At Runwell, a former hospital site in Essex, we entered into contract with Countryside Properties, to deliver 575 homes and 2,800 sqm of non-residential space. Also in Essex, planning consent has been secured for the Nethermayne site in Basildon – the site is expected to deliver 684 homes, a new 800 sqm college and a new town centre market.

In August, our development partner started on site on the first phase at Tattenhoe Park, Milton Keynes, in our Midlands operating area. The first phase will deliver 154 homes, which will be a combination of affordable and market sale homes. As well as attracting new home owners to the area, their design means that those who live in them will be able to adapt their home to their future needs.

In Redditch, acquisition of land to the rear of the Alexandra Hospital site was finalised in March 2014. When combined with land the Agency had previously acquired, it brings together just over seven hectares of developable land under our Surplus Public Land acquisitions. The site will now be marketed through our Delivery Partner Panel to develop a mixed-use scheme with the potential for over 100 new homes.

And at a former mining community at Cotgrave in Nottinghamshire, our development partner received detailed planning consent and Building for Life accreditation during the year, reflecting good progress on this £100m development to provide 450 homes and over 200 jobs.

North East, Yorkshire and The Humber's Navigation Point development in Castleford is seeing the transformation of 40 acres of derelict former chemical works into a development of 1,300 much needed new homes. The development is now underway having been unlocked with £2.5m HCA loan investment through Get Britain Building with the homes built to date proving very popular with local buyers – 16 people had moved in by the end of the year, six using the Help to Buy scheme.

We have also developed the Darlington Business Growth Hub, a previously derelict site which is being developed to provide more than 26,000 sqm of employment floor space, 500 homes for local people, and new educational facilities for Teesside University and the local sixth form college.

During the year we also agreed the operating area's first loan through the Local Infrastructure Fund – of just under £11m – to support Harworth Estates with the continued delivery of the Waverley scheme in the Sheffield City Region Enterprise Zone. This is the largest brownfield regeneration in Yorkshire and will build on the success of the first phase to provide additional homes and commercial space alongside the existing advanced manufacturing park and the existing 250 homes. The investment will open up the rest of the 740 acre site to help provide homes, leisure and community facilities and shops alongside additional employment opportunities provided by employers such as Rolls Royce and Boeing.

We have been working collaboratively with partners in our North West operating area to establish the Preston, South Ribble and Lancashire City Deal, which was signed by Government in September. The deal is a 10 year initiative to deliver significant housing and economic growth through the provision of critical highway, transport and associated community infrastructure. Over ten years, the deal is intended to generate more than 20,000 new jobs, including 5,000 in the Lancashire Enterprise Zone; nearly £1bn growth in Gross Value Added (GVA); 17,420 new homes; and £2.3bn in leveraged commercial investment.

There has also been significant activity at the HCA's Omega North site alongside the M62 in Warrington (formerly RAF Burtonwood). Two projects completed during the year – the Brakes logistics centre and a Hermes Parcelnet distribution centre – securing 850 new jobs and £40m private sector investment. The site will be further boosted by a £35m (750,000 sq ft) logistics centre for Travis Perkins Group, which secured planning permission in May 2013 and has recently started on site.

And by positively engaging with a range of partners through the £1bn Build to Rent programme, we have successfully tackled the three perceived barriers to entry – yield, scale and development finance/risk. As a result Greater Manchester saw the strongest interest for the second round of Build to Rent outside of

London and the Three Towers project at Ancoats will help meet the demands of a strong private rental market in Manchester.

At the other end of the country, Centenary Quay in Southampton in our South & South West operating area saw the first national investment through Build to Rent, where phase three of the development, which started in June, is expected to create up to 300 new jobs through the delivery of 329 new homes, retail and office space. And at the former Quebec Barracks in Bordon, Hampshire, the first phase of an urban extension of 100 new homes – built to high standards of sustainability – employment floorspace and improved community facilities, represent the first step towards delivering the comprehensive regeneration of Whitehill and Bordon which will ultimately provide 4,000 new homes and 4,000 new jobs.

At Solent Enterprise Zone, 2013/14 brought a start to infrastructure works, as well as to Fareham College's new Centre for Engineering, 104 new homes, and a £5.3m state of the art business innovation centre. In Bristol, the HCA is investing more than £11m in the creation of a new bridge which will connect the derelict Diesel Depot site to the rest of the Enterprise Zone, unlocking long-term major development, including a 12,000-capacity arena.

A crucial year ahead

As noted above, meeting our targets on an annual basis means we enter the final, crucial year of delivery in the current spending period, well on track to deliver our commitments up to 1 April 2015 as well as those for the period beyond, as set out in the Spending Round settlement in June 2013. We will continue to need the support of our partners on the ground; but for now, they, and our staff, should receive thanks for the hard work and sustained efforts in helping the Agency to meet its targets in the year just past.

At the same time as finishing the job in this spending period, we are preparing to start delivery in the next. Again, we are in a strong position. Government has reiterated its commitment to the sector with programmes that extend well into the next spending period and will deliver a mix of new homes to meet the aspirations of those who seek home ownership and rental alike, and will help to drive local growth. And our plans for HCA-Investments and our enhanced land role are well on track.

So the year ahead will be challenging, and we will rightly be judged on our performance as of 1 April 2015. We are confident that in 12 months' time we will be reporting another strong year of delivery and, more importantly, demonstrating the positive impact our activities have had on local communities.

Robert Napier Chairman

Andrew Rose Chief Executive

STRATEGIC REPORT
STRATEGY AND BUSINESS MODEL

The HCA's vision is to help create successful places with homes and jobs. As a national body delivering locally, with offices in every operating area in England, HCA uses its programmes, land assets and regulatory role to protect and sustain existing stock, and to boost overall housing supply and economic growth, delivering at scale and at pace with a range of national and local, private and public sector partners.

The HCA's Corporate Priorities, and the business models used and strategies employed to meet those priorities, are as follows:

Delivering and maintaining affordable housing

The Agency will continue to make a major contribution to the Government's target of delivering 170,000 new affordable homes by 31 March 2015, and contribute to the Government's target of 165,000 affordable homes, between 2015 and 2018. To meet this target HCA will:

- continue to deliver its existing Affordable Homes Programme (AHP) and allocate £1.7bn of funding through its new AHP over three years to 2018
- support the development of the Affordable Rent to Buy Programme with a £400m fund announced in 2013
- manage the delivery of the national Decent Homes Backlog programme, supporting the refurbishment of council owned homes to Decent Homes Standard.

Increasing private sector housing supply through market interventions

The Government continues to support a range of national initiatives to get Britain building again, improving housing supply and helping people get the home they want. The HCA will help achieve this by working nationally, at scale and at pace, to stimulate a broad range of housing supply and boost private investment in new homes. The Agency will do this by:

- continuing to support up to 74,000 homebuyers over 3 years to 2015/16 via the £3.7bn Help to Buy equity loan scheme (this has since been extended in the Budget 2014 to provide £6bn extra funding for up to 120,000 homes by 2020)
- unlocking the supply of 12,000 homes on stalled sites via the Get Britain Building programme
- unlocking 15,000 homes that have stalled due to difficulty in accessing finance, through a £525m recoverable Builders Finance Fund
- stimulating new private rented housing supply through a £1bn Build to Rent fund
- using the £470m Local Infrastructure Fund and £1bn Large Sites Infrastructure Fund, to deliver economic growth through targeted investments to accelerate the delivery of housing supply.

Bringing surplus public sector land and assets to market

Up to 31 March 2015, the Agency will continue to make a significant contribution to the Government's ambition for land with capacity for 100,000 homes to be released; and in the longer term up to 2020, play a growing role in the Government's drive to increase the amount of, and rate at which, public land is brought forward for housing supply.

For 2014/15, the HCA will continue to focus on disposal of its existing land and assets and has recently updated its Land Development and Disposal Plan in furtherance of this aim. The 2013 Spending Round set out Government plans for the HCA as its surplus land disposal agency, taking on additional responsibility for disposal of surplus land transferred from other government departments. The Budget 2014 confirmed that Government is seeking to dispose of land and property with a value of up to £5bn. From 2015 the HCA will have a responsibility to meet its own receipts target and to provide a return to government departments and DCLG to allow them to fund programmes and meet Ministerial objectives. It will also be important that the wider social and economic benefits from the release of surplus public sector land continue to be captured.

Supporting local economic growth

The Government has clearly articulated a strong and continued focus on economic growth, including cutting red tape for businesses and working with town centres, cities and local areas to attract new businesses and create jobs. The HCA has a clear role in supporting growth. The Agency is using its land and investment role to stimulate economic growth and catalyse private investment including through disposal of land for commercial uses, and is working with local partners to understand how to align public resources in a way that stimulates private sector investment.

Through its land-based programmes the HCA will aim to deliver the following in 2014/15:

- 228 hectares of previously developed land brought back into use
- 315,233 sqm of employment floorspace.

Through its land disposal role, the HCA continues to support delivery of new commercial, retail and industrial business premises in line with national and local objectives. There is also clear recognition of the wider role that the HCA plays in stimulating local growth through its housing programmes. The Agency will also see out remaining commitments under the Property and Regeneration programme to deliver its targets for development of employment floorspace, and the bringing back into use of previously developed land. The HCA will provide further support to Enterprise Zones, remain a partner in a number of companies and joint ventures involved in driving economic growth, and continue to be involved with the delivery of a number of City Deals.

Providing effective regulation

The Agency's regulatory powers are vested in the statutory Regulation Committee and discharged by the Regulation Directorate. Delivering effective regulation that protects the social housing assets, enables others to take confidence, such as lenders and the capital markets, and commands the respect of the regulated, remains the key focus of the Regulation Directorate. This will be done by continuing the risk-based approach to regulation, with HCA staff seeking assurance from registered providers that they are meeting the economic standards, and taking effective action where that assurance is not forthcoming.

In 2014/15 the HCA will complete the work started in the previous year to develop a Regulatory Framework that can better protect social housing assets in a sector where risks are becoming more complex and more diverse than ever before. To accompany the work underway to change the Regulatory Framework, a revised operational approach has been implemented that helps deliver the Committee's vision and supports the regulation of a diverse and complex sector. Select Committee recommendations will be completed in 2014/15 by reviewing the approach to financial viability regulation.

Working with our local and national partners

The HCA will continue to work with local and sub-regional partners such as local authorities, developers, LEPs and City Deal areas to ensure that the maximum economic impact is derived from its interventions, and that investment takes place in a way that wherever possible aligns with local ambitions and considers the spatial implications in a locality. It will include aligning resources, strategies and expertise across organisations, working with delivery partners, including registered providers, local authorities and private developers, engaging with DCLG, BIS and local partners on the evolving LEP, Growth Deal and City Deal agendas, exploring opportunities for aligning national and local objectives when disposing of and developing public sector assets, and supporting public and private delivery partners to overcome delivery obstacles.

Further developing the HCA

The HCA's role is growing in scale and scope as Government continues to show confidence in the Agency's experience and know-how. In particular, Government has asked the Agency to take on more investment programmes and a wider land role. These are exciting changes and a great opportunity to build on existing roles and expand the Agency's skills base. The HCA will undertake particular work to further strengthen its investment function and has seconded

STRATEGIC REPORT

STRATEGY AND BUSINESS MODEL (CONTINUED)

in three senior professionals with property lending expertise from the private sector to advise on the establishment of HCA-Investments, the business unit within the HCA, that will manage the Agency's growing portfolio of loans and equity instruments.

Another key area of focus for the HCA will be developing its land function to reflect the increased activity in these areas following previous Budget and Spending Round announcements. The identification, mitigation and management of risk will remain a vital function of the Agency in order that it can continue to deliver its role and programmes in an effective, prudent and appropriate manner.

In 2013/14 the Agency developed a programme of staff development which included new steps to promote employee engagement and ways of working which reward staff and promote innovation. The Agency will continue to monitor progress on this agenda through an annual staff survey and ongoing feedback through staff groups. Key areas of focus for 2014/15 will include management training, staff recognition, collaborative working and staff development and appraisal.

STRATEGIC REPORT
TARGETS AND RESULTS

HCA outputs 2013/14 (Unaudited)

	Housing Completions[1]		Housing Starts[2]	
	Target[3]	Outturn[4]	Target[3]	Outturn[4]
TOTAL (all programmes excluding Help to Buy)[5]	..	**34,461**	..	**38,845**
Help to Buy[6]	..	**19,401**	..	..
Total (all programmes excluding Help to Buy and those marked with an *)	**30,990**	**33,143**	..	**35,754**
Affordable housing *of which:*	..	**27,643**	..	**32,862**
1 and 2 bedroom homes[7, 8]	..	*15,809*	..	..
Homes in rural settlements (pop. less than 3,000)[8]	..	*2,488*	..	..
Housing for older and vulnerable people[8]	..	*3,704*	..	..
Programmes contributing to the affordable housing target and identified below with T	**25,000**	**26,325**	..	**29,771**
Programmes not contributing to the affordable housing target and identified below with an *	..	**1,318**	..	**3,091**
(a) Rent *of which:*	..	**21,581**	..	**28,124**
■ Accelerated Land Disposal T	..	45	Included with market	171
■ Affordable Homes Guarantees Programme *	..	205	..	1,727
■ Affordable Homes Programme T	..	17,350	..	22,625
■ Care and Support Specialised Housing *	..	10	..	813
■ Economic Assets Programme T	..	2	..	8
■ Empty Homes T	..	780	..	960
■ Empty Homes Round Two *	..	91	..	224
■ Get Britain Building T, 9	..	90	Included with market	43
■ Homelessness Change T	..	575	..	369
■ Kickstart Housing Delivery T	..	0	..	..
■ National Affordable Housing Programme T	..	1,894	..	104
■ Property and Regeneration T	..	212	..	270
■ Right to Buy Replacement T	..	0	..	145
■ Short Form Agreements T	..	288	..	425
■ Traveller Pitch Funding T	..	39	..	240
(b) Affordable Home Ownership *of which:*	..	**6,062**	..	**4,738**
■ Accelerated Land Disposal T	..	0	Included with market	35
■ Affordable Homes Guarantees Programme *	..	54	..	267
■ Affordable Homes Programme T	..	2,954	..	4,067
■ Care and Support Specialised Housing *	..	0	..	60
■ Economic Assets Programme T	..	0	..	70
■ FirstBuy *	..	958	..	..
■ Get Britain Building T, 9	..	107	Included with market	42
■ Kickstart Housing Delivery T	..	75	..	..
■ Mortgage Rescue T	..	865	..	..
■ National Affordable Housing Programme T	..	867	..	44
■ Property and Regeneration T	..	182	..	153

STRATEGIC REPORT
TARGETS AND RESULTS (CONTINUED)

HCA outputs 2013/14 (Unaudited) *continued*

	Housing Completions[1]		Housing Starts[2]	
	Target[3]	Outturn[4]	Target[3]	Outturn[4]
Market housing *of which:*	**5,990**	**6,818**	**..**	**5,983**
■ Accelerated Land Disposal	..	7	819	736
■ Build to Rent	..	0	..	102
■ Economic Assets	..	127	..	759
■ Get Britain Building	..	2,839	795	864
■ Kickstart Housing Delivery	..	159	..	..
■ Property and Regeneration	..	3,686	..	3,522
Housing capacity of land disposed[10]	**4,771**	**5,944**		
Dwellings made decent	**24,000**	**24,492**		
Previously developed land reclaimed (ha)	**98**	**114**		
Employment capacity of land disposed (sq m)[11]	**194,028**	**263,182**		
Employment floorspace created (sq m)[12]	**220,033**	**323,321**		

".." not applicable

* Affordable Homes Guarantees Programme, Care and Support Specialised Housing, Empty Homes Round Two and FirstBuy do not contribute to the Government's target to deliver 170,000 affordable homes between 2011-15.

T Programmes contributing to the affordable housing target.

1 Housing completions are reported when the units are fit for occupation or, in the case of Mortgage Rescue and shared equity products delivered under FirstBuy, Help to Buy, Kickstart and the National Affordable Housing Programme (NAHP), at the point of completion of the purchase.

2 Housing starts on site are reported when the provider/developer and builder have entered into the house building contract, the building contractor has taken possession of the site and the start on site works have commenced.

3 With the exception of housing starts delivered under the Accelerated Land Disposal programme and the Get Britain Building programme, the targets, as set out in our Corporate Plan 2013-15, were not allocated to individual programmes.

4 The figures in the table reflect HCA's activity and exclude any outputs which have been attributed to our partners through joint working arrangements, except where stated.

5 All programmes are funded by the Department for Communities and Local Government with the exception of Care and Support Specialised Housing which is funded by the Department of Health.

6 Help to Buy is reported separately and is not included in the housing completions target. Some of the homes sold under the Help to Buy scheme may have also benefitted from funding through other programmes supporting delivery of market homes.

7 Figure excludes Homelessness Change and Traveller Pitch Funding as they are purely specialist provision, and Mortgage Rescue.

8 Figures exclude Accelerated Land Disposal, Economic Assets, Get Britain Building and Property and Regeneration programmes.

9 The starts on site exclude 41 units (37 rent and 4 affordable home ownership) which count towards the overall target to unlock delivery of up to 12,000 homes across the lifetime of the Get Britain Building programme but are also in receipt of funding from an affordable housing programme and are reported under that programme.

10 Housing capacity of land disposed is captured at the point of disposal of HCA land and reflects the site unit capacity.

11 Employment capacity of land disposed is captured at the point of disposal of HCA land and reflects the site floorspace capacity.

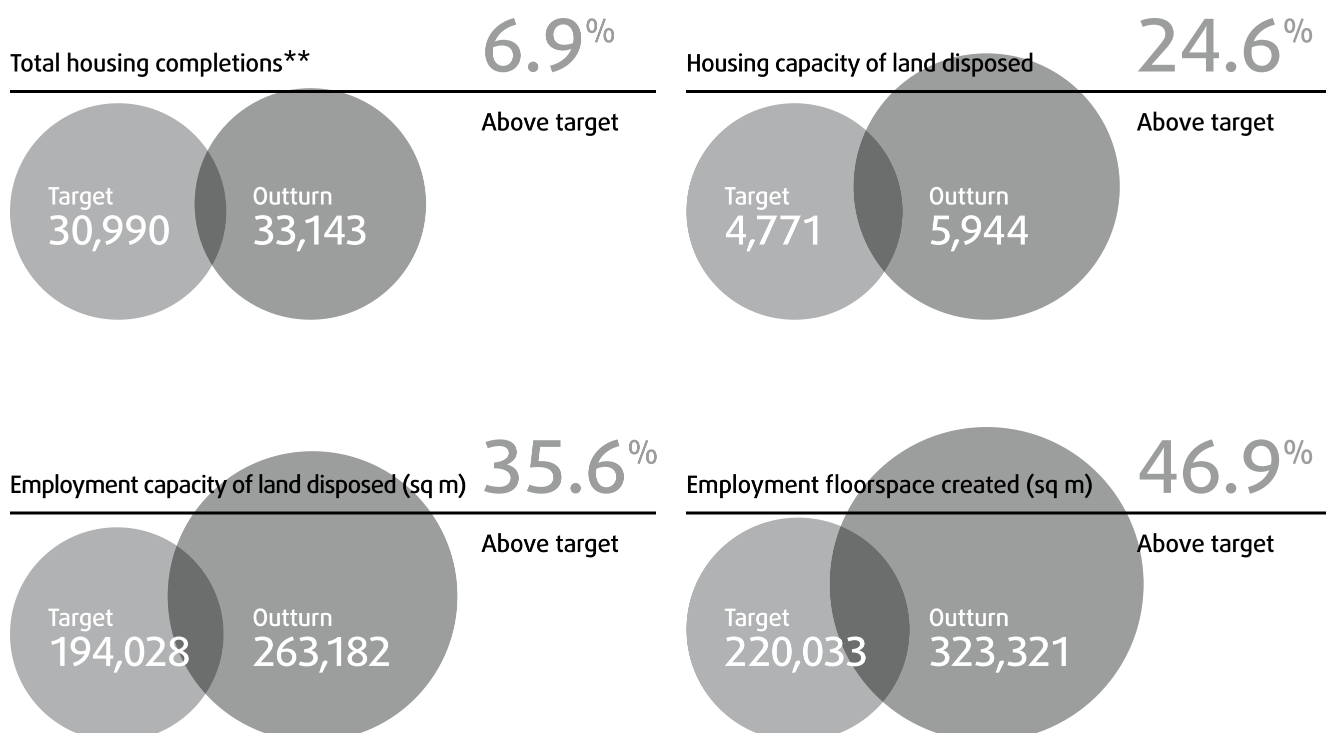
12 The target for employment floorspace created was exceeded due to delivery which was considered to be high risk and excluded from the target.

In addition to monitoring performance against output measures for which targets were set, we agreed in the Corporate Plan 2013-15 to monitor and report on a number of other impact indicators. These include housing starts on site, as a lead indicator of housing completions, delivered through programmes other than Accelerated Land Disposal and Get Britain Building, for which targets were set, and for the Property and Regeneration and Economic Assets programmes we have measured private sector investment levered and jobs potential created.

Private sector investment levered (£m)	..	1,382
Jobs potential created[13]	..	9,333

[13] Jobs potential indicates the number of jobs that can be supported by employment floorspace funded and/or contracted by the HCA.

The spend against programmes is shown in detail in **Note 15** to the financial statements.



** Excludes Affordable Homes Guarantees Programme, Care and Support Specialised Housing, Empty Homes Round Two, FirstBuy and Help to Buy.

STRATEGIC REPORT
SUSTAINABILITY REPORT

This report has been prepared in accordance with the 2013/14 public sector sustainability reporting guidance produced by HM Treasury. Sustainability data and delivery plans are also reported more frequently to the Cabinet Office, with our operational estate's carbon emission data reported into DCLG on a quarterly basis.

Targets

The Agency is working to improve its sustainability performance within the Greening Government Commitments framework (http://sd.defra.gov.uk/gov/green-government/commitments). The framework commits Government to reduce its greenhouse gas emissions by 25% by 2015 from 2009/10 levels. There are also challenging targets on waste reduction, water efficiency and the prudent use of natural resources.

Scope

The HCA's Sustainable Operations Programme addresses a number of key sustainability targets covering our administrative estate, specifically in relation to:

- greenhouse gas emissions, including those derived from energy use in our offices and from all forms of business travel
- waste minimisation and management
- water usage.

Sustainability performance

Greenhouse gas emissions

Targets for greenhouse gas emissions are to:

- reduce emissions by 25% by 2015 from 2009/10 levels from the office estate and business-related transport
- cut domestic business travel flights by 20% by 2015 from 2009/10 levels.

Greenhouse gas emissions are categorised as falling within scope 1 (direct emissions from sources owned or controlled by the Agency), scope 2 (indirect emissions such as from electricity consumption purchased from a supplier) or scope 3 (official business travel by rail, air or employees' own road vehicles). They are measured in tonnes of CO_2 equivalent (tCO_2e). A summary of our performance and expenditure in relation to greenhouse gas emissions is as follows:

CO_2e (tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14
Electricity Consumption	1,599.58	1,471.89	1,128.17	1,080.24	737.98
Gas Consumption	587.87	443.21	247.73	230.54	235.29
Official Travel – Road	409.82	357.80	402.15	631.70	582.46
Official Travel – Air	0.40	0.13	0.31	3.48	2.59
Official Travel – Rail	398.62	288.38	198.15	226.47	174.28
Other	38.00	26.79	15.29	3.61	2.16
Total CO_2e (tonnes)	**3,034.29**	**2,588.20**	**1,991.80**	**2,176.04**	**1,734.76**
Total (£'000):					
Energy (£'000)	336	245	151	193	173
Travel and other (£'000)	2,043	1,779	1,550	1,965	2,038

The 2012/13 figure for greenhouse gas emissions arising from gas consumption has been restated, from 177.69 CO_2e as disclosed last year to 230.54 CO_2e, due to an issue with the data for one of our major office sites. Overall, total greenhouse gas emissions have decreased in 2013/14 compared to last year, partly due to a decrease in electricity consumption from our offices. Energy efficiency improvements this year include a new building management system in our Warrington office which means the heating and cooling system is more precisely controlled and closely matched to business needs. Across our office estate, we have continued to install smart technology such as LED lighting coupled with motion sensors.

Emissions from road, air and rail travel have also decreased compared to 2012/13, although they remain higher than 2011/12 when our staff numbers were lower, prior to the transfer of former Regional Development Agency and Tenant Services Authority staff.

However, the overall expenditure on travel has increased as the price paid per kilometre of rail travel has increased from 2012/13, due to a combination of national fare rises and more frequent peak time travel. The Agency is working to reduce the need for business travel. The Business Driving Policy requires that staff consider whether a journey is necessary before making arrangements to travel and states that travel by car should be considered only after public transport options have been ruled out.

The roll-out of 'at-desk' virtual conferencing has continued this year, including the introduction of the Lync system for easy communication between offices, which helps to avoid unnecessary business travel.

The Agency has exceeded its target of reducing greenhouse gas emissions by 2014/15 by 25% from 2009/10 levels. Emissions in 2013/14 are 1,300 tonnes CO_2e lower than in 2009/10, equivalent to a 43% reduction. The Agency will need to ensure that it maintains its performance in 2014/15.

We continue to look for other opportunities to support greater reductions in energy consumption and associated carbon emissions.

STRATEGIC REPORT
SUSTAINABILITY REPORT (CONTINUED)

Waste

Targets for waste are:

- to reduce the amount of waste the Agency generates by 25% by 2015 (from a 2009/10 baseline)
- to ensure that redundant ICT equipment is re-used or responsibly recycled.

A summary of our waste disposal performance is as follows:

		2009/10 (tonnes)	2010/11 (tonnes)	2011/12 (tonnes)	2012/13 (tonnes)	2013/14 (tonnes)
Total waste disposal		254.23	214.81	259.39	177.41	134.35
Hazardous waste	Total	0.00	0.00	0.00	0.00	0.00
Non-hazardous waste	Landfill	108.09	82.21	122.45	50.41	47.08
	Reused/recycled	146.14	132.60	122.44	127.00	84.15
	Incinerated/energy from waste	0.00	0.00	8.21	0.00	0.00
	Total ICT waste (of which)	0.00	0.00	6.29	0.00	3.12
	ICT waste reused/ recycled	0.00	0.00	6.29	0.00	3.12
Waste disposal costs (£'000)		**19**	**22**	**15**	**13**	**13**
Waste recycling costs (£'000)		**29**	**34**	**23**	**23**	**24**

Recycling includes expenditure on confidential paper shredding services. We have only included direct expenditure with suppliers as this can be consistently identified; increasingly our office space is hosted by other public sector organisations where most waste and recycling service provision is incorporated into a single service charge. Recycling expenditure has remained relatively constant over the past three years, partly reflecting steady expenditure on services such as confidential paper shredding during re-structuring and office moves.

The reduction in total waste disposal is a result of increased staff awareness of recycling, increased visibility of recycling points and benefits derived from the Agency's on-going estates rationalisation. However, the overall recycling rate has decreased which can be attributed to fewer internal office moves during 2013/14. Such moves tend to generate large volumes of recyclable paper waste.

The Agency has exceeded its target of reducing waste by 25% by 2014/15. By 2013/14, the waste generated was 123 tonnes less than that generated in 2009/10, equivalent to a 48% reduction. The Agency will need to ensure that it maintains its performance in 2014/15.

A summary of our paper use performance is as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14
A4 ream equivalent	16,800	12,450	9,050	9,020	9,450
Average staff (full time equivalent)	981	993	859	862	885
A4 ream equivalent consumption per full time equivalent staff	17.1	12.5	10.5	10.5	10.7
Total spend on A4 reams (£'000)	**53**	**42**	**27**	**27**	**30**

The amount of paper used has increased slightly compared to 2012/13, however the consumption per full time equivalent staff member has remained relatively constant over the past three years. The continued use of multi-functional devices, which offer a scanning function in addition to printing and photocopying, should help to minimise paper use per head of staff. We actively encourage the use of electronic records management in preference to paper records where possible. To assess opportunities to further reduce the need to print documents, we are currently piloting the use of tablets with a limited number of staff across the Agency.

Finite resource consumption – water

The target is to use water more efficiently and to reduce consumption from a 2009/10 baseline in line with the Greening Government Commitments. The results are as follows:

		2009/10	2010/11	2011/12	2012/13	2013/14
Water consumption (m3)	Supplied	13,125.39	8,679.00	9,138.40	6,477.00	6,925.00
	Abstracted	0.00	0.00	0.00	0.00	0.00
Water consumption (£'000)		17	30	21	17	19

The overall trend towards decreasing water usage reflects:

- the continued benefit derived from low flow-rate taps, flush sensors and water displacement equipment
- ongoing estates rationalisation.

The small increase in water consumption in 2013/14 is due mainly to an increase in staff numbers across the Agency.

Procurement

The Agency's sustainable procurement policy follows the principles set out under the Government Buying Standards and we seek to procure goods and services through the Office for Government Commerce procurement framework.

Biodiversity

The Agency is committed to meeting legal and regulatory obligations on biodiversity protection in all activities. For example, we carry out Phase 1 habitat surveys when we acquire sites, which identify key habitats including those that may support protected species. We then commission relevant protected species surveys and ensure that site management is carried out in accordance with any recommendations arising. Our offices include very limited external space suitable for wildlife, although we maintain a green roof on our Gateshead office to enhance biodiversity.

Sustainable development

One of the Agency's statutory objectives is to contribute to the achievement of sustainable development and good design in England, with a view to meeting the needs of people living in England. The Agency employs design and sustainability professionals who work with partners to achieve this objective. A Design and Sustainability Advisory Group, involving a small number of external experts, provides the HCA Board with an independent view of the Agency's performance. The Agency's wider programmes help us to achieve our objectives for sustainable development. From driving innovation in our land remediation services, listening to affordable housing residents, through to modern methods of construction, the Agency undertakes a wide range of work in close collaboration with industry to deliver sustainability within the built environment.

3. Disposal of property assets

	Note	2013/14 £'000	2012/13 £'000
Proceeds from disposals		111,799	101,539
Cost of property disposals:			
Book value of property disposals	26	98,285	98,717
Direct sales expenses		1,015	840
Increase in provision for additional consideration payable for development assets	30	1,935	10,365
		101,235	109,922
Gain/(deficit) on disposal		10,564	(8,383)

4. Programme costs

	2013/14 £'000	2012/13 £'000
Property and Regeneration	2,038	4,081
Economic Assets	1,928	2,425
Affordable Homes Programme Agents Fees	1,306	966
Kickstart Housing Delivery	428	827
Get Britain Building	200	2,939
Build to Rent	1,994	–
Public Land Infrastructure Fund	1,449	–
Local Infrastructure Fund	584	–
Other initiatives	23	3
	9,950	11,241

The Property and Regeneration and Economic Assets programmes include non-asset and related project specific costs.

Costs within other programmes include legal and due diligence fees, financial investigation fees, property services fees and other non-grant, non-equity fees in relation to the operation of these initiatives.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

24. Available for sale financial assets (continued)

Group and Agency

	Note	Level 2 £'000	Level 3 £'000	Total £'000
At 1 April 2012		437,835	112,373	550,208
Reclassification of previous years		-	24,395	24,395
Additions		116,440	53,911	170,351
Transfer out to GLA	42b	(47,663)	(1,444)	(49,107)
Disposals	5	(18,844)	(23,115)	(41,959)
Fair value adjustment		3,223	3	3,226
Impairment reversals/(impairments)		16,282	(6,491)	9,791
At 31 March 2013		507,273	159,632	666,905
Additions		872,287	30,079	902,366
Reclassifications		-	4,761	4,761
Disposals	5	(35,771)	(6,137)	(41,908)
Fair value adjustment		10,880	7,781	18,661
Impairment reversals/(impairments)		12,577	(9,426)	3,151
At 31 March 2014		1,367,246	186,690	1,553,936

	2014 £'000	2013 £'000
Level 2 comprises investments under the following programmes:		
- Help to Buy	834,738	-
- FirstBuy	168,986	153,659
- HomeBuy Direct	236,361	230,909
- First Time Buyers' Initiative	127,161	122,705
	1,367,246	507,273

	2014 £'000	2013 £'000
Level 3 comprises investments under the following programmes:		
- Jessica Fund	91,074	88,162
- Get Britain Building	49,712	37,471
- Regional Infrastructure Fund	26,469	27,445
- Kickstart	1,352	6,554
- Build to Rent	2,707	-
- Other	15,376	-
	186,690	159,632

Reclassifications include £1.5m of loans and £3.3m of receivables which have been reclassified as available for sale assets following contractual changes to the determination and timing of amounts expected to be recovered.

The reclassification of previous years relates to a change in treatment of specific investments which were previously expensed. These amounts are more correctly treated as available for sale financial assets, where the Agency has a contractual right to a share of the proceeds of a scheme.

25. Loans

Group and Agency

	Note	Development loans £'000	Infra-structure loans £'000	Loans to associates and joint ventures £'000	Other loans £'000	Total £'000
At 1 April 2012		55,773	5,000	252,991	31,962	345,726
Reclassification of previous years		–	23,916	–	–	23,916
Transfers out to GLA		(21,758)	–	(29,022)	–	(50,780)
Loans advanced		117,178	–	496	4,564	122,238
Loans repaid		(8,262)	(1,800)	(8,164)	(410)	(18,636)
Interest added to loans		4,671	–	–	–	4,671
Unwind of discount		–	526	1,350	–	1,876
Impairments		(14,436)	–	(12,998)	–	(27,434)
At 31 March 2013		133,166	27,642	204,653	36,116	401,577
Loans advanced		211,132	71,882	–	1,700	284,714
Loans repaid		(50,772)	(7,045)	(83,456)	(1,227)	(142,500)
Reclassifications	24	–	–	(43,858)	42,358	(1,500)
Interest added to loans		8,302	3	–	–	8,305
Unwind of discount		–	75	1,380	100	1,555
Impairment reversals/(impairments)		13,667	–	(16,315)	–	(2,648)
At 31 March 2014		315,495	92,557	62,404	79,047	549,503
Amounts at 31 March 2014 are disclosed as follows:						
Non-Current assets		137,654	77,611	7,251	70,868	293,384
Current assets		177,841	14,946	55,153	8,179	256,119
		315,495	92,557	62,404	79,047	549,503
Amounts at 31 March 2013 are disclosed as follows:						
Non-Current assets		122,347	26,642	143,094	35,726	327,809
Current assets		10,819	1,000	61,559	390	73,768
		133,166	27,642	204,653	36,116	401,577

Development loans

Loans have been made to private sector developers in order to bring forward the development of housing under the Agency's Get Britain Building, Kickstart, Build to Rent and Custom Build schemes. These loans are repayable during periods ranging up to March 2024.

Infrastructure loans

Loans have been made to private sector developers and local authorities in order to fund infrastructure on stalled sites, or to unlock potential development sites. These loans are repayable during periods ranging up to March 2031.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

25. Loans (continued)

The reclassification of previous years in 2012/13 related to a change in treatment of specific investments which were previously expensed. These amounts are more correctly treated as loans, where the Agency has an unconditional contractual right to receive repayments.

Loans to associates and joint ventures

The Agency's principal investment in its associates and joint ventures is by way of loans. During 2013/14 the Agency disposed of its investment in North East Property Partnership (NEPP) which resulted in the repayment of £50.9m of loan notes and the reclassification of £42.3m to other loans. The Agency also significantly reduced the scale of its joint venture investment in Norwepp Limited Partnership which resulted in the repayment of £32.1m, being the majority of its loan notes. Norwepp remains a joint venture at 31 March 2014, but with significantly reduced assets.

Of the £16.3m impairments recorded in the year (2013: £13.0m), £6.9m is reported within share of losses of associates and joint ventures. The balance relates to loan impairments as a result of the disposal of the Agency's investments in NEPP and Norwepp.

Other loans

Other loans include £29.7m of loans made to utility companies in respect of water infrastructure for new town developments and £42.3m of loans reclassified from loans to associates and joint ventures following the Agency's disposal of investment in NEPP.

The remaining reclassification of £1.5m has been reclassified as an available for sale financial asset following contractual changes to the determination and timing of amounts expected to be recovered.

26. Property/development assets

Group and Agency

	Note	2013/14 £'000	2012/13 £'000
Market value at 1 April		726,055	1,015,443
Movement in year:			
Transfer out to GLA	42	-	(263,371)
Capital expenditure		119,394	47,908
Disposals	3	(98,285)	(98,717)
Movement in provision for impairment	9	(17,584)	(12,318)
Revaluation adjustment		103,489	37,110
Market value at 31 March		833,069	726,055

Included above are development assets expected to be realised in more than one year of £721.3m (2013: £686.8m).

Assets valued at £10.8m included above have a restriction on title which prevents them from being disposed of until equivalent cash funding is provided to the NW Jessica fund (see note 24).

(a) Impairment and revaluation movements

(i) Provision for impairment of development assets
Where the market value of a property/development asset is lower than costs incurred on that asset, a provision is established to write the asset down to market value. This provision is reviewed annually and any adjustment is taken to net expenditure. Any provision against an asset is utilised against the cost of disposal when that asset is sold. The provision includes impairments charged in the year of £73.7m and the write back of impairments charged in previous years of £56.1m.

(ii) Revaluation adjustment
Where the market value of a property/development asset exceeds historical cost, the increase above historical cost is taken to the revaluation reserve. Any subsequent decrease in market value is written off against the reserve up to the value of the credit balance. If market value falls below cost a provision is established as in Note (i), and charged to net expenditure.

(b) 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 (Note 30). Such provisions are made based on modified valuation data that takes into account any contractual, legal or constructive obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

27. Trade and other receivables

Group and Agency

	Note	2014 £'000	2013 £'000
(a) Amounts falling due after more than one year			
Due from disposal of property/development assets		96,299	76,581
Reimbursement in respect of provisions	30c	6,534	22,433
Other receivables		24,621	34,142
		127,454	133,156
(b) Amounts falling due within one year			
Due from disposal of property/development assets		31,598	29,799
Trade receivables		4,460	12,992
VAT		-	2,447
Prepayments		1,330	1,461
Reimbursement in respect of provisions	30c	15,521	15,793
Other receivables		19,485	33,235
		72,394	95,727
Total trade and other receivables		199,848	228,883

	2014 £'000	2013 £'000
(c) Intra-Government balances		
Balances with other Central Government bodies	9,818	3,815
Balances with local authorities	28,784	17,104
Balances with NHS bodies	35	240
Intra-Government balances	38,637	21,159
Balances with bodies external to Government	161,211	207,724
	199,848	228,883

28. Cash and cash equivalents

Group and Agency

	2014 £'000	2013 £'000
Cash held with Government Banking Service	90,399	1,948
Cash held with commercial banks	7,333	5,682
	97,732	7,630

There were no cash equivalents at any of the reporting dates shown. In addition to the amounts above, the Agency held £518,000 on behalf of third parties.

29. Trade and other payables

Group and Agency

	Note	2014 £'000	Restated 2013 £'000
(a) Amounts falling after more than one year			
Additional consideration on development land	30	59,832	-
Deferred income		7,231	23,130
Finance leases		255	955
		67,318	24,085

	Note	2014 £'000	Restated 2013 £'000
(b) Amounts falling due within one year			
Trade payables		234,406	200,520
Accruals		12,270	7,710
Additional consideration on development land	30	13,595	-
Deferred income		21,028	20,918
Bank overdraft		-	70,004
VAT		3,485	-
Other taxes and social security		1,260	1,429
Finance leases		700	972
Other payables		1,025	1,918
		287,769	303,471
		355,087	327,556

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 2014

29. Trade and other payables (continued)

The amount shown as a bank overdraft at 31 March 2013 relates only to payments which were in transit at that date, and the Agency's bank accounts remained in credit throughout the periods shown.

Amounts for 2012/13 above have been restated to more correctly reflect the profile of liabilities falling due.

	2014 £'000	2013 £'000
(c) Intra-government balances		
Balances with other central government bodies	79,787	2,777
Balances with local authorities	67,394	70,809
Balances with NHS bodies	2,098	118
Intra-government balances	149,279	73,704
Balances with bodies external to government	205,808	253,852
	355,087	327,556

30. Provisions

Group and Agency

	CRA transfers £'000	Property interests with negative value £'000	Environmental liabilities £'000	Other liabilities £'000	Additional consideration on development land £'000	Total £'000
Balance at 1 April 2012	3,650	6,690	72,461	3,290	92,390	178,481
Charge to net expenditure	712	500	-	893	10,365*	12,470
Unused provisions credited to net expenditure	(17)	(1,276)	-	(181)	-	(1,474)
Unwinding of Discount	-	-	5,995	-	-	5,995
Expenditure against provisions	(676)	(1,578)	(26,485)	(1,161)	-	(29,900)
Balance at 31 March 2013	3,669	4,336	51,971	2,841	102,755	165,572
Charge to net expenditure	-	-	8,302	886	1,935*	11,123
Unused provisions credited to net expenditure	(150)	(988)	-	(476)	-	(1,614)
Unwinding of Discount	-	-	(1,105)	-	-	(1,105)
Expenditure against provisions	(971)	(2,429)	(21,179)	(1,634)	(31,263)	(57,476)
Reclassification to payables	-	-	-	-	(73,427)	(73,427)
Balance at 31 March 2014	2,548	919	37,989	1,617	-	43,073

*Charged against cost of property disposals (Note 3).

Amounts above are disclosed as follows:	2014 £'000	2013 £'000
Current liabilities	33,196	55,349
Non-current liabilities	9,877	110,223
	43,073	165,572

30. Provisions (continued)

(a) Community related asset (CRA) transfers

The Agency's policy is to transfer community related assets to local authorities and other appropriate organisations. To the extent that the activities of the Agency 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 rental guarantees and assets where disengagement is dependent upon significant investment in sites by the Agency, 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 Agency'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) Environmental liabilities

The environmental liabilities cover two key liabilities. The first represents the value of remediation work required, as a minimum, to return the Avenue Coking Works site to a saleable and safe condition. The provision represents the amount which the Agency would have to pay a third party to take on the site and associated environmental liabilities, £29.7m at the year end.

The Agency has a right to partial reimbursement from the Department of Energy and Climate Change in respect of this liability, the amounts of which are shown within receivables (Note 27).

During 2012/13 HM Treasury changed the prescribed discount rate which is applied to this provision from 2.2% to a negative 1.8%, and this resulted in an increase in the provision of £4.1m, which is included within unwinding of discount in that year.

The second environmental provision covers the Agency's liability for water supply contamination at a site in the West Midlands. The cost of the minimum works required is £8.3m.

(d) Other liabilities

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

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

In 2005/06 the Agency entered into an agreement with a Government Department 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

30. Provisions (continued)

In order to match income recognised in the Agency's accounts with the true cost of disposal, the Agency 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/ credited against cost of property disposals in net expenditure.

In 2013/14, the estimation uncertainty inherent in this liability decreased as many sites have now progressed to the later stages of the disposal process. Therefore the liability has been reclassified from provisions to payables.

31. Deferred tax

Group and Agency

The movements in deferred tax liabilities for each type of temporary difference are as follows:

	At 31 March 2012 £'000	Charged to net expenditure £'000	Charged to other comprehensive expenditure £'000	At 31 March 2013 £'000
Revaluation of development assets	62,441	(16,265)	9,500	55,676
Fair value gains/(losses) on available for sale assets	7,096	(5,793)	1,819	3,122
Unused tax losses	(47,615)	2,924	-	(44,691)
Provisions	(20,662)	6,214	-	(14,448)
Pensions	(1,260)	2,066	(465)	341
Deferred tax liability	-	(10,854)	10,854	-

	At 31 March 2013 £'000	Charged to net expenditure £'000	Charged to other comprehensive expenditure £'000	At 31 March 2014 £'000
Revaluation of development assets	55,676	(9,795)	12,200	58,081
Fair value gains/(losses) on available for sale assets	3,122	-	1,776	4,898
Unused tax losses	(44,691)	(25,526)	-	(70,217)
Provisions	(14,448)	5,833	-	(8,615)
Pensions	341	(1,918)	17,430	15,853
Deferred tax liability	-	(31,406)	31,406	-

All deferred tax is stated on a net basis as the Agency has a legally enforceable right to set off the recognised amounts.

In addition to the above, the Agency has tax losses to carry forward of £218m (2013: £826m) for which no deferred tax asset has been recognised because of the uncertainty over future trading profits, which would enable such losses to be utilised.

32. Pension arrangements and liabilities

Group and Agency

During the year the Agency's employees were able to participate in one of the following contributory pension schemes:

- The Homes and Communities Agency Pension Scheme
- The City of Westminster Pension Fund
- The West Sussex County Council Pension Fund.

All three schemes are multi-employer defined benefit schemes as described in paragraph 7 of *IAS 19 Employee Benefits*. They are all final salary schemes and have broadly comparable benefits, but the Homes and Communities Agency Pension Scheme is the only one which remains open to new employees. Further information on the funding arrangements for the schemes is contained within note (k) below.

Valuations of the Agency's assets and liabilities in each scheme as at 31 March 2014 have been prepared in accordance with IAS 19 and the results are disclosed in Note (a) below.

Note (b) below shows the weighted average of the key assumptions used by each of the scheme actuaries in preparing the valuations. The amounts shown have been weighted according to each scheme's liabilities, except for the expected return on assets assumption which has been weighted according to each scheme's assets. Other information below is shown on a consolidated basis for all three schemes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 2014

32. Pension arrangements and liabilities (continued)

(a) Pension assets/(liabilities)

	Present value of funded liabilities £'000	Present value of unfunded liabilities £'000	Present value of scheme liabilities £'000	Fair value of employer assets £'000	Net pension assets/ (liabilities) £'000
2014					
Homes and Communities Agency Pension Scheme	(247,224)	-	**(247,224)**	293,126	**45,902**
City of Westminster Pension Fund	(223,225)	-	**(223,225)**	268,040	**44,815**
West Sussex County Council Pension Fund	(60,446)	(9,331)	**(69,777)**	58,323	**(11,454)**
Total	(530,895)	(9,331)	**(540,226)**	619,489	**79,263**
Total of net pension assets					**90,717**
Total of net pension liabilities					**(11,454)**
2013					
Homes and Communities Agency Pension Scheme	(245,119)	-	**(245,119)**	271,951	**26,832**
City of Westminster Pension Fund	(232,137)	-	**(232,137)**	218,555	**(13,582)**
West Sussex County Council Pension Fund	(57,629)	(8,793)	**(66,422)**	54,655	**(11,767)**
Total	(534,885)	(8,793)	**(543,678)**	545,161	**1,483**
Total of net pension assets					**26,832**
Total of net pension liabilities					**(25,349)**

The HCA and Westminster pension schemes have net assets at 31 March 2014 as shown above and have therefore been disclosed within non-current assets in the Statement of Financial Position. The HCA scheme was similarly disclosed within non-current assets at 31 March 2013.

32. Pension arrangements and liabilities (continued)

(b) Actuarial assumptions

The weighted average of the key assumptions used by the actuaries of the pension schemes are as follows:

i) Financial assumptions

	2014	2013
Inflation increases rate	2.4%	2.7%
Salary increases	4.3%	4.6%
Pension increases	2.7%	2.7%
Discount rate	4.5%	4.4%

ii) Mortality assumptions

Based on actuarial mortality tables, the average future life expectancies at age 65 are summarised below:

	2014 Years	2013 Years
Male – current pensioners	22.8	22.9
Male – future pensioners	24.8	24.6
Female – current pensioners	25.4	25.1
Female – future pensioners	27.6	27.1

(c) Fair value of employer assets

	2014 £'000	2013 £'000
Equities – quoted	254,308	236,164
Equities – unquoted	134,449	102,510
Bonds	189,962	182,997
Property	15,398	13,114
Other assets – quoted	2,558	–
Other assets – unquoted	22,814	10,376
Total	**619,489**	**545,161**
Actual return on employer assets	**40,782**	**63,724**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

32. Pension arrangements and liabilities (continued)

(d) Charge to net expenditure

	2013/14 £'000	Restated 2012/13 £'000
Amounts charged to net operating expenditure		
Current service costs	8,715	6,170
Past service costs and losses on curtailments and settlements	-	966
Expenses	522	342
Gain on settlement*	-	(19,432)
	9,237	**(11,954)**
Amounts charged to finance costs		
Interest charged	23,762	23,350
Expected return on assets	(24,543)	(28,478)
	(781)	**(5,128)**
Total recognised in Statement of Comprehensive Net expenditure	**8,456**	**(17,082)**

The total expected employer contributions to these schemes in the year ending 31 March 2015 are £8.8m.

* The gain on settlement relates to the agreement reached by the Agency to absorb the pension liabilities of those former employees of Regional Development Agencies who were members of the HCA Pension Scheme, following the RDAs' closure in 2011/12. The liability for these former employees otherwise rested with the Department for Business, Innovation and Skills (BIS) under Section 75 of the Pensions Act 1995 (s75). Under the agreement reached, BIS made a cash contribution to the scheme based on the value of its obligations under s75, which was assessed using assumptions that approximate those an insurer would use to price annuity policies, and which therefore place a significantly higher value on liabilities than those adopted under IAS 19. As a result, the Agency recognised a gain of £19.4m in 2012/13, being the difference between the assets and liabilities newly apportioned to the Agency from those of the scheme overall, and which includes the effect of the cash contribution from BIS.

The 2012/13 figures have been restated to reflect revised IAS 19 disclosure requirements.

(e) Amounts recognised in income and expenditure reserve

	2013/14 £'000	2012/13 £'000
Actuarial gains/(losses)	**45,384**	**(8,043)**

The cumulative amount of actuarial gains recognised in other comprehensive expenditure since the adoption of IAS 19 is £122.0m.

32. Pension arrangements and liabilities (continued)

(f) Reconciliation of fair value of employer assets

	2013/14 £'000	2012/13 £'000
Opening fair value of employer assets	**545,161**	**313,884**
Expected return on assets	24,543	28,478
Contributions by members	2,337	2,268
Contributions by the employer	40,316	14,882
Contributions in respect of unfunded benefits	536	561
Actuarial gains	16,239	35,246
Transfer in from TSA	-	99,215
Settlement with BIS	-	63,978
Other net transfers	6,665	1,374
Unfunded benefits paid	(536)	(561)
Benefits paid	(15,772)	(14,164)
Closing fair value of employer assets	**619,489**	**545,161**

On 1 April 2012 the Agency took over responsibility for the regulation of social housing providers in England from the Tenant Services Authority (TSA), and all assets, liabilities and staff of the TSA transferred to the Agency on that date. This transfer included all pension assets and liabilities of the TSA, which were in relation to the City of Westminster Pension Fund. The amounts of pension assets and liabilities transferred are shown in the tables at (f) and (g), respectively.

The settlement with BIS is as described in (d) above.

Contributions by the employer in 2013/14 include a £30.0m lump sum payment made to reduce the actuarial deficit in the City of Westminster Pension Fund. This is above the normal level of contributions payable, which includes an element to recover the deficit in the scheme over the longer term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 2014

32. Pension arrangements and liabilities (continued)

(g) Reconciliation of defined benefit obligation

	2013/14	Restated 2012/13
	£'000	£'000
Opening defined benefit obligation	**543,678**	**319,132**
Current service cost	8,715	7,648
Interest cost	23,762	23,350
Contributions by members	2,337	2,268
Past service cost and losses on curtailments and settlements	-	966
Actuarial (gains)/losses – demographic	(2,167)	4,138
Actuarial (gains)/losses – financial	(14,514)	42,585
Actuarial (gains)/losses – other	(12,464)	(3,434)
Transfer in from TSA	-	115,830
Settlement with BIS	-	44,546
Other net transfers	6,665	1,374
Unfunded benefits paid	(536)	(561)
Benefits paid	(15,250)	(14,164)
Closing defined benefit obligation	**540,226**	**543,678**

The current service cost shown in this table in 2012/13 is not the same as the amount shown in Note 32d because the movement in accruals for early retirement pension costs are contained within trade and other payables, not the defined benefit obligation above.

The 2012/13 figures have been restated to reflect revised IAS 19 requirements.

(h) Five-year history

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(540,226)	(543,678)	(319,132)	(310,439)	(336,463)
Fair value of employer assets	619,489	545,161	313,884	242,086	212,258
Surplus/(deficit) in the scheme	**79,263**	**1,483**	**(5,248)**	**(68,353)**	**(124,205)**
Experience gains/(losses) on scheme liabilities	12,464	(3,194)	(2,574)	8,283	4,670
Experience gains/(losses) on employer assets	16,239	35,246	(1,133)	(10,487)	44,857

(i) Sensitivity analysis

Pension liabilities are calculated using actuarial estimates as shown in note 32(b) above. If the major assumptions were to change, the impact on the defined benefit obligation would be as follows:

32. Pension arrangements and liabilities (continued)

Adjustment to discount rate	**+0.25%**	**current**	**-0.25%**
Present value of total obligation	516,614	540,226	564,830
Movement	(23,612)	–	24,604
Adjustment to life expectancy	**+1 year**	**current**	**-1 year**
Present value of total obligation	555,375	540,226	525,153
Movement	15,149	–	(15,073)
Adjustment to inflation	**+0.25%**	**current**	**-0.25%**
Present value of total obligation	564,365	540,226	517,593
Movement	24,139	–	(22,633)

(j) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is 22 years. Pension benefits, including insurance premiums, are expected to be paid over time as follows:

	£'000
Within 5 years	76,921
5-10 years	87,859
After 10 years	375,446
Total defined benefit obligation	**540,226**

(k) Funding arrangements

Contribution rates for each of the three schemes are reviewed at least every three years following a full actuarial valuation. The funding strategy in each case is set to target a fully funded position, except for those liabilities which are intentionally unfunded within the West Sussex scheme. Any underfunding is restored to a fully funded position via additional contributions over an appropriate period of time.

The HCA scheme is a multi-employer scheme that does not operate on a segregated basis. Therefore the assets and liabilities are not separately identified for individual participating employers. Benefit obligations are estimated using the Projected Unit Credit Method. The Agency is the only significant contributing employer, and accounts for over 99% of the HCA scheme's liabilities.

There are no formal arrangements in place for the allocation of a deficit or surplus on the wind-up of the plan or the Agency's withdrawal from the plan. Under both scenarios, exit debts would become payable under Section 75 of the Pensions Act 1995.

The Westminster and West Sussex schemes are members of the Local Government Pension Scheme (LGPS). Assets and liabilities for all employers in LGPS funds are identifiable on an individual employer basis. There are no minimum funding requirements or winding up provisions in the LGPS. Any deficit on withdrawal is required to be paid by the withdrawing employer and any surplus is retained by the fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

33. Financial assets and financial liabilities

Group and Agency

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

	Note	2014 Original cost £'000	2014 Carrying value £'000	2013 Original cost £'000	2013 Carrying value £'000
Loans and receivables					
Cash and cash equivalents	28	97,732	97,732	7,630	7,630
Trade and other receivables		183,506	176,463	195,008	186,749
Loans	25	598,268	549,503	496,899	401,577
Available for sale					
Available for sale financial assets	24	1,613,571	1,553,936	751,617	666,905
Total financial assets		**2,493,077**	**2,377,634**	**1,451,154**	**1,262,861**

There are no differences between the carrying value and fair value of the assets above, except for those described in Note 34.

Prepayments, tax, social security and reimbursements in respect of provisions 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 34.

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

	2014 £'000	2013 £'000
Other financial liabilities		
Trade and other payables	322,083	282,079
Provisions	919	107,091
Total financial liabilities	**323,002**	**389,170**

There are no differences between the carrying value and fair value of the liabilities above.

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 liabilities above are determined as described in Note 34.

34. Fair value of financial assets and financial liabilities

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

- the fair values of available for sale financial assets relating to housing units are calculated with reference to movements in the ONS house price index at a regional level, being the most relevant available observable market data. This is supplemented by adjustments for experience of actual disposals since the inception of the schemes. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by *IFRS 7*
- the fair values of available for sale financial assets relating to equity investments in private sector developments and infrastructure projects are calculated using cashflow forecasts for the projects concerned, discounted at rates set by HM Treasury. These fair values are therefore categorised as level 3 in the fair value hierarchy as defined by *IFRS 7*
- the fair value of the Jessica fund is equal to the net assets of the fund at the reporting date, and is therefore categorised as level 3 in the fair value hierarchy as defined by *IFRS 7*
- the fair values of other financial instruments 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.

Differences between the fair value at initial recognition as calculated using the methods described above and the price paid by the Agency to acquire the instrument are released over the expected life of the instrument in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*. Changes in the aggregate gains/(losses) yet to be recognised in net expenditure are as follows:

Group and Agency	2013/14	2012/13
	£'000	£'000
At 1 April	(127)	603
Gain/(loss) arising on initial recognition	831	(174)
Released to net expenditure	149	(556)
At 31 March	853	(127)

35. Financial risk management

The Group and Agency's financial assets and liabilities are detailed in Note 33. The statements in this Note apply to both the Agency itself and the Group, except where indicated.

The Group and Agency is exposed to operational risk in its activities, particularly as it generally becomes involved in developments at locations where the private sector is unwilling to proceed without intervention. Through transactions with developers, the Agency's intervention results in financial risks, most significantly credit risk and liquidity risk. The Agency also has exposure to market price risk arising from financial instruments as a result of its equity interests in housing units and private sector developments noted in Note 1(r). The Agency is exposed to interest rate risk as a result of financial instruments that bear interest at variable rates.

The Agency manages risk from a strategic and operational perspective, which includes the financial aspects of risk management. The Agency has a corporate risk management function whose role is 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, operating area and project activities
- providing quarterly reports to senior management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

35. Financial risk management (continued)

The Agency has approved a risk management framework including policy, strategy, processes and reporting responsibilities. A monthly review of risk takes place across the Agency, from which the Board and the Audit and Risk Committee are informed on a quarterly basis. The monthly reviews incorporate numerically scored assessments of both the likelihood and impact of specific risks arising, which are combined to direct management's attention to the areas requiring action. Quantitative data, for example on receivables, is provided by Central Finance as necessary. Due to the Agency's increasing exposure to financial risks, a Chief Risk Officer was appointed in April 2014 specifically to oversee the management of financial risk exposures in the Agency.

The potential exposure to loans, receivables and available for sale financial assets is a key focus for management. In order to mitigate this risk, the Agency adopts the following approach to transactions with developers:

- potential exposure to credit risk is monitored by the Agency's Business Appraisal function, including the accumulation of risk where the same developers are referred for financial vetting for geographically diverse projects
- for existing credit risks, assessments are performed monthly by delivery teams and reported to Central Finance
- development agreements resulting in the sale of property are normally secured by the Agency's right to retake possession of the disposed property in the event of a default by the buyer
- loan and equity agreements are generally backed by a charge on land, parent company guarantees or other available security as appropriate to the individual circumstances.

(a) 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, is the same as the carrying amount of financial assets recorded in the Financial Statements, as disclosed in Note 33.

The nature of the credit risk arising from the Agency's most significant financial assets can be summarised as follows:

- the Agency's cash is generally held with the Government Banking Service, except where commercial reasons necessitate otherwise, for example when cash is held by solicitors around completion of property sales or purchases. The amount shown as a bank overdraft at 31 March 2013 relates only to payments which were in transit at those dates, and the Agency's bank accounts remained in credit throughout the period
- receivables arise largely from disposals of development assets, generally to major developers and housebuilders in the private sector. These receivables are 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 are backed by financial guarantees
- available for sale financial assets relate mainly to amounts receivable individually from the private owners of housing units when their properties are sold, or amounts receivable from various private sector developers, resulting in a broad spread of credit risk for these assets. Amounts receivable from the owners of housing units are secured by a second charge over their property
- loans to associates and joint ventures are concentrated amongst three counterparties. Other loans relate mainly to a major public utility company and a local authority. Infrastructure loans are dispersed amongst various developers and housebuilders in the private sector and to various local authorities.

35. Financial risk management (continued)

There are no significant concentrations of credit risk in the Agency's other financial instruments.

For all financial assets excluding cash, the maximum exposure to a single counterparty at 31 March 2014 was £91m, and the five largest counterparties accounted for 13.5% of the total balance.

(b) Liquidity risk

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

The criteria of accepted best practice were adhered to during the year, including compliance with all statutory and relevant regulatory codes. Sufficient liquidity was retained at all times to meet expected liabilities through the investment of any cash surpluses with the Government Banking Service.

The Agency does not engage in speculative activity and does not allow the use of more complex financial instruments, which could result in increased financial liabilities, such as derivatives.

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	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Other financial liabilities						
Trade and other payables	322,083	322,083	261,952	12,316	32,018	15,797
Provisions	919	919	583	329	7	-
Total	**323,002**	**323,002**	**262,535**	**12,645**	**32,025**	**15,797**

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

£73.4m of the trade and other payables shown above are contractually payable only when cash has been realised from receivables 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 receivables.

The Agency's financial guarantee contracts (as disclosed in Note 37) can be called upon at any time.

(c) Interest rate risk

The Agency is exposed to interest rate risk on its financial assets classified as loans and receivables, where these pay interest at a variable rate.

If interest rates on the Agency's variable rate loans and receivables had been 1% higher/lower throughout the year ended 31 March 2014, the Agency's net expenditure for the year, before the effect of tax, would have been £2.1m higher/lower.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

35. Financial risk management (continued)

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

The Agency is also exposed to market price risk in its available for sale financial assets. These financial assets include the Agency's interests in housing units and private sector developments located in geographically diverse areas within the UK. As these assets are classified as available for sale, any market price movements are normally reflected in changes in equity, and have no effect on the reported net expenditure for the period unless an impairment is reported.

The Agency has performed a sensitivity analysis that measures the change in fair value of the financial assets held for hypothetical changes in market prices. The sensitivity analysis is based on a proportional change to all prices applied to the relevant financial instrument balances existing at the year end.

At 31 March 2014, if UK house prices had been 10% higher/lower and all other variables were held constant, the effect on the Agency's reserves arising from movements in investments in housing units, before the effects of tax, would have been an increase/decrease of £127m/£231m from that stated.

At 31 March 2014, if development returns had been 10% higher/lower and all other variables were held constant, the effect on the Agency's reserves arising from movements in investments in private sector developments and infrastructure projects, before the effects of tax, would have been an increase/decrease of £9.4m/£9.4m from that stated.

(e) Currency risk
The Agency's dealings are almost entirely Sterling denominated, and therefore the Agency has no material exposure to currency risk.

36. Operating leases

As at 31 March 2014 the Agency had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 Land and Buildings £'000	2014 Others £'000	2013 Land and Buildings £'000	2013 Others £'000
Within one year	2,086	1,017	2,413	745
Between one and five years	1,263	1,874	5,490	1,470
In more than five years	292	-	613	-
	3,641	2,891	8,516	2,215

The Agency leases certain land and buildings for its own use, mainly as offices, normally with minimum lease terms of no more than 10 years and rent reviews every five years. The Agency has also inherited a small number of operating leases from predecessor bodies with terms of up to 25 years, most of which are now nearing expiry.

36. Operating leases (continued)

As at 31 March 2014 the Agency had granted leases for land and buildings with future minimum sub-lease payments expected to be received which fall due as shown below. As required by IAS 17 Leases, the figures shown are not discounted to reflect the time value of money.

	2014 £'000	2013 £'000
Within one year	3,857	3,961
Between one and five years	10,353	11,301
In more than five years	126,345	136,052
	140,555	151,314

The Agency leases certain of its development assets as lessor. As development assets, these properties are held for regeneration or ultimate disposal in the course of the Agency's ordinary activities. In many cases properties may be disposed of with their rental income stream, therefore it is not certain that the Agency will ultimately receive the full amounts shown above as sub-lease income.

37. Contingent assets and liabilities

Contingent assets

The Agency has in certain instances disposed of land or made grant payments with certain conditions attached, which if no longer fulfilled will result in a payment to the Agency. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable 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 Agency.

Contingent liabilities

(a) 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 an Agency 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 DCLG. The extent of the potential liability will only be known once any defects are identified.

(b) Other contingent liabilities

The Agency is potentially liable for 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

38. Financial commitments

	2014 £'000	2013 £'000
Expenditure that has been authorised by the Agency at 31 March	8,656	47,390

The amounts above relate either to loan commitments which had become unconditional at the reporting date, but which had yet to be drawn down by that date, or to equity and loan investments recovered which are committed to be re-invested in similar schemes.

39. Related party transactions

The Agency is a non departmental public body sponsored by DCLG. Hence any other bodies sponsored by DCLG are considered to be related parties. During the year, the Agency has had a significant number of material transactions with DCLG.

The Agency has had a number of material transactions with other government departments and other government bodies, including various local authorities, the Department for Business, Innovation and Skills and the Department of Health. The Agency has also had a number of material transactions with its associated undertakings and joint ventures as follows:

2013/14	Grants and other payments £m	Equity invested/ (repaid) £m	Loan stock invested/ (repaid) £m	Loan interest received £m
North East Property Partnership *	–	–	(50.9)	2.3
Norwepp Limited Partnership	0.2	–	(29.9)	1.9
PxP West Midlands Limited Partnership	0.6	–	(1.4)	2.6
Countryside Maritime Ltd	–	–	(1.3)	–
English Cities Fund Limited Partnership	–	3.0	1.0	–
Onsite North East Limited Partnership	–	–	–	0.6

* Ceased to be a related party on 17 May 2013

2012/13	Grants and other payments £m	Loan stock invested/ (repaid) £m	Loan interest received £m
Priority Sites Ltd	–	–	0.4
Blueprint Limited Partnership	–	(2.2)	0.1
North East Property Partnership	–	–	5.1
Norwepp Limited Partnership	0.2	(6.0)	2.2
PxP West Midlands Limited Partnership	0.2	–	0.8
Onsite North East Limited Partnership	–	0.5	0.6

The Agency's internal approval procedures are established so that members of staff nominated to act as Directors or Officers of associated undertakings and joint ventures do not have delegated authority with regard to the relevant undertaking.

39. Related party transactions (continued)

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 has undertaken any material transactions with the Agency.

40. Losses and special payments

In accordance with the provisions of the Accounts Direction, the Agency has summarised all losses and special payments requiring disclosure, recognised during the course of the financial year, as follows.

		2013/14
	Cases	£'000
Total number of losses	19	47,745
Cases over £250,000		
Loans written off	2	46,354
Receivables written off	1	1,141
		47,495

Loan written off

In 2006, a former Regional Development Agency (RDA) established an investment in a joint venture as a means of capturing value from its large property portfolio, with the aim of investing in properties and disposing of them over a ten year period. Consideration for the properties transferred to the joint venture was recognised by the RDA as loans.

Adverse economic conditions after 2008 severely undermined the ability of the joint venture to achieve the original value of the property invested by the RDA due to year-on-year operating losses and impairment of property values.

In 2011/12, prior to the closure of the RDAs the investment and its associated losses were transferred to the HCA from the RDA. At the time the loans had already been subject to a cumulative impairment of £22.3m by the RDA.

Following the transfer the joint venture continued to experience losses. The Agency therefore re-evaluated the position, and recognised further impairments of £8.9m up to 31 March 2013.

During 2013, as part of its strategic review of investments aimed at reducing future losses to a minimum, the Agency decided that the most advantageous option was to wind up the joint venture. This will be done in September 2014. The remaining property assets and cash have either been, or will be returned to the Agency in settlement of the outstanding loan balances.

As a result of this decision the balance of the loan not settled by those property assets and cash, is impaired and, together with the impairments of £31.2m previously recognised at 31 March 2013, is written off.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

40. Losses and special payments (continued)

In summary the position is:

	£m	Cumulative impairments £m
Total advances made by RDA and not repaid prior to transfer to the Agency	82.2	–
Impairments made by RDA prior to transfer to the Agency	(22.3)	(22.3)
Repayments received by the Agency following the transfer	(11.9)	–
Impairment made by the Agency in 2012/13 following revaluation	(8.9)	(8.9)
Cumulative discounting adjustments (zero coupon loan)	(2.1)	–
Impaired balance prior to exit	37.0	(31.2)
Value of property and cash to be received by the Agency	(27.4)	–
Impairment recognised in 2013/14 accounts	(11.7)	(11.7)
Discount unwound on exit through impairments in 2013/14 accounts	2.1	–
Net book value and cumulative impairment at the point of exit	–	(42.9)

The net cumulative (unrealised) impairment therefore becomes realised at the point of exit, resulting in a loan write-off of £42.9m.

Loan written off

In 2004, a former Regional Development Agency (RDA) established an investment in a joint venture with an agreement which terminated on 1 April 2014.

In 2011/12, prior to the closure of the RDAs the investment was transferred to the HCA from the RDA.

Following that transfer the Agency recognised impairments of £3.6m against these loans up to 31 March 2013, in line with its share of the losses experienced by the joint venture.

In May 2013, following its strategic review of investments aimed at reducing future losses to a minimum, the Agency agreed that the most advantageous option was to exit the joint venture which formalised a reduction in the loan amounts to be settled as part of a wider revision to the existing loan agreements.

Whilst a formal write-off is recognised as a result of the agreement, the net impact recognised in 2013/14 is a gain to the Agency of £0.2m due to the impairment previously recognised.

In summary the position is:

	£m	Cumulative impairments £m
Total advances made by RDA and not repaid prior to transfer to the Agency	98.2	–
Repayments received by the Agency following the transfer	(50.9)	–
Impairment made by the Agency in 2012/13 following revaluation	(3.6)	(3.6)
Impaired balance prior to formal restructure of loans	43.7	(3.6)
Reversal of impairment recognised in 2013/14 accounts	0.2	0.2
Balance carried forward (disclosed as loans or available for sale assets)	43.9	(3.4)

The net cumulative (unrealised) impairment therefore becomes realised at the point of the agreement, resulting in a loan write-off of £3.4m.

Receivable written off

During 2013/14, the Agency has made a partial write off of a receivable balance in relation to funds extended to a developer under the First Time Buyers' Initiative, where the Agency has agreed to waive some of the amount recoverable following agreement with other creditors.

The residual receivable balance of £1.1m written off in 2013/14 was fully impaired at 31 March 2013 and so no further impairment was recognised during 2013/14.

41. Events after the reporting period

The Agency's Financial Statements are laid before the Houses of Parliament by the Secretary of State for Communities and Local Government. *IAS10 Events After the Reporting Period* 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 for Communities and Local Government.

The certified accounts were authorised for issue by the Chairman and the Chief Executive and Accounting Officer on 24 June 2014

42. Transfers in to and out of the Agency

During 2012/13 the Agency was involved in three separate transfers with other public bodies resulting in the losses shown below.

Losses on statutory transfers	Note	2013/14 £'000	2012/13 £'000
Net liabilities transferred from Tenant Services Authority	42a	–	47,297
Net assets transferred to Greater London Authority	42b	–	363,805
Transfer of Milton Keynes Tariff to Milton Keynes Council	42c	–	–
		–	**411,102**

(a) Transfer from the Tenant Services Authority

On 1 April 2012 the Agency took over responsibility for the regulation of social housing providers in England from the Tenant Services Authority (TSA), and all assets, liabilities and staff of the TSA transferred to the Agency on that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2014

42. Transfers in to and out of the Agency (continued)

(b) Transfer to the Greater London Authority
On 1 April 2012 the functions, assets, liabilities and staff of the Agency in London transferred to the Greater London Authority (GLA) under the provisions of the Localism Act 2011. The transferred function included many of the Agency's programmes, but only to the extent that they related to the Greater London area.

(c) Transfer to Milton Keynes Council
On 14 January 2013 the Agency sold most of its land assets in Milton Keynes to Milton Keynes Council (MKC). On the same date the Agency's planning powers also transferred to MKC, as did responsibility for the Milton Keynes Tariff. This was not a statutory transfer, and therefore gains and losses arising were included in income and expenditure in 2012/13.

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPH 12(3) OF SCHEDULE 1 TO THE HOUSING AND REGENERATION ACT 2008

1. The annual accounts of The Homes and Communities 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 2008/09 and for subsequent years shall be prepared in accordance with:-

   (a) the accounting and disclosure requirements given in Managing Public Money and in the Government Financial Reporting Manual issued by the Treasury ("the IFReM"), as amended or augmented from time to time;

   (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 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 additional disclosure requirements of the Secretary of State.

   Signed by authority of the Secretary of State

An officer in the Department for Communities and Local Government
Date 24 November 2008

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPH 12(3) OF SCHEDULE 1 TO THE HOUSING AND REGENERATION ACT 2008 (CONTINUED)

SCHEDULE 1

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 paragraph 1 of this direction.

The notes to the annual accounts shall disclose:

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

(f) a statement of debts written off and movements in provisions for bad and doubtful debts;

(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 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) pensions funds for the benefit of employees of the Agency or any 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.

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPH 12(3) OF SCHEDULE 1 TO THE HOUSING AND REGENERATION ACT 2008 (CONTINUED)

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% 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 paragraph 1(h) of Schedule 1: 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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