Homes England

Making homes happen

2021 22

Annual Report and Financial Statements

HC 532

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Annual Report and Financial Statements 2021/22

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[1]The Homes and Communities Agency is an executive non-departmental public body and statutory corporation created by the Housing and Regeneration Act 2008 (as amended by the Localism Act 2011), trading as Homes England. It is sponsored by the Department for Levelling Up, Housing and Communities. This Annual Report & Financial Statements presents the audited consolidated results of the 2021/22 Financial Year for the group of entities of which Homes England is the parent. The Homes England Group is consolidated into the 2021/22 Financial Statements of the Department for Levelling Up, Housing and Communities.

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Contents

CHAIR'S FOREWORD

Peter
Freeman CBE

During the past year, Homes England has continued to develop its capability and deliver government policy. Against a challenging economic background, we've continued to maximise the delivery of new homes across the country for people with a wide variety of needs.

Whilst boosting housing supply across England remains an important focus for the Agency, our role is increasingly about more than making homes happen – it is about creating sustainable, thriving places that foster a sense of community and pride and can better connect people to employment opportunities and provide the amenities they need.

This was made clear in the Levelling Up White Paper, published earlier this year, which – among other things – set out our role in achieving the Government's plans to reduce economic disparity and create equal opportunities across the country to ensure communities reach their full potential. It specified that Homes England would be repurposed to have a more explicit and material focus on the regeneration of towns and cities, in addition to our existing housing supply and home ownership functions. Places and people are at the heart of our future approach.

We welcome this enlarged mandate. We also understand that quality and good design is at the heart of creating sustainable, successful communities, and that the way we develop neighbourhoods, towns and cities is key to our safety and our health and wellbeing, as well as to our economic growth.

Property-led regeneration – especially in an urban context – is in our DNA. The regeneration of Warwick Bar, a collection of derelict and brownfield sites that we've assembled in recent years in Birmingham's Digbeth district, is just one example. In February, we agreed a Memorandum of Understanding with development firm Digbeth Loc Limited and their partners to help bring the MasterChef studios out of London to our Warwick Bar site. Moving a major TV production facility out of London to the heart of the West Midlands will create unparalleled new opportunities, jobs and investment, kickstarting a new creative heart for Birmingham and setting the stage for others in the industry to follow.

Large scale regeneration projects such as this aren't possible without the Agency working closely with private sector partners. That's why in March we reconfirmed our commitment to the English Cities Fund, our long-term partnership with Legal & General and Muse to transform deprived urban areas and create exceptional new places across England, for a further 10 years to December 2036. Not only will this enable an additional 6,600 homes to be built, but it means the partnership can continue to reinvest its capital into new, long-term urban regeneration schemes that will support the Levelling Up of towns and cities.

As we pivot our operations to best support the Government's Levelling Up ambitions, we know that a more place-based way of working will be key. We're focusing on how we can use our extensive statutory and soft powers to partner with local leaders to unlock barriers and drive forward regeneration.

Our role is increasingly about more than making homes happen – it is about creating sustainable, thriving places that foster a sense of community and pride and can better connect people to employment opportunities and provide the amenities they need.

For example in Sheffield, we've been working closely with local stakeholders to develop a bespoke housing solution. Last December we formed the Housing Growth Board in partnership with Sheffield City Council, South Yorkshire Mayoral Combined Authority, the Sheffield Property Association, and local housing associations to work collaboratively and establish new ways of partnership working to support the delivery of more new homes in Sheffield.

In Wolverhampton, the Agency is working with the City of Wolverhampton Council and the West Midlands Combined Authority to utilise collective expertise and investment tools to unlock new homes; exploring how a delivery vehicle, supported by investment from the partners, might create new residential and commercial uses in the City Centre. While in Blackpool, Homes England has been formally commissioned to conduct the Blackpool Regeneration Study. The study, agreed with government and Blackpool Town Council, will establish a comprehensive evidence base for physical regeneration of the built environment in Blackpool, which will underpin the development of opportunities for investment for reshaping inner Blackpool.

We've also launched a new pilot initiative, Strategic Place Partnerships. We've signed Memorandums of Understanding with the Association of South Essex Local Authorities and Greater Manchester, which will see us working collaboratively with these places to jointly prepare a business plan, agree priorities, create a shared pipeline of opportunities for intervention and to make best use of our existing resources.

In addition to bringing the private and public sector together to deliver transformative regeneration projects, we work together to support the delivery of new, mixed-tenure affordable housing. In particular, we're committed to demonstrating the potential of the sector to institutional investors.

That's why we invested £20m in Man Group's Community Housing Fund last Spring, part of a wider equity raising exercise by Man to build a £400m fund to deliver over 3,000 new homes. The Fund is a game changer for collaboration between housing associations and institutional investors, and our participation will be a genuine catalyst for inward investment for new affordable homes.

The Agency has also supported more than 32,000 households into home ownership through Help to Buy over the last year, successfully transitioning from the original scheme to the 2021-2023 programme. As the scheme draws to a close in March 2023 and our role evolves into one of long-term stewardship of the Help to Buy portfolio, our priority is on maintaining our exemplary delivery to customers. Help to Buy was introduced ten years ago as a short-term intervention following the global financial crisis. It's important to reflect on the incredible scale of intervention delivered over these years to people who needed help to access their own home, and I'd like to take a moment to thank all of our Help to Buy staff for their continued dedication.

Five years on from Grenfell the country still has a big job to do in order to make tall buildings safe for residents and to get the housing market moving again for people who can't sell. I'm pleased that we were asked to partner government in managing the Funds dedicated to remediating unsafe cladding systems. We will continue to apply our expertise in this area and be part of the Government's efforts to address the issues facing leaseholders, working to reduce their important concerns regarding their safety and financial position.

Last year the Agency welcomed a new Chief Executive, Peter Denton. I'd like to officially welcome him to the Agency, and to thank Gordon More for stepping up as Interim Chief Executive and providing strong leadership in the months leading up to Peter's appointment.

Royal Hospital, Wolverhampton
Image source: City of Wolverhampton Council

Homes England Graduate and Apprentice network visited the Birmingham Warwick Bar site.
Image source: Daniel Brown, Homes England

Slingsby Place, Sheffield
Image source: Will Roberts

Peter Denton's experience in leading change at Hyde, combined with his clear social commitment, his exceptional experience in commercial finance and his passion for innovation made him the ideal candidate to lead the Agency through its next stage. He also brings experience in shaping a positive and diverse workplace culture, which is invaluable as we continue to advance our equality, diversity and inclusion agenda. He's already had a clear impact on the organisation, and I'm confident in his ability to lead the Agency as we pivot our strategy and operations to meet the Government's housing and regeneration objectives.

To help steer the Agency through this change, we've also appointed four new Board members this year, including a former housing minister, a housing association CEO, Newcastle City Council's last CEO and a board member of a FTSE100 company. Lord Ian Austin of Dudley, Mark Henderson, Pat Ritchie CBE and Lesley-Ann Nash all bring a wealth of skills, knowledge and experience to the Board. Having Board members with a diverse set of skills and experience from across the sector will ensure the Agency's activity is even more impactful to the people, businesses and communities we serve. The other Board members and I are really looking forward to working and collaborating with them as the Agency works to deliver on the Government's housing and regeneration ambitions.

We know the next year will bring its challenges, with continued economic uncertainty fuelled by the situation in Ukraine, and we've discussed the key macro-economic risks in more detail within this report, but I believe the Agency is in a good position with strong leadership to help navigate these challenges.

Finally, I'd like to take a moment to say thank you to all of Homes England's staff, and everyone who has worked with the Agency in the last year, for your continued, tireless commitment to supplying new homes, creating vibrant places and championing quality and sustainability.

As we look to the year ahead, our aim is to become an even stronger agency; supporting the Government's Levelling Up agenda and using resources to work strategically across the country to create high quality homes, economic growth, and long-term place-based partnerships.

North Wingfield Road, Derbyshire
Image source: Daniel Hopkinson Architectural photography

Canalside South, Wolverhampton
Image source: City of Wolverhampton Council


1

PERFORMANCE REPORT

Contents:

PERFORMANCE OVERVIEW

This section is designed to give the reader sufficient information to understand Homes England, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

CHIEF EXECUTIVE'S STATEMENT

Peter
Denton

As my first year at Homes England draws to a close, it's impossible to reflect back without thinking about what's to come.

In recent years, our primary role has been to support the building of new homes. We've formed a vital link between national policy and delivery on the ground in towns, cities and rural communities, working with public and private sector partners to find the best solution for the different housing challenges the country is facing.

But in February, the Government's Levelling Up White Paper made it clear that the Agency's remit is set to expand, with an enhanced focus on regeneration and placemaking. This means we will not only deliver the homes this country needs, but we will also work with partners to revitalise run-down and derelict sites in order to bring confidence, pleasure and pride back to our town centres.

With a renewed focus on regeneration, a more place-based way of working will be central, bringing together all our tools and capabilities to support local leaders to deliver their vision for their towns, cities and rural communities.

Work is already underway to explore how we might do this. The scale of ambition and the breadth of expertise within both the Agency and our many partners across the industry are some of the reasons I wanted to be Chief Executive of the Agency. As we prepare to enter this new phase, it's clear that we're building on a really strong foundation that the Homes England team has created.

Our performance

Against a backdrop of continued economic uncertainty, we've sought to maximise our delivery performance over the last year. Despite these headwinds, we've directly supported the completion of 37,632 new homes, 26,953 of which are affordable. 25,279 new homes have been built that would not have happened without Homes England intervention, and we've unlocked land with capacity for more than 58,900 homes to be built.

The Agency's activity is not immune to wider market conditions. Capacity issues in the planning system, nutrient neutrality challenges, and material and labour shortages with increased associated costs have caused delays to housing provisions, impacting the Agency's delivery against its KPIs. These challenges have not resulted in lost delivery, and across the longer-term Homes England remains on course to achieve its objectives.

However, continued uncertainty could have potentially significant consequences for our equity and loan portfolio. The increase in the cost of living is one of the factors that could lead to a slowdown in the housing market, and perhaps even a reduction in house prices – prices continue to grow at present, but this growth has slowed in recent months. As specifically discussed in the Impact of Macro-economic uncertainty section of this report, if there is a decrease in house prices, this would lead directly to a reduction in the future market valuation of the Agency's home equity loan portfolio. Any fall in house prices could lead to a disproportionately large reduction in its market value, due to Homes England's equity ranking behind the mortgage from the primary lender. Rising costs could also lead to an increase in customers defaulting on their first-charge mortgages or being unable to meet interest payments, which could also lead to a reduction in the future market valuation of the portfolio.

With a renewed focus on regeneration, a more place-based way of working will be central, bringing together all our tools and capabilities to support local leaders to deliver their vision for their towns, cities and rural communities.

The potential impact of key macro-economic risks is discussed in more detail in the Impact of Macro-economic uncertainty section of the report.

The annual independent Assurance Opinion for 2021/22 has improved to provide a moderate level, following significant cross-agency change to improve the control environment. We're pleased with this progress but recognise that the organisation will continue to face challenges in the external environment, and that we need to be ready to address these potential future risks. Work is already in train to address these issues and we will continue to focus our efforts on ensuring that enables us to effectively manage our risks and achieve our mission.

Delivery successes

What makes being at the Agency exciting is our ability to intervene in the housing market in different ways, across different economic cycles. In the last year, we have closed two flagship funds with very solid results.

We closed the Shared Ownership and Affordable Housing Programme 2016–2021. To date, the programme has successfully delivered over 110,000 starts with 80,000 completions – the remaining starts will be delivered in the next financial year, and all completions will be achieved by 2023/24. Our latest forecasts show that we're on track to exceed the overall programme lifetime target of delivering 130,000 affordable homes.

The impact of this cannot be underestimated. We heard earlier this year how The Buchanan Trust is using affordable homes grant funding to transform a redundant farmyard into six new, mixed sized accessible homes for former service personnel living with physical injuries or reduced mobility. The homes are built around a courtyard, helping to create a sense of community, and enabling the veterans to support each other as they start to think about their futures. Affordable homes grant funding makes schemes like this possible. Behind each scheme we support, there's someone – often a whole family – getting the stability and security that comes with a safe, secure and decent home of their own.

We're now building on this success with the Government's Affordable Homes Programme 2021-26. Through the Programme, we're providing £7.32bn in grant funding to help build up to 126,000 affordable homes outside of London by March 2026. In September, we committed


One of the first residents receiving their keys to The Buchanan Trusts newly completed North Farm Complex.
Image source: The Buchanan Trust


A redundant farmyard which has been transformed into four new homes with the help of a £152,000 grant from the Government's Affordable Housing Programme.
Image source: The Buchanan Trust

Behind each scheme we support, there's someone – often a whole family – getting the stability and security that comes with a safe, secure and decent home of their own.

almost £5.2bn of this through 31 new strategic partnerships with 35 organisations, which will contribute to the delivery of almost 90,000 affordable homes, as well as enable around 100,000 non-grant funded homes.

For the first time, our strategic partners include for-profit registered providers and developers, enabling us to tap into the appetite, experience and capacity to deliver affordable housing that exists beyond housing associations.

In the last year, we have also closed the Home Building Fund Short Term Fund to new applicants. This provides development finance to small and medium housebuilders struggling to access finance from the market. Designed to deliver 57,200 new homes, the Fund has already seen more than 46,000 new homes built since it launched in 2016, and we're currently projecting to have delivered around 65,000 new homes across the lifetime of the programme – again, exceeding the initial target. This is all in addition to already returning £700 million of residual funding to HMT for repurposing.

As well as bolstering house building in England, the fund has helped to diversify the housing market by supporting small and medium builders like Rhodes Homes. As a new entrant, Rhodes Homes was struggling to access finance to convert a disused Mill in Morley, Leeds, to 11 much-needed three bed townhouses, as well as build three additional new homes. We seized the opportunity to regenerate a stalled brownfield site, and were able to provide £1.85m of development finance to help Rhodes Homes bring the Mill back to life. The homes have now all sold, and Rhodes Homes is seeking larger brownfield schemes to develop in the West Yorkshire area. Through the fund, we've been able to help hundreds of small builders grow their business in this way.

We've also used the funding to develop more sophisticated financial arrangements with the private sector, leveraging their support to increase the amount of funding available to the housebuilding sector. Last September, we partnered with Lloyds Banking Group to commit £300 million equity funding to the Housing Growth Partnership II (HGP), a new fund designed to support Small to Medium Enterprise (SME) housebuilders with the development of 10,000 new homes by 2025. We also launched the Regional Growth Initiative – a new scheme that enables HGP to commit a higher level of dedicated equity support to the most ambitious SME housebuilders in the UK, allowing them to invest in and grow their businesses and target larger and more strategic sites. The first five regional partnerships are already in place across four different regions of the UK with Genesis Homes, Durkan Homes, Stonewood Partnerships, Briar Homes and Cruden Homes.

This level of support for small and medium housebuilders will continue through the Levelling Up Home Building Fund, which launched in February and will provide development loans to small and medium housebuilders like Rhodes Homes, as well as invest with specialist lenders.

Supporting home ownership

Of all our programmes, Help to Buy arguably has the most immediate impact on people; it has helped over 350,000 households into home ownership since its launch in 2013. The last year has seen the closure of the original Help to Buy: Equity Loan scheme and the launch of the 2021-2023 scheme, a transition that involved contracting and carrying out due diligence on 4,000 homebuilders, as well as updating application processes, operational procedures and customer information from the old scheme to the new. Once again, the Agency has delivered in excess of its targets, with a spend of £2.4 billion and 32,000 homes supported.

As we prepare for the closure of the scheme in 2023, our focus is on ensuring our partners and our customers understand relevant deadlines and what this means for them.

Lea Castle Village
Image source: Vistry Partnerships

Whilst not our traditional core business, we have played a key role as a government delivery partner in managing public funds made available to ensure high rise buildings have unsafe cladding systems remediated as quickly as possible and residents made safe. The first Fund has enabled the remediation of buildings with Aluminium Composite Material (ACM) cladding in the social sector and is drawing to a conclusion with only a handful of registered provider buildings yet to reach completion.

The second Fund to launch, focussed on buildings with ACM in the private sector, is moving into a final phase with almost all affected buildings now on site with their remediation work and a significant number complete. The third, Building Safety Fund (BSF), for other types of unsafe cladding is by far the biggest challenge with a much greater number of affected buildings; we are currently managing over 300 applications for BSF funding with potentially more to come.

In 2022/23, Homes England is working with Department of Levelling Up, Housing and Communities (DLUHC) on measures to extend remediation funding to the large cohort of residential buildings which are 11-18 metres tall, where the cladding system presents an unacceptable risk to life-safety, and which do not have an alternative source of funding to make them safe.

Design and sustainability

In addition to making sure the homes the country needs are built where they are most needed, we're committed to creating sustainable and well-designed places that protect and enhance the natural environment. The Agency is undertaking several strands of work to support this.

We're using our land and development expertise to support a series of trials for the new Future Homes Standard (FHS), which is expected to come into effect from 2025. The findings from these trials, expected to be available from 2023 onwards, will be shared with the industry to support developers to prepare for the FHS.

We also use our funds to promote good design and sustainable practices. In October, we teamed up with Octopus Real Estate to create the Greener Homes Alliance, a £175 million fund (of which we've committed £46 million) that will provide loan finance and expert support to SME housebuilders to enable them to build more high quality, energy efficient homes throughout England. The Alliance will support the construction of up to 750 new homes whilst also equipping SME housebuilders with knowledge and expertise around low carbon construction, allowing them to build to higher environmental standards, now and in the future.

In addition, in August, Lea Castle Village became Homes England's first site to gain Building with Nature accreditation, a voluntary scheme that sets out standards for high quality green infrastructure at each stage of the development process.

Local capacity

We know that supporting local government partners to deliver their housing ambitions is central to creating great places. That's why we launched the Local Government Capacity Centre (LGCC) in May 2021, to develop, curate and design offers for local government with the aim of increasing capacity and skills.

Since then, LGCC has run two Learning Programmes for local government officers. Homes England presenters were joined by local authorities, consultancies, private and public sector partners and DLUHC. All 2,790 online places on the 11-session Summer Learning Programme booked out within a week, and the 12 Winter Learning Programme sessions attracted 7,381 registrants from 280 different local and combined authorities, demonstrating that there is a real need and demand for this type of support from our local government partners.

The LGCC has also led the Agency's investment in not-for-profit Public Practice, a social enterprise with a mission to build the public sector's capacity to improve places through placing experienced built environment professionals in authorities. That funding will be crucial to supporting Public Practice's expansion outside of London, helping them to bring their vital services to public sector organisations across the UK.

As we shift our capabilities to better support places, working closely with, and supporting, local government will become an even more crucial part of our work, and the LGCC's work to date has put us in good standing for this.

Culture and diversity

Creating an inclusive and diverse culture is something that is incredibly important to me and the broader Executive Leadership Team. Our latest Gender Pay Gap report, published at the end of March 2022, shows that our gender pay gap continues to decline – as of 31st March 2021 our medium figure was 7.9%, compared to 15.3% in March 2020. But, whilst we celebrate this success, our focus has to be on further closing that gap.

This year will see the publication of Homes England's updated People and Culture framework. Key to improving the Gender Pay Gap and diversity overall is to ensure a fair and equitable environment at Homes England in which everyone can bring their whole self to work. A focus on diversity in the recruitment and talent attraction strategy will continue to support the downward trend.

In 2022 we will also begin reporting on the Ethnicity Pay Gap and enlisting the support of an Equality, Diversity and Inclusion working group which is representative of our workforce. The group will guide Homes England's strategy to promote an environment in which Equality, Diversity and Inclusion is built into the foundations of the decision-making process within the organisation.

I'm pleased to report that our health and safety performance has remained strong through 2021/22. Key achievements are set out later in this report, but for the fourth year running our Accident Incident Rate was zero per 100,000 employees. We also met or exceeded all 18 of the Agency's annual corporate health and safety targets for completing risk assessments, training, site inspections and audits.

Finally, I would like to personally thank my colleagues across the Agency for their hard work and determination over the last year. I'd also like to thank our partners across the sector for their continued innovation, collaboration and support – it's only by working together that we'll be able to deliver our housing and regeneration ambitions for the country. We look forward to continuing to work with you to achieve this in the next year.

ORGANISATIONAL OVERVIEW

Who we are

Homes England was established by government in 2018 to increase the supply of quality homes, improve affordability and help create stronger, more liveable places. We are a national agency with experts based across the country.

Constitutionally, we are a non-departmental public body sponsored by the Department for Levelling Up, Housing & Communities (DLUHC). Our statutory objects are contained in the Housing and Regeneration Act 2008.

We're governed by a Board, appointed by the Secretary of State for DLUHC, and led by chair Peter Freeman. Our Chief Executive and Accounting Officer, Peter Denton, leads an executive team that includes specialists in land, investment, finance and risk management.

We work in collaboration with partners who share our ambition. These include Local Authorities, private developers, housing associations, lenders and infrastructure providers. Our activities are always in response to local needs, in cases where the market alone cannot deliver, and robust leadership ensures we deliver best value for money in all of our interventions, including those delivered with partners.

Our statutory objects

These are set out in the Housing and Regeneration Act 2008, and are:

- to improve the supply and quality of housing in England;
- to secure the regeneration or development of land or infrastructure in England;
- to support in other ways the creation, regeneration or development of communities in England or their continued well-being; and
- 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.

Following the launch of Homes England in January 2018, in addition to our statutory objects, we launched our new Mission and Strategic Objectives, aligning Homes England to the Government's housing priorities, and have been flexing them to meet new priorities as they emerge.

Unlocking land

We'll unlock public and private land where the market will not, to get more homes built where they are needed.

Driving market resilience

We'll create a more resilient and competitive market by supporting smaller builders and new entrants, and promoting better design and higher quality homes.

Unlocking investment

We'll ensure a range of investment products are available to support housebuilding and infrastructure, including more affordable housing and homes for rent, where the market is not acting.

Increasing productivity

We'll improve construction productivity.

Delivering home ownership products

We'll effectively deliver home ownership products, providing an industry standard service to consumers.

Supporting local areas

We'll offer expert support for priority locations, helping to create and deliver more ambitious plans to get more homes built.

Our mission is to intervene in the market to ensure more homes are built in areas of greatest need, to improve affordability. We will make this sustainable by creating a more resilient and diverse housing market.

Market disruption and managing risks

As an organisation, Homes England has an ethos of delivering for the public good in the long-term. It is required to be active in areas of regeneration and the residential market which are considered unattractive by private sector organisations. A substantial portion of the activity required to deliver our Strategic Plan carries an inherently higher risk than the activities of commercial organisations in the broader market. The nature of our approach to the market is underpinned by our risk management strategy whereby we adopt best practice in managing risk, while taking risks to fulfil public policy objectives.

We continue to deliver an important and significant programme of change, under the Evolve portfolio. The Evolve portfolio programmes will provide the Agency with the right tools, data, skills, and ways of working to enable us to deliver against our strategic objectives. During 2021/22, the Evolve portfolio has been reset and mobilised, in response to the business impacts from the COVID-19 pandemic. The Evolve Portfolio has been formally integrated into the Digital Directorate, providing a clearer line of oversight, increased cooperation between teams and reduced siloed working. The Evolve Portfolio will continue to deliver and enable change throughout 2022/23.

Our governance structure provides points of escalation for risks and issues from the operational layers of the business and duly empowered fora and individuals, with the required delegated authority to make, and be held accountable for, risk management decisions. The Executive Team is responsible for managing risk in the organisation, overseen by Homes England's Board and specialist Audit, Assurance and Enterprise Risk Committee. The individual members of the Executive Team also own those risks which have been identified as Principal Risks facing the Agency and are accountable for their appropriate management and mitigation.

See our Corporate Governance Report to understand how we manage risk and a description of our Principal Risks.

Impact of Macro-economic uncertainty

Homes England produces a range of economic forecasts to help manage financial risk. The forecasts are based on a combination of scenarios from the Office of Budget Responsibility (OBR) and Oxford Economics (OE), a global independent forecasting organisation.

The scenarios account for the key macro-economic risks and uncertainty facing the Agency. They encompass:

- a central scenario carried out against the backdrop of the conflict in Ukraine;
- an upside scenario which assumes that fading coronavirus concerns drive a more rapid return of confidence; and
- a downside scenario of protracted war which assumes that the conflict in Ukraine lasts well into 2023.

These scenarios are applied by Homes England to its portfolio of assets, to assess the financial implication on the portfolio and for the delivery of Homes England's objectives.

The valuation of the Agency's assets may be estimated with reference to key market indicators, such as house price growth, economic growth and unemployment. This is the case for financial assets measured at fair value and land and property assets. Similarly, expected credit loss forward looking models for assets held at amortised cost are calculated with reference to these same economic metrics.

Impact on Help to Buy portfolio

The Help to Buy portfolio is particularly sensitive to market risk from changing house prices. Decreases in house price lead directly to a reduction in the market valuation of the Agency's home equity loan portfolio. Large falls in house prices could lead to a disproportionately large reduction in the market value due to Homes England's equity ranking behind the mortgage from the primary lender.

Regional and property type concentration exists within the home equity loan portfolio, and divergences in house price between regions are a source of additional market risk (for example, an adjustment to the prices of London flats).

A fall in house prices might also lead to a reduction in the ability for customers to re-mortgage or to redeem their equity loan share, either due to being constrained by loan to value requirements or the removal of products from the marketplace. This would lead to a slowing in the redemption rate on the equity loan portfolio which, in turn, would result in a higher yearly interest fee income return on the portfolio and interest fee income being generated over a longer time period.

As movements in house prices are directly related to the market value of the Agency's home equity loan, a fall in house prices may result in an increase in customers redeeming to crystallise the lower equity value. However, refinancing options in the marketplace are likely to be limited in this scenario, reducing customers' ability to exit.

The Agency performs a market risk analysis (note 15) which considers how the valuation of this portfolio would change with movements in house prices and a further sensitivity analysis (note 16a) which looks at the key modelling assumptions and illustrates the effect of varying them.

Impact on recoverable investment portfolio

For the recoverable investment portfolio, comprising loans, debt and equity, the main type of security held is land. Falling land values would therefore result in increasing Expected Credit Loss (ECL) estimates on loans held at amortised cost, although the effect on the ECL would not be material due to the Loss Floor of 35% being applied to the calculation at 31 March 2022. If land prices were to decrease by 10%, it is estimated that this would result in an increase in the ECL of £0.4m. Falling house prices, particularly if combined with increasing developer costs, would result in loans becoming less viable, leading to an increased risk of default. This may in turn lead to a further increase in the ECL estimate for loans held at amortised cost.

Falling house prices would likely be combined with falling demand for housing, resulting in delays to delivery on the recoverable investment portfolio, and could impact project viability if sales cannot be recycled into the funding required to maintain project development.

Potential impact on asset valuations from alternative economic scenarios during 2021/22

To aid users of the accounts in understanding the potential risks posed by future macro-economic uncertainty to the assets managed by the Agency, we have used the scenarios developed by the OBR and OE to estimate the impact on the Agency's key asset classes. By applying relevant metrics from these scenarios we can model the potential impact of ongoing market uncertainty on assets disclosed in the 2021/22 Financial Statements.

Home Equity Loans (including Help to Buy)

For home equity loans, the principal driver influencing changes to the valuation of assets are house prices. To demonstrate the potential impact on the portfolio of house price changes, the forecast house price movements used to inform the Agency's downside economic scenario have been applied to the valuation. These forecasts predict a low point in house prices in Quarter 3 of 2024/25, with the movement in house prices forecast to reduce by 8.28% from reporting date to the lowest point. For the portfolio that exists at 31 March 2022, the estimated effect would be to result in a reduction in the valuation of the portfolio from £18,640m to £17,081m, a reduction of £1,559m.

Loans

For loans measured at amortised cost, the ECL reflects a weighted average of the outcomes which might be expected under each of the three scenarios. To model the effect of each scenario individually we have considered the outputs from each individual scenario ECL calculation. In addition, we have considered whether the credit-risk stages of assets (based on an assessment of Significant Increase in Credit Risk (SICR)) might change under each scenario.

We have modelled the impact under each scenario if all assets were moved to stage 2 (indicating a significant increase in credit risk for all assets), with the modelling for the downside scenario producing an increased ECL of £104.7m under these assumptions.

	ECL as applied in the Financial Statements (£m)	**ECL if SICR stages are adjusted to stage 2 for 100% of portfolio (£m)**
Upside scenario	16.0	38.3
Central scenario	38.4	71.2
Downside scenario	53.7	104.7

For loans measured at fair value through profit or loss (FVTPL), the fundamental contractual nature of these loans and primary exposure to variation in returns is comparable with loans measured at amortised cost, and so the ECL percentages estimated for the loans measured at amortised cost are considered to be a suitable measure to estimate loss allowances on loans measured at FVTPL. The valuation of loans measured at FVTPL was £467.8m at 31 March 2022.

	Estimated ECL on loans measured at FVTPL using ECL percentages applied to loans measured at amortised cost	**Estimated ECL on loans measured at FVTPL using ECL percentages applied to loans measured at amortised cost, assuming all assets move to Stage 2**
Upside scenario	5.2	12.4
Central scenario	12.4	23.0
Downside scenario	17.3	33.8

Land

The carrying value of the Agency's land and property portfolio at 31 March 2022 is £1,169m (net realisable value £1,576m). Subjecting these values to metrics for downside, central and upside scenarios, shows the land and property portfolio increasing over the next 12 months in all cases. Therefore, within the downside scenario, we have modelled the expected impact based on land price indices and house price indices from now until the lowest point in the medium term, 2024/25. This provides the clearest indication of the downward pressures on the land and property portfolio.

Within the downside scenario from now to the lowest point in 2024/25, there is an expected reduction in house prices of 8.28%. This translates into a reduction in value of the land and property portfolio of £66m from the current position. From now until the floor in 2024/25, there is an expected reduction of 1.53% in land prices. This translates into a reduction in value of the land and property portfolio of £12m from the current position.

Further analysis of the sensitivity of significant valuation modelling assumptions, which include more severe scenarios, has been carried out in note 16 of the financial statements.

Given current macro-economic uncertainties it is possible key contributing economic factors could have a greater impact than the scenarios presented.

Homes England site tour of Coombe Farm, Saltdean
Image source: Man Group

Future impact of Macro-economic uncertainty

We manage our performance and Key Performance Indicator (KPI) delivery as a portfolio. The risk profile and uncertainty attached with specific projects is spread over the portfolio enabling us to effectively manage risk and uncertainty. Delivery of our performance is secured through partners who independently manage their own risk and uncertainty. Partner delivery represents an additional factor that can impact our performance and requires the Agency's proactive management.

The Agency operates an early warning and watch systems for our lending facilities which provides alerts where individual positions are showing signs of increased pressure. It also provides an overview which allows active management where the economy is showing signs of additional strain or where there are other issues that can affect delivery, cashflow and repayment. In response to current uncertainty, we are reviewing our processes and resources to ensure they are adequate to manage emerging risks to our investments in a downturn, should one occur.

We continue to work closely with DLUHC and other stakeholders to gather and share market intelligence to understand the emerging challenges the sector faces and respond appropriately.

Going concern

Homes England's net asset position takes into account liabilities falling due in future years, which, to the extent that they are not to be met from Homes England's other sources of income, may only be able to be met by future grants or grant in aid from our sponsoring department, the Department of Levelling Up, Housing, and Communities. Grants may not be issued in advance of need and grant in aid for the year ending 31 March 2023, taking into account the amounts required by our liabilities falling due in that year, has been approved by Parliament.

As Homes England and our sponsoring department have previously agreed a rolling five-year business plan and delegated authority limits for the period, the Board considers it appropriate to adopt a going concern basis for the preparation of our Financial Statements.

PERFORMANCE SUMMARY 2021/22

Leading the sector by building our capacity and living our values

Welcomed our new **Chief Executive, Peter Denton,** marking a new phase for the Agency.

Invested in

PUBLIC
PRACTICE

the social enterprise with a mission to build the public sector's capacity to improve places, to help it expand across the country.

Welcomed **four new Board members,** with a diverse range of skills, passion and experience to guide the Agency in its next phase.

Launched our Local Government Capacity Centre to help increase housing capacity and skills in local government. So far, we've hosted **23 online Learning Sessions** for local government officers.

Updated our procurement process with the introduction of the **Delivery Partner Dynamic Purchasing System,** opening opportunities to a wider spectrum of housebuilders.

We've helped more than

350,000 households

become homeowners since the launch of the Help to Buy equity loan scheme in 2013.

We've closed the original Help to Buy scheme and **launched the Help to Buy 2 scheme** – a transition that involved contracting and carrying out due diligence on 4,000 homebuilders as well as updating application processes, operational procedures and customer information from the old scheme to the new.

Help to Buy

Unlocking development across the country

Delivered
38,562
starts on site.

25,279
new homes
have been built that would not have happened without Homes England intervention.

Directly supported the completion of
37,632
new homes, including **26,953 affordable homes.**

Unlocked land with capacity for over
58,993
homes to be built.

Committed **£5.2 billion in affordable housing grant** through 31 new strategic partnerships with 35 organisations to deliver nearly
90,000
affordable homes.

Recommitted to the English Cities Fund, our long-running partnership with **Muse Developments** and **Legal & General** to deliver transformational regeneration, for a further 10 years. This will allow for an additional **6,600 homes** to be built, and enable us to reinvest capital into new, long-term urban regeneration schemes, starting with St Helens and Salford.

THE ENGLISH CITIES FUND

Lea Castle Village became our first site to gain **Building with Nature accreditation.**

Launched our **£175m Greener Homes Alliance** with Octopus Real Estate to support SME housebuilders to build high quality, energy efficient homes.

Invested £20 million into Man Group's Community Housing Fund, Man Group's £400 million fund to deliver over **3,000 new homes.**

Committed £123.9 million of infrastructure funding to deliver **4,000 new homes,** a mixed-use centre, two primary schools and a range of open spaces in the new town of Northstowe.

Launched our **Housing Growth Partnership II with Lloyds Banking Group,** with £300 million equity funding for SME and regional housebuilders to support the delivery of **10,000 new homes by 2025.**

Submitted an outline planning application for over **5,500 new homes** for Langley in Sutton Coldfield, Birmingham, as part of a **new Sustainable Urban Extension.**

PERFORMANCE ANALYSIS

The purpose of the performance analysis section is to highlight Homes England's performance against both key indicators and prior year results. We also outline any factors which may have limited our ability to achieve our targets both internally to Homes England and within the market and economy.

PERFORMANCE REVIEW

Sustained delivery performance despite strengthening economic headwinds.

Throughout 2021/22 we have continued to intervene and positively support the market by enabling the build of 37,632 new homes, supporting households to buy their own home and unlocking land that will deliver 58,993 homes in the future.

Our performance this year has reflected the evolution of the programme portfolio with a slight uptick in completions and starts due to several programmes reaching peak delivery. We have seen a decline in unlocked housing capacity as our funding commitments have reduced on our infrastructure programmes, whilst households supported into home ownership continues to track market demand.

At the start of 2021/22 we set a series of stretching targets that assumed a recovering and positive economic environment following the pandemic and the prompt launch of new programmes. We expected our completions

We enabled
37,632
new homes to be built

We unlocked land that will deliver
58,993
homes in the future

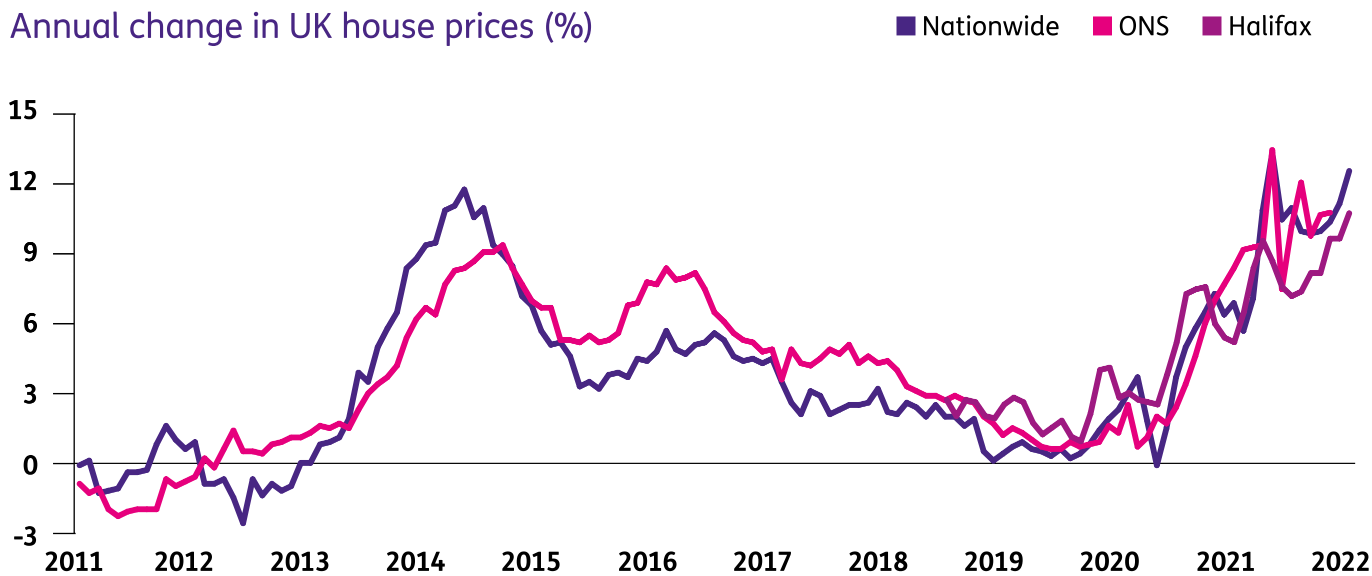
to increase by 27%, with affordable housing expecting an increase of c. 10,000 completed homes from 2020/21. Starts were set to increase by over 30% based on plans to launch the new Housing Delivery and Diversification programme announced at SR20 and the strong pipeline of projects.

Output	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Target
Completions	31,094	33,906	40,086	40,345	34,995	**37,632**	**44,275**
Starts	41,150	42,151	45,978	47,808	37,330	**38,562**	**48,810**
Unlocked Housing Capacity (UHC)	51,252	39,322	35,500	115,454	170,276	**58,993**	**94,863**
Households Supported	43,820	53,242	61,271	61,260	64,475	**Awaiting final Help to Buy statistics release**	**42,184**

Setting the Scene: Economic Conditions and Risks

After the flurry of property transactions following the period of retrenchment in 2020/21, resultant from the COVID-19-induced lockdowns and fiscal policy, 2021/22 has seen the demand in the housing market continue, with on-line portals and surveyors reporting buyer demand and sales subject to contract well above pre-pandemic levels and mortgage approvals for new purchase remaining strong. House prices continue to grow with few signs of cooling, as low stock availability supports rising prices.

Annual change in UK house prices (%)



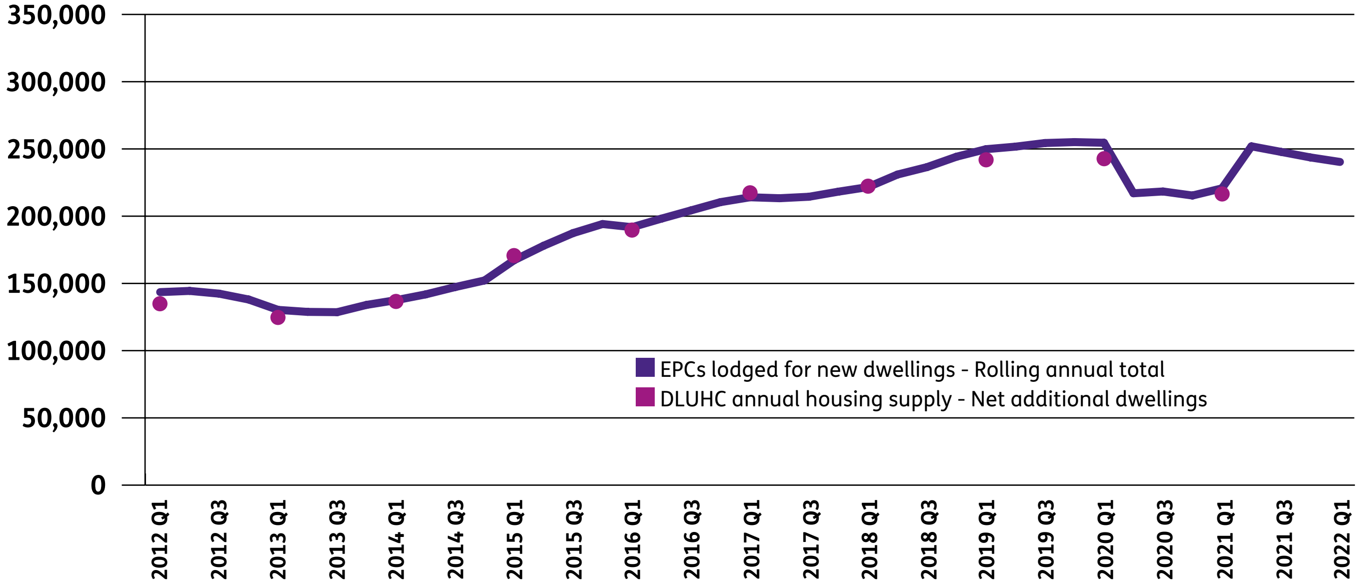
Source: Office for National Statistics (ONS) / Nationwide / Halifax, Homes England Analysis

Over the past year, the market has seen starts on site activity reaching pre-pandemic levels.

There has been a pronounced shift in the size of site coming forward, with smaller developments becoming more popular. Completion of larger developments during 2020/21 has contributed to this shift, alongside rising land prices. The rise in land prices has seen higher competition on smaller sites, with the volume builders competing for short-term land banks, which are usually of interest to housing associations and smaller builders.

Whilst the market has seen starts activity return to 2019 levels, the rate of completions has experienced a slower return due to greater challenges. Energy Performance Certificates (EPCs) remain a good proxy for housing completions and net additions to the housing stock. Across 2021/22 there were c. 240,000 EPCs registered for new homes. This is c. 20,000 above the 2020/21 total, however, remains below 2019/20 levels by 5.7%. The recovery to pre-pandemic levels has been hindered by tailwinds from COVID-19 with the ‘pingdemic’ and self-isolation rules impacting on the volume of tradespeople available on site to finish the homes.

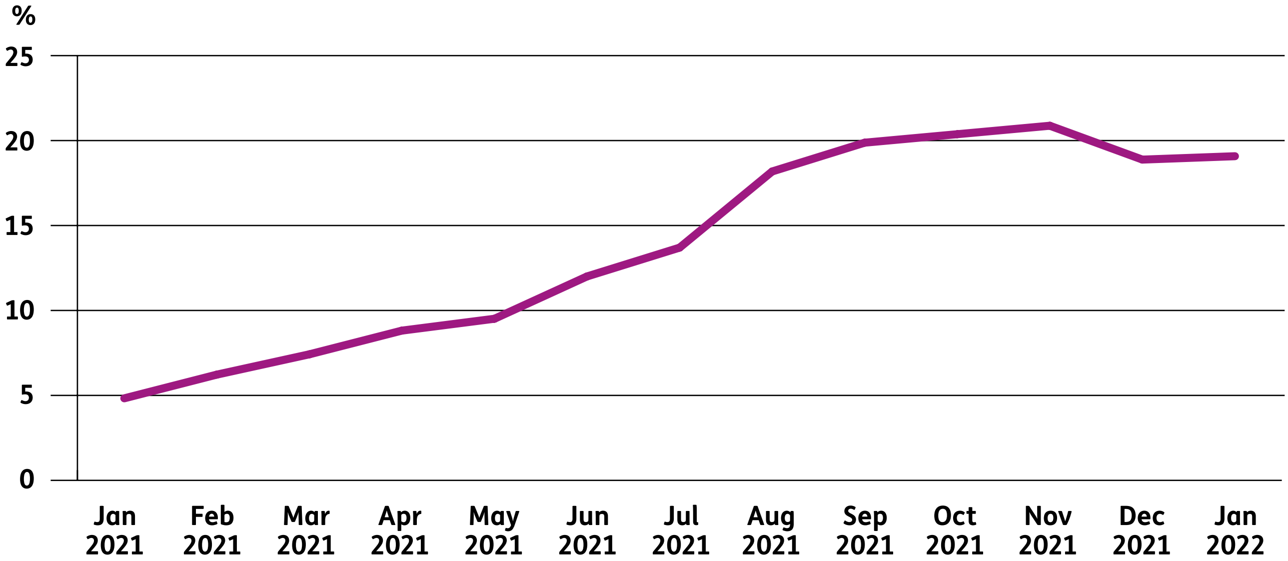
New housing supply, net additional dwellings and EPCs lodged for new dwellings, England



Source: DLUHC, Homes England analysis

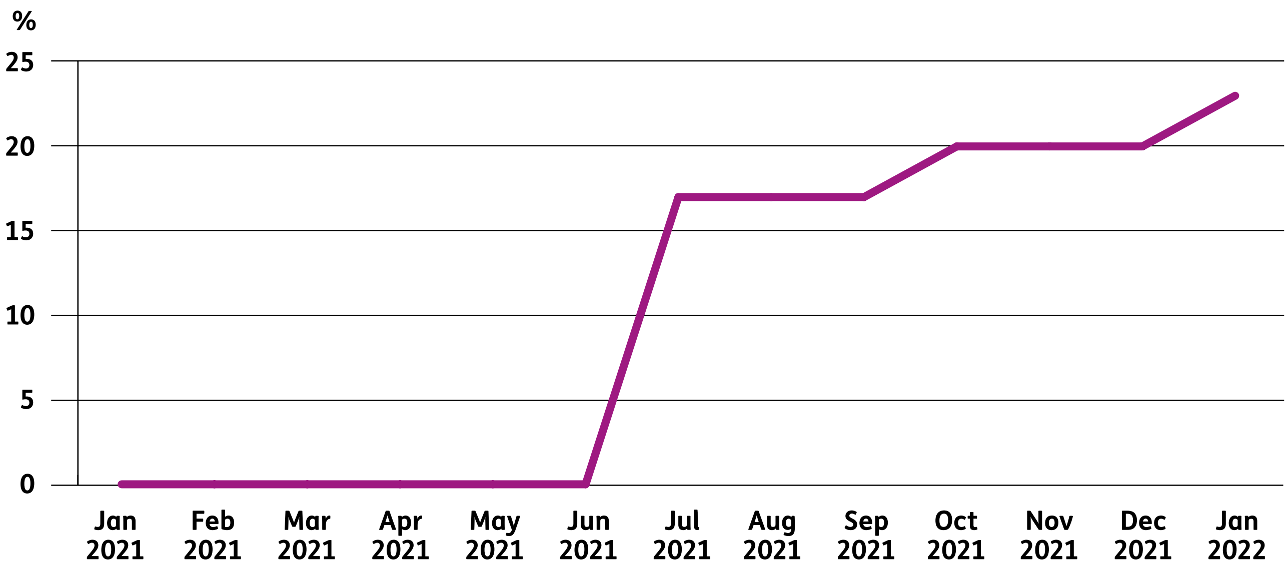
Market completions have also been increasingly hit by inflationary pressures, with availability and cost of key housebuilding supplies including bricks, timber and concrete affected. The BCIS (Building Cost Information Service) Material Costs Index has risen since the start of the previous financial year and has reached a generational high, with few indications of slowing. This combined with shortages in skilled labour and the continued demand for housing has resulted in labour costs climbing. All of which has created a difficult environment in which to complete the build of new homes.

BCIS Materials Cost Index Rolling Annual Change (%)



Source: BCIS, Homes England analysis

BCIS Labour Cost Index Rolling Annual Change (%)



Source: BCIS, Homes England analysis

Our activity hasn't been immune to these wider market conditions. The sustained demand in the housing market resulted in increased liquidity in the market, as a result several of our projects planned for this year were able to source finance from the market. Equally, there has been a reduced requirement from existing borrowers for additional funding. There is anecdotal evidence that developers are reluctant to progress schemes due to the cost volatility increasing risk.

Our partners have reported increased challenges in being able to complete homes and sign-off as fit for habitation. Common themes affecting completion rates include limited availability of materials, increased associated costs and lengthy delivery delays for materials required to finish the build of homes. These challenges meant capacity to complete homes in the original timescales was reduced, therefore developers had to extend delivery timescales. Low-to-medium volume builders were particularly impacted due to their lower purchasing power, dependence on multiple supplier chains and limited financial capacity to absorb additional costs.

In many cases, Local Authorities continued to be affected by the impact of the pandemic, with resources diverted to front line services, coupled with budgetary pressures. Capacity in the planning system was reduced, however demand for planning services continued to surge. The loss of resource led to delays in receiving planning outcomes, conducting searches and land registry, as well as the deferment of planning committee meetings. As a result, delays to housing provision occurred.

Given the wider macro-economic nature of these factors, we were not in a position to directly influence. We therefore sought to manage the impact on our overall delivery as best possible through our organisational levers. It is important to note that our challenges in completing homes have not resulted in lost delivery. Whilst we are below where we wanted to be for 2021/22, across the longer-term Homes England is on course to achieve its objectives.

Our performance – Overview

In the 2021/22 reporting cycle we continued to monitor and track our eight key performance measures and two forward-looking indicators. In addition, the Agency has begun reporting against a further metric agreed with our sponsoring department.

- Share of Transaction with low/medium volume housebuilders (KPI 8).

There was the intention to report the share of supported completions which use modern-methods-of-construction (MMC) (KPI 9).

Throughout the past year we continued to work with the industry and market partners to encourage MMC delivery and promote its use, as adoption of MMC solutions remained nascent. Our ambition to measure the extent and type of MMC used across our portfolio has evolved as the sector has developed at pace and our forthcoming refreshed strategic plan informs the implementation plan. We continue to work with DLUHC to support the Government's MMC policy across our portfolio.

KPI / PI		2021/22	2021/22 Target	Variance
KPI 1	Total Completions Directly Supported by Homes England	**37,632**	**44,275**	(6,643)
KPI 2	Total Completions Directly Supported by Homes England, which are Additional to the Market	**25,279**	**30,922**	(5,643)
KPI 3	Total Completions Supported by Homes England Indirectly	**11,036**	**-**	-
KPI 4	Share of Funding to the Top 50% Local Authorities by the median house price to median workplace-based income ratio*	**71%**	**-**	-
KPI 5	Total Economic Benefit of Homes England Programmes	**£2.66bn****	**-**	-
KPI 6	Total Affordable Completed Homes Supported by Homes England	**26,953**	**34,349**	(7,396)
KPI 7	Total Households Supported into Home Ownership	**These statistics are pending the publication of the official Help to Buy statistics for 2021/22 from the Department of Levelling Up, Housing and Communities.**		
KPI 8***	Share of Transactions with Low/ Medium Volume Builders	**83%**	**-**	-
KPI 10	Average Building for Life 12 Score for Supported Completions	**9**	**-**	-

In addition to our official completions targets, we also assess performance using two forward-looking indicators:

KPI / PI		2021/22	2021/22 Target	Variance
PI 1	Total Starts Supported	**38,562**	**48,810**	(10,248)
PI 10 & 11	Unlocked Housing Capacity	**58,993**	**94,863**	(35,870)

* The 50% least affordable Local Authorities are determined using the ratio of median house price to median workplace-based income, published by the Office for National Statistics (ONS) on an annual basis. The metric is calculated by deriving a median affordability ratio from each of the 326 local authorities in England, with those with a ratio greater than or equal to the median defined as the least affordable.

** This relates to the economic benefit delivered through investments made in 2020/21.

*** Transactions with registered providers, local authorities and financial institutions are excluded from this metric.

Our performance – Detail

Completions

At the start of 2021/22 our target anticipated a 27% rise on our previous year's performance. This was based primarily on the expectation that a significant number of Affordable Housing projects would complete this year, after starting on site in previous years. Whilst completions finished 15% below target, we achieved an 8% increase on 2020/21.

Our Affordable Homes Programmes are a core contributor towards our completions and over the past year partners have reported challenges in delivering completions. This has mainly been due to delays and access to labour supply and materials. Schemes approaching completion were more directly impacted by labour and materials shortages because it is at this stage where the need for resource is greatest. Delays added c. 20 weeks to delivery times, reducing capacity to complete homes in the original timescales (in Q3 and Q4).

Whilst completions finished 15% below target, we achieved an

8% increase

on **2020/21**.

With the Shared Ownership and Affordable Housing Programme 2016-2021 timebound, our strategic partners and housing delivery partners raised a legitimate concern of losing delivery because of limited access to materials and labour, and no capacity to stockpile. Homes England was able to protect this delivery, by securing budget flexibility from our sponsoring department in 2022/23 to cover our commitments. This support helped to absorb delays to material delivery, providing housing associations with the confidence to continue delivering.

Across our Development programmes delivery was less impacted by delays to supply and ongoing market issues. The scale and capacity of developers operating on land parcels provided the flexibility to manage supply chain risk and inflationary pressures.

Starts

In 2021/22 we had targeted our starts to reach 48,810. This was based on the expectation that post pandemic there would be an influx of pipeline activity and our new investment programme announced at SR20 would come forward this year. Whilst our performance is 21% below our target, we exceeded 2020/21 by 3%.

Our starts performance has been principally supported by our Affordable Housing Programmes. The Shared Ownership and Affordable Homes Programme 2016-2021 reached its final year that starts can be claimed, as a result there was a major drive by our delivery partners to start on site. We have also launched the new Affordable Homes programme 2021-26, which has been met with enthusiasm, resulting in making allocations and entering into contract through two funding routes (continuous market engagement and strategic partnerships). These allocations provided certainty to partners to progress their affordable housing pipelines, securing c. 11,000 starts for the new programme in 2021/22.

The Home Building Fund – Short Term Fund closed to new business in 2021/22, with focus now directed to managing remaining deployment and recovery of funds committed on contracted schemes. The programme continues to deliver strongly against the Agency's objective to support SMEs, with most of our spend and starts linked with SMEs, plus 95% of our contracted deals are with SME borrowers. We expect that the Short Term Fund will deliver above 65,000 homes once all funding has completed, well in excess of the original programme target set.

Across 2021/22 a number of issues have affected SMEs in particular, including challenges in the planning system (with additional impact on SMEs who do not have the financial capacity to hold consented sites) and supply chain and materials availability, as well as labour shortages. Where limited resources were available, these were focussed towards completion activity over new starts on site. There remains the potential for these to continue to impact directly on delivery performance, so we continue to monitor the situation closely through 2022.

In February 2022, we launched the Levelling Up Home Building Fund which builds on the success of the Short Term Fund. The new programme increases access to tailored lending facilities for both small and medium developers, provides further capability and support to the wider sector through alliances with both established and challenger lenders, and encourages greater private investment into the sector through use of innovative joint ventures and funds.

Coombe Farm, Saltdean
Image source: Man Group

A number of our other programmes have seen their starts implicated by the wider economic conditions. The planning delays in the sector, coupled with the reduced capacity of Local Authorities, has meant that several projects with our Local Authority partners have been managed out of 2021/22 and reallocated into future years. The Local Authority Accelerated Construction programme has been impacted by these conditions and with the programme closed to new applicants, there are few mitigations available to us. However, to support Local Authorities, we have deployed capacity funding to bring in additional technical resource to supplement their existing teams and support project delivery. In some cases, as a result of the on-going inflationary pressures, some projects became unviable and withdrew.

Unlocked Housing Capacity

The 2021/22 target (of 94,863) is lower than previous years, as a number of infrastructure programmes come to the end of the funding deployment phase and move to portfolio management. In addition, the 2021 Spending Review announced further infrastructure funding through the new Brownfield, Infrastructure & Land Fund, the details of which are being worked through with the Department and HM Treasury. The number of homes unlocked through infrastructure and land finished 38% below our intended target.

As part of SR20 the Brownfield and Infrastructure Land – Financial Transaction (BIL FT) was announced as a continuation of our existing infrastructure loan funding. Collaboration across multiple government departments has been ongoing throughout the year, with BIL FT formally commissioned and delivery enabled in quarter four.

Delivery conditions have remained very challenging with Local Authority capacity reduced throughout the year, delays to activities such as planning decisions and statutory consultation periods which have led to time lost which cannot be recovered in the short-term. This coupled with industry demand exceeding supply, leading to rising material costs and supply chain disruption placed a further squeeze on Local Authorities' ability to maintain projects within time and budget.


Norwich: working with the local authority and land owners to bring disused urban brownfield land into beneficial use for new homes and jobs
Image source: Carlton Roberts-James, Homes England

As a result, there has been a handful of scheme withdrawals, and a number of slippages experienced on our Housing Infrastructure Fund projects, but positively, the fund did exceed its forecast by securing 44,512 unlocked homes by year end.

Our Infrastructure Grants team has been working closely with Local Authority and delivery partners to mitigate scheme delays already incurred due to tailwinds from COVID-19, and wider sectoral challenges. Our support has included providing Local Authorities with both advice and capacity funding to resolve technical and resourcing issues, where possible.

Households Supported into Home Ownership

In early 2021, we seamlessly transitioned from Help to Buy 1 to Help to Buy 2. Although Help to Buy 2 is available to fewer customers due to increased criteria measures, the new phase has seen the high levels of demand continue as buyers looked to take advantage of both the product and the ending of the stamp duty holiday. With the rise in house prices seen in 2021/22, Help to Buy has experienced an impact on demand largely due to the regional price caps set. This has impacted the North in particular, where we've seen the number of sales reduce during Help to Buy 2. After a buoyant start, this has contributed to reservations slowing down due to property exclusions. Overall Help to Buy 2 continues to support households to buy their own home and the recent launch of Help to Build looks to add to existing products by enabling households to custom build or self build their own home.

Summary of 2021/22 performance – non KPI & PI achievements

First Homes

- We are facilitating and delivering the First Homes Programme, where homes are sold at a discounted rate. Our four pilot sites are all delivering successfully, with legal completions achieved from November 2021. With the success of the pilot, First Homes has rolled out further, with contract awards made from November 2021.

Building Remediation

- Following the opening of the Social Sector Cladding Fund in 2018, all buildings are now in the final stages of remediation. The Private Sector Cladding Fund which opened in 2019 is well advanced, with most projects on site by December 2021. We have so far successfully remediated 68% of buildings registered under this fund.

Development

- We have replaced our delivery partner panel with our new dynamic purchasing system. The new system means it is easier than ever for housebuilders to bid for the land sites we're bringing to market, and they can apply to join when it suits them.

Anti-corruption, anti-bribery, modern day slavery and human trafficking

We are committed to the effective management and application of public funds, setting high ethical standards while achieving value for money. Our five-year counter-fraud and anti-bribery and corruption strategy continues to be delivered by our Financial Crime Compliance Team (FCC). Our FCC policies are reviewed annually and updated accordingly. All reported cases of fraud are triaged, actioned accordingly and progress monitored. Additionally, and as part of our reporting function, all cases of confirmed fraud, error or loss are escalated and reported periodically to DLUHC.

We have continued with our counter fraud workshops; this has developed an agency wide internal fraud risk register. This allows us to further understand and monitor the landscape in relation to internal and external fraud threats and the effectiveness and adequacy of our fraud prevention controls. These assessments form part of our rolling programme of improvements, including mandatory fraud awareness training for all staff and the implementation and use of our e-learning platform which helps us measure the effectiveness of our compliance training.

We continuously examine our existing internal fraud control environment to improve them wherever necessary. Reporting of fraud and gifts and hospitality is a now a centralised electronic function managed by FCC. This ensures that all cases reported to FCC can be analysed, managed and where necessary investigated.

In 2022, we are creating a new Commercial Excellence function, bringing together our Procurement team with other staff who undertake procurement or framework management activity. This will enable us to improve our supplier engagement and management, and use our purchasing power to improve social value outcomes and measure the impact we are having. This helps discharge Homes England's legal responsibilities under the Public Sector Equality Duty and also aligns with the Government Commercial Function's social value model and Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts.

One example of this was the First Homes Pilot in 2021, where we invited developers to bid for funding to deliver homes for sale to first time buyers at a discount to the market price. Our Invitation to Tender made it clear that only developers who had signed, or agreed to sign, the Building a Safer Future Charter were welcome to bid. The Charter promotes the creation of a positive culture and behaviour change in the safety of the built environment, putting people's safety first in how we plan for, design, build, maintain, and look after the safety of the buildings we live, work or play in and protect those that use them.

As part of our commitment to achieving greater social value benefits, we are committed to playing our part in eradicating modern slavery from our supply chains. In the financial year 2021/22 we reviewed our modern slavery policies to reflect our changing environment. Engagement with the Office of the Independent Anti-Slavery Commissioner and the Gangmasters Labour Abuse Authority continued, which aids benchmarking and endorses our risk approach. We enjoy the status of being one of their approved employers. Together with construction industry partners, we signed the Gangmasters and Labour Abuse Authority intelligence sharing protocol and we maintain relationships with UK law enforcement bodies. COVID-19 restrictions impacted our opportunities to deliver external training to our panel firms and framework partners; this will change as we emerge from restrictions, and we can again ensure that our compliance requirements are met. We require our partners to identify and report suspicious activity and welfare concerns.

We continue to prepare and deliver internal training to Homes England staff in the form of presentations and workshops in relation to identifying modern slavery risks. We have also developed our proactive reassurance plan to deliver inspection activities in conjunction with our monitoring surveyors at our high-risk sites throughout the UK.

In the final quarter of the year, as a result of the Russian invasion of the Ukraine, we have closely monitored the UK Sanctions List, which is being updated on a daily basis, to ensure we are not doing business with any person or organisation who is subject to sanctions. Homes England's risk to sanction exposure has been discussed further in the Corporate Governance report.

FINANCIAL SUMMARY

For the financial year 2021/22, Homes England's performance against its programme financial control totals is summarised below:

Financial programme performance £m	2021/22			2020/21		
	Target	Outturn	Variance	Target	Outturn	Variance
Capital Financial Transactions	**2,560**	**2,303**	**(257)**	4,346	4,201	(145)
of which: Expenditure	**3,247**	**2,997**	**(250)**	4,685	4,587	(98)
Receipts	**(687)**	**(694)**	**(7)**	(339)	(386)	(47)
Capital Grant	**1,704**	**1,532**	**(172)**	1,756	1,615	(141)
of which: Expenditure	**1,945**	**1,686**	**(259)**	1,977	1,818	(159)
Receipts	**(241)**	**(154)**	**87**	(221)	(203)	18
Resource[2]	**14**	**(146)**	**(160)**	66	(147)	(213)
of which: Expenditure	**227**	**73**	**(154)**	300	79	(221)
Receipts	**(213)**	**(219)**	**(6)**	(234)	(226)	8
Total Programme	**4,278**	**3,689**	**(589)**	6,168	5,669	(499)
of which: Expenditure	**5,419**	**4,756**	**(663)**	6,962	6,484	(478)
Receipts	**(1,141)**	**(1,067)**	**74**	(794)	(815)	(21)

[2] Resource results have been adjusted. Expenditure has been increased by Expected Credit Loss and budget write off charges. Receipts have been increased to include relevant 'Admin' income budgets. These adjustments allow a consistent comparison between actual and target results.

Financial performance in 2021/22

During 2021/22, despite a strong housing market, wider economic headwinds created challenges for the Agency and our partners. Cost inflation, labour market shortages, supply chain disruptions and planning issues contributed to delays and extended build-out timelines. The financial results indicate the Agency ultimately deployed 86% (£3.7bn) of the net expenditure budget of £4.3bn.

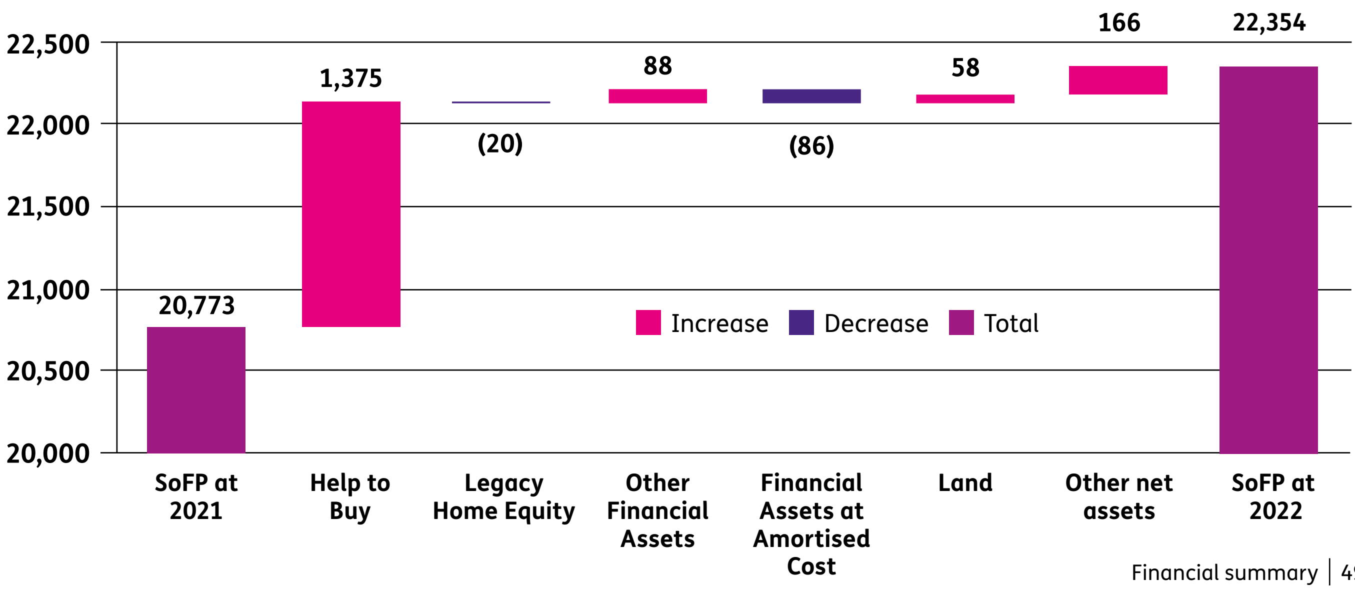
In particular:

- A significant portion of the Financial Transaction expenditure relates to Help to Buy Equity Loans (where the new 2021-2023 programme was launched in the year) where the cost of new loans equity advanced totalled c. £2.4bn against a budget of £2.5bn, with developers citing supply chain issues, build delays and the impact of the regional price caps, particularly in the North, as barriers to delivery in year.
- A continued strong housing market has led to the increased repayment of investment loans of c. £638m, an increase of c. £300m compared to the value of loans redeemed in 2020/21. In terms of expenditure, the impact of cost inflation and supply chain shortages has further led developers to pause drawdowns as they re-assess their funding structures and requirements, resulting in an overall variance against budget of c. £150m across the portfolio of Investment programmes.
- Strong private sector market activity has led to a reduction in land acquisition based intervention for the Agency, whilst planning delays have also impacted works starting on existing sites.
- Supply chain and labour shortage challenges have reduced expenditure across Affordable Homes by c. £60m compared to 2020/21.
- Across the Housing Infrastructure programme, despite the difficulties faced by our Local Authority partners to respond locally to the continuing impact of the pandemic, and inflationary pressures, the programme has delivered £115m more in funding compared to 2020/21.

Growth of assets in 2021/22

In 2021/22 the Agency's balance sheet continued to grow, driven mainly by a £1.38bn net growth in Help to Buy, which represents 82% of net assets (2020/21: 82%).

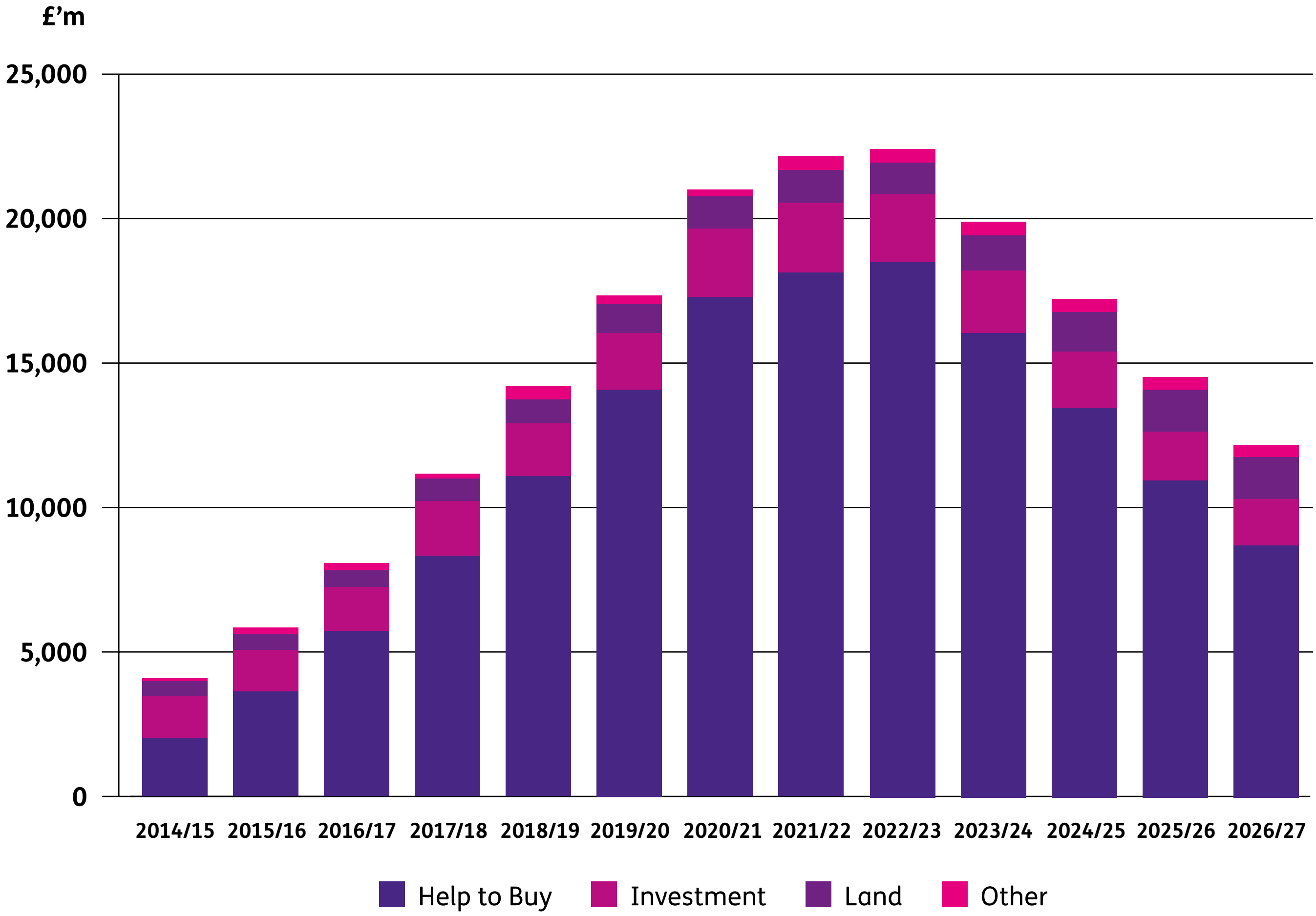
Chart: Change in net assets during 2021/22 (£m)



Future growth of net assets

Over the next five years, based on programme expenditure and income predicted in the Agency's Annual Business Plan, the Agency's net asset position and the relative proportions of the key components are predicted to change as illustrated below, peaking at £22.9bn in 2022/23, as the Help to Buy programme closes.

Chart: Projected change in net assets over time, based on the Agency's Annual Business Plan



Against a backdrop of social and economic disruption, the Agency's performance has remained resilient over the last year. We are well positioned to pivot our strategy and operations to reflect the Government's ambitions around levelling up and regeneration.

The Levelling Up Whitepaper, published in February, set out Homes England's role in delivering on these ambitions, outlining that the Agency will be repurposed to have a renewed focus on the regeneration of towns and cities, in addition to its existing functions.

Following the publication of the Chair's Review last year, work has already started to transition towards a more place-based way of working. Later in the year, the Agency will complete its new Strategic Plan, which will formally set out how Homes England will use its funding, powers and expertise to deliver on government priorities.

Changes in the level of administrative costs in relation to assets managed

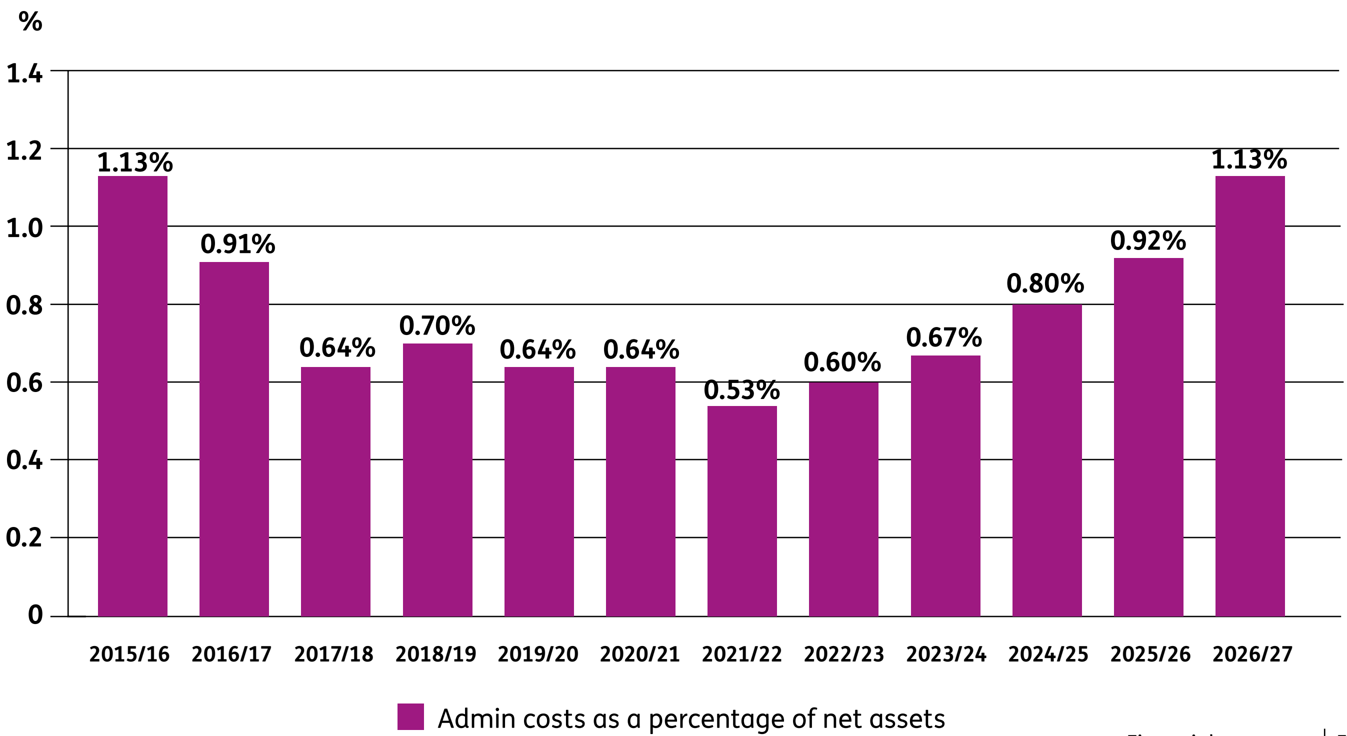
The Agency's administrative costs expressed as a percentage of net assets managed are currently less than half the level observed in 2015/16, at 0.53%, and are expected to remain at below 1.00% of net assets through until 2026/27.

The increase in percentage terms over the next five years however is not driven by increases in running costs; it is driven largely by three factors: 1) an increase in depreciation charges due to past and current activity, including depreciation associated with the Evolve programme; 2) the impact of IFRS 16: Leases a new accounting standard which is explained further in Financial Statement note 1: Accounting policies. This results in peaks in specific years as a charge is recognised; and 3) as the Help to Buy equity-loan programme ends and the portfolio reduces in size. Budgets for running costs (pay and non-pay) have yet to be determined beyond 2022/23, however the working assumption in the analysis is that further efficiencies will be required.

The Agency acknowledges the challenging fiscal environment and, following the Chair's Review, measures have been implemented to realise some early operating efficiencies across both pay and non-pay costs, with further efficiencies being targeted in the Spending Review 21, facilitated by the Evolve programme and other change initiatives.

An extremely active and competitive labour market has led to recruitment and retention challenges, with higher-than-expected levels of staff turnover in 2021/22 and this is evidenced through Admin budget underspends which have been in excess of 16%. Anticipating the efficiency challenges going forward and the strategic pivot to supporting levelling up and regeneration, the Agency has also carefully managed recruitment in the latter stages of 2021/22 to enable sufficient strategic flexibility in future years and this too has contributed to budget underspends.

Chart: Projected change in the relationship between admin costs and net assets over time, based on the Agency's Annual Business Plan

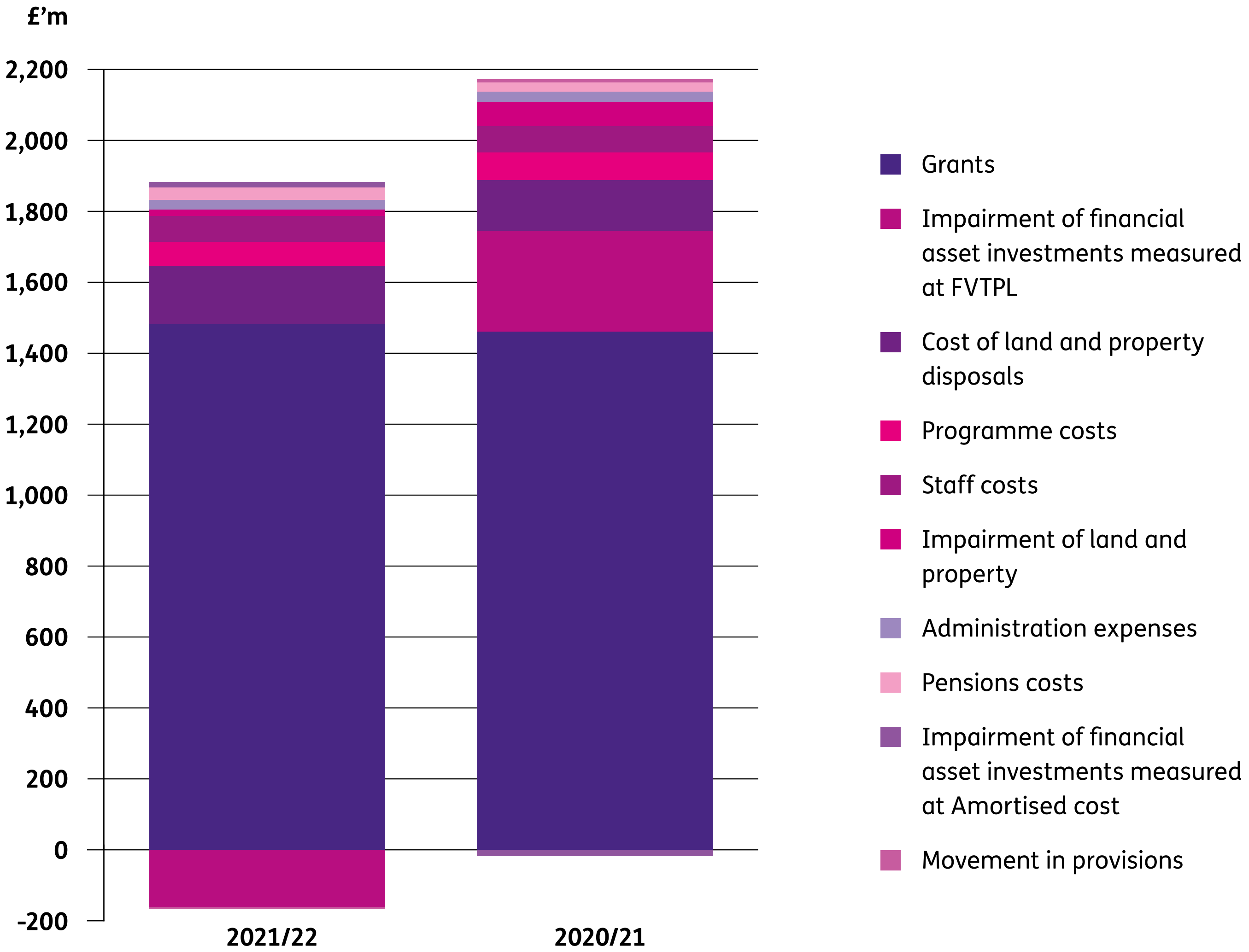


Operating expenditure

Operating expenditure totals £1,715m in 2021/22, a reduction of £439m (20%) from £2,154m last year. The key driver for the reduction is the decrease in impairment charges of financial assets measured at fair value through profit or loss. In 2020/21, there was an impairment charge of £285m; this year, there is an impairment credit of £164m, a swing of £449m. The Help to Buy portfolio is the largest contributor to this movement, and has moved from an impairment charge of £243m in 2020/21 to an impairment reversal of £144m in 2021/22 driven by strong growth in house prices.

In addition to the above, land and property portfolio impairment charges have reduced £48m since last year, from £67m to £19m this year. Whilst some assets continue to be impaired, the overall value of the portfolio has increased reflective of the housing land market in general.

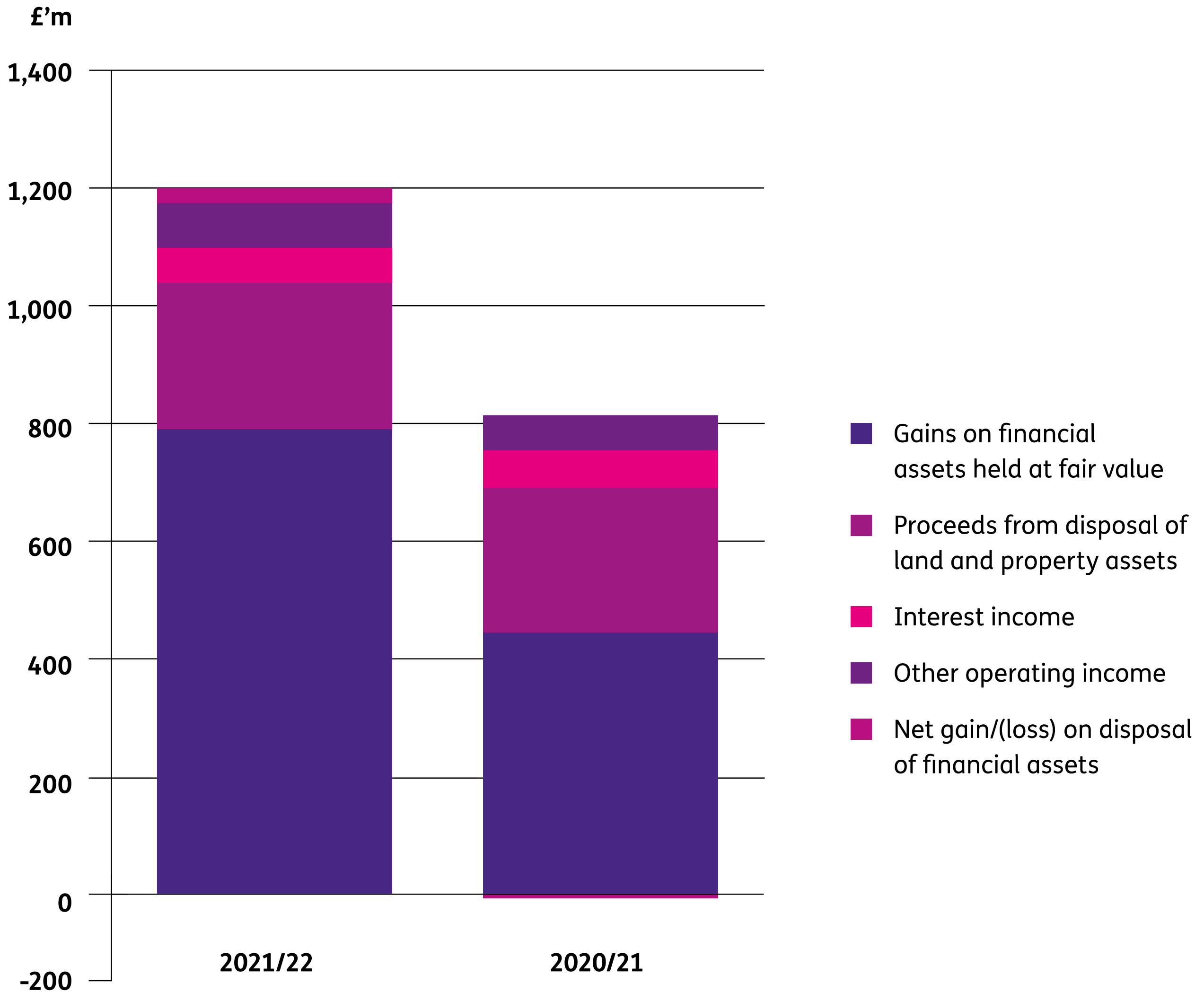
Chart: Analysis of the components of Operating expenditure



Operating income

Operating income for 2021/22 is £1,200m, which is an increase of £393m (49%) from 2020/21. The main driver for the increase is the valuation of assets held at fair value. Valuation gains of £444m were recognised in 2020/21 with £790m valuation gains recognised in 2021/22, an increase in credits to the SOCNE of £346m year on year. £708m of the fair value gains recognised in 2021/22 relate to the Help to Buy portfolio, reflecting significant increases in house prices over the course of 2021/22. The gain on disposal of assets measured at fair value relate to the gains recognised on disposal of home equity loans. The gain on disposal recognised in 2020/21 reflects the moving housing market with proceeds received exceeding the fair value of the assets disposed. In addition, the profit earned on the disposal of financial assets, is reported to be £25m, (compared to a loss of £7m reported in 2020/21). Other operating income has increased by £17m (29%) predominately driven by increased income generated through Home equity loans (referred to as Home owners fees) where income reported in 2021/22 is c. £39m, an increase of £12m, and this reflects an increased interest bearing Help to Buy portfolio (following the 5 year interest free period).

Chart: Analysis of the components of Operating income



Help to Buy: Equity Loan repayment statistics

The table below summarises the number of Help to Buy: Equity Loans issued in each financial year and the cumulative repayment of those loans at the end of 2021/22:

		Cumulative equity loans repaid 2021/22			Cumulative equity loans repaid 2020/21		
Financial year	**Number of equity loans issued**	**Number of loans repaid**	**Original cost of repaid loans (£m)**	**Receipt from repaid loans (£m)**	**Number of loans repaid**	**Original cost of repaid loans (£m)**	**Receipt from repaid loans (£m)**
2021/22	**32,684**	**16**	**1.2**	**1.2**	**n/a**	**n/a**	**n/a**
2020/21	55,682	**570**	**34.7**	**37.4**	15	0.9	0.9
2019/20	51,449	**3,316**	**204.2**	**215.5**	551	32.8	33.2
2018/19	52,467	**7,017**	**410.5**	**427.3**	2,783	156.6	157.4
2017/18	47,587	**13,210**	**766.3**	**797.2**	6,355	357.8	360.9
2016/17	39,807	**21,174**	**1,149.3**	**1,223.2**	11,096	582.9	605.9
2015/16	33,873	**21,797**	**1,020.7**	**1,127.9**	18,221	851.0	931.4
2014/15	27,874	**20,043**	**874.4**	**999.2**	18,174	791.9	898.9
2013/14	19,754	**14,382**	**587.0**	**694.8**	13,422	548.2	646.0
All years	361,177	**101,525**	**5,048.3**	**5,523.7**	70,617	3,322.1	3,634.6

The repayment statistics show that between April 2013 and March 2022 a total of 361,177 households bought homes with a Help to Buy: Equity Loan. By March 2022 a total of 101,525 households (28%) had repaid their loan. The repayment statistics also show that Homes England received £5,524m from these 101,525 households, when the original cost of the loans was £5,048m. The realised gain on disposal of £475m is due to the increase in the value of homes between the time the loan was issued and repaid.

Wanni and Thilini Fonseka bought their dream home with a Help to Buy: Equity Loan.

SUSTAINABILITY REPORT

We have a key role in delivering the Government's ambitions for sustainability, including delivering on the UK's net zero carbon commitments.

One of Homes England's four statutory objectives set out in the Housing and Regeneration Act 2008 is "to contribute to the achievement of sustainable development and good design in England". Sustainability lies at the heart of what we do. We are committed to creating sustainable and well-designed vibrant places and reducing the environmental impacts associated with our day-to-day operations.

The role of our Board is to provide strategic leadership and to promote our long-term, sustainable success. Board members are passionate about, and experienced in, sustainability matters. We have a dedicated champion for sustainability and design, Sadie Morgan, who has advocated exemplary design and architecture over her career and is also a Commissioner and Design, Group Chair of the National Infrastructure Commission and the London Mayor's Design Advocate.

Our board has established a number of committees including the cross cutting committee which will lead on fulfilling responsibilities for a greater focus on the cross cutting objectives detailed in its strategic plan. These include a focus on safety, good design and construction; including MMC, and sustainability.

Our Executive Leadership Team are committed to taking forward our Sustainability and Design ambitions, focusing on deepening sustainability in our operations, activities and decision making and playing our full part in the Government's climate change agenda.

Sustainability lies at the heart of what we do. We are committed to creating sustainable and well-designed vibrant places and reducing the environmental impacts associated with our day-to-day operations.

Although sustainability was not an explicit objective in the Agency's 2018 Strategic Plan, government housing and planning policy has evolved to increasingly emphasise the importance of mitigating climate change, addressing biodiversity decline, improving health and wellbeing and ensuring high standards of sustainability and design quality are delivered in homes and places. This shift in emphasis is reflected in the inclusion of sustainability/net zero and design quality as new draft cross cutting objectives in the Agency's next strategic plan, which is due to be published later this year.

The Government is using a range of policy and legislative mechanisms to deliver on these objectives. In 2019 the UK became the first major economy to legislate a binding target of net zero emissions by 2050. The Government's Net Zero Strategy, the upcoming Future Homes Standard, the Environment Act, the Levelling Up White Paper, the National Design Guide and Model Design Code, and the forthcoming Levelling Up and Regeneration Bill will all influence the Agency's interventions in housing, regeneration and placemaking.

In recognition of these evolving policy objectives, Homes England has been working in partnership with its sponsor department, DLUHC, to understand how wider government objectives for sustainability, net zero and design quality can be better integrated into housing programmes and agency strategy. Considering sustainability and design quality together allows the Agency, working in partnership with DLUHC, to address both issues in an integrated, cross-functional way that promotes economic, environmental and social value.

Homes England's Sustainability and Design Framework

Over the last 18 months, Homes England, with input from DLUHC, has undertaken a programme of work to establish an outline vision and set of principles to ground the Agency's approach to sustainability and design quality.

In July 2020, Homes England's Board directed the Agency to take a more ambitious approach on sustainability and design quality. Building Research Establishment and Design Council were appointed in November 2020 to support development of a vision and set of principles to guide action. These were developed with input from DLUHC and industry experts and agreed by Homes England Board in March 2021.

The six principles of Homes England's sustainability and design framework articulate in more detail the outcomes the Agency is seeking to achieve and the way in which Homes England will work to achieve them. They are:

1	**Planet:** Homes, places and actions that protect the planet.
2	**Places:** Homes and places that will last for the long-term.
3	**People:** Homes that promote wellbeing and quality of life.
4	**Value:** Define value broadly.
5	**Innovation:** Be bold, support innovation and push boundaries.
6	**Transparency:** Share information, be transparent and foster collaboration.

In addition to Homes England's six principles, we recognise that the UK government, along with 192 other United Nations members, committed to achieving the Sustainable Development goals in 2015. These goals form part of a global development framework, the UN's Agenda 2030 for Sustainable Development, and are made up of 17 goals and 169 indicators covering issues such as poverty, economic opportunity for all, access to education and healthcare, equality and environmental action.

SUSTAINABLE DEVELOPMENT GOALS

Our activities can be mapped against 6 of the 17 Sustainable Development Goals.

1 NO POVERTY

End Poverty in all its forms, everywhere.

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable.

13 CLIMATE ACTION

Climate Change and resilience.

15 LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems and halt biodiversity loss.

EDen New Bailey, Salford Central.
Image source: The English Cities Fund / Muse Developments

In last year's Annual Report, we set out some of our ambitions for the coming year. These included:

- To work with investment partners who can demonstrate a shared purpose with Homes England to support the market who have plans regarding decarbonisation and to deliver a positive impact for the wider community.
- To support the green economy and those who seek to achieve environmental, social and governance outcomes.
- To secure new institutional capital to increase the delivery of new affordable homes.
- To take forward a group of actions as part of the Early Adopters Group for the Building Safety Charter.
- To work across government to share learning around embodied carbon targets and reporting and to share examples of sustainable construction practices.

This section of our Annual Report will update on these ambitions, detailing where we are working with the market on sustainability issues, where we are delivering sustainability and how we are behaving sustainably including against our Greening Government Commitments.

Working with the Market

The construction sector has an important role to play in helping to realise the Government's ambition of tackling climate change and becoming carbon neutral by 2050. Homes England is providing leadership and supporting the sector to transition to more sustainable approaches.

Future Homes Standard Research Commission

The Government has set out a roadmap for stepped improvements in the carbon efficiency of new built homes over time. The Future Homes Standard (FHS) is expected to come into effect in 2025 with the aim of reducing carbon emissions by 75-80% compared to current building regulations.

The FHS Research Commission has been designed to investigate the impact of building homes to the notional FHS across all phases of the construction lifecycle. Six agency sites are included in this study which will deliver in excess of 400 homes. These sites are spread around the country and developers will be using different approaches to deliver homes according to the notional FHS which will enhance the learning from this research.

Supporting the housing sector in their understanding of any additional costs related to delivering FHS, supply chain and skills challenges and phasing challenges and opportunities, amongst other areas, will support the sector in their preparation for FHS.

Modern Methods of Construction (MMC) Research Commission

The MMC Research Commission represents one of the largest studies undertaken to date in the UK to review the performance of a range of MMC technologies in development projects. This is being undertaken on sites owned and controlled by Homes England. A total of eight sites are included within the study which will deliver over 1,500 homes, using a range of technologies.

The aim of the study is to provide impartial evidence and an objective assessment of the outcomes achieved by embracing the use of more advanced MMC technologies in respect of housing delivery. It is anticipated that the findings of the study will be of direct interest to a wide range of stakeholders in the housing sector, including developers, contractors, financiers, local planning authorities, mortgage providers and insurers.

Ultimately, the study will help to inform the final customer for the housing created (whether a house purchaser, private tenant, or occupier of affordable housing) of the full credentials of the MMC product. In this respect, the study work is intended to help build confidence in the wider take-up of MMC in the housing sector which will help to create self-sustaining growth (and the benefits of improved economies of scale) amongst MMC suppliers.

Using Building for Life

In April 2019, Homes England agreed to use Building for Life 12 (BfL12) as a basis for design quality assessment to support our land disposals process. In July 2020, an updated iteration of Building for Life, entitled Building for a Healthy Life (BHL), was launched to reflect the Government's increased emphasis on the design of places that can support sustainable and healthy living. The 12 considerations of BHL were similar to those of BfL12, but with a stronger health tenet.

The Agency adopted BHL as a basis for its design quality assessment in August 2020. Whilst the Agency scores the schemes as part of our land disposal process, BHL needs to be used to guide schemes from their inception, and as such, measures to embed BHL through our existing end to end processes, and to provide more training and support, are underway and continue. There is of course a time lag, as schemes developed with BHL as a golden thread are only now starting to go through the disposal process and are yet to be built out. However, the Agency has also been able to promote and support good practice through its alliance with the Housing Design Awards, and have sponsored a new masterplanning category, as well as achieving success at the Awards. The Agency is working with the Design Network, the umbrella organisation for design review panels across England, to ensure our transition to using BHL as our primary assessment tool is as smooth and effective as possible.

NextGeneration Initiative

NextGeneration is an annual sustainability benchmark of the 25 largest homebuilders in the UK. The benchmark enables homebuilders, government, investors and the public to understand the sustainability of the homebuilders' operations and the new homes they build. Homes England continue to support NextGeneration through our role on the Executive committee along with Lloyds Bank and the UK Green Building Council. The Committee's role is to ensure the integrity and transparency of the initiative's governance.

Homes England's influence and leadership has continued to attract new members to participate in the scheme. Additionally, working with other members of the Executive Committee we are looking to extend the membership to create a benchmark aimed at a more diverse range of SME developers. The Executive Committee are working to deliver an Innovation Forum for members in 2022. This will include a special award for best sustainability initiative as judged by the Executive Committee. Additionally, work is proceeding at pace in the calculation of the scores to derive the annual sustainability benchmark for 2022. The results of this will be formally issued during the formal annual report launch planned for November 2022.

Local Government Capacity Centre

In June 2021 the Homes England Local Government Capacity Centre delivered a 2 week Summer Learning Programme for local government. This involved responding to local government skills and knowledge requirements through 11 online sessions with 2,073 attendees, on topics including 'An Introduction to Brownfield' with nearly 200 attendees.

Building on the success of the first series of learning sessions, in January and February 2022 the Homes England Local Government Capacity Centre (LGCC) delivered a further 2 week Winter Learning Programme. This was comprised of 12 online sessions shaped through consultation with the sector and co-designed with agency partners, reaching 5,576 attendees, on topics including 'Delivering Biodiversity Net Gain', 'Unlocking Rural Housing' and 'Stewardship'.

The 'Delivering Biodiversity Net Gain' attracted 542 attendees and the feedback was particularly positive with an average 4.4 out of 5 rating for the learning experience. The session was co-designed by Homes England and sector experts as an introduction for local government partners to the Environment Bill and principles of Biodiversity Net Gain (BNG), particularly in relation to housing delivery and associated infrastructure. Experts from Homes England and leading sector partner, Arcadis, took the attendees through how Homes England is responding to BNG as a developer, key delivery issues including the importance of building links to local authority departments beyond planning to increase understanding of BNG requirements, balancing BNG alongside other local government priorities and practical advice on delivery of BNG with the use of the Coypool, Plymouth case study.

The LGCC team intends to build on the success these sessions to curate a Summer Learning Programme 2022 which will pick up on other practical topics and learning opportunities under the theme of sustainability. The Summer Learning Programme 2021 and the Winter Learning Programme 2022 sessions can be viewed on the Homes England YouTube playlist.

Manor Kingsway was one of the first developments in the country to meet the Building for Life 12 standard.

Spencer's Park is one of the eight sites taking part in the Agency's MMC Research Commission. Image source: Countryside

The Avenue Coking Works Country Park

Delivering sustainability

The impacts of our activities from across the Agency can be seen on the ground in schemes which have delivered, and are delivering on, our sustainability ambitions. We will continue to ensure that sustainability (and design) is integral to our future activity for housing and regeneration. On the land in our ownership, we are committed to preventing pollution and where possible, avoiding adverse impacts on soil, water, air and biodiversity, in line with our public safety, health and environmental policy statement. Homes England aims for biodiversity net gain on its housing sites, and are planning and delivering significant ecological improvements.

Image source: West Carclaze Garden Village

A number of technologies are being used to ensure the energy efficiency of homes in this all-electric village.

West Carclaze Zero Carbon Garden Village

West Carclaze Zero Carbon Garden Village is one of the first of the Garden Settlements programme to start delivering homes on site. West Carclaze will deliver 1,500 homes, all EPC ‘A’ rated, built on an old clay pit of a former mining, brownfield site.

A number of technologies are being used to ensure the energy efficiency of homes in this all-electric village, including air source heat pumps and photovoltaic panels, whilst homes will have strong MMC credentials. We are working with a number of partners including Cornwall Council, MMC developers Ecoboss and the Department for Education, who are supporting the delivery of a carbon zero school and the visualisation of the Garden village which will support the design agenda for Phase 2. Homes England has funded via the Garden Village capacity funding and the Agency has provided funding support for additional road infrastructure through the Housing Infrastructure Fund.

West Carclaze will deliver

1,500 homes

all EPC ‘A’ rated.

A grant from Homes England was used to ensure the delivery of the affordable elements of the scheme.

Ingleby Arncliffe, Hambleton, North Yorkshire

The existing homes in rural Ingleby Arncliffe, Hambleton, North Yorkshire, are typically large and unaffordable for local residents. The parish council alongside registered providers have been working together to ensure a mix of tenures and smaller house types are being delivered to meet local need.

Beyond Homes proposed an 18-home development on a former school site which previously had outline planning consent for four executive style homes. The new proposal included a mix of affordable rent, shared ownership, rent to buy and discounted market sale. The scheme's landscaping was designed to fit into the rural setting including retaining trees, boundary hedges and vegetation and a dry sustainable drainage system basin to support the development. The architecture of the proposed houses was such to add a contemporary character area to ensure continuity with the existing village. Furthermore, an £885,600 grant from Homes England was used to ensure the delivery of the affordable elements of the scheme.

Beyond Homes proposed an

18-home

development of affordable homes to meet local need.


Image source: Vistry Partnerships

Lea Castle Village in Worcestershire became the first Homes England site to gain Building with Nature accreditation.

Lea Castle, Worcestershire

Lea Castle Village in Worcestershire became the first Homes England site to gain Building with Nature accreditation. Building with Nature is a voluntary scheme which sets standards for high-quality green infrastructure at each stage of the development process, from planning and design to long-term management and maintenance.

Since the start on site to create 600 new homes in October 2020, developer Vistry Partnerships have worked with us, local councils, Worcestershire Green Infrastructure Partnership and a number of specialist consultants to ensure the new Lea Castle Village development meets the Building with Nature standards. In June 2021, Vistry were awarded a Building with Nature Design Award as Lea Castle demonstrated that its design had gone beyond statutory requirements to deliver a high standard of green infrastructure for people and wildlife.

Lea Castle is the first of the Agency's sites to be recognised in this way, and we will be seeking to identify further means by which we can improve green space in the next phase. Lea Castle has allocation for a further 800 homes, as well as employment land, a new primary school, sports pitch, orchards and allotments. With the support of the Worcestershire Green Infrastructure Partnership, we're looking at how we can improve green infrastructure on the site by ensuring woodland is protected and opportunities for wider biodiversity and recreational links are created. Access to woodland will be opened up with footpaths and a significant area of acid grassland habitat, a priority habitat in Worcestershire, is proposed, as well as sustainable drainage features.

Around 40% of the wider Lea Castle site will consist of green infrastructure with the aim of delivering a minimum of 10% biodiversity net gain and to seek Building with Nature accreditation.

Lea Castle has allocation for a further

800 homes

as well as employment land, a new primary school, sports pitch, orchards and allotments.

11 SUSTAINABLE CITIES AND COMMUNITIES

15 LIFE ON LAND

Image source: Countryside

Spencer's Park is the largest of the eight sites included in the Agency's MMC Research Commission.

Spencer's Park, Northamptonshire

In total, the project will deliver 600 new homes and the developer, Countryside, is using it as an opportunity to test and learn from different MMC approaches in order to roll these out further within their business.

With their architects, HTA Design, Countryside have taken a landscape led approach to design, taking advantage of the site's setting and basing the scheme design around a central green spine which will incorporate playful rain gardens and bridges, sustainable drainage and walking/cycling routes for the residents.

Looking after the project's landscape for the long-term is crucial and the plan has been developed alongside the Land Trust who will manage the landscape. The scheme is expected to achieve a 22% biodiversity net gain on a green field site which is a significant uplift for such a site, also including the planting of 346 new trees.

The scheme is expected to achieve a

22%

biodiversity net gain on a green field site and will also plant 346 new trees.

9 INDUSTRY,INNOVATION ANDINFRASTRUCTURE

15 LIFE ON LAND

The new Greener Homes Alliance will provide support to SME housebuilders, enabling them to build more high quality, energy efficient homes.

New Greener Homes Alliance with Octopus Real Estate

Homes England has entered into a partnership with Octopus Real Estate, the property lending arm of the Octopus Group. The new Greener Homes Alliance will provide both loan finance and expert advisory support to SME housebuilders, enabling them to build more high quality, energy efficient homes throughout England.

The Alliance will provide loans of between £1 million and £20 million to finance new SME development projects. Homes funded must achieve a minimum EPC rating of B and will benefit from increasing interest rate margin discounts as the energy efficiency of the homes increases above this (as measured using the Standard Assessment Procedure). Homes achieving an EPC rating of A will benefit from interest rate margin discounts of 2%.

Before starting their developments, SMEs will also benefit from free of charge, expert advice from sustainability consultants, McBains and Octopus Energy – the UK's leading renewable energy supplier.

The Alliance will provide loans of between **£1 million** and **£20 million** to finance new SME development projects.

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

Image source: Gold Property Developments Ltd

Homes England is committed to supporting institutional investment in the affordable housing sector.

Man Group's Community Housing Fund

Homes England made a recoverable £20 million investment in Man Group's Community Housing Fund, highlighting our commitment to supporting institutional investment in the affordable housing sector. The fund aims to deliver over 3,000 new homes and has already committed to delivering hundreds of homes across a number of sites.

One such development is at Coombe Farm, Saltdean which is being developed by local SME housebuilder Gold Property Developments Ltd ("Gold"), and comprises 71 single-family homes and substantial provision of new green spaces and play areas that reflects the site's location next to the South Downs. A total of 59 homes (83%) will be offered as affordable housing through a combination of key worker rent, affordable rent, and shared ownership.

Early involvement in this project has enabled Man GPM to work closely with Gold to shape the development to deliver substantial social and environmental standards that go above and beyond planning requirements. By combining building fabric improvements with air source heat pumps and photovoltaics, the carbon emissions of the homes are expected to be at least 46% lower than required by UK Building Regulations. The site will also have electrical car charging points to support this important shift in transport.

On this development, the Fund has delivered its social and environmental targets without any grant funding from local or central government. Construction at Coombe Farm is expected to begin immediately, with first occupations in May 2023.

The fund aims to deliver over

3,000

new homes

and has already committed to delivering hundreds of homes across a number of sites.

Performance and Greening Government Commitments (GGCs)

We subscribe to the GGCs to drive reductions and continually improve our environmental performance across our office estate and business operations, including official business travel.

In October 2021, Greening Government Commitments for 2021-2026 were published with new targets and a revised baseline (2017/18)[3] against which to compare performance.

During 2021/22 across England, there were periods of time where COVID-19 restrictions were in place, then lifted and for several months, reintroduced. These unusual circumstances directly impacted our performance data.

In Q3, Homes England introduced a new working policy that sought to embed the most valuable aspects of hybrid working patterns that came about at scale during the pandemic. The return of staff back to offices and greater freedoms to travel resulted in, for example, a higher consumption of paper, water and business travel.

Progress against the GGC targets over the past 12 months compared to the (revised) 2017/18 baseline is set out adjacent.

We also highlight our broader activities including those relevant to our wider estate, in line with current public sector sustainability reporting guidance from HM Treasury.

Notes

Utilities and waste data are presented for the operational offices we directly control in each year. Utilities and waste volumes apportioned to non-government tenants are excluded. Travel and paper use data is for the whole organisation.

Data Omissions Notes:

Electricity, water and waste generated from our Crawley office is not available for the period of April 2021 to 31 March 2022. This office became part of our estate in 2020 and is managed by a third party. Following a period of delays in receiving the data due to COVID-19 and supplementary audits of the data, we are not confident in the accuracy and completeness. Homes England will be vacating this office during 2022.

[3] Greening Government Commitments 2021 to 2025 - GOV.UK (www.gov.uk)

Greenhouse Gas Emissions		2017/18 (Baseline)	2018/19	2019/20	2020/21	**2021/22**	Comparison to 2017/18 Baseline	Comparison to prior year	Target and Status
Non-financial indicators (tonnes CO2e)	Total Scope 1 (direct) emissions	386.8	349.1	232.0	84.7	**37.8**	↓ 90% reduction	↓	25% reduction Target met
	Total Scope 2 (indirect) emissions from unknown average on GGC template	303.3	222.1	223.9	176.4	**0.1**	↓	↓	
	Total Scope 3 (official business travel) emissions	352.7	439.7	231.0	33.6	**52.8**	↓	↑	
	Total Emissions (Scope 1, 2 and 3)	1,042.8	1,010.9	686.9	294.7	**90.7**	↓	↓	47% reduction Target met
Related Energy Consumption kWh	Gas consumption	550,000	516,000	729,000	383,000	**214,000**	↓	↓	
	Electricity consumption	789,000	723,000	703,000	393,000	**218,000**	↓	↓	
Related Energy Consumption (000s of km)	Business Travel	6,572.0	8,157.0	831.0	561.0	**202.6**	↓	↓	
	Distance per full time equivalent (FTE) staff	8.0	8.0	8.0	0.4	**1.4**	↓	↑	
Related Energy Consumption (number)	Domestic Flights	95	130	246	0	**60**	↓	↑	
	International Flights					**42**			New GGC metric
Financial Indicators (£000’s)	Energy Consumption	132	134	130	105	**85**	↓	↓	
	Expenditure of accredited CRC	74	3	0	0	**0**	↓	↔	
	Allowances	0	0	0	0	**0**	↔	↔	
	Official Business Travel	1,772	2,433	3,164	437	**1,052**	↓	↑	

Resources Waste and Recycling		2017/18 (Baseline)	2018/19	2019/20	2020/21	**2021/22**	Comparison to 2017/18 Baseline	Comparison to prior year	Target and Status
Non-financial indicators (tonnes)	Total Waste Arising	26.07	37.39	43.00	62.60	**19.96**	⇩	⇩	15% reduction Target met
	Total Waste Recycled	16.49	32.90	40.00	50.00	**16.08**	⇩	⇩	
	Total ICT Waste Recycled	6.34	1.03	0.00	0.00	**0.00**	⇩	⇔	
	Total waste: incineration with energy recovery	2.74	2.53	2.00	3.90	**4.00**	⇧	⇧	
	Total Waste without energy recovery					**0**			New metric
	Total Waste to Landfill	1.14	0.93	1.0	3.7	**0.0**	⇩	⇩	
Non financial indicators (%)	Recycling Rate %	85	91	98	94	**82**	⇩	⇩	
	Landfill Rate %	4	2	2	6	**0**	⇩	⇩	
Non financial indicators (number)	Number of A4 reams consumed	5,542	5,287	8,755	234	**1,384**	⇩	⇧	50% reduction against baseline Target met
	Number of A4 reams per FTE	7.1	6.1	9.5	0.2	**0.9**	⇩	⇧	
Financial Indicators (£000's)	Landfill Incineration	15.0	11.0	1.4	4.2	**2.4**	⇩	⇩	
	Recycling	9.0	18.0	29.0	19.8	**19.0**	⇧	⇩	
	Paper Procurement	19.00	21.00	26.00	0.96	**1.00**	⇩	⇧	
Water Consumption									
Non-financial indicators (m3)	Water consumption - supplied (none abstracted)	1,555	1,689	3,439	3,131	**1,592**	⇧	⇩	8% reduction against baseline Target not met
	Consumption per FTE staff (Homes England owned offices)	4.2	4.3	3.4	2.2	**1.1**	⇩	⇩	
Financial Indicators (£000's)	Water Supply and Sewage Costs	19.0	20.0	24.0	20.6	**8.4**	⇩	⇩	

Greenhouse Gas Emissions

As a result of the ongoing pandemic, we were able to see almost 70% reduction in total greenhouse gas emissions compared to last year. This year's emissions are 91% less than the 2017/18 baseline.

Gas and electricity usage in the Agency's office space was also reduced in comparison to the previous year and baseline year by 44% and 61% respectively.

Waste Management

We have reduced the overall waste by 25% against 2017/18 target. We have maintained a zero position with respect to ICT and will continue to encourage staff to recycle and minimise waste. This year our recycling rate was 82%.

Finite resource consumption: water

We have not been able to meet the commitment to reduce overall water consumption by 8% against the 2017/18 baseline; there has been an increase of 2.5%. This can be directly attributed to an increase in agency FTE since 2017/18.

Water consumption per FTE has reduced due to COVID-19 restrictions being in place for periods during the year, though this will increase as staff now return to the office.

Finite resources consumption: paper

Against the 2017/18 baseline we have reduced paper consumption by 75% compared to 2017/18 which exceeds the target of 50% reduction against baseline by a considerable margin. This achievement can be attributed to changing behaviours by staff to reduce printing and photocopying. In comparison with last year our paper consumption increased by 83% as staff returned to offices.

We continue to review and report our GGC performance quarterly and are proactively working to meet our commitments.

Performance against Greening Government environmental targets 2017/18

Greenhouse gas emissions

Target 60% reduction

We achieved a 91% reduction

Water consumption

Target - 8% reduction

There has been a 2.5% increase

Waste management

Target - Overall 15% waste reduction

We achieved a 25% reduction

Target - Reduce paper use by 50%

We achieved a 75% reduction

Sustainable Procurement

We take account of the Government's mandatory Buying Standards when procuring goods and services, and our procurement policy follows Crown Commercial Service principles. Where relevant, we are embedding procurement policy notices on social value and carbon management plans in our procurements. We are working with others in government to introduce Whole Life Carbon reporting across our activity, and this will of course include working with the construction and housing sector to monitor and report embodied carbon.

Sustainable Construction

The Agency does not build homes directly; rather it provides resources, either in the form of de-risked land or funding support to others to do this. Through our relationship with housebuilders, we are encouraging them to consider ways to improve the energy performance of the homes they build and to implement sustainable construction practices.

Where we are directly involved is in the de-risking of land and the provision of infrastructure, we are making use of Crown Commercial Services Construction Works framework and the principles in the Construction Playbook. The procurement process and associated commercial agreements set out relevant regulation and industry best practice to ensure that construction activity is undertaken as sustainably as possible to, for example, reduce waste and water consumption.

Looking ahead we will be working with others across government and the housing sector to introduce formal reporting of whole life carbon.

Biodiversity Net Gain

We continue to work closely with Defra, Natural England and planning authorities to implement biodiversity net gain on those schemes which will be built on the land in our ownership. Since the Environment Act, we have accelerated our efforts to prepare for implementation from 2023, preparing and refreshing guidance, briefing staff and raising awareness.

Land that has little or no development potential can be improved for wildlife and used to provide a biodiversity net gain for schemes where BNG is not possible on the development site. In 2021, the Agency carried out a review of its non-development sites. Ecologists surveyed over 30 sites and used the data to calculate the potential BNG uplift that could be delivered if appropriate ecological improvements were undertaken and secured. The average size of the sites was 5ha and taken together, they had potential for delivering over 450 biodiversity habitat units. A second phase of work to plan and cost the improvement works in more detail is now under way for the most promising sites, so that the potential future use of each site can be confirmed.

ICT and Digital

ICT and digital are increasingly being championed as part of the solution for the global climate crisis but there is a risk that the impact of ICT and digital services are also part of the problem.

As many of us have been enabled to operate remotely during the pandemic, we have witnessed huge reductions in carbon and air pollution while use in ICT and digital services have increased.

Homes England's Digital Team are now taking part in cross-government network groups such as OneGreenGov, Defra e-sustainability Network and the cross-Whitehall sustainability group, which will support and inspire how we approach digital sustainability across the Agency. There is also a cross-government Sustainable Technology Advice and Reporting (STAR) working group which is in place to deliver the commitments as set out by the Greening Government Commitments.

Ultra Low Emissions Vehicles (ULEV)

The Agency has made significant progress with respect to its Car Lease Scheme and transitioning from petrol and diesel cars to ULEV. 56% of cars under our lease scheme are ULEV cars, exceeding the target for 25% of fleet to be ULEV by 31 December 2022. We are working towards being 100% ULEV by 2024, which is in advance of the government commitment to be fully electric by 31 December 2027.

Consumer Single-Use Plastics

Homes England has been demonstrating its commitment to reducing the use of Consumer Single-Use Plastics across the office estate. The number of items classified as Single-Use Plastic is now officially reported on a quarterly basis and applies to departmental bodies that personally procure the items themselves. Having this insight helps us to begin to make a shift away from using Single-Use Plastics. Prior to procuring items, the Facilities Management Team are now able to assess the sustainability credentials of the supplier they are procuring from during the pre-order stage. This allows them to make informed procurement choices in order to buy more sustainable and ethically sourced products and services.

Banner UK is our office supplies partner. Overall the number of Single-Use Plastic items procured through Banner across the year reduced significantly in the latter quarter of the year. The beginning of the year saw minimal Single-Use Plastic items being procured and utilised due to very low occupancy rates in the offices as a result of the COVID-19 pandemic lockdown restrictions, but as restrictions eased and colleagues began to return to offices, procurement of overall Single-Use Plastic items did see an increase. Homes England, as an employer, continues to have general duties under Health & Safety legislation to reduce the risk of transmission in relation to COVID-19, therefore condiments of coffee, tea and sugar products were provided throughout the office environment in sachet format. The remaining stock of these items continues to be utilised but will no longer be procured going forward and single drums of loose coffee and sugar will be provided once again. The number of teabags procured that contain plastic has significantly reduced to move to sustainable alternatives of teabag supplies.

Biodegradable, disposable wipes wrapped in plastic packaging have been procured and used to support the regular cleaning and sanitation regimes of office workstations in response to COVID-19. The use of this item is expected to reduce going forward.

There was an increase in the procurement of plastic stationery items, i.e. pens, highlighter pens etc. in line with the return to the offices as much of this stationery had become obsolete over the COVID-19 period therefore needing replacement. To increase our efforts in making a move to more sustainable choices, we are working with Banner to procure items from their ‘Green Choice’ list of items that contain 30% less plastic. 60 stationery products have already been swapped so far. We are also planning ahead better and buying in bulk to reduce dispatch outer packaging waste and set delivery dates to once per week/month rather than irregular ad hoc deliveries that contribute to increased vehicle emissions.

Some more longer standing initiatives to reduce plastic in the offices has been the provision of crockery and metal cutlery items in all office kitchens to replace plastic disposable versions. Pre-ordered lunches for meetings consist of more sustainable packaging. Plastic milk bottles are also being phased out in all offices and replaced by glass bottles that are re-used.

Significant progress has already been achieved in this area and by working collaboratively with our supply chain, we will seek out more opportunities to reduce Single-Use Plastics throughout our estate.

Sustainable Employer

It's important that everyone at Homes England is able to bring their whole self to work and in doing so, help us to deliver meaningful and inclusive changes within the organisation and the wider housing sector. That's why our colleagues have established staff networks that help us to define and shape the way we do things.

Homes England strives to be an employer of choice, recognising diversity through our values. We know that a diverse and inclusive organisation empowers teams to perform better and that diversity of backgrounds, perspectives, thoughts and ideas will provide a richer platform for us to do things differently and challenge the status quo.

We continue to support the learning and development of all our colleagues, often in the form of professional qualifications, apprenticeships and through formal training courses. Our colleagues are proactive in organising training sessions across a range of key themes including investments, planning and sustainability amongst others.

Graduate and Apprentice workshop
Image source: Greg Holmes / Glenn Howells Architects

Forward look

Climate Change Adaption

In creating a more resilient market, we work with our delivery partners to ensure that climate resilient designs are incorporated into relevant developments. The Planning White Paper (2020) highlighted the role of the planning system in mitigating and adapting to climate change. In addition to this, the revised National Planning Policy Framework places climate change mitigation and adaption at the centre of plan-making, noting that 'plans should mitigate climate change (including by making effective use of land in urban areas) and adapt to its effects'.

Environmental risks to our activities are captured in several areas, such as compliance with regulations and individual issues arriving from site specific problems. In managing our estate, we review our sites and any potential receptors that may be adversely affected by a changing climate. We get notified of risk events and near misses such as flooding and wildlife issues and take action to mitigate where appropriate.

Continued Ambition

The Agency is rapidly pivoting to deliver on government priorities. The development of Homes England's new Strategic Plan is a key part of this, providing an exciting opportunity to define how the Agency will deliver on the Government's ambitions around levelling up, regeneration and the creation of high quality, sustainable and beautiful homes and communities.

Defining the Agency's role in delivering on government priorities for sustainability and design quality will be an important component of the changes that will be implemented across the Agency.

Over the coming year, the Agency will carry out further work to define the outcomes we aim to deliver on sustainability and design and embed activities and processes that will achieve them.

Our Executive Leadership Team has approved further work to take this forward, which will be founded on three broad areas:

1	Clearly define the Agency's ambitions on sustainability and design quality, including the outcomes we will seek to achieve, that can be applied across all of Homes England's interventions.
2	Develop processes that will effectively deliver these objectives, building sustainability and design quality into key systems and decision-making processes at every point in the pipeline.
3	Ensure Homes England has the capabilities and capacity to deliver on its ambitions.

To complement the Agency's new role in delivering the Government's priorities, we intend to launch an external communications programme to explain the Agency's role in achieving improved outcomes for sustainability and design, and how we will work with partners to achieve them.

In addition to this broad programme of work, over the coming year we aim to continue delivering improved outcomes on sustainability and design quality through focussed activity, including:

- Continuing to work with investment partners who can demonstrate a shared purpose with Homes England to support decarbonisation and deliver positive impacts for communities.
- Exploring opportunities to build upon the Greener Homes Alliance to develop new lending partnerships that will incentivise the provision of more high quality, energy efficient homes.

- Continue to work across government to share learning around embodied carbon targets and reporting and to share examples of sustainable construction practices.
- Developing and publishing a Homes England Place Pledge, that will define place standards the Agency expects to achieve and the processes we will use to deliver them.
- Contributing to the adoption of improved building safety practices across the sector by collaborating with external bodies to promote positive culture and behaviour change.
- Work with DLUHC, housebuilders, Local Authorities, professional institutions and partners to ensure that there is a coherent approach to sustainability that delivers benefits for people, place and the planet.

The Performance report is signed on
13 July 2022

....

Peter Denton
Chief Executive and Accounting Officer

Coombe Farm, Saltdean
Image source: Gold Property Developments Ltd

THE ACCOUNTABILITY REPORT

The Accountability report sets out how we meet the key accountability requirements to Parliament. It is broken down into three areas:

- The Corporate Governance report which provides an overview of the Agency's leadership and our risk management approach.
- Remuneration and staff report which details remuneration and staff expenses and policies.
- Parliamentary Accountability which contains details of losses, special payments, fees and charges in the year, and the audit certificate.

Contents:

CORPORATE GOVERNANCE REPORT

Our Board and committees have continued to demonstrate organisational resilience in responding to the challenges of COVID-19 this year and are on the way to establishing a new effective governance structure post-COVID.

Board and committee performance

We are committed to ensuring that our Board and its committees are continually improving.

During 2021, the Board underwent its triennial external review of Board effectiveness, which recognised the significant growth in the complexity of the Agency's remit and the size of its balance sheet. The report made recommendations to ensure the Agency's governance arrangements are able to support effective delivery of the proposed changes to the Strategic Plan and provide strong leadership over the forthcoming years.

These recommendations included changes to Board committees, including the setting up of three new committees to support the Strategic Plan objectives, which were accepted by the Board. The review also compiled a skills matrix across the current membership, which was updated when four new members were appointed in February 2022, to support the mapping of skills across the committees. The Board considered that a number of independent technical experts should be appointed as advisers to some of the new committees to support the skills and experience available to Homes England.

COVID-19 Response

The Board and its committees met virtually from April 2021 to August 2021, having adjusted to this new way of working in 2020, and maintained effective decision making throughout the lockdown period. Board meetings in person resumed in September 2021, with some members attending virtually where necessary.

This governance report explains the composition and organisation of our governance structures and how they support the achievement of our mission and strategic objectives.

It comprises a:

- Board Members' report;
- Statement of Accounting Officer's responsibilities; and
- Governance statement.

Board Members' report

Meet the Board

The role of our Board is to provide strategic leadership and to promote our long-term, sustainable success. Our Board has statutory responsibility for exercising our functions while working closely with DLUHC to ensure the delivery of our strategic objectives.

Peter Freeman CBE

Board Chair

After qualifying as a lawyer, Peter formed the Argent Group of property companies with his brother in 1981. Argent is particularly known for major mixed-use projects like Brindleyplace in Birmingham, and King's Cross and Brent Cross Town in London.

Peter has also been a non-executive director on several other property companies and a trustee of a number of charities connected with education, combating intolerance, and public performance art.

He was shortlisted for the Wolfson Economic Prize on delivering garden cities in 2014 and was until October 2020 Chair of Mayfield Market Towns Ltd. Peter was the principal author of the 2020 Housing Sprint Report.

Peter Denton

Chief Executive Officer

Peter joined Homes England in August 2021. Prior to this, he was Chief Executive Officer of housing association The Hyde Group.

He has worked in a broad range of strategic leadership roles, amassing 27 years of pan-European real estate experience. Before joining the housing sector, Peter spent his early career in investment banking and then moved to global real estate investment management firm Starwood Capital. During his investment career, Peter deployed over €25 billion of capital and had significant exposure to investors and fundraising on a global scale, working as a 'bridge' between the public, private and third sector.

In addition, Peter has held senior EMEA real estate investment banking roles at BNP Paribas, Barclays, Deutsche Bank, Eurohypo and WestImmo. He is also a non-executive Real Estate Investment Committee member at global investment company Eurazeo and Council member and Chair of the Finance Committee at Marlborough College.

Andy Hobart

Shareholder Representative

Andy Hobart is Commercial Director at DLUHC. He joined the Department in September 2018.

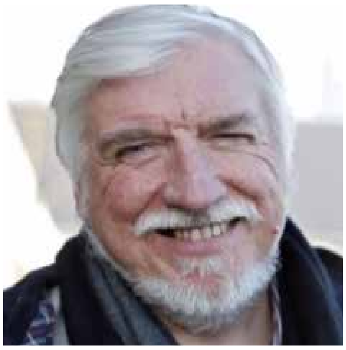
During his career, Andy has held Divisional Chief Executive level roles in the B2B services, construction and housing sectors with firms such as Wates Group, Balfour Beatty, Rentokil Initial and RAC. Most recently before joining DLUHC, Andy was a Non-Executive Director in the housing sector, and advised private equity firms on investments in the business services sector.

Andy holds a M.A. in Engineering Science from Oxford and an MBA from Harvard Business School.

Teresa O'Neill OBE

Councillor Teresa O'Neill OBE has been the Leader of the London Borough of Bexley since 2008 and a Bexley Councillor since 1998. She is also a Vice-Chair (Leader of the Conservative Group) on London Councils and a Conservative Peer for the Local Government Association.

Previously she's been a member of the London Finance Commission, under the last two London Mayors, the London Health Commission and was Boris Johnson's advisor for Outer London relations. Her career was previously in the finance sector and she was awarded the Order of the British Empire (Officer) in the Queen's Birthday Honours 2015 for service to the community and local government in London.



Duncan Sutherland

A practitioner with over 35 years' experience in property, housing, investment, regeneration and development with particular emphasis on public/private delivery partnerships involving government, local government, local communities and private investment.

He was involved in setting up and operating a £1 billion PRS fund investing in the UK and the UK's first successful PRS housing REIT.

Duncan has worked closely with the Government promoting innovative and long-term investment approaches to achieving sustainable regeneration. He served as a Non-Executive Director of the British Waterways Board and Scottish Canals and has recently completed a six year term on the board of HS2 Ltd, the new high speed railway to be built between London and the North. He also serves on the Capital Investment Advisory Board in the Government's Department of International Trade (DIT).

Stephen Bell

Stephen has substantial experience in banking and financial services. He has been involved in property, consumer and asset finance across numerous jurisdictions and has held many senior roles leading risk management, restructuring and transformation. He has held the role of Group Chief Risk Officer and Board Director for a number of institutions over the last decade, including high street banks and in the specialist finance sector. He has served on several Boards, has qualified as a Certified Director and is a Fellow of the Institute of Directors.

Vanessa Murden

Vanessa has extensive senior executive expertise within the financial services industry, including Travelex, Western Union and Lloyds. She is currently the Chief Operating Officer for Lloyds Banking Group's retail division.

Pat Ritchie CBE

Pat is an experienced senior leader in economic development, housing, and property.

She was Chief Executive of Newcastle City Council for over eight years, where she notably secured the multi-million-pound investment deal to bring Legal & General to Newcastle's flagship 'Helix' development and led on negotiations to secure a devolution deal for the North of Tyne Mayoral Combined Authority where she was the first head of paid service. Pat led the city's response to the pandemic and oversaw the Newcastle COVID-19 Recovery Plan including an ambitious £50m plan to transform the city centre.

Pat was appointed to Chair of the Government Property Agency in January 2020. She is a member of the Advisory Board of the National Leadership Centre and a member of Newcastle University Council.

She is a former Chief Executive of the Homes and Communities Agency (Homes England) and former Deputy Chief Executive of the One North East Regional Development Agency.

Pat was awarded her CBE in January 2021 for services to local government and public service reform.

Sadie Morgan OBE

Sadie is a founding director of leading architectural practice dRMM. Over her 25-year career she has advocated exemplary design and architecture. She is a Commissioner and Design Group Chair of the National Infrastructure Commission and is the London Mayor's Design Advocate.

Mark Rennison

Mark is the former Finance Director for Nationwide Building Society. He also chaired the subsidiary company at Nationwide which managed the Oakfield project to build a new housing community in Swindon. Prior to joining Nationwide he worked for PwC for 25 years including spending time as an audit partner in their banking practice in London.

Lesley-Ann Nash, MBA, FCMA

Lesley-Ann spent two decades in investment banking, building and leading structured interbank businesses. She was a Managing Director of Morgan Stanley but left to offer her financial skills to government. She spent seven years in the Cabinet Office leading a range of commercial programmes which positively impacted both public and private sectors as well as citizens nationally.

On leaving government, Lesley-Ann has embarked on a non-executive director career. She has been appointed to the boards of St James's Place plc (FTSE 100) and Workspace Group plc (FTSE 250). She also sits on the board of the business campaigning group, London First.

Lesley-Ann is a fellow of the Chartered Institute of Management Accountants and holds an MBA from CASS business school.

Mark Henderson

Mark is Chief Executive of Home Group, with 55,000 homes under management across Scotland and England and one of the largest providers of supported housing, working with 26,000 vulnerable people in nearly 500 services. Home Group is also one of the largest developers of housing in the UK with a turnover of some £430 million per annum. It was voted the UK's best Landlord and best Housing Association in 2014 and 2016.

Mark is currently a director and trustee of Whiteley Village Trust. He previously ran his own business before joining Home Group, before that had worked with the RDA as Operations Director and a variety of regeneration and economic development jobs across the country in local government, most recently as Chief Executive of one of the largest County Councils in the country. He was also a former Board Member for the National Housing Federation and former Chair of Homes for the North.

Lord Austin of Dudley

Lord Austin has spent a large part of his career working to meet housing needs by tackling homelessness, improving the provision of housing and addressing problems of affordability. Lord Austin spent a significant time of his career serving his local area of Dudley where he served on Dudley Council before becoming the MP for Dudley North in 2005. During this time, Lord Austin served as the Minister for Housing and Planning and Minister for the West Midlands. In 2020, he was appointed to the House of Lords as Lord Austin of Dudley. Lord Austin also serves as a member of the Corporation of Dudley College.

Olivia Scanlon

Olivia has a background in financial services, where she has almost 20 years of experience in general finance and investment as well as real estate development finance. She is the Chief Operating Officer at Orchard Global Asset Management LLP. Olivia left the Board on 31 March 2022.

Our Board is specifically responsible for:

- Overall governance, including preservation of the reputation of the Agency, and relationships with DLUHC and other key stakeholders.
- Recommending to DLUHC the Agency's overall strategic direction, within the policy and resources framework agreed and set out in the Framework Document.
- Approving the Agency's draft Corporate Plans, including output targets, for submission to Ministers for approval.
- Agreeing the Agency's Annual Budget set by the Department, set out in the Business Plan, for approval by DLUHC.
- Agreeing the Annual Report and Accounts for submission to Parliament.
- Approving overall governance arrangements including setting the Agency's values and standards to ensure that the Agency's affairs are conducted with probity, and that high standards of corporate governance are observed at all times.
- Ensuring that the necessary financial and human resources, including key appointments, are in place to enable the Agency to safeguard its assets and meet its objectives.
- Approving overall arrangements for the delivery of Homes England's strategic objectives.
- Receiving reports from Board Committees and Advisory Groups and considering any key issues that they raise.
- Approving any Compulsory Purchase Orders recommended by the Investment Committee.
- Ensuring that the Agency's Health and Safety processes are effective and fulfil Homes England's obligations under Health and Safety legislation.
- Challenging and reviewing monthly performance information in regard to the corporate targets.
- Approving Homes England's Risk Appetite Statement and Risk Management Framework, assessing the periodic risk evaluations, and overseeing mitigation strategies on the recommendation of the Audit & Risk Committee.
- Considering property, litigation, legal and other corporate issues.
- Ensuring that there are appropriate legal, financial and administrative arrangements covering the provision of the Agency's pension schemes.

Board and Committee composition

The Board is comprised of Non-Executive members and the Chief Executive, Peter Denton, who also serves as the Accounting Officer. The Board is led by the Chair, Peter Freeman. Membership of the Board and its Committees has changed throughout the year as set out in the Board and Committee Attendance section later in the report. A full list of current Board Members, including the four new members who joined us in February 2022, and members who served throughout the year is detailed in our Board Members' report.

How the Board spent its time

The Board receives and reviews monthly performance information, scored against corporate targets and relating to the management and performance of the Agency, and directs Executives regarding any required performance improvements. This data is produced and published on a bi-annual basis in accordance with the ONS Code of Practice for Official Statistics.

The Board has been overseeing the Agency's response to the COVID-19 pandemic, as it supported partners in challenging times, as well as the return to normal. In the final quarter of the year, and beyond, it oversaw the Agency's response to the emerging Ukraine crisis, including, ensuring compliance with the UK Sanctions List, and monitoring and assessing emerging risks. It started the year formulating its response to the three reviews of the Agency that took place in 2020/21 and it undertook its three yearly review of Board Effectiveness in parallel.

The Board has also been overseeing a Transformation programme – 'Evolve', which is modernising the Agency's digital operating systems. Board has considered MMC, Design, Productivity and Sustainability aspirations, and started to determine how to operationalise the freedoms and flexibilities in programme budget spend achieved through Spending Review 21, and the Government's Levelling Up aspirations. It also embarked on a programme of deep dives into individual programmes, to improve oversight, and learn lessons for the future.

Board forward look

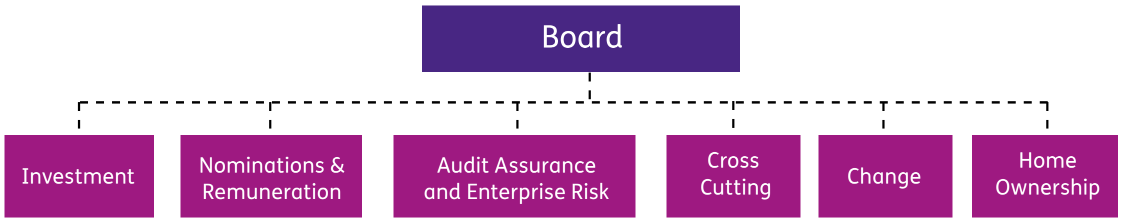
The Levelling Up White Paper places levelling up and social justice at the heart of government's housing and regeneration policy and, while supply remains important, there will be a renewed focus on placemaking. These policy directions mean a renewed focus on the Agency's regeneration objectives and in 2022/23 the Board will be focused on overseeing and directing the changes needed to deliver this, both through internal operational changes and by re-focussing its broad suite of different programmes. This process is already underway, supported by proposals to revise the Strategic Plan for 2022-25 by the late summer.

Homes England committees

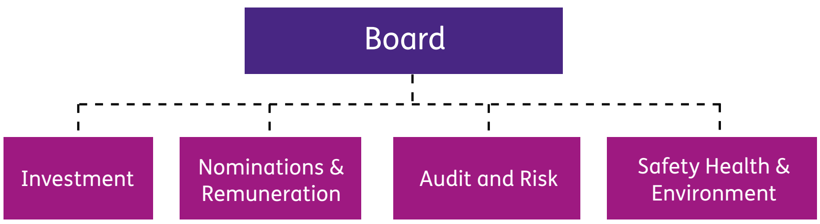
Our Board, in accordance with good practices of governance, has established a number of committees to which it delegates appropriate responsibilities.

The Board agreed establishment of a new Committee for oversight of Home Ownership programmes (primarily Help to Buy), and two time-limited committees to oversee the embedding of Cross Cutting objectives and delivery of the Agency's Change programme.

Board and Committees at 31 March 2022



Board and Committees at 1 April 2021



Investment Committee (IC)

The Investment Committee considers new development and investment proposals and reviews business cases in support of new development projects or equity investment or programmes for inclusion within the Agency's remit. It also monitors portfolio performance and progress on major schemes and approves certain aspects of the Agency's procurement arrangements.

During the year, in addition to project approvals, the committee approved a development and management monitoring framework and a Dynamic Purchasing System. It also approved full business cases in support of new initiatives including First Homes, Help to Build and the Housing Delivery and Diversification fund (now Levelling Up Home Build Fund).

The committee's portfolio monitoring activities included regular reviews of the equity portfolio, the Government guarantees portfolio on behalf of the Secretary of State and actions taken in response to the pandemic, including waivers and flexibilities afforded to construction partners and developers due to delays in both completions and sales.

The members of the Investment Committee as of 31 March 2022 were Mark Rennison (Chair); Peter Freeman; Duncan Sutherland; Sadie Morgan; Olivia Scanlon; Pat Ritchie; Andy Hobart (Shareholder Representative); Peter Denton, Chief Executive Officer (or nominated deputy); Harry Swales, Chief Investments Officer (or nominated deputy); and Barry Cummins, interim Chief Land and Development Officer (or nominated deputy).

Nominations and Remuneration Committee (NRC)

This Committee is responsible for advising on overall pay and rewards; the remuneration, contractual and pension arrangements of staff at Director level and above; senior succession planning; key HR policies; and setting and agreeing the annual performance objectives, remuneration terms and other terms and conditions of employment of the Chief Executive.

Notable business this year included:

- Overseeing the finalisation of the Pay and Grading Review and its implementation; and
- Agreeing a Future of Work strategy for the Agency, following the easing of Pandemic lockdown.

The members of the Nominations and Remuneration Committee as of 31 March 2022 were Vanessa Murden (Chair); Stephen Bell; Duncan Sutherland; Lesley-Ann Nash, Andy Hobart (Shareholder Representative), and Peter Freeman.

Board and Committee attendance 2021/22

Board [1]	**IC** [2]	**NRC** [3]
Andy Hobart 10 (10)		Andy Hobart 4 (4)
Duncan Sutherland 10 (10)	Duncan Sutherland 11 (12)	Duncan Sutherland 4 (4)
Gordon More (Int CEO) 4 (4)		
Ian Austin 1 (1)		
Lesley-Ann Nash 1 (1)		
Mark Henderson 1 (1)		
Mark Rennison 10 (10)	Mark Rennison 10 (12)	
Olivia Scanlon 6 (10)		
Pat Ritchie 1 (1)		
Peter Denton (CEO) 6 (6)		
Peter Freeman 10 (10)	Peter Freeman 10 (12)	Peter Freeman 1 (3)
Sadie Morgan 9 (10)	Sadie Morgan 7 (12)	
Simon Dudley 5 (5)	Simon Dudley 6 (7)	Simon Dudley 3 (3)
Stephen Bell 10 (10)		Stephen Bell 4 (4)
Teresa O'Neill 10 (10)		
Vanessa Murden 7 (10)		Vanessa Murden 3 (4)

[1]The Board also held a further 5 Special meetings, and 21 catch-up phone calls during the pandemic.
[2]The Investment Committee also held a further 6 Special meetings.
[3]The NRC also held a further 6 Special meetings.

Audit, Assurance and Enterprise Risk Committee (AAERC)

This Committee supports the Accounting Officer and Board in their responsibilities for risk control, governance, financial stewardship and financial and statutory reporting. It reviews the comprehensiveness of assurance and reporting processes, consistent with the Accounting Officer's assurance needs. During the year the Committee's Terms of Reference were revised to reflect the evolving Mission and Objectives of the Agency and the Committee was reconstituted as the Audit, Assurance and Enterprise Risk Committee in November 2021.

A significant part of the Committee's work this year has been on the overarching Control Environment Improvement Programme. The key areas in this regard were (1) Risk management, (2) Data & MI, (3) Transformation (which was renamed the "Evolve" programme), (4) Help to Buy, (5) Corporate Health and (6) Capacity, Culture, Silos and Decision Making & (7) DLUHC Alignment/Sponsorship. The purpose of these programmes was to strengthen the Agency's control environment and give confidence to the Board in this regard. The executive defined their approach as being to achieve "competence" by this year end and aspire to "excellence" thereafter.

The Committee believes that by March 2022 it will be realistic to expect that the Agency's control environment can be described as competent. By the end of 2023, the Executive aspires to achieve maturity in its risk management capabilities, with a risk culture embedded.

The members of Audit, Assurance and Enterprise Risk Committee as of 31 March 2022 were Stephen Bell (Chair); Teresa O'Neill, Mark Rennison, Mark Henderson, Lesley-Ann Nash and Vanessa Murden.

Safety Health and Environmental Committee (SHE)

This Committee was set up so that the Board was able to provide strong leadership in the development of a positive safety, health and environmental culture. The Committee also has oversight of the Agency's leadership role in influencing the wider housing and construction industry, as a master developer and major construction client. The Committee also took a role in giving assurance to the Board that the Agency was responding appropriately to the COVID-19 pandemic and ensuring the safety and well-being of its staff.

The Board is satisfied that a positive safety, health and environmental culture is now in place, and that further oversight can properly rest with the Board, AAERC and ELT, to ensure appropriate oversight and assurance of health and safety matters, and the last meeting of the committee was held in January 2022.

The members of Safety Health & Environmental Committee as of 19 January 2022 were Duncan Sutherland (Chair); Olivia Scanlon; Andy Hobart (Shareholder Representative); Barry Cummins, Interim Chief Land and Development Officer (or nominated deputy) and Lynda McMullan, Chief Financial Officer (or nominated deputy).

Change Committee

The Change Committee supports the Board in fulfilling its responsibility for reviewing the assurance from the Executive and making decisions in respect of change programmes and projects. This includes monitoring delivery of the Evolve programme and oversight of corporate change and culture initiatives. The Change Committee held its first meeting on 24 March 2022.

The members of Change Committee as of 31 March 2022 were Vanessa Murden (Chair); Duncan Sutherland; Mark Rennison; Andy Hobart (Shareholder Representative) and Pat Ritchie.

Cross cutting Committee

The Cross cutting Committee supports the Board in fulfilling its responsibility for a greater focus on the cross cutting objectives detailed in its Strategic Plan: Safe, Sustainable, Well-designed and built including modular construction, design, sustainability. The Cross cutting Committee held its first meeting on 14 April 2022.

The members of Cross cutting Committee as of 31 March 2022 were Sadie Morgan (Chair), Mark Henderson and Ian Austin.

Committee attendance 2021/22

Transformation AAERC	AAERC	SHE [4]	Change Committee
Mark Rennison 6 (7)	Mark Rennison 6 (6)		Mark Rennison 1 (1)
Stephen Bell 7 (7)	Stephen Bell 5 (6)	Stephen Bell 2 (2)	
Teresa O'Neill 3 (7)	Teresa O'Neill 6 (6)		
Vanessa Murden 6 (7)	Vanessa Murden 5 (6)		Vanessa Murden 1 (1)
		Duncan Sutherland 4 (4)	Duncan Sutherland 1 (1)
		Simon Dudley 1 (1)	
		Olivia Scanlon 3 (4)	
		Andy Hobart 4 (4)	Andy Hobart 1 (1)

[4]Stephen Bell attended SHE on 2 occasions to ensure quorum.

The Executive

The Executive is our principal operational decision-making group for implementing the corporate strategy, operational policies and procedures. The Executive directors work with the Chief Executive to ensure that the deployment of resources is sufficient to maintain delivery and that our corporate services provide effective service support.

As at 31 March 2022 the Executive comprised of:

- Peter Denton, Chief Executive and Accounting Officer (from 1 August 2021).
- Barry Cummins, Interim Chief Land and Development Officer (from 8 November 2021).
- Lynda McMullan, Chief Finance Officer.
- Mike Palin, Interim Executive Director of Markets, Partners & Places (from 1 January 2022).
- Harry Swales, Chief Investments Officer.

Peter Denton

Chief Executive Officer

Peter joined Homes England in August 2021. Prior to this, he was Chief Executive Officer of housing association The Hyde Group.

He has worked in a broad range of strategic leadership roles, amassing 27 years of pan-European real estate experience. Before joining the housing sector, Peter spent his early career in investment banking and then moved to global real estate investment management firm Starwood Capital. During his investment career, Peter deployed over €25 billion of capital and had significant exposure to investors and fundraising on a global scale, working as a 'bridge' between the public, private and third sector.

In addition, Peter has held senior EMEA real estate investment banking roles at BNP Paribas, Barclays, Deutsche Bank, Eurohypo and WestImmo. He is also a non-executive Real Estate Investment Committee member at global investment company Eurazeo and Council member and Chair of the Finance Committee at Marlborough College.

Lynda McMullan

Chief Finance Officer and Executive Director, Corporate Resources

Lynda has been with Homes England since July 2019. As well as being the CFO, she manages the Corporate Resources Directorate which consists of: Finance, HR, Legal, Internal Audit, Business Planning and Performance, as well as the Building Remediation Team. Prior to this, Lynda worked for 5 years with the Metropolitan Police Service helping deliver significant change and financial savings as Director of Commercial and Finance, having already spent a year overseeing the service from the GLA. This built on two years working as an Executive lead at the National Audit Office, responsible for the Education, Health and the (then) Communities and Local Government departments. Before this Lynda spent some 20 years in local government, mainly in senior financial roles, latterly with Kent County Council as the Director of Finance and Procurement.

Harry Swales

Chief Investment Officer

Harry has been with Homes England since 2015 and is the Chief Investment Officer. Harry has over 18 years' experience in housing and the built environment as a developer, investor and funder. He is a chartered surveyor with a background delivering strategic investment programmes across both the public and private sector.

Mike Palin

Interim Executive Director of Markets, Partners and Places (MPP)

Mike Palin is the Interim Executive Director of MPP. He joined Homes England in February 2021 as Interim Director of the Cities and Major Conurbations Team. He is a successful deliverer of economic growth strategies as well as being a leading thinker on how economic growth implementation can fit with broader policy initiatives. His focus is on implementation of strategies to deliver results. He is a former LA Chief Executive, LEP Executive Director, as Chief Executive of St Helens Council he delivered a new economic approach that saw the Borough have the second highest per capita jobs growth in the entire North of England (resulting in an unemployment rate as low as 3.2% in 2019, from being at 10.3% in 2015), the attraction of over £1/2bn of private sector inward investment (with an increase in business rate income of over £10m per annum), as well as securing government industrial strategy investment and a major Town Centre investment partner.

Barry Cummins

Interim Chief Land and Development Officer

Barry joined Homes England in 2017. He is the Interim Chief Land and Development Officer, having previously held the role of National Development Director. Barry has over 30 years of experience in the private sector having worked in senior director roles for a number of housebuilders including Bryant, Countryside Properties and Bovis Homes. He also has practical knowledge of land acquisition and sales having created two new regional operating companies.

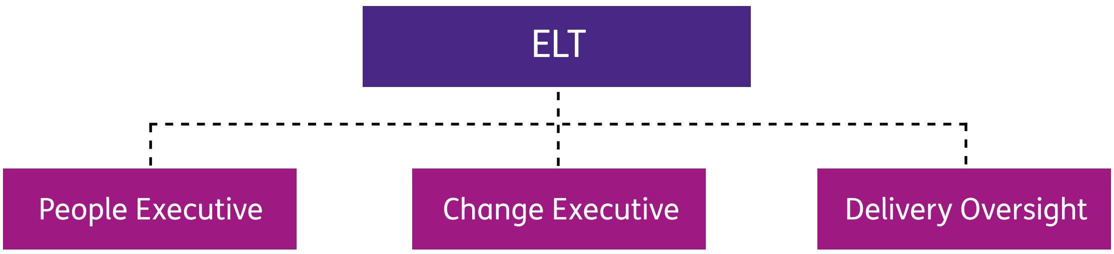
Barry is a Chartered Town Planner and has been a member of the Royal Town Planning Institute since 1986. He held the Role of Regional Chairman for The Home Builders Federation for over 7 years.

In addition to the above, the following served on the leadership team throughout the year; Gordon More served as Interim Chief Executive and Accounting Officer until 1 August 2021, Amy Casterton served a Chief of Staff until 27 August 2021, Stephen Kinsella Served as Chief Land and Development Officer until 17 December 2021, Paul Kitson served as Executive Director of Markets, Partners & Places until 9 December 2021.

The Chief Executive has revised the Executive decision-making structure to support the revised Board and Committee structure outlined above and provide Executive oversight and assurance of Homes England's overall performance, both in terms of programme delivery and corporate operations, as well as its broader strategic development.

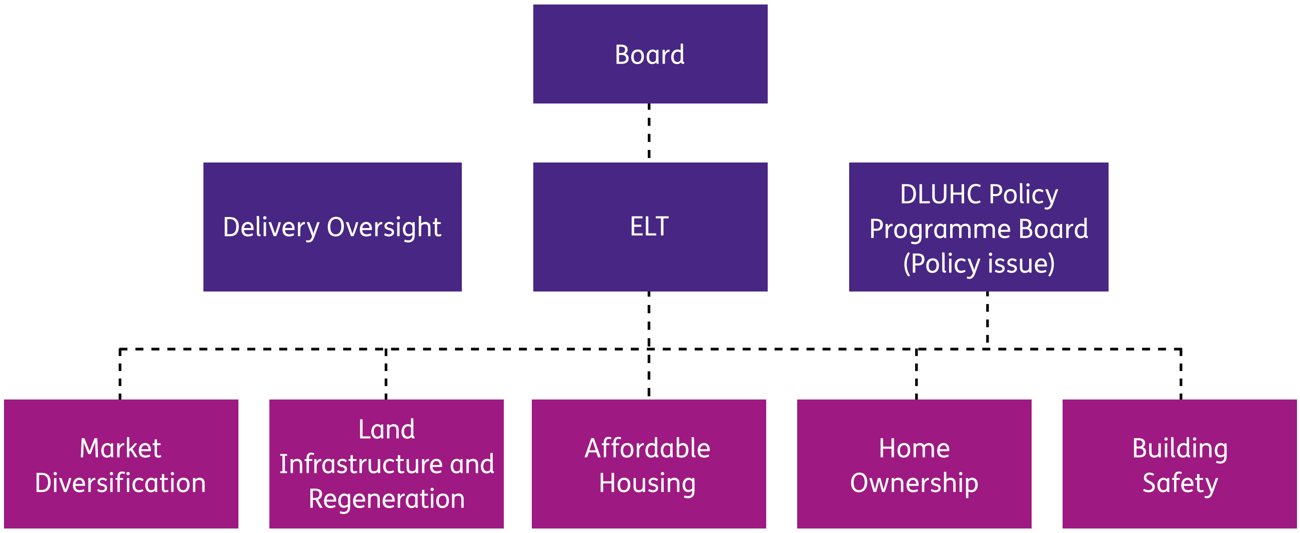
Three new Executive groups are mapped to the Board Committees: People Executive to Nominations & Remuneration Committee; Change Executive to Change Committee; and Delivery Oversight provides assurance on programmes and portfolio delivery to the Investment Committee and assurance on policy matters to the Cross Cutting Committee. The Executive Leadership team meeting retains responsibility for delivery and assurance to Board of the Strategic Plan objectives, risk, budget and performance reporting.

New ELT structure



The Chief Executive has also introduced a framework of five new Delivery Boards that support the policy delivery partnership model agreed with DLUHC, replacing existing DLUHC-led programme boards. Active Delivery Boards cover Market Diversification, Affordable Housing, Home Ownership and Building Safety, whilst interim arrangements are in place to oversee the Agency's land, infrastructure and regeneration activity until that Delivery Board is formally stood up (expected during 2022/23). The Boards provide oversight and assurance to the Stakeholders (DLUHC and the Agency) on delivery of the programmes/funds and inform strategic/policy decision making for the Agency and relevant DLUHC Programme Boards. The Delivery Boards also include representatives from the Infrastructure and Projects Authority and Treasury, to give them the opportunity to oversee performance and input into key decisions. Management Information and performance reporting and forecasts form part of the Agency performance reporting to the Executive Leadership Team and Board.

Delivery Board structure



Declarations of Interest

The Agency has reviewed its detailed policy and guidance on declarations of interest for all staff, which complies with the requirements of the Civil Service Management Code and includes the requirement to make an annual declaration of interests as well as record any changes. We review all recorded interest returns to ensure that they are permitted, and they are managed as part of our assurance to board.

We also have a policy in place for Board Members, which is contained in their Code of conduct, and based on Cabinet Office guidelines. The section setting out the handling of conflicts confirms that members must declare interests at any meeting and withdraw from a meeting before discussion of any matter in which they have an interest.

Following the appointment of four new members in February 2022, training for the Board on declaration of interests took place on 28 April 2022.

As part of our additional assurance we now hold a Register of all Board and officer interests centrally to allow Secretariat and project officers to review member and officer interests more readily when they are bringing reports to committees.

Register of Members' interests

The Register of Members' interests is a public record published on the website in which members list all direct or indirect financial interests and non-financial interests where they have a direct bearing on the business of the Agency. Our Executive Directors' Register of Interests is published alongside the Board Member declarations.

The Register of member's Financial Interest is open for public inspection and can be found at www.gov.uk by searching for 'Homes England register of interests'.

Personal data related incidents

Since 25 May 2018, under the UK General Data Protection Regulation and the Data Protection Act 2018, there has been a mandatory requirement to report any personal data breach if there is a risk to the rights and freedoms of the data subjects whose data has been breached. In the financial year 2021/22, there were no personal data breaches that met the threshold for mandatory reporting however, Homes England voluntarily reported one breach to the Information Commissioner's Office as there was some uncertainty at the time, given the limited information initially available, whether the incident met the threshold for mandatory reporting. The breach was not committed by Homes England but by one of its third party processors. The third party's Robotic Process Automation team had been given production access to some customer accounts to populate a secure test environment. This data included some of our account data in error and a copy was provided without the proper authorisations in place. As soon as our processor was notified of this breach, they immediately revoked access to the data.

External Auditors

The Comptroller and Auditor General is the statutorily appointed auditor under the provisions of the Housing and Regeneration Act 2008. The cost of work performed by the auditors for 2021/22 was £435,000 (2020/21: £400,000).

As part of the annual audit of Homes England, the National Audit Office (NAO) may issue recommendations to strengthen governance and accountability. Such recommendations are considered by senior management, reviewed by the Audit, Assurance and Enterprise Risk Committee and solutions are implemented where appropriate. In addition to the annual audit, Homes England's work was the subject of an NAO report during the year as summarised below.

NAO Value for Money Study into the Affordable Homes Programme

The NAO began a study in September 2021 into the Affordable Homes Programme (AHP). The Study is assessing the value the AHP provides for the public purse. The NAO have liaised with the AHP team at Homes England, conducting interviews and gathering data on the Agency's role in delivery. DLUHC, the Greater London Authority and market partners have also fed information into the process. The NAO will publish its final report in September 2022, following the summer Parliamentary recess.

Homes England also contributed to the work of two Select committees during the year:

Levelling Up, Housing and Communities Select Committee oral evidence session: 'Work of Homes England'

On 15 November 2021, the Levelling Up, Housing and Communities Select Committee held a one-off session on the work of Homes England, attended by the Chair, Peter Freeman, and the Chief Executive, Peter Denton.

This was a wide-ranging session, which discussed a broad range of the Agency's funding programmes and workstreams, as well as the Agency's delivery record and work with the Department. The committee also explored broader issues such as the Agency's governance structures plus our commitment to design, sustainability and net zero, and opportunities to increase productivity in the delivery of housing through MMC. The session also included a discussion of Homes England's role, capacity and capability.

Following the session, the Chair and Chief Executive wrote to the committee with additional information which had been discussed at the evidence session. This included an outline of how Homes England disposes of its land, an outline of the range of funds and programmes administered by the Agency and setting out further information of the Home Building Fund: Short Term Fund and the Agency's work to support SMEs.

Public Accounts Committee (PAC)

Homes England has continued to write to the Public Accounts Committee on a six-monthly basis setting out the number of affordable units created, and the type and tenure, following the 2020 PAC session on Starter Homes. The Agency most recently wrote to the PAC in December 2021 with the latest information.

Statement of Accounting Officer's responsibilities

Under the Housing and Regeneration Act 2008, the Secretary of State (with the consent of HM Treasury) has directed Homes England to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Homes England and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and to:

- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements;
- prepare the Financial Statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Secretary of State has delegated Accounting Officer responsibilities to the Chief Executive Officer of Homes England. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Homes England's assets, are set out in Managing Public Money published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Homes England's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and I take responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

We are a Non-Departmental Public Body sponsored by DLUHC. Our relationship with DLUHC, including how we interact, the parameters within which we operate and the obligations we comply with are formally governed by a Framework Document which:

- recognises our functional and day-to-day operational independence;
- sets out our governance and decision-making arrangements; and
- sets out the financial and management processes that govern our operation.

The Framework Document is the key document governing the Agency's relationship with DLUHC. The current Framework document was published in November 2018, and there have been no fundamental changes in the period covered by this report. The Framework document is in the process of being refreshed to reflect changes in the governance structures and the future changes of the Strategic Plan.

Homes England has complied with the Corporate Governance in central government departments: Code of Good Practice.

Risk Management Framework and Three Lines of Defence Model

Our approach to risk management is informed by HM Treasury's Orange Book and sets out a principles-based approach that provides flexibility and judgement in the implementation and operation of risk management, which is informed by relevant policies, processes and best practice. It is designed so anyone, regardless of their level of knowledge, can understand their role and responsibilities and be signposted to more detailed guidance where needed. Within the Agency the risk management processes are structured to include:

a. risk identification and assessment to determine and prioritise how the risks should be managed,

b. the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level,

c. the design and operation of integrated, insightful and informative risk monitoring, and

d. timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

The Three Lines of Defence Model provides a mechanism for the governance of risk management. With a Three Lines of Defence model:

1	**The First Line (1LOD)** refers to all staff responsible for identifying, assessing, managing and owning the risks in their respective business areas and support functions.
2	**The Second Line (2LOD)** refers primarily to the Risk team but includes other functions and activities that monitor the implementation of effective risk management practices and facilitate the reporting of risk related information up and down the organisation.
3	**The Third Line (3LOD)** refers to Internal Audit, who provide assurance to the Accounting Officer and Board on the whole organisation via an independent objective evaluation of the adequacy and effectiveness of the framework of governance, risk management and control.

The systems and processes described herein have been in place for the full financial year and remain in place at the date of the accounts, unless otherwise indicated.

Risk culture

Ambitious
We are not afraid of risk. We actively seek innovative approaches while knowingly taking appropriate risks to achieve our objectives.

Collaborative
By collaborating we learn. We encourage all employees to share ideas, discuss risks and develop joint solutions to manage those risks openly so we can promote a 'continuous learning culture'.

Commercial
We develop and improve our interventions while safeguarding public funds and delivering value for money.

Creative
We disrupt the status quo by balancing risk with reward to find creative solutions to continuously improve outcomes.

Diverse
We actively seek wide involvement and a diverse set of views through our risk identification, risk treatment and decision-making processes.

Learning
We can always do better, share what we know and admit our mistakes. We have a 'no blame culture' so when risks materialise, we have an open and honest conversation about what happened, the lessons we learnt and how we can improve in future.

Our risk culture aligns to the Homes England Way to reflect our shared values and focus on our collective behaviour.

Every employee has a responsibility to manage risk in their respective role. Whilst the nature of the risk will vary depending on the role the universal principles which underpin this are set out in detail in our Risk Management Framework.

Risk Taxonomy and Risk Appetite

Our Risk Taxonomy is a categorisation structure to support the analysis and assessment of risk exposure across the organisation. The seven primary risk categories detailed in the following table are further segmented into secondary risk categories for detailed business management purposes.

Our Risk Appetite identifies our overall willingness to assume, or be exposed to, a level of risk for each of our seven primary risk categories.

Taxonomy	Category Definition	Risk Appetite
Policy Risk	Changes in policy priorities leading to a change of Homes England's expected deliverables, resulting in an inability to adapt to amended strategic priorities.	OPEN: Homes England is in place to support policy and therefore needs to be able to react to a change in government or policy and support any policy / government transitions.
Economic Risk	Changes in the macro-economic environment leading to volatility in the UK housing market, resulting in unsustainable levels of strategic change.	OPEN: Homes England's mission is "to intervene in the market to ensure more homes are built in areas of greatest need, to improve affordability. We will make this sustainable by creating a more resilient and diverse housing market". Homes England is open to taking counter cyclical decisions to support the housing market, investing money and introducing products if needed even in difficult economic conditions.
Strategic Delivery Risk	Pursuing objectives which turn out to be defective and/ or risk of sub-optimal delivery of change initiatives or interventions related to strategic objectives.	OPEN: Homes England recognises that there is a large amount of strategic change to deliver, and that change is inherently risky, with the need to balance costs, speed, and the risk of ineffective change. In order to achieve this balance, Homes England will identify which changes require full project management and which will be delivered as part of BAU activity, recognising that the latter may cause issues that will need rectifying post implementation.
Financial Risk	Risk of Homes England's credit / investment decisions leading to a financial loss or sub-optimal recovery outside agreed tolerance, resulting in an inability to achieve planned recovery rates.	NEUTRAL: Homes England is in place to support schemes that would not be delivered through the private sector. It manages this risk by setting planned recovery rates for each programme and aims to achieve these recovery rates.
Operational Risk	Risk of Homes England processes, resources or systems being ineffective, leading to operational failures.	AVERSE: Homes England is averse to operational risks and expects there to be a resilient control environment for key systems and processes.
Fiduciary Risk	Risk of failing to comply with regulation or prevent financial crime or misconduct with the customers, leading to losses / censure.	AVERSE: Homes England has 'zero-tolerance' to all types of non-compliance and subsequent breach of statutes and associated statutory requirements, regulations, codes of practice, common law, professional standards, high-level directive documents and financial crime compliance framework.
Reputational Risk	Risk of reputational damage due to adverse public or stakeholder perception of activities that are fully aligned to Homes England's strategic objectives and policy requirements; insufficient mitigation through communication/ public perception management.	NEUTRAL: Homes England will ensure it understands the reputational risk of its activities and any known other risks (especially operational and fiduciary), but there will be times when achieving its mission leads to a negative public perception. Where there is negative media and/ or public attention, Homes England will proactively seek to address this.

Risks outside the Agency's Risk Appetite

We measure our Risk Appetite for each of our seven primary taxonomy risks to determine whether we are within or outside appetite. The Chief Risk Officer's report to our Board includes a Risk Appetite Position Statement. During the last 12 months we were within appetite for all primary taxonomy risks except for the following specific areas of Operational and Fiduciary Risk.

Operational Risk – At the beginning of this year we were outside our operational risk appetite in three areas: legacy digital systems; data quality, integrity, availability and reporting; and workforce planning.

Whilst risks associated with these areas were managed throughout the year within operational tolerance, Executives now confirm that risks associated with the above three areas are currently being managed within risk appetite. These areas of risk are linked to two of the Principal Risks reported below, Business Continuity and Capacity & Capability.

Our mitigation strategy to support the management of the above Primary risks during these challenging times includes two common elements: improving our risk management culture and system transformation through our Evolve programme.

Over the next two years, our Risk Training Manager will focus on implementing a risk education and awareness programme to strengthen and improve our risk management culture. In tandem, Homes England plans to replace core legacy systems with resilient modern platforms. Evolve projects relevant to the risk mitigation strategy include: replacing our document management platform; introducing new systems to manage workforce and enterprise resource planning; and embedding an automated risk management system.

Fiduciary Risk

Fiduciary risk in relation to Anti Money Laundering (AML), fraud and sanctions and our approach to its mitigation is summarised below.

We remain outside risk appetite for fiduciary risk due to issues that remain in respect of the Help to Buy programme, primarily in respect of possible scheme abuse.

During 2021/22, Homes England has undertaken a significant amount of work to mitigate risks previously identified, including the implementation of an investigative and detective tool to screen the pre-existing and new participants on a risk-based approach that ensures compliance, in accordance with UK AML (including Politically Exposed Persons) and sanction legislation.

Greater insight has led to the identification of potential scheme abuse following an examination of the Help to Buy consumer portfolio. Given that Homes England maintains an equity loan for a built property there is unlikely to be any permanent loss where scheme abuse is identified. Work is ongoing with stakeholders in order to improve the quality of the data and conduct in-depth data analysis to aid detection and mitigation strategies, as a result we anticipate being within risk appetite in 2022/23.

Dedicated processes have been implemented to screen new developers and consumers who join the scheme, in respect of AML, fraud and sanctions which did not exist in the previous fiscal year.

Sanctions

UK financial sanctions apply to all persons within the UK territory and to all UK persons, wherever they are in the world. This means that:

- Homes England is obliged to comply with financial sanctions and has appropriate systems and controls operating;
- The sanctions landscape is constantly evolving due to geo-political events. Homes England applies the Office of Financial Sanctions Implementation's consolidated list to our consumers and developers across all programmes; and
- Complex ownerships are investigated to ensure that Homes England is not contracting

with organisations owned or controlled by sanctioned entities or individuals.

Homes England commissioned an external subject matter expert (SME) to review its AML and sanctions approach, systems and controls. The SME's opinion was:

- Our exposure was assessed to be low risk, based on the programmes we make available and the nature of our customer and developer base and the entities with whom we do business;
- Sanction risk exposure would be due to consumers and/or developers with a non-UK nexus within our portfolio. The risk is considered minimal and appropriately risk mitigated, with no exposure to sanctioned parties being identified to date, although risk assessment and review continues for Help to Buy developers; and
- Our AML and sanction processes were proportionate and appropriate to the level of fiduciary risk faced by the Homes England.

For Help to Buy, 58% of developers and their beneficial ownership, have been successfully screened with no sanction exposure identified. The remaining 42% are being assessed, via a risk-based approach, concentrating on 210 developers with non-UK ownership. This work is progressing and will be completed in Q3, 2022.

Control Environment Improvement Programme

For 2020/21, Internal Audit provided the Agency with a Limited Assurance opinion. This was driven by a range of factors and reflected the audit view that we were "an organisation under strain, and we have been hampered by instability at senior level, and inefficiencies resulting from legacy systems, with limited data quality, which expose us to undue risk."

Risk has been actively involved in the ongoing work to improve the Agency's Control Environment to address these audit concerns and has focussed on four key areas of risk-based activity in this regard:

i) Principal Risks (top-down view)

ii) Risk and Control Self-Assessment (bottom-up view)

iii) Risk Events and Near Misses (reporting and awareness)

iv) Risk Escalation (transparency).

Principal Risks

The Executive Leadership Team owns and is collectively responsible for the identification and management of Principal Risks, which is the key "top down" risk identification process across the Agency. A series of workshops and meetings have been held between Risk and the members of the Executive Leadership Team as part of the Control Environment Improvement Plan. These have identified the risks facing the Agency which are so significant that they could materially impact the achievement of our strategic objectives.

The Agency has instituted quarterly CEO/CRO Challenge Sessions as part of its Control Environment and to provide a regular forum where the Principal Risks are discussed at a senior level across the Agency.

Risk and Control Self-Assessment

The Agency uses a combination of Risk Registers and Risk and Control Self-Assessment (RACAs) as a "bottom up" risk identification process. Risk Registers are used for more simple programmes and business areas with RACAs used by the more complex business lines and directorates across the Agency. In September 2021 the guidance and templates used for these were refreshed and relaunched to provide greater consistency of reporting across different business lines.

The review of RACAs and Risk Registers was also changed to a monthly process (previously quarterly), to further embed it in the business rhythms of the Agency. As part of this process, the Operational Risk team and Risk Business Partners are engaging with the business to provide guidance and challenge on the output. This output is helping to inform the regular CEO/CRO Challenge sessions which are taking place.

Risk Events and Near Misses

During the course of the year, the Risk Directorate has refreshed the Risk Event and Near Miss Reporting Policy and Risk Business Partners have engaged across the various business lines to re-emphasise the importance of appropriate reporting. The purpose of this Policy and reporting procedure is to ensure that all risk events and near misses are promptly reported, recorded and reviewed to ensure outcomes, control and process improvements and learning opportunities are cascaded accordingly.

The process is helping to create greater awareness of risk and risk ownership across the Agency, as well as informing the top down and bottom-up risk identification processes described above.

The Agency has identified potential contract management weaknesses in respect of a project agreement with a developer entered into over 10 years ago. An investigation has been commissioned to identify the extent of any historic failures in the control environment and confirm that these are no longer present in the current control environment for the project. On conclusion of the investigation, the Agency will take advice on the options open to it to address the issues both in respect of the project itself and the wider control environment to minimise loss to the public purse. The Agency is also undertaking a review of its legacy land projects to ascertain whether similar issues exist in relation to other projects in the portfolio.

Risk Escalation

During the year, the Agency has approved and implemented a Risk Escalation Process as part of the work to improve the Control Environment. This process supports the operationalisation of the Homes England's Risk Appetite Statement, ensuring that all stakeholders engage, understand and are part of managing risks at Homes England. It ensures that where risks are outside appetite, proportionate and timely risk responses are agreed and implemented with the aim to bring the risk back within appetite.

Where there is a requirement to tolerate higher levels of risk, especially those outside of appetite, it ensures that appropriate governance, challenge, reporting and approvals are in place. It also identifies where mitigating the risk is outside of Homes England's control, e.g. government, policy, economic related risks and controls.

It identifies risks that cut across, or might have an impact on, multiple strategic objectives or business areas and ensures that all dependencies are understood and considered when controls and mitigations are agreed. This helps to increase ownership and empowerment, enabling the Agency leadership to take appropriate risks in line with our approved Risk Appetite. It also ensures that there is a consistent approach to risk management across different business lines.

Main risks we face as an agency

The main risks facing the Agency are kept under review via a combination of a “top-down” and a “bottom-up” process; the top-down process being the Principal Risks process via the Executive Leadership and the bottom-up process being the monthly Risk and Control Assessment and Risk Register review process. During the year, the Executive Leadership Team conducted the annual refresh of the key strategic risks which could impact on the strategic objectives of our organisation. Eight principal risks were identified for further assessment and discussion with our Audit, Assurance and Enterprise Risk Committee. Two Principal risks from the 2020/21 Risk Register have been de-escalated, however they will continue to be monitored to see if they need to be re-escalated as a standalone risk.

The eight principal risks at 31 March 2022 were as follows:

Title	Risk description	Primary risk alignment	Risk Appetite	Risk Appetite position
Macro-economic Conditions	Risk that the Agency has not monitored or is insufficiently prepared and empowered to respond to changing macro-economic conditions, which affects our ability to achieve strategic objectives, recovery expectations and to prevent customer detriment.	**Economic**	**Open**	**Within Appetite**
Strategy, Mission & Objectives	Homes England programmes do not provide the clarity (i.e. objectives and success metrics) and funding (type and quantum) to deliver on the Agency's mission and objectives.	**Policy**	**Open**	**Within Appetite**
Delivery Partners	Risk that our delivery partners (private sector, LAs, etc.) do not have the capacity, capability or willingness to work with us, delaying or preventing delivery of housing & regeneration initiatives.	**Strategic Delivery**	**Open**	**Within Appetite**
Change Management	The Agency does not effectively deliver or absorb the change agenda, leading to a continual reduction in efficiency and impacting the ability to deliver.	**Strategic Delivery**	**Open**	**Within Appetite**
Business Continuity	The capability of the Agency to continue delivery of services at acceptable predefined levels following a disruptive incident, e.g. cyber security incident, data breach, single point of failure, loss of physical workspace etc. (new in year).	**Operational**	**Averse**	**Within Appetite**
Capacity & Capability	As the ambition for the Agency continues to grow and evolve, there is a risk that we will not be able to grow our own or recruit human resources to evolve the talent/skills profile to meet this challenge quickly enough.	**Operational**	**Averse**	**Within Appetite**
Funding	Risk that there is a misalignment between the Agency's capital, resource and admin budgets, and the Government's policy objectives.	**Policy**	**Open**	**Within Appetite**
Value for Money	Risk that we are unable to demonstrate Value for Money on public resources invested by the Agency.	**Strategic Delivery**	**Open**	**Within Appetite**

As at the end of May 2022, the principal risk on Business Continuity is now outside appetite. The Russian invasion of Ukraine has disrupted the risk landscape and continues to apply pressure on the resilience of risk management systems in the public sector. This risk is linked to Operational Risk with an 'averse' appetite and has a number of controls in place to manage this risk. However, further improvement plans are underway or being developed which are yet to be completed. In the coming months, we expect this risk to be back within appetite following the implementation of the planned mitigations.

The Agency continues to closely monitor the escalating risk around macro-economic conditions. UK inflation has risen at its fastest rate in 40 years jumping to 9% from 7%. The deteriorating economic outlooks has increased the risk of a recession. Construction and development may become a more acute and persistent challenge for the Agency. The data from scenario modelling will be used to guide existing and new contingency plans to ensure we are able to actively respond across the entire portfolio.

Another principal risk with a potential trajectory increase is the Capacity and Capability risk. The external recruitment market continues to be very competitive and we may face increasing challenges in attracting, recruiting and retaining talent. There is a heightened risk of skills shortage in certain roles within the Agency and this risk is being actively monitored.

The annual refresh has highlighted the interconnected nature of the Principal Risks facing the Agency and the mitigation strategy acknowledges these links through a holistic approach to controlling the risks.

Assurance activity within risk

In 2021/22, Homes England built on the work performed in 2020/21 to implement an Integrated Assurance Framework that will organise, plan, deliver and report on risk and compliance assurance activities. This implementation work has involved designing and educating the assurance community on assurance planning and reporting processes, documenting procedures and templates for consistent use across the business and second line assurance functions.

A draft set of second line of defence assurance plans were produced in quarter 4 of 2021/22 and are now in the process of being refined to focus assurance activity on the areas where the assurance need is greatest; for example, Homes England's most significant risks and compliance with key Homes England policies and applicable legislation and regulation. The aim is for the revised risk and compliance assurance plans to be agreed early on in 2022/23 for these to be executed and the outputs of this assurance activity to then be reported.

Internal Audit opinion

Internal Audit is required to provide an annual opinion on the overall framework of governance, risk management and control to inform the Governance Statement. It delivers a plan of work agreed with myself, as Accounting Officer, and the Board, through the Audit, Assurance and Enterprise Risk Committee (AAERC), to provide this overall assurance opinion.

The overall assurance provided for 2021/22 is a "Moderate" opinion. This means that 'some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'.

This is an improvement to the assurance level provided in 2020/21 and has been informed through Internal Audit's formal programme of 19 reviews as well as ongoing observations, the validation of sustained control environment improvements introduced during the year and the impact of changes in the environment within which the organisation operates. Internal Audit has confirmed that the organisation has made positive progress in addressing the key themes underpinning their 2020/21 annual report and that work still in train, will continue to be monitored through the Executive and AAERC. Furthermore, the report highlights some new emerging themes for the organisation to consider as it moves forward with its refreshed mission and objectives. These relate to the areas of Project and Contract Management as well as how we ensure we achieve organisational compliance with existing policies and processes.

Whistleblowing

Homes England's 'Whistleblowing Policy' includes contact details for our colleagues. The Nominated Board Champion and external bodies (e.g. Prescribed persons such as the NAO and the independent whistleblowing charity, Protect - the UK's whistleblowing charity) can be contacted by a colleague who wishes to make a disclosure under our Policy. Colleagues are encouraged to raise concerns informally to their line managers first. As an organisation that continues to go through change, we continue to ensure that colleagues are able to escalate risks and concerns as they are identified. A review of our Policy is currently underway, which has included an assessment of our existing Policy against ‘Protect’s Benchmark’, a tool which measures the effectiveness of an organisation’s whistleblowing arrangements. The data generated through our submission to Protect will be used to further develop and refine our Policy and practice in this area. There were no cases reported in relation to whistleblowing this year.

Conclusion

I have received appropriate assurances from senior management and from reporting covering the three lines of defence. I believe that we have not only complied appropriately with all governance requirements but also taken significant steps through our Control Environment Improvement Programme to address the issues that led to the Limited Assurance Internal Audit Opinion last year. This represents good positive progress and is reflected in the independent opinion provided for 2021/22 having been upgraded to a “Moderate” level. I am committed to continuing this improvement journey and to further enhancing the adequacy and effectiveness of the Agency’s governance, risk management and control environment to ensure they are fit for purpose and operate effectively in a changing policy and operational environment.

The Corporate Governance report is signed on
13 July 2022

Peter Denton
Chief Executive and Accounting Officer

REMUNERATION AND STAFF REPORT

Nominations and Remuneration Committee

The Nominations and Remuneration Committee has the following responsibilities:

- Advise the Chairman, the Board, and the Accounting Officer on overall pay and rewards, the remuneration, contractual and pension arrangements of staff at Director level and above, and any related matters.
- Recommend the appointment or dismissal of the Chief Executive to the Board.
- Set and agree annual performance objectives, remuneration terms and other terms and conditions of employment of the Chief Executive, subject to DLUHC approval.
- Consider and approve the incentive structure, including any bonus payment, for the Chief Executive and other Senior Officers on an annual basis, subject to DLUHC approval.
- Annually review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- Keep under review the leadership needs of the organisation, both executive and non-executive. Ensuring the systems of succession planning are in place to support the continued ability of the organisation to deliver the outcomes in corporate strategy.
- Consider and advise the Board on broader staffing issues, such as recruitment and retention, overall pay levels and performance awards, and any other staffing matters that are referred to the Committee by the Executive.
- Monitor and approve the Agency’s staffing situation against the organisational structure and revenue budget agreed by the Board, and in relation to any directions laid down by DLUHC.
- Ensure Policies and Procedures are in place consistent with the Cabinet Offices Model Code for Staff of Executive Non-Departmental Public bodies.

Remuneration policy

We determine remuneration levels in order to attract and retain the talent and skills with appropriate experience to meet our objectives. The performance of Homes England's key management team is measured through both financial and non-financial indicators. In line with our performance policy, employees agree annual performance objectives which are reviewed regularly throughout the year and provide the basis for a formal annual appraisal which is linked to the payment of performance bonuses.

Key managers and employees are entitled to a contribution by Homes England to a defined benefit pension scheme.

Homes England implements an annual pay remit which is approved by the Secretary of State.

Service contracts

Our Accounting Officer and Key Managers have open-ended service contracts with either three or six-month notice periods (dependent on the job role) that do not contain any pre-determined compensation on termination of office. The exceptions to these are Mike Palin, Executive Director of Markets, Places & People who is contracted through a fixed term contract until 30 June 2023 with a six-month notice period that does not contain any pre-determined compensation on termination of office, and Barry Cummins who is a permanent Homes England employee, seconded into the post of Chief Development Officer.

Appointment of Board Members

Board Members are appointed by the Secretary of State, normally for fixed terms of three years. Terms may be extended at the discretion of the Secretary of State. Board members' time commitment was 3 days per month in 2020/21 and 2021/22.

Audited remuneration information

The following information provides details of the remuneration and pension interests of Board Members and Key Managers in their capacity as employees of Homes England for the year to 31 March 2022. Sections that are subject to audit are listed as such.

Board Members' emoluments (subject to audit)

	2021/22 £'000	2020/21 £'000
Chair		
Peter Freeman (from 23 October 2020) [1]	**95**	42
Simon Dudley (Interim from 14 August 2019 to 22 October 2020) [2]	**n/a**	34
Sir Edward Lister (to 6 August 2019) [3]	**n/a**	2
Board Members		
Keith House (to 31 October 2020)	**n/a**	15
Stephen Bell [4]	**42**	42
Simon Dudley (from 23 October 2020 to 22 October 2021) [2]	**15**	11
Teresa O'Neill	**25**	25
Duncan Sutherland	**25**	25
Olivia Scanlon (to 31 March 2022)	**25**	25
Vanessa Murden	**25**	25
Sadie Morgan	**25**	25
Mark Rennison [5]	**33**	33
Andy Hobart [6]	**-**	-
Pat Ritchie CBE (from 24 February 2022) [7]	**3**	n/a
Lesley-Ann Nash (from 28 February 2022) [7]	**3**	n/a
Mark Henderson (from 24 February 2022) [7]	**3**	n/a
Lord Austin of Dudley (from 24 February 2022) [7]	**3**	n/a

[1] Full year emoluments in 2020/21 were £95,000.

[2] Simon Dudley was a Board member until his appointment as Interim Chair from 14 August 2019 to 22 October 2020. Full year equivalent emoluments were £69,000 for this role. From 23 October 2020 to 22 October 2021 Simon resumed his duties as a Board Member. Full year equivalent emoluments for this role were £25,000.

[3] In 2020/21, Sir Edward Lister received £2,400 in relation to an underpayment of salary from 2019/20.

[4] In addition to being a Board Member, Stephen Bell is the Chair of the Audit and Risk Committee. He is also the Agency's representative on DLUHC's Audit, Risk and Assurance Committee (ARAC).

[5] In addition to being a Board Member, Mark Rennison is the Chair of the Investment Committee.

[6] Andy Hobart, a director at DLUHC is DLUHC's Shareholder Representative. He did not receive a salary for his duties.

[7] Full year equivalent emoluments in 2021/22 were £25,000.

Chief Executive's emoluments (subject to audit)

Single total figure of remuneration

	Salary received in year (£'000)		Bonus payments (£'000) [10]		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Nick Walkley (to 28 February 2021)	n/a	290–295	n/a	20-25	n/a	nil	n/a	63	n/a	375-380
Gordon More, Interim Chief Executive Officer (to 31 August 2021) [1]	95-100	210-215	5-10	nil	nil	nil	nil	nil	100-105	210-215
Peter Denton, Chief Executive Officer (from 1 August 2021) [2]	185-190	n/a	nil	n/a	nil	n/a	nil	n/a	185-190	n/a

Key Managers' emoluments (subject to audit)

Single total figure of remuneration

	Salary received in year (£'000)		Bonus payments (£'000) [10]		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Harry Swales, Chief Investments Officer (Interim from 8 March 2021; permanent from 26 May 2021) [3]	175-180	165-170	nil	nil	5,200	5,200	59	55	240-245	225-230
Stephen Kinsella, Chief Land and Development Officer (to 31 December 2021) [4]	155-160	200-205	nil	nil	3,800	5,200	34	38	195-200	245-250
Barry Cummins, Interim Chief Development Officer (from 8 November 2021) [5]	60-65	n/a	nil	n/a	5,500	n/a	12	n/a	80-85	n/a
Amy Casterton, Chief of Staff (to 31 August 2021) [6]	45-50	115-120	nil	nil	nil	nil	10	24	55-60	140-145
Lynda McMullan, Chief Finance Officer [7]	190-195	165-170	nil	nil	nil	nil	49	37	240-245	205-210

Key Managers' emoluments (subject to audit)

Single total figure of remuneration

	Salary received in year (£'000)		Bonus payments (£'000) [10]		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Lou Downe, Director of Service Design & Transformation (to 30 November 2020)	n/a	115-120	n/a	nil	n/a	nil	n/a	19	n/a	135-140
Paul Kitson, Interim Director of Markets, Partners & Places (from 8 March 2021 to 31 December 2021) [8]	95-100	5-10	nil	nil	5,700	8,700	18	nil	120-125	15-20
Mike Palin, Executive Director of Markets, Partners & Places (from 1 January 2022) [9]	35-40	n/a	nil	n/a	nil	n/a	7	n/a	40-45	n/a
Christopher Kinsella, Interim Executive Director of Markets Places & People and Help to Buy (to 3 April 2020)	n/a	0-5	n/a	nil	n/a	nil	n/a	nil	n/a	0-5

* The pension benefits figure is an actuarially assessed calculation. It attempts to reflect the benefits earned by the employee during the year from the scheme and is impacted by salary fluctuations and length of service.

[1] Remuneration received during the year includes unused holiday entitlement (£5,000 - £10,000). The bonus received in year related to the period 1 March 2021 – 31 August 2021 in recognition of additional responsibilities. Full year equivalent emoluments for 2021/22 were £230,000 - £235,000.

[2] Peter Denton was appointed Chief Executive Officer on 1 August 2021. Full year equivalent emoluments for 2021/22 were £275,000 - £280,000.

[3] Harry Swales was appointed Chief Investments Officer on 26 May 2021. Remuneration received during the year includes an arrears payment for the period 1 July 2020 to 7 March 2021 (£0 - £5,000). Full year equivalent emoluments for 2021/22 were £175,000 - £180,000. Prior to Chief Investments Officer, he was Interim Chief Investments Officer, and prior to this Director of Markets, Partners & Places. His full year equivalent emoluments for 2020/21 for both roles were £160,000 - £165,000.

[4] Remuneration received during the year includes an arrears payment for the period 1 July 2020 to 31 March 2021 (£0 - £5,000). Full year equivalent emoluments for 2021/22 were £205,000 - £210,000.

[5] Barry Cummins was appointed Interim Chief Development Officer on 8 November 2021. Full year equivalent emoluments for 2021/22 were £155,000 - £160,000.

[6] Full year equivalent emoluments for 2021/22 were £115,000 - £120,000.

[7] Remuneration received during the year includes an arrears payment for the period 1 July 2020 to 31 March 2021 (£10,000 - £15,000). Full year equivalent emoluments for 2021/22 were £180,000 - £185,000.

[8] Full year equivalent emoluments for 2021/22 and 2020/21 were £130,000 - £135,000.

[9] Mike Palin was appointed Executive Director of Markets, Partners and Places on 1 January 2022. Full year equivalent emoluments for 2021/22 were £145,000 - £150,000.

[10] Bonuses disclosed relate to amounts paid during the year.

Salary

Basic salaries are determined by taking into account each individual's responsibilities and experience together with market trends. Salary includes base remuneration and overtime. It may also include a London Weighting allowance, additional responsibility allowance or a market pay supplement if applicable.

The Secretary of State determines the Board Members' emoluments.

Performance related pay

The Agency complies with the direction from the Secretary of State on eligibility of a performance related bonus. The Chief Executive and Key Managers benefit from a performance related pay scheme. Any bonuses are determined with reference to performance against objectives agreed by the Nominations and Remuneration Committee. The Committee reviews performance against targets and recommends a performance related bonus for approval by the Secretary of State. The performance year runs from April to March. The bonus cannot exceed 10% of salary and is the only element of pay that is performance related.

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

Benefits in kind

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

Pension benefits (subject to audit)

Chief Executive and Accounting Officer

Nick Walkley was Chief Executive from 1 March 2017 until 28 February 2021. He was a member of the Homes & Communities Agency Pension Scheme. Gordon More was appointed as the Interim Chief Executive on 1 March 2021 until 31 August 2021, he was not a member of any of the Agency's pension schemes. Peter Denton was appointed as the permanent Chief Executive on 1 August 2021. He is not a member of any of the Agency's pension schemes.

Key Managers

Pension details are disclosed for those individuals who were key managers during the year and who were a member of one the Agency's pension schemes.

	Accrued annual pension at 31 March 2022 (£'000)	Real increase in accrued annual pension (£'000)	Accrued lump sum at 31 March 2022 (£'000)	Real increase / (decrease) in accrued lump sum (£'000)	CETV 31 March 2022 (£'000)	CETV 31 March 2021 (£'000)	Real increase/ (decrease) in CETV (£'000)
Harry Swales	**15-20**	2.5-5	**45-50**	7.5-10	**467**	417	37
Stephen Kinsella [1]	**10-15**	0-2.5	**30-35**	5-7.5	**345**	282	54
Barry Cummins [2]	**5-10**	0-2.5	**15-20**	0-2.5	**200**	187	7
Amy Casterton [3]	**0-5**	0-2.5	**5-10**	0-2.5	**127**	93	31
Lynda McMullan	**5-10**	2.5-5	**15-20**	7.5-10	**193**	123	66
Paul Kitson [4]	**15-20**	0-2.5	**55-60**	2.5-5	**670**	631	19
Mike Palin [5]	**0-5**	-	**-**	-	**9**	-	-

[1] Stephen Kinsella left the Agency on 31 December 2021. Pension figures have been calculated to the date of departure.

[2] Barry Cummins was appointed as a Key Manager on 8 November 2021. However, he was an employee of Homes England prior to this and therefore pension figures above cover all periods of employment with the Agency.

[3] Amy Casterton left the Agency on 31 August 2021. Pension figures have been calculated to the date of departure.

[4] Paul Kitson left the Agency on 31 December 2021. Pension figures have been calculated to the date of departure.

[5] Mike Palin joined the Agency on 1 January 2022. The figure shown is the value of benefits accrued since that date.

The Chief Executive and Key Managers are eligible to participate in the Homes & Communities Agency Pension Scheme, which is a multi-employer defined benefit scheme. The Chairman is not entitled to be a member of any of the Agency's pension schemes. With the exception of Peter Denton, who is not an active member of a pension scheme, all Key Managers in post at 31 March 2022 are active members of the Homes & Communities Agency Pension Scheme.

Accrued pension at 31 March 2022

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2022.

Cash Equivalent Transfer Value (CETV) 31 March 2022

The transfer values are the actuarially assessed capitalised value of pension scheme benefits. It is an amount payable by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The figures shown relate to benefits that the individual has accrued as a consequence of their total membership of the pension scheme and not just the service in a senior capacity to which disclosure applies.

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Termination payments (subject to audit)

Termination payments to Key Managers in 2021/22 were £nil (2020/21: £nil).

Staff costs (subject to audit)

Staff costs	2021/22 (£'000)	Represented 2020/21 (£'000)
Permanent staff employed directly by the Agency		
Salaries and wages	**72,041**	66,378
Social security costs	**9,463**	7,558
Other Pension costs	**34,722**	25,578
Sub total	**116,226**	99,514
Temporary staff	**11,823**	9,520
Seconded staff	**448**	557
Less staff costs capitalised: Land and Property	**(11,416)**	(7,153)
Less staff costs transferred to programme costs	**(10,104)**	(3,792)
Total net costs	**106,977**	98,646

Redundancy costs are disclosed within administration expenditure in note 8 to the Financial Statements. An analysis of exit packages is shown later in the report.

Staff composition (subject to audit)

The average number of staff employed by the Agency (full time equivalents) over the course of the year is as follows:

	2021/22 Number	Represented 2020/21 Number
Permanent UK staff	**1,203**	1,088
Fixed term UK staff	**102**	81
Temporary staff	**118**	80
Board members	**9**	10
Seconded staff	**4**	4
	1,436	1,263

The number of staff (full time equivalents) by salary pay band, using an average for the year, is as follows:

	2021/22 Number	Represented 2020/21 Number
£0 - £25,000	**50**	102
£25,001 - £50,000	**553**	452
£50,001 - £75,000	**588**	505
£75,001 - £100,000	**162**	130
£100,001 - £125,000	**49**	42
£125,001 - £150,000	**23**	21
£150,001 - £175,000	**4**	6
£175,001 - £200,000	**5**	1
£200,001 - £225,000	**1**	3
£225,001 - £250,000	**0**	0
£250,001 - £275,000	**0**	0
£275,001 - £300,000	**1**	1
	1,436	1,263

Gender analysis

The gender of current Key Managers and employees can be analysed as follows:

	2021/22 Number	Represented 2020/21 Number
Board Members – Male	**5**	6
Board Members – Female	**4**	4
Board Members	**9**	10
Key Managers – Male	**4**	5
Key Managers – Female	**1**	2
Key Managers – Non-binary/Other gender non-conforming	**0**	1
Key Managers	**5**	8
Other employees – Male	**734**	644
Other employees – Female	**688**	601
Other employees	**1,422**	1,245
	1,436	1,263

The HMRC definition of gender has been used for this analysis so that it is aligned with our Gender Pay Gap report. This requires us to categorise our colleagues as male and female. At Homes England, we recognise that gender identity is broader than simply male and female, and we know that some of our colleagues do not identify with either category.

Whilst we must report in this way, we value, welcome and celebrate colleagues of all gender identities at Homes England, and are looking at ways in which the way we report on gender in the future can be improved.

At March 2022, our mean gender pay gap was 11.6% and our median gap was 7.7%. This is a positive improvement from March 2021, where our mean pay gap was 13.2% and our median gap was 7.9%.

Our full gender pay gap report contains a more detailed analysis on the reasons that contribute to for our gap, and why we have seen an improvement. We also set out our commitments on closing the gap further.

Fair Pay Disclosures (subject to audit)

The table below shows the percentage change in salary and allowances and performance pay and bonuses payable of the highest paid director and the workforce of Homes England.

2021/22	Salary and allowances % change	Performance pay and bonus % change
Highest paid director	(4.8%)	(100%)
Average pay of workforce	0.4%	14.8%

Homes England is required to disclose the relationship between the remuneration of its highest-paid director and the lower quartile, median and upper quartile remuneration of its workforce.

The table below compares the total pay and benefits for the highest paid director with that of the workforce who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile).

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	8.9:1	5.8:1	4.5:1
2021/22	7.5:1	5.2:1	4.1:1

The table below sets out the salary and total pay and benefits (excluding pensions) of the workforce for the three identified percentile points. This excludes the highest paid director.

	25th percentile	Median	75th percentile
Salary	36,750	53,550	61,125
Total pay and benefits	37,200	53,670	68,140

The full year equivalent banded remuneration of the highest-paid director in Homes England in the financial year 2021/22, was Peter Denton, £275,000-£280,000 (2020/21: Nick Walkley, £310,000-£315,000). This was 5.2 times (2020/21: 5.8 times) the median remuneration of the workforce, which was £53,670, (2020/21: £53,695). 2020/2021 figures have been updated to include additional responsibility allowances, market pay supplements and board members.

In 2021/22, nil (2020/21; nil) employees received remuneration in excess of the highest paid director.

Remuneration ranged from £15,000 - £20,000 to £275,000 - £280,000 (2020/21: £15,000 - £20,000 to £310,000 - £315,000).

Total remuneration includes salary, additional responsibility allowances, market pay supplements and non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Overall, there has been a reduction in the ratio from 5.8 last year to 5.2. However, when the payment in lieu of notice of £55,000 - £60,000 and the payment for unused holiday entitlement accrued of £20,000 - £25,000 are excluded from the previous year there has been an increase from 4.3 to 5.2. This increase is due to an increase in the full year equivalent remuneration of the highest paid director. 2020/2021 figures have been updated to include additional responsibility allowances, market pay supplements and board members.

The reduction in the pay ratios is consistent with the application of our pay policies and approach. The appointment of the new CEO was made in line with our framework agreement approved by the Board. In addition, the Pay & Grading exercise improved pay for the lowest paid colleagues in grades 12 to 15 to 90% of pay band mid-point, while higher grades moved to 85% of mid-point. This is reflected in the significant change in the 25th percentile ratio compared to the smaller reduction in the 75th percentile.

Exit packages (subject to audit)

Redundancy and other departure costs have been determined in accordance with a voluntary redundancy scheme approved by DLUHC, Homes England's sponsor department. Exit costs are accounted for in full when the departure has been approved and terms agreed. There have been no exit packages made in 2021/22.

Loans to employees

The Agency has provided travel season ticket loans and cycle scheme loans to employees during the year. The total amount outstanding in respect of these at 31 March 2022 was £18,303. There were no other loans to employees.

Staff turnover percentage

Staff turnover for 2021/22 was 14.77% (2020/21: 5.85%). This can be split between voluntary staff turnover (where staff have left the Agency for a role elsewhere or have retired) and involuntary staff turnover (where staff have left the Agency due to the end of a contractual period or dismissal). Voluntary staff turnover was 12.51% (2020/21: 4.01%). Involuntary staff turnover was 2.26% (2020/21: 1.84%). Homes England's staff turnover is in line with the average UK industry norm of c15%.

Expenditure on consultancy

During the year the Agency incurred expenditure of £1,453,503 on consultancy as defined by the Cabinet Office (2020/21: £498,588). The increase is attributable to consultancy costs in relation to operational and change management.
The Cabinet Office definition of consultancy can be found at https://www.gov.uk/guidance/consultancy-spend-controls#definitions.

Apprenticeship Levy

During the year the Agency incurred expenditure of £354,000 on contributions to the apprenticeship levy to support apprenticeship training and assessment for apprentices (2020/21: £303,000). The Agency makes use of this Scheme by employing apprentices across teams, creating opportunities for apprentices to forge a career path with Homes England. Apprentices gain real 'on the job' experience and are supported through professional qualifications. During the year, the Agency claimed £36,000 (2020/21: £32,000) from the levy to support apprenticeships.

Off-payroll arrangements

In accordance with the requirements of the Financial Reporting Manual (FReM), the Agency is required to publish details of their highly paid and senior off-payroll engagements. The Agency uses off-payroll arrangements for specialist or technical contractors and consultants to address urgent scarce skills gaps.

Temporary off-payroll worker engagements at 31 March 2022, that were paid at least £245 per day	**2021/22 Number**
No. of existing engagements as of 31 March 2022	**81**
of which:	
No. that have existed for less than one year at time of reporting	**41**
No. that have existed for between one and two years at time of reporting	**27**
No. that have existed for between two and three years at time of reporting	**8**
No. that have existed for between three and four years at time of reporting	**2**
No. that have existed for four years or more at time of reporting	**3**

All temporary off-payroll workers engaged at any point during the year ended 31 March 2022, that were paid at least £245 per day	**2021/22 Number**
No. of off-payroll workers engaged during the year ended 31 March 2022	**188**
of which:	
No. not subject to off-payroll legislation	**3**
No. subject to off-payroll legislation and determined as in scope of IR35	**163**
No. subject to off-payroll legislation and determined as out-of-scope of IR35	**22**
No. of engagements reassessed for compliance or assurance purposes during the year	**8**
No. of engagements that saw a change to IR35 status following review	**8**

On 6th April 2017, HMRC introduced new IR35 legislation which required public sector bodies, where they engage off-payroll workers, to ensure they correctly assess their employment status and apply the correct tax treatment.

During an internal review of third-party contractor engagements, it became evident there were a small number of cases where a Status Determination Statement was not issued to the contractor, or the contractor had been incorrectly determined as out-of-scope of IR35. This led to a further, extensive internal review of third-party contracts which included (re-)testing the contractors against HMRC's CEST tool.

In May 2022 Homes England provided a voluntary disclosure to HMRC, including an estimated liability for missing tax, NI and apprenticeship levy plus interest for years 2017/18 to 2021/22 of £1.1m. This amount has been recognised in 2021/22 Financial Statements.

HMRC have not yet commented on the voluntary disclosure to conclude this matter.

New mandatory procedures have been put in place with effect from April 2022 to prevent recurrence, alongside a programme of training and awareness.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022	**2021/22 Number**
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the financial year	**-**
Total no. of individuals both on and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year	**24**

Employee matters

People & Culture Strategy

Homes England has identified the need for a greater alignment and integration in how the Agency develops and manages its people and culture in support of the Agency's purpose. A strategic framework and delivery plan has been developed called the Homes England People & Culture Framework to provide alignment and structure around the aims and purpose of the organisation, with a focus on establishing Homes England as a place for talented people to come to progress their careers in a challenging organisation that makes a positive and lasting contribution to people's lives.

This underpins and outlines the People & Culture objectives for Homes England over the next 2-3 years around six key themes:

- Purpose and Performance Improvement
- Talent, Learning & Development
- Reward & Recognition
- Leadership & Engagement
- Equality, Diversity & Inclusion
- Future of Work

Equality and diversity in employment & occupation

In 2020 we launched our Annual Equality, Diversity and Inclusion report setting out our commitment to create an inclusive organisation and sector that reflects the communities we serve. We agreed five ambitious key objectives for the organisation to collectively achieve by 2024 that aims to deliver systematic organisational and cultural change as well as positively impact the industry and our communities.

Over the last year we made notable progress against our objectives and have seen the diversity of colleagues in all protected characteristics increase and progress continues to be made in reducing our gender pay gap. There remains more to do to improve this further. We are also using our influence within the industry to encourage our supply chain to do more within diversity and inclusion. We have designed more robust diversity and inclusion criteria, which our supply chain must meet, or commit to, if they want to access our Frameworks or panels.

We remain committed to embedding equality and diversity practice into our activities as an employer, investor in places and through our enabling role. We strive to work collaboratively through our colleague networks and foster good relations through regular dialogue. Our policies and approach support an environment that fosters collaboration, trust and inclusion and does not tolerate unlawful discrimination, harassment or victimisation, or any other conduct prohibited by the Equality Act 2010. We regularly review and promote the policies through our communication channels and employee networks to ensure they continue to meet best practise and our legal obligations.

As a government agency, we are required and committed to meeting our responsibilities under the Public Sector Equality Duty and our ambitious Equality, Diversity and Inclusion (ED&I) statement and objectives reflect our commitment. We have taken the opportunity to take stock and critically assess our progress and consider how we can best prioritise our activity to bring the greatest improvements and most impact.

To support us with the task of critically assessing our achievements, challenges and gaps and set ourselves up for success, we have signed up for the National Equality Standard (NES). The NES is a government backed UK National Equality Standard and was developed by business for business and sets clear ED&I criteria against which companies are independently assessed.

Participation in a NES assessment ensures long-term sustainable change, a beneficial impact in productivity and growth and provides a detailed roadmap with recommendations to help implement those areas requiring improvement. At the time of writing Homes England had received the report and findings and is in the process of setting up a cross-organisational and diverse task and finish working group, sponsored by a Senior Leader. The group will own the ED&I agenda, extending reach and governance, and promoting engagement through constructive conversations across the organisation.

Staff policy regarding disabled persons

We continue to be committed to ensuring equality of opportunity for all disabled people who work or apply to work for us. As we make clear in our job application process, applicants who wish to be considered under the disability confident scheme will be automatically invited to interview where they meet the minimum criteria for the role, as per our obligation under the disability confident scheme. We also ask on applications if any adjustments are needed for interview and monitor applicants who indicate they have a disability to ensure they are aware of the disability confident scheme and support we can offer.

We have a variety of tools and support available for employees who join us where we are made aware that they have a disability or long-term health condition, or who become disabled while employed by Homes England. We will work with the employee, line managers, Human Resources and Occupational Health to identify reasonable and appropriate adjustments to the workplace and working arrangements specific to the employee's need to support disabled employees in the workplace. In addition to this we work closely with the employee networks to gain feedback and continually monitor the effectiveness of the support we offer.

Sickness absence

During the year 1.76% (20120/21: 1.08%) of working days were lost to sickness absence. According to the Office of National Statistics, in the UK labour market as a whole for calendar year 2021, 2.2% of days were lost due to sickness absence, split 1.9% private sector and 3% public sector.

Health and Safety

Homes England's health and safety performance has remained strong through 2021/22 and its key achievements are set out below.

For the fourth year running, our Accident Incident Rate (AIR) for reportable injuries under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) was zero per 100,000 employees as there were no RIDDOR reportable injuries to employees in 2021/22. The AIR for all types of accidents involving employees was calculated at 857 which is below the latest published national Labour Force Survey (LFS) AIR rate of 1,410 injuries per 100,000 employees.

Homes England sets annual corporate health and safety targets for completing risk assessments, training, site inspections and audits. All of the 18 targets set have been met or exceeded. The Homes England Board and the Executive Leadership Team are regularly updated on the Agency's health and safety performance and its progress towards meeting targets.

During the financial year we facilitated the safe return of colleagues back into the office environment following the removal of restrictions put in place to tackle the COVID-19 Pandemic. We introduced a propriety desk booking system to ensure the safety of returning colleagues to the office during the pandemic and this continues to remain in place to support hybrid working. Although restrictions have been lifted, we continue to provide sanitising hand gels, sanitising wipes and sneeze screens throughout our office estate. We continue to keep the situation under review.

Our office estate has continued to undergo a transformation to support a more hybrid approach to work. We have refreshed layouts at our London, Liverpool and Coventry offices, which now provide a wide variety of workplace settings e.g. collaboration, social and private space.

We also introduced a new health and safety audit process for construction projects where Homes England is the client and strengthened our incident reporting procedures for contractors working on our behalf. This audit programme will be expanded and continue into 2022/23.

Towards the end of the year, we completed a procurement exercise for a new cloud based health and safety management software system and this will be rolled out in 2022/23. By adopting mobile technology, it will revolutionise how we currently capture accident and incident data across our portfolio of projects and sites. It will also streamline our risk assessment and audit processes for identifying and managing health and safety risks across our office estate and wider development portfolio.

Employee engagement

Homes England previously participated in the annual Civil Service people survey, until 2020, when the Civil Service restricted participation. In 2020/21 we piloted an alternative provider and utilised a digital solution that complimented our digital first strategy across Homes England. In 2022 we are embedding a new approach titled #LetsTalk and moving away from annual surveys to shorter, more focused surveys that enable us to hear and respond to feedback in a more 'real-time' approach to continually improve the colleague experience.

Colleague engagement has a direct link to productivity and performance, and we will be measuring colleague engagement through the employee Net Promoter Score (eNPS). This will be a common measure for our CEO, ELT and SLT.

The eNPS is also a measurement that is embedded in all six themes of the People and Culture Strategy. The first baseline survey was launched in April 2022 with a new external survey partner and branded #LetsTalk. The results will enable us to consider colleague sentiment alongside the areas of focus in our People and Culture Strategic framework. We received a strong response of 83% of colleagues taking part which gives us confidence that the results are representative. We will use the baseline survey as a measurement of our progress in core areas and overall colleague engagement. Overall the results indicate strong alignment with our purpose and an opportunity to improve and build on this with the launch of the new strategy.

Pay and Grading

Following extensive consultation with colleagues and their trade union representatives, Homes England successfully implemented a new pay and grading framework with effect from 1 January 2022. The framework and robust pay controls, provide Homes England with a fair and transparent pay and grading system supporting improved pay parity and governance to enable us to compete for key talent. While moving to the new framework was voluntary, over 90% of colleagues chose to transfer while others reserved their right to remain on the original terms. Additionally, the programme provided significant pay uplifts for many of our lowest paid colleagues and supported the continuing improvement in the gender pay gap. Our remuneration strategy for 2022 and beyond will aim to build on the firm foundation of the new framework, regularly benchmarking salaries against key markets to ensure we remain competitive.

Grow our Own

At Homes England we are committed to providing opportunities for all and growing our internal talent and capability to help us deliver to our ambitious strategy. As a government agency we are keen to provide development options for all colleagues to grow capability and career opportunities.

Our coaching and mentoring programmes are an example of this. They provide highly personalised, practical, and supportive development to enable colleagues to own their career development and progression. With c. 60 internal coaches and mentors, the Agency is well served with a body of ‘experts by experience’ and they, in turn, are supported to grow and develop with access to

Graduate and Apprentice workshop
Image source: Greg Holmes / Glenn Howells Architects

regular Continuing Professional Development and supervision. All colleagues have access to a range of self-directed learning solutions to enable them to access learning at a time and place which best suits them and can take advantage of our corporate membership arrangements with partners such as Whitehall and Industry Group. We are committed to our early career opportunities through our apprenticeship and graduate activity. Apprenticeships offer an alternative form of workforce development and are particularly powerful in contributing to growing our own talent. Over the financial year 2021/22, our apprenticeship strategy was to upskill existing colleagues through professional qualification apprenticeships and recruiting apprentices in response to business need and available headcount.

We have increased the number of live apprenticeships from 4 in April 2021 up to 21 apprenticeships in March 2022. Although we are still not fully utilising the apprenticeship levy available to us, as we continue with our revised apprenticeship strategy, including recruitment of apprentices targeted to skills shortages, aligned with organisational needs and growth strategies, developing an early careers talent pipeline and supporting the 'Grow our own' approach, the unutilised levy amount will continue to decrease. We are also supporting social mobility through a Graduate Programme with broad appeal, developing diverse ideas and ways of working to deliver our Strategic Plan. Through our Graduate Programme, we are investing in 'growing our own' skills and capabilities the sector needs for the future and developing the next generation of future leaders with value driven behaviours and a breadth of experience. Of the 15 graduates who initially started the 2020 Graduate Programme, 12 have now commenced a Leadership Development Programme with Coventry University to support our programme aims of developing future leaders.

Trade Union relationships

Homes England formally recognises three trade unions – Unite, PCS and Unison – with whom the organisation consult over pay, policies and procedures, working conditions and related issues. Regular meetings take place between management and elected union representatives, called Joint Negotiation and Consultation Committee meetings, on a cycle of approximately six weeks.

As a public sector body with more than 49 FTE employees, Homes England is required to make a number of disclosures regarding Trade Union Facility Time. This information is set out in the following tables:

Relevant union officials	2021/22
Number of employees who were relevant union officials during the relevant period	7

Percentage of time spent on facility time	2021/22 Number
0%	0
1 - 50%	7
51% - 99%	0
100%	0

Percentage of pay bill spent on facility time	2021/22
Total cost of facility time (£'000)	47
Total pay bill (£'000)	72,041
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.07%

Paid trade union activities	2021/22
Percentage of paid facility time spent on paid trade union activities: (time spent on paid trade union activities ÷ total paid facility time) x 100	0%

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

Losses and Special Payments (subject to audit)

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:

	2021/22		2020/21	
	Cases	**£'000**	**Cases**	**£'000**
Total of all losses and special payments	**108**	**18,729**	26	3,615
Cases over £300,000:				
Loans written off or impaired and fruitless payments	**6**	**18,184**	2	2,517

Under International Financial Reporting Standard 9: Financial Instruments (IFRS 9), the Agency is required to consider whether a financial asset investment meets the definitions of a basic lending arrangement in order to establish whether the investment should be measured at Amortised Cost or at Fair Value.

For assets which are measured at amortised cost, a write-off amount is recognised in the Financial Statements when it is considered that there is no realistic prospect of full recovery. There are also a number of loan investments which are managed operationally in line with the Agency's loan management processes however, from an accounting point of view, are measured at Fair Value through Profit or Loss (FVTPL). Where it has been assessed that there is no realistic prospect of full recovery for such loan investments, these have also been disclosed in this note. This is aligned with the Financial Reporting Manual (FReM) requirement to disclose losses in this note for the attention of Parliament at the earliest point at which a loss is expected.

For assets measured at Amortised Cost, the Agency is required to consider the effect of discounting future cash flows (to reflect the present value of the anticipated recovery) in order to determine the required write-off allowance for accounting purposes. The losses recognised here include an element of this discounting effect, which will subsequently be unwound in future years as interest income on the impaired balance.

During 2021/22 there were five cases of loan losses recognised where the amount written-off or impaired for accounting purposes was in excess of £300,000. The table below details these losses. The loan losses included two impairments of Loans measured at FVTPL which exceeded £300k. There was one fruitless payment as noted in the table below.

Accounting write-offs or impairments / reversals in 2021/22 (£'000)

Loans measured at Amortised Cost

14,400	The Agency provided funding under the Estate Regeneration programme to support the development of 774 new homes, including some commercial and office space. One development has been stalled for some time and a redesign is now required resulting in a delay in delivery. An impairment of £14.4m has been recognised to reflect the potential loss. As at 31 March 2022, total losses recognised were £14,400k.
1,269	The Agency provided long-term infrastructure loan funding under the Home Building Fund, to support the development of 3,000 homes. A series of delays on site were experienced which impacted on timescales for delivery of the project. Following the entry into liquidation of the investment fund owning the borrowing entity, the options available regarding the site were analysed during 2019/20 and an estimate of the expected loss was calculated based on available market data. As a result, a loss of £15.5m was recognised in 2019/20, and a further £0.7m recognised in 2020/21. During 2021/22, an update to the recoverability assessment was made based on market feedback and an updated valuation of the site, which resulted in an additional accounting write-off of £1.27m being recognised. As at 31 March 2022, total losses recognised were £17,506k.
328	In 2018/19, the Agency first recognised a loss on a loan provided under the Home Building Fund for the development of a 44 unit site. Losses have been recognised as a result of an increase in overall costs of the development and a decrease in expected residual value of the remaining development land as a result of increased construction costs for the project. In 2021/22, due to movements in the assessment in the amount and timing of the receipts, an additional loss of £0.3m was recognised. As at 31 March 2022, total losses recognised were £1,709k.

Loans measured at FVTPL

765	Funding was provided under the Home Building Fund to assist with the development of 150 apartments and commercial space. As a result of several factors, including a slow pace of sales, additional interest accruals, and a reduction in capital values, a reversal of previous fair value uplifts of £376k were recognised in 2020/21, and fair value uplift reversals of £741k and an accounting impairment of £24k were recognised in 2021/22. The total impairment recognised against the contractual amount due (principal and interest) was £1.5m at 31 March 2022. As at 31 March 2022, total impairments recognised were £24k.
308	The Agency provided loan funding under the Home Building Fund for the development of 39 homes. As a result of cost overruns experienced on the project, the Agency recognised impairments of £2,724k during 2019/20. The impairment was increased again in 2020/21 by £82k following the receipt of revised forecasts. Following a review of the remaining land value and a review of exit costs, an additional impairment of £308k was raised in 2021/22. As at 31 March 2022, total impairments recognised were £3,114k.

Fruitless Payments

1,114	On 6th April 2017, HMRC introduced IR35 legislation which required public sector bodies, where they engage off-payroll workers, to ensure they correctly assess their employment status and apply the correct tax treatment. During an internal review of third-party contractor engagements, it became evident there were a small number of cases where a Status Determination Statement was not issued to the contractor, or the contractor had been incorrectly determined as out-of-scope of IR35. This led to a further, extensive internal review of third-party contracts by the Agency which included re-testing the contractors against HMRC's CEST tool. In May 2022 Homes England provided a voluntary disclosure to HMRC, including an estimated liability for missing tax, NI and apprenticeship levy plus interest for years 2017/18 to 2021/22 of £1.1m. This amount has been recognised in the 2021/22 Financial Statements. HMRC have not yet commented on the voluntary disclosure to conclude this matter. New mandatory procedures have been put in place with effect from April 2022 to prevent recurrence, alongside a programme of staff training and awareness.
18,184	**Total write-offs and impairments recognised on Loans and Receivables and fruitless payments which exceed £300k**

Included in the 2021/22 accounts are further write-offs of loans measured at Amortised Cost totalling £63k and further impairments of loans measured at FVTPL of £3k, which individually are below the reporting threshold and therefore have not been included in the table above. In addition to this, the 2021/22 accounts reflect the reversal of previously disclosed losses totalling £230k during the period.

The contractual amount due on loan investments for which amounts have been written off or impaired, and which are still subject to enforcement activity was £158.7m at 31 March 2022.

Regularity (subject to audit)

During 2021/22, the Agency complied with the requirements of regularity as set out in Managing Public Money. HM Treasury (HMT) approval was obtained for all novel, contentious or repercussive transactions relating to 2021/22.

Fees and charges (subject to audit)

Regulator of Social Housing

Homes England and the Regulator of Social Housing (RSH) are party to a Service Level Agreement under which Homes England provides services to RSH. Services provided may include, but are not limited to, the provision of accommodation or facilities, the provision of staff time and expertise and the provision of technical resources. Service income charged to RSH during the year was £680,000.

Other fees

Additionally, Homes England may, from time to time, charge a fee for services provided to other entities. Where applicable, services are charged at full cost and therefore result in no attributable surplus or deficit. During the year, Homes England provided legal and professional services to other parties totalling £320,000. This is included in Other Operating Income.

Other fees include £50,000 charged to the Homes and Communities Agency Pension Scheme for the annual provision of accommodation, staff and professional services and £50,000 charged to the Department of Business, Enterprise, Innovation and Skills for the provision of professional services in connection with the administration of three science parks.

Remote contingent liabilities (subject to audit)

Homes England is required to disclose each of its material remote contingent liabilities, and where practical, estimate the financial effect. Homes England does not have any material contingent liabilities other than those disclosed in the Financial Statements.

The Accountability report is signed on 13 July 2022

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Peter Denton
Chief Executive and Accounting officer

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

Opinion on financial statements

I certify that I have audited the financial statements of the Homes and Communities Agency (Homes England) and its group for the year ended 31 March 2022 under the Housing and Regeneration Act 2008.

The financial statements comprise Homes England and its Group's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of Homes England and its Group's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Homes England and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Homes England and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Homes England and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Homes England and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Housing and Regeneration Act 2008.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Homes England and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by Homes England or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Homes England and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Homes England and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Housing and Regeneration Act 2008.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Homes England and its Group's accounting policies.
- Inquiring of management, Homes England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Homes England and its Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Homes England and its Group's controls relating to Homes England's compliance with the Housing and Regeneration Act 2008 and Managing Public Money.
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including in relation to the valuation of land and property assets, and financial instruments, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Homes England and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates, payment of grants on the basis of self-certification that grant conditions have been met, and loans and investments to ineligible recipients. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Homes England and its Group's framework of authority as well as other legal and regulatory frameworks in which Homes England and its Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Homes England and its Group. The key laws and regulations I considered in this context included the Housing and Regeneration Act 2008, Managing Public Money, employment law, pensions legislation, tax legislation, the Sanctions and Money Laundering Act 2018 and the Russia (Sanctions) (EU Exit) Regulations 2019.

In addition, I undertook specific risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity including: risk-based review of manual journals to identify those presenting a higher risk of fraud, informed by planning risk assessment; review of estimates presented within the accounts; analysis of individual income streams to address the potential risk of fraud in revenue recognition; and review of the control framework in place for significant grant streams.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit, Assurance and Enterprise Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance, the Board and Board Committees, and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing estimates in the accounts and challenging underlying assumptions and methodologies; review of the litigation report; substantive testing of grant expenditure streams, investment, loan and land and property additions and disposals to address risk of irregularity.
- evaluating management's assessment of Homes England and its Group's compliance with laws and regulations as a result of Russian Sanctions including consultation with in-house legal counsel.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal and external specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

15 July 2022

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

FINANCIAL STATEMENTS

Group Statement of Comprehensive Net Expenditure – Year ended 31 March 2022

	Note	2021/22 £'000	Represented* 2020/21 £'000
Expenditure			
Grants	4	**1,482,192**	1,460,903
Cost of land and property disposals	5	**164,428**	141,878
Programme costs	6	**67,740**	78,889
Staff costs	7a	**72,255**	73,068
Pension costs	7a	**34,722**	25,578
Administration expenses	8	**26,943**	30,924
Impairment of land and property	17	**18,985**	67,013
Impairment/(impairment reversal) of financial assets measured at fair value through profit or loss	13f	**(163,841)**	285,270
Impairment/(impairment reversal) of financial assets measured at amortised cost	13f	**15,504**	(17,880)
Increase/(decrease) in provisions	19	**(3,812)**	8,127
		1,715,116	2,153,770
Income			
Proceeds from disposal of land and property assets	5	**248,630**	246,285
Valuation gains on financial assets measured at fair value through profit or loss	13f	**789,936**	444,173
Net (loss)/gain on disposal of financial assets	13f	**25,162**	(7,010)
Interest income	13f	**59,297**	63,543
Other operating income	9	**76,928**	59,697
		1,199,953	806,688
Net operating expenditure		**515,163**	1,347,082
Interest payable		**402**	342
Share of (profits)/losses of associates and joint ventures	10	**(229)**	1,673
Pension fund finance costs	21d	**(2,491)**	(2,277)
Net expenditure before tax		**512,845**	1,346,820
Income tax (credit)/ charge	11a	**(5,347)**	5,303
Net expenditure for the year		**507,498**	1,352,123
Other comprehensive expenditure			
Actuarial (gain)/loss from pension fund	21e	**(64,025)**	(25,957)
Income tax charge/(credit) on items in other comprehensive expenditure	11b	**16,006**	4,932
		(48,019)	(21,025)
Total comprehensive expenditure for the year		**459,479**	1,331,098

All activities above derive from continuing operations. Net expenditure is financed by Grant in Aid as explained in note 1e, with the exception of non-cash expenditure, for example depreciation, amortisation, provisions and impairments.

* £1.8m of staff costs in 2020/21 related to the Homes England Evolve Programme have been transferred to programme costs, see note 6 and 7 for disclosure relating to the nature and reason for reclassification.

Group Statement of Financial Position – At 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Non-current assets			
Intangible assets		**6,161**	2,355
Property, plant and equipment		**4,957**	6,690
Investments in associates and joint ventures	12b	**55,123**	45,732
Pension assets	21a	**181,422**	155,335
Trade and other receivables	13b	**275,144**	224,120
Financial assets held at amortised cost	13c	**957,504**	1,012,875
Financial assets held at fair value through profit or loss	13c	**19,255,217**	17,701,316
		20,735,528	19,148,423
Current assets			
Non-current assets held for sale		**2,450**	2,250
Land and property assets	17	**1,168,657**	1,110,886
Trade and other receivables	13b	**219,634**	319,576
Financial assets held at amortised cost	13c	**454,103**	485,068
Financial assets held at fair value through profit or loss	13c	**117,568**	229,008
Cash and cash equivalents	13a	**195,776**	262,541
		2,158,188	2,409,329
Total assets		**22,893,716**	21,557,752
Current liabilities			
Trade and other payables	18	**(398,233)**	(632,273)
Provisions	19	**(5,362)**	(1,372)
		(403,595)	(633,645)
Non-current assets plus net current assets		**22,490,121**	20,924,107
Non-current liabilities			
Trade and other payables	18	**(115,112)**	(95,718)
Provisions	19	**(10,354)**	(19,270)
Pension liabilities	21a	**(10,285)**	(36,325)
		(135,751)	(151,313)
Assets less liabilities		**22,354,370**	20,772,794
Reserves			
Income and Expenditure Reserve		**22,354,370**	20,772,794
Taxpayers' equity		**22,354,370**	20,772,794

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

Approved by the Board on 13 July 2022 and signed on their behalf by:

Peter Denton
Chief Executive and Accounting Officer

Agency Statement of Financial Position – At 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Non-current assets			
Intangible assets		**6,161**	2,355
Property, plant and equipment		**4,957**	6,690
Investments in subsidiaries	12a	**50,000**	50,000
Investments in associates and joint ventures	12b	**20,615**	20,615
Pension assets	21a	**181,422**	155,335
Trade and other receivables	13b	**275,144**	224,120
Financial assets held at amortised cost	13c	**957,504**	1,012,875
Financial assets held at fair value through profit or loss	13c	**19,255,217**	17,701,316
		20,751,020	19,173,306
Current assets			
Non-current assets held for sale		**2,450**	2,250
Land and property assets	17	**1,168,657**	1,110,886
Trade and other receivables	13b	**219,634**	319,576
Financial assets held at amortised cost	13c	**454,103**	485,068
Financial assets held at fair value through profit or loss	13c	**117,568**	229,008
Cash and cash equivalents	13a	**195,776**	262,541
		2,158,188	2,409,329
Total assets		**22,909,208**	21,582,635
Current liabilities			
Trade and other payables	18	**(418,561)**	(662,563)
Provisions	19	**(5,362)**	(1,372)
		(423,923)	(663,935)
Non-current assets plus net current assets		**22,485,285**	20,918,700
Non-current liabilities			
Trade and other payables	18	**(115,112)**	(95,718)
Provisions	19	**(10,354)**	(19,270)
Pension liabilities	21a	**(10,285)**	(36,325)
		(135,751)	(151,313)
Assets less liabilities		**22,349,534**	20,767,387
Reserves			
Income and Expenditure Reserve		**22,349,534**	20,767,387
Taxpayers' equity		**22,349,534**	20,767,387

The accompanying Notes are an integral part of these Financial Statements. Approved by the Board on 13 July 2022 and signed on their behalf by:

Peter Denton
Chief Executive and Accounting Officer

Statement of Cash Flows – Year ended 31 March 2022

Group and Agency	Note	2021/22 £'000	2020/21 £'000
Net cash (outflow)/inflow from operating activities	(a)	**(2,091,309)**	(4,722,510)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,671)**	(2,921)
Disposal of property, plant and equipment		**-**	21
Purchase of intangible assets		**(5,678)**	(1,631)
(Investment)/ divestment made in group companies	12b	**(9,162)**	23,531
Net cash outflow from investing activities		**(16,511)**	19,000
Cash flows from financing activities			
Grant in Aid from sponsor department	SoCTE*	**2,041,055**	4,747,183
Net cash inflow from financing activities		**2,041,055**	4,747,183
Increase/(decrease) in cash and cash equivalents in the period		**(66,765)**	43,673
Cash and cash equivalents at 1 April	13a	**262,541**	218,868
Cash and cash equivalents at 31 March	13a	**195,776**	262,541

a) Reconciliation of net operating expenditure to net cash flow from operating activities

	Note	2021/22 £'000	2020/21 £'000
Net operating expenditure	SoCNE**	**(515,163)**	(1,347,082)
Financial assets:			
Financial asset investments made by the Agency	13	**(2,937,219)**	(4,590,520)
Proceeds from disposal of financial asset investments	13	**2,580,395**	1,607,138
(Gain)/loss on disposal of financial assets	13f	**(25,162)**	7,010
Valuation gains on financial assets held at fair value through profit or loss	13f	**(789,936)**	(444,173)
(Increase)/decrease in impairment of financial assets	13f	**(148,337)**	267,390
Interest added to financial assets held at amortised cost	13	**(48,140)**	(54,815)
Land and property:			
Gain on disposal of property, plant and equipment		**-**	(3)
Additions to land and property assets	17	**(230,174)**	(317,730)
Cost of land and property assets disposed	5	**155,668**	137,905
Increase in impairment of land and property	17, 8	**17,525**	69,856
Depreciation and amortisation	8	**4,286**	3,981
Pension costs	21	**14,389**	(3,816)
Payments of income tax		**(9,200)**	(4,000)
		(1,931,068)	(4,668,859)
Decrease/(Increase) in receivables		**61,190**	(241,022)
(Decrease)/increase in payables		**(216,505)**	179,418
(Decrease)/increase in provisions		**(4,926)**	7,953
Net cash (outflow)/inflow from operating activities		**(2,091,309)**	(4,722,510)

* SoCTE: Statement of Changes in Taxpayers' Equity

** SoCNE: Statement of Consolidated Net Expenditure

Group Statement of Changes in Taxpayers' Equity – Year ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Balance at 1 April		**20,772,794**	17,356,709
Net expenditure for the year		**(507,498)**	(1,352,123)
Actuarial gain from pension fund	21e	**64,025**	25,957
Income tax on items in other comprehensive expenditure	11b	**(16,006)**	(4,932)
Total comprehensive expenditure for the year		**(459,479)**	(1,331,098)
Grant in Aid from sponsor department	1e	**2,041,055**	4,747,183
Balance at 31 March		**22,354,370**	20,772,794

Agency Statement of Changes in Taxpayers' Equity – Year ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Balance at 1 April		**20,767,387**	17,348,659
Net expenditure for the year		**(506,927)**	(1,349,480)
Actuarial gain from pension fund	21e	**64,025**	25,957
Income tax on items in other comprehensive expenditure	11b	**(16,006)**	(4,932)
Total comprehensive expenditure for the year		**(458,908)**	(1,328,455)
Grant in Aid from sponsor department	1e	**2,041,055**	4,747,183
Balance at 31 March		**22,349,534**	20,767,387

Notes to the Financial Statements year ended 31 March 2022

1. Statement of accounting policies

a) Statutory basis

The Homes and Communities Agency, trading as Homes England (hereafter, the Agency), is an executive non-departmental public body and statutory corporation created by the Housing and Regeneration Act 2008 (as amended by the Localism Act 2011). Homes England is sponsored by the Department for Levelling Up, Housing, and Communities (formerly known as the Ministry of Housing, Communities, and local government until 19 September 2021).

The Financial Statements of Homes England are governed under the provisions of the Housing and Regeneration Act 2008 and by the Accounts Direction given by the Secretary of State, with approval of HM Treasury under the Act. The Direction issued on 8 December 2014 reflects government policy that the Financial Statements should, insofar as appropriate, conform to the accounting and disclosure requirements contained in Managing Public Money, Government Financial Reporting Manual (FReM) and in HM Treasury's Fees and Charges Guide. The Financial Statements have been prepared in accordance with the 2021/22 FReM issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the Agency's accounts.

b) Accounting convention

The Financial Statements are prepared under the historical cost convention modified by the revaluation of financial assets held at Fair Value Through Profit of Loss (FVTPL) and property, plant and equipment.

c) Basis of preparation and consolidation

The Group Financial Statements incorporate those of the Agency and the investees controlled by the Agency. No Statement of Comprehensive Net Expenditure is presented for the Agency as this is not materially different to that presented for the Group.

No significant judgements or assumptions have been made relating to the determination of investee status, joint control, or significant influence.

The Group's associated undertakings are all undertakings in which the Group has a participating interest and over whose operating and financial policy it exercises significant influence. The Group's joint ventures are all undertakings in which the Group exercises joint control. In the Group Financial Statements, investments in associates and joint ventures are accounted for using the equity method, wherein an investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the associate. The consolidated Statement of Comprehensive Net Expenditure includes the Group's share of profits and losses of associates and joint ventures, while its share of net assets of associates and joint ventures is shown in the Group Statement of Financial Position.

The share of net assets and profit information is based on unaudited Financial Statements or management information to 31 March 2022 for most associates. Where this information is not available, Financial Statements with a different reporting date have been used, where this reporting date is within three months of that of the Agency and where this does not produce significantly different results. Adjustments have been made on consolidation for significant transactions following the reporting date of the information used.

English Cities Fund Limited Partnership prepares its annual Financial Statements up to 31 December, the same reporting date as its investee partner.

Countryside Maritime Limited prepares its annual Financial Statements up to 30 September, which is the reporting date of the joint venture partner.

Tilia Community Living LLP prepares its annual Financial Statements up to 30 June, which is the reporting date of the joint venture partner. During the year, Kier Group disposed of Kier Living Limited to Terra Firma Capital Partners Limited. The company has been rebranded to Tilia Homes Limited and the joint venture rebranded to Tilia Community Living LLP.

d) Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates, and joint ventures, as recorded in the Agency's own Statement of Financial Position, are accounted for at cost (subject to annual assessment for impairment).

e) Funding

The Agency's activities are funded in part by income generated from operations and in part by Grant in Aid provided by the Department for Levelling Up, Housing, and Communities (DLUHC) for specified types of expenditure.

Grant in Aid received to finance activities and expenditure which support the statutory and other objectives of the Agency is treated as financing and credited to the income and expenditure reserve in full, because it is regarded as a contribution from a controlling party. The net expenditure for the period is transferred to this reserve.

f) Critical accounting judgements and key sources of estimation uncertainty

The Agency's critical accounting judgements are impacted by the macro-economic uncertainty in the current markets and alternative economic scenarios are considered in the Performance Report, within the Impact of Macro-economic uncertainty section.

Financial assets measured at fair value

Where assets are to be measured at fair value, this is performed with reference to the requirements of International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13), applying considerations which follow the three hierarchies set out under the standard for determining fair value.

The majority of financial assets measured at fair value are investments in homes, such as those under the Help to Buy scheme, as analysed in note 13d. These assets are valued with reference to regional house price indices, supplemented by adjustments for the Agency's experience of actual disposals since the inception of the schemes. Together, these provide a reasonable estimate of the fair value of these assets because house price indices alone cannot accurately predict the value of individual homes; and disposal proceeds to date, although a good indicator of market performance, may not occur at the same level in the future. As the Agency's security over the Help to Buy investment is via a second charge over the property with the main mortgage provider holding the first charge, if the amount needed to settle the homeowner's main mortgage does not leave sufficient sale proceeds available to settle our original percentage share, then the Agency will not receive its full percentage share of the proceeds. Instead, it will receive the available remaining cash after the first charge has been settled. In an economic scenario where there was a significant decrease in house prices, there is a risk that the Agency may not recover the full amount of its equity loan balance due to this first charge effect.

The valuation of investments in homes (through equity-loan programmes such as Help to Buy) is highly sensitive to changes in assumptions about market prices. Investments in homes are also the Agency's most significant asset category so the judgement exercised by management, both in the application of indexation to the home equity portfolio and in the experience adjustments applied to this indexation, is a source of estimation uncertainty in the Agency's Financial Statements.

Analysis showing the sensitivity of the valuation of these assets to changes in market prices, and therefore to management's judgement in estimating this valuation, is shown in note 15a. In addition, note 16a outlines the Agency's analysis of the sensitivity of the valuation of the Help to Buy portfolio to key modelling assumptions.

Other financial assets measured at fair value are generally valued with reference to cash flow forecasts, which are by their nature based on estimates. Exceptions to this are the Agency's investment in the PRS REIT plc, which is valued with reference to quoted unit prices on the London Stock Exchange, and the Agency's investment into an unlisted shared ownership fund managed by M&G Real Estate which is measured using Net Asset Values.

More information on the Agency's application of IFRS 13 to support fair value measurement is set out in note 13c and note 14.

Expected Credit Losses

The Agency is required to calculate an Expected Credit Loss Allowance for financial assets measured at Amortised Cost. The majority of the assets the Agency measures at Amortised Cost relate to funding the Agency has provided as loans, and a small number of Non-Current Trade Receivables. The Agency also calculates a Simplified Expected Credit Loss Allowance for Current Trade Receivables as permitted under IFRS 9.

The Expected Credit Loss Allowance at 31 March 2022 is analysed in note 13h. There are various key assumptions applied to the Expected Credit Loss model to which the calculation is highly sensitive, therefore the assumptions applied are a key judgement of management.

The key assumptions applied are as follows:

Probability of Default:

- Probability of Default values are determined with reference to current economic conditions, notably with reference to the ongoing conflict in Ukraine. The Probability of Default values are applied to each investment in relation to their individual Credit Risk Rating.

Economic scenarios and relative weightings:

- IFRS 9 requires the Agency to consider alternative economic scenarios in the calculation of the Expected Credit Loss Allowance, these scenarios consist of an upside, downside, and base case and are detailed in the Impact of Macro-economic uncertainty section of the Annual Report. For each identified scenario, variations are made to the Probability of Default values applied based on an individual investment's Credit Risk Rating. The amount of change applied is dependent on the scenario. Weightings are applied to the Expected Credit Loss calculations for each scenario, determined in relation to the Agency's view of the probability of each scenario occurring, with reference to current market and credit risk expectations.

Loss Given Default (LGD) Floor:

- The Agency has determined that available historic default data is insufficient to provide an evidence base for anticipated losses on default. As a result, a minimum percentage value has been applied to the LGD calculation with reference to individual investments. This floor has been derived on the basis of management judgement and interpretation of Prudential Regulation Authority guidance. At 1 April 2021 and 31 March 2022, the LGD floor applied was 35%.

Moderated Security Values (MSVs):

- To reflect the expected value which might reasonably be realised from the sale of security in the event of default, Moderated Security Value (MSV) percentages are applied to gross security values to determine a measure of Loss Given Default (when compared against the estimated exposure on default). The MSVs are varied depending on the type of security held. A lower MSV percentage results in a higher discount applied to the determined security values.

Changes to the above assumptions can have a significant impact on the Expected Credit Loss Allowance calculation. A sensitivity analysis has been performed in relation to the above assumptions in note 16b.

Note 13h provides an analysis of the movements in the Expected Credit Loss allowance between 1 April 2021 and 31 March 2022, including the impact of changes in Credit Risk assumptions over the period.

Land and property assets

Determination of the value of land and property assets involves a significant amount of judgement and estimation uncertainty, particularly given the complexity of some of the Agency's properties and the range of anticipated routes to disposal. Valuations are performed by independent qualified valuation experts. Most land and property assets, by value, are assessed by these independent valuation specialists. However, as the assets are held under the historic cost convention, the judgement and estimation uncertainty involved in property valuations only affects carrying value where an impairment is identified.

The impact of the Ukraine conflict on land and property valuations is discussed in accounting policy k below. As yet, there is no evidence that transaction activity and the sentiment of buyers and sellers has changed.

Defined benefit pensions

The value of the Agency's defined benefit pension assets and liabilities have been assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

As the assets managed under the Agency's pension scheme are predominantly quoted investments there is significantly less uncertainty surrounding their valuation than unquoted assets held elsewhere on the Agency's balance sheet. There are some investments in property that may be subject to valuation uncertainty, but these represent a small proportion of scheme assets, 6.97%, (5.56% in 2020/21). Similarly, the discount rates used for scheme liabilities are derived from bond markets and so determined with reference to published figures at the balance sheet date.

The total direct exposure in relation to investments linked to Russia/Ukraine is across all schemes is less than 0.2% of total scheme assets.

Overall there is no material uncertainty over the valuation of scheme assets within the defined benefit pension scheme.

g) Grants

Payments of capital and revenue grants to Registered Providers of Social Housing (RPs) and other bodies are accounted for on an accruals basis.

Payments of Affordable Housing Grant may be paid in one, two or three instalments depending on scheme and provider eligibility. These are an acquisition tranche, a start on site tranche and a completion tranche. In the two years disclosed the tranches for schemes were as follows:

- 40% on acquisition (where eligible), 35% on start on site (where eligible; this tranche may increase to 75% if the scheme is not eligible for an acquisition payment), 25% on completion
- Additionally, for those RPs who have been selected for continuous market engagement, payment flexibility of up to 95% against eligible expenditure can be claimed at acquisition and/or start on site
- Affordable Housing grant under Strategic Housing Partnerships are paid quarterly in arrears, in line with total eligible development expenditure
- HIF grants are paid in line with development costs incurred in the financial year.

h) Grant recoveries

Recoveries of affordable housing grants from RPs are accounted for when the amount due for repayment has been agreed with the RP and invoiced. RPs may retain grant recoverable from sales within their own accounts for recycling, with the funds becoming due back to the Agency if unused within three years. Recovery of other grants are accounted for when the repayment becomes contractually due. While judgement is involved in the calculation of the recoverable amount, this is not deemed to be material to the Financial Statements.

i) Revenue recognition

Homes England recognises revenue from its contracts with customers in line with IFRS 15.

Income from the disposal of land and property assets is recognised when there is a legally binding sale agreement, which has become unconditional and irrevocable by the end of the reporting period. The transaction price is the amount of the consideration to which the Agency expects to be entitled in exchange for transferring the risks and rewards of ownership of the asset. Payment terms for such transactions may vary depending on the nature of the agreement. Where payment is on deferred terms the associated receivable is discounted to reflect the net present value of the receipt.

Income from rent and other property income is recognised over the period to which it relates, and is invoiced in line with the terms of the lease. Invoices are payable upon issue. Income from leases is accounted for as described in note p) below.

Income from homeowner fees is recognised in the period to which it relates and is paid monthly in arrears. The fee accrues daily after the financial instrument reaches a defined maturity and the income is recognised to the extent that it has accrued at the reporting date.

Income from projects where the Agency acts as developer, where external contractors manage build and sales on behalf of the Agency, is recognised when a performance obligation in the contract is met. This is normally at legal completion and measured at the fair value of the consideration received or receivable for the property. Where income is based on a contract and recognised over time, it is recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by compliance inspector reports of work performed to date. A contract asset is recognised when the Agency has completed a proportion of the contract activity prior to payment being received. A contract liability is recognised where cash has been received in advance of the contract activity being completed.

j) Income tax

The income tax charge represents the sum of current tax and deferred tax. Both current and deferred tax are recognised in the Statement of Comprehensive Net Expenditure except to the extent that they relate to items recognised directly in taxpayers' equity, in which case they are recognised in taxpayers' equity.

Current tax is the expected tax payable on the taxable surplus for the year, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable in the future, arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the temporary differences can be utilised.

k) Land and property assets

Valuation

Land and property assets are shown in the Statement of Financial Position at the lower of cost and net realisable value. Cost comprises direct costs that have been incurred in bringing the land and property to their present location and condition, including the capitalisation of staff time where appropriate. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, including marketing, legal and panel solicitor fees. Net realisable value is an entity specific valuation methodology which reflects Homes England's circumstances, the purpose for which the asset is held and the future disposal strategy for the asset. This is different from fair value methodology which is a market-based measurement, and which establishes a value based on a price that would be received to sell an asset in an orderly transaction between market participants.

A net realisable value at each reporting period will be obtained for land and property assets if there is evidence of a change in net realisable value, brought about by certain trigger events and in all cases, where the net realisable value of the asset was more than or equal to £5m in the preceding year. Such trigger events include the receipt of planning permission, significant capital expenditure or a change in expected disposal strategy. If no trigger event occurs and the net realisable value of the asset was less than £5m in the preceding year, the asset will retain the net realisable value from the last assessment. However, for this year and last year, in light of the potential for uncertainty arising from the COVID-19 pandemic, all assets with a net realisable value of £150,000 or more have been valued.

It should be noted that this policy was formulated before the Ukraine conflict developed. RICS has published guidance to consider the impact of the conflict on markets. It has advised that RICS members should continue to follow Global Red Book standards, including Valuation Practice Guidance Application 10 (VPGA 10) Matters that may give rise to material valuation uncertainty. In particular, RICS has said that whether material valuation uncertainty exists, remains the decision of the RICS valuer.

The Agency has however, discussed the impact of the conflict with its external valuers in order to determine the impact on net realisable value. The response from the valuers has been consistent in that there is no discernible impact on the Agency's land and property portfolio and no adjustment to values reported at 31 March 2022, required. A typical response is as follows: '...the impact on the property market outside of the immediate area affected by the conflict is as yet unknown and, at this stage, there is no evidence that transaction activity and the sentiment of buyers or sellers has changed. The market can therefore still be described as functioning, albeit still in the aftermath of the COVID-19 crisis. Accordingly - and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by Valuation technical and performance standard 3 – Valuation reports (VPS 3) and VPGA 10 of the RICS Valuation – Global Standards.

An estimate of the net realisable value at the reporting period is obtained in accordance with the current edition of RICS Valuation – Global Standards, Effective from 31 January 2022 and the RICS Valuation – Global Standards 2017 UK national supplement, (collectively known as "The Red Book"), as amended, extended or updated from time to time, published by the Royal Institution of Chartered Surveyors.
In establishing a net realisable value for each asset, the following will be taken into account: there is a willing buyer and seller; the transaction is at arm's length; each party has acted knowledgeably,

prudently and without compulsion; the reasons for Homes England holding the asset and future disposal plans for the asset.

Following the determination of net realisable value at the reporting period, each asset is individually assessed to calculate an impairment/reversal of impairment. A reversal of an impairment charge for previously impaired assets may occur where the net realisable value increases. Increases are limited to an amount which results in assets being carried at their historic cost. Any movements in the valuation of land and property assets are shown in Net Expenditure as an impairment charge/credit.

Options purchased in respect of land are capitalised initially at cost. Options are reviewed annually for impairment as part of the valuation of the whole portfolio.

The valuation of land on which the Agency acts as developer, where external contractors manage build and sales on behalf of the Agency, is based on the value of the contract and progress to date. The contract value is adjusted to reflect any costs expended and any sales achieved in year.

Disposal of land and property assets

Where proceeds are receivable over a period of more than 12 months after the end of the reporting period, the proceeds are discounted at a rate prescribed by HM Treasury to reflect the net present value of the receipt. The rate applied during the year was 1.9% (2020/21: 3.7%), in accordance with HM Treasury's Public Expenditure System (PES) (2021) 10, Discount Rates for General Provisions, post-employment benefits, financial instruments and leases (under IFRS 16); announcement of rates. This paper was issued by HM Treasury on 13 December 2021.

Where a land sale agreement includes an overage clause, IFRS 9 requires that any associated receivable is measured (discounted to reflect the net present value of the receipt as described above) and disclosed as a financial asset at FVTPL. Over time, the initial discount unwinds through Net Expenditure as a valuation gain. The associated overage clause is measured and disclosed separately as a financial asset at FVTPL (level 3 hierarchy).

Where no overage clause exists, the receivable is measured and disclosed as a financial asset at amortised cost. note m) Financial assets, under sub-heading impairments, sets out the factors to be considered when measuring financial assets at amortised cost. Over time, the initial discount unwinds through Net Expenditure as interest income.

l) Provisions

Provisions are made for environmental liabilities where the Agency is under a statutory, contractual, or constructive obligation to remediate land to relevant standards. The amounts provided are the best estimate of the expenditure required to settle the obligation, based on circumstances existing at the reporting date. Expenditure expected to be incurred in future years is discounted in accordance with HM Treasury's PES (2021) 10, Discount Rates for General Provisions, post-employment benefits, financial instruments and leases (under IFRS 16); announcement of rates. The rate applied during the year was 0.47%.

Provisions are recognised for other liabilities as appropriate and discounted in line with the HM Treasury's guidance if applicable.

m) Financial assets

Recognition and derecognition

Financial assets are recognised in the Statement of Financial Position when the Agency becomes a party to the contractual provisions of the instrument (this is usually when cash is initially advanced to the counterparty, but for home equity assets this is at the point of legal completion of the underlying property purchase) and measured at fair value on recognition.

Where differences between the fair value at initial recognition, as calculated using the methods described in note 13c and note 14, and the price paid by the Agency to acquire the instrument are significant, they are either:

- recognised as grant expenditure where fair value is estimated to be below cost, in accordance with IAS 20 Government Grants; or
- deferred and released over the expected life of the instrument, in accordance with IFRS 9 Financial Instruments.

The Agency fully derecognises a financial asset only when the contractual rights to the cash flows for the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. Partial derecognition occurs where part of the contractual cash flows is received – for example where a homeowner chooses to partially redeem their equity loan. Here, the element of the asset which relates to the repayment is derecognised.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise amounts in bank accounts where there is an insignificant risk of changes in value, with less than three months' notice from inception. Third party cash comprises cash held by solicitors at year-end in relation to deals which were in progress and cash received by the Agency's mortgage administrator for home equity redemptions.

Trade and other receivables

Trade and other receivables may be measured at fair value or amortised cost depending on the nature of the individual balance. Where the balance is measured at amortised cost, the carrying value is subject to an expected credit loss calculation. Land sale agreements that contain clauses for the recovery of overage, are measured at FVTPL.

Financial asset investments

The Agency follows IFRS 9: Financial Instruments for all investments, subject to interpretations and adaptations for the public sector context as defined in the FReM.

Classification and measurement of financial assets

Two criteria are used to determine how financial assets should be classified and measured under IFRS 9:

- The business model for managing the asset; and
- The contractual cash flow characteristics of the financial asset.

The measurement categories reflect the nature of the cash flow and the way they are managed. The three categories are:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income (FVTOCI); and
- financial assets measured at fair value through profit or loss (FVTPL).

The contractual cash flow characteristics are either:

- financial assets held to collect cash flows only; or
- the assets are held to collect cash flows and to sell.

Financial assets are measured at Amortised Cost if they are held within a business model whose objective is to hold financial assets to collect contractual cash flows and their contractual cash flows represent solely payments of principal and interest.

Financial assets are measured at FVTOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Currently, the Agency has no assets which meet the requirements to be recognised under this classification.

Other financial assets are measured at Fair Value Through Profit or Loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at Fair Value Through Other Comprehensive Income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement. The Agency has not chosen to make this election for any financial assets.

Consequently, all financial assets which do not meet the criteria for classification to be recognised and measured at Amortised Cost are recognised and measured at FVTPL. Business models are determined on initial application. The Agency assesses the business model at a portfolio level. Information that is considered in determining the business model includes:

- policies and objectives for the relevant portfolio; and
- how the performance and risks of the portfolio are managed, evaluated, and reported to management.

Financial assets managed on a fair value basis are held at FVTPL with no elections made to classify as FVTOCI.

In assessing whether contractual cash flows are solely payments of principal and interest, terms that could change the contractual cash flows so that it would not meet the condition for solely payments of principal and interest are considered, including:

- contingent and leverage features;
- non-recourse arrangements; and
- features that could modify the time value of money.

Assets measured at fair value

Most of the Agency's financial assets are measured at fair value. Under IFRS 9 the Agency is required to value assets in accordance with IFRS 13: Fair Value Measurement. The practical application of this standard is explained with reference to the Agency's asset portfolios in notes 13c and 14, with detail regarding the key assumptions which support the Agency's most significant fair value estimate set out in note 16a.

When determining the fair value hierarchy level under which a financial asset should be disclosed under the requirements of IFRS 13, the Agency considers the observable inputs used within the valuation of the asset.

The Agency considers the following factors in determining whether there have been any transfers between levels of the fair value hierarchy:

- For financial assets previously valued using unobservable inputs and therefore disclosed under Level 3 of the fair value hierarchy, if it has been determined that observable inputs are now available to measure the fair value of the asset, the Agency would consider whether the asset should be disclosed within Level 1 or Level 2 of the fair value hierarchy; and
- For financial assets previously valued using observable inputs and therefore disclosed within Level 1 or Level 2 of the fair value hierarchy, if it has been determined only unobservable inputs are now available or observable inputs must be adjusted using unobservable inputs, the Agency would consider whether the asset should be disclosed within a lower level of the fair value hierarchy.

The above factors are considered at least annually for individual assets or particular asset classes.

Assets measured at amortised cost

Assets are valued by applying effective interest rates, calculated to recognise interest in accordance with IFRS 9 requirements to capitalise transaction costs and recognise fee income as finance income, spread over the life of the investment. Valuation of assets is subject to the impairment requirements of IFRS 9 for recognising write-off adjustments, modification adjustments and Expected Credit Loss allowances.

Impairment

IFRS 9 requires the Agency to recognise expected credit losses anticipated within the next 12 months based on unbiased forward-looking information. Where a significant increase in credit risk is identified the Agency is required to recognise total lifetime expected credit losses.

The measurement of expected credit loss involves increased complexity and judgement including estimation of probabilities of default, loss given default, a range of future economic scenarios, estimation of expected lives and estimation of exposures at default and assessing significant increases in credit risk.

Key concepts and management judgements

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements include:

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

The Agency assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments for individual investments.

Default

Default is deemed to have occurred when a borrower has materially defaulted on their obligations and/or there is evidence that a Counterparty is experiencing financial difficulty and their ability to repay is impaired. Homes England rebuts the presumption that exposures where payments past due exceed 90 days results in Default. This is rebutted on the basis Homes England primarily advances development loans where interest is accrued and capitalised and repayment primarily comes from the sale of developed collateral (Dwellings or Land) and a delay in a sale or repayment is not always reflective of a Significant Increase in Credit Risk (SICR) or default.

In determining whether a counterparty and resultantly a financial asset is classified as being in default Homes England assess a range of factors including, but not limited to:

- Whether a significant breach of lending terms and obligations has occurred i.e. a breach in financial covenants, legalisation or litigation has occurred.
- The availability of "Cure", "Remedy" or "Standstill" periods and whether these have lapsed. These provisions, where agreed with the borrower at the outset, provide an opportunity (during a restricted time period) for the Borrower to rectify a default before enforcement action is taken. These provisions are commonly used by lending institutions.
- Whether there is a realistic prospect for any distress to be remedied by the Counterparty or Beneficial Owners without significant lender intervention and contract modification.
- Where relevant, if another lender to the Counterparty has recognised a default resulting in a SICR regardless of whether this triggers cross default provisions.

As Homes England's Loans and Advances which meet the requirements to be measured at amortised cost are broadly consistent in nature, all being commercial loans and advances to companies involved in Housing Investment and Development a consistent approach to default is taken across the organisation.

Counterparties and associated Financial Assets which are deemed to be in default are only considered to have cured and returned to Stage 2 or Stage 1 following completion of a restructure which has resulted in the Counterparty's ability to repay their obligations no longer being impaired. Any restructure which results in Homes England absorbing a loss as a result will result in the financial asset being classified as in default.

Homes England does not utilise probation periods when assessing the Staging of a financial asset and therefore assets can move upwards through the Stages without restriction. The approach reflects the nature of Homes England's activities which are heavily concentrated in Development Finance and whereby distress and default is ordinarily only reversed through significant intervention or modification or a fundamental change in economic conditions. In the absence of these factors our expectation is that defaulted assets will remain in default until exited.

Forward-looking information

Credit losses are cash shortfalls from what is contractually due over the life of the financial instrument. Expected credit losses are a measure of unbiased probability-weighted credit losses which might reasonably be expected, determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, a range of forward-looking economic scenarios, currently expected to be a minimum of three, will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss.

Homes England assigns Credit Risk Ratings (CRR) to all counterparties with whom the organisation has provided financial assets that are measured at amortised cost. The CRR utilises a combination of qualitative and quantitative information including, previous financial performance and strength, projected cashflows and leverage alongside more qualitative factors such as management experience. This assessment culminates in a single CRR figure and associated probability of default being applied based on the overall credit assessment of the given counterparty. This rating takes into consideration past financial performance (where evident) and expected performance of a given counterparty and critically the underlying project.

The probability of default values associated with each CRR under the most likely central scenario have been determined by Homes England by adjusting the average probability of default values, which have been established using methodology applied in previous years by the DLUHC, to allow for current economic projections by considering historical movements in the various economic indexes. This methodology is then combined with an overall expert subjective opinion to produce estimates of the final adjusted probability of default rates.

To ensure compliance with IFRS 9, Homes England has adopted an additional Probability Weighted assessment of Expected Credit Losses, utilising two plausible alternative economic scenarios. As Homes England operates in a single sector (Housing) the loans and advances made are greatly concentrated and as a result, defaults may be more greatly correlated in comparison to a loan portfolio which benefits from sector diversification.

The alternative economic scenarios adopted during 2021/22 are derived from the macro-economic forecast scenarios provided by the Office for Budget Responsibility (OBR). A sensitivity analysis regarding this judgement is provided in note 16b.

The decision on how to weight these scenarios against the central scenario is primarily derived from expert judgement within Homes England. Alternative scenarios and weightings are reviewed on a minimum of a six-monthly basis and scrutinised through the Agency's forums and committees.

Expected life

Lifetime expected credit losses must be measured over the expected life of individual agreements. For modelling purposes, this is restricted to the maximum contractual life of investments. Potential future modifications of contracts are not considered when determining the expected life or exposure at default until they occur.

Discounting

Expected credit losses are discounted at the effective interest rate at initial recognition, or an approximation thereof, and consistent with income recognition. For loan commitments, the effective interest rate is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised. For variable / floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

Modelling techniques

Expected credit losses are calculated at the individual financial instrument level by multiplying three main components; the probability of default, loss given default and the exposure at default, discounted at the original effective interest rate. The methodology and key assumptions are outlined in detail in note 16b.

Write-offs

Homes England manages distressed financial assets through a specialist team with experience in restructuring and insolvency.

Most of Homes England's loans and advances have the benefit of security and write offs take place once all such security has been realised or there is no realistic prospect of recovery and the amount of the loss has been determined.

Events that typically result in a write-off ahead of security being fully realised include, but are not limited to:

- The financial asset is subject to Insolvency Proceedings and the only funds that will be received are the amounts estimated by the Insolvency Practitioner.
- Security (typically property) is disposed of and a decision is made that no further funds will be received.
- Independent Professional advice (typically third-party valuations or assessments) shows a significant shortfall with limited evidence that any shortfall will be recouped.

Any further recoveries of amounts previously written off are generally considered fortuitous gains and reduce the amount of impairment losses recorded in the Statement of Consolidated Net Expenditure.

n) Financial liabilities

Financial liabilities are recognised in the Statement of Financial Position when the Agency becomes a party to the contractual provisions of the instrument.

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

Financial liabilities consist of trade and other payables and certain provisions.

Financial liabilities are classified as current liabilities unless the Agency has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The Agency derecognises a financial liability only when the Agency's obligations are discharged, cancelled or they expire.

o) Pension costs

The Agency accounts for pension costs in accordance with IAS 19 Employee Benefits. 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 or the West Sussex County Council Fund. All three schemes are multi-employer defined benefit schemes as described in paragraph 8 of IAS 19.

Plan assets are measured at fair value. Liabilities are measured on an actuarial basis and discounted to present value. The net asset or obligation is recognised within pension assets or liabilities, respectively, in the Statement of Financial Position. The operating and financing costs of the schemes are recognised separately in the Statement of Comprehensive Net Expenditure. Service costs are spread over the working lives of employees and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised in full in taxpayers' equity.

Because assets managed under the Agency's pension schemes are mainly in quoted investments, the pension assets stated at year-end are less susceptible to valuation uncertainty than other balances disclosed in the Agency's Financial Statements. Of the £1,018m employer assets at 31 March 2022 disclosed in note 21, only £71m (6.97%) was investment in property and is subject to the uncertainty outlined above in relation to the Agency's land and property assets.

Similarly, the discount rates used for scheme liabilities are derived from bond markets and so are determined with reference to published figures. This means that COVID-19 did not create significant additional uncertainty for the calculation of the scheme liabilities as at 31 March 2022.

p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Operating lease rentals receivable and payable are accounted for in the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

It should be noted that this policy will change in the forthcoming financial year 2022/23 as a result of the adoption of IFRS 16 on 1 April 2022. Further details about this approach can be found in note q) below.

q) Impact of standards and interpretations in issue but not yet effective

International Financial Reporting Standard 16: Leases (IFRS 16)

HM Treasury has decided that the implementation of IFRS 16 will be effective for public sector entities for the 2022/23 reporting period.

IFRS 16 Leases supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective of the new standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

The standard requires a lessee to recognise a right-of-use asset and corresponding lease liability on the Balance Sheet for all leases other than short-term leases or leases for which the underlying asset is of low value. IFRS 16 is effective for Public Sector bodies in periods beginning on or after 1 April 2022. Our initial assessment of this is that it will have a £2.4m impact on opening reserves.

Principally, this will reduce administrative accommodation costs and increase depreciation charges, as well as increasing gross assets and liabilities.

International Financial Reporting Standard 17: Insurance Contracts (IFRS 17)

IFRS 17: Insurance Contracts replaces IFRS 4 Insurance Contracts. The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts, setting out clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The implementation is not planned until 2023 and it may require further adaptation for the Public Sector. We anticipate that the standard will not be significant to the Agency's Financial Statements.

2. Operating segments

a) Operating segment analysis

The Agency's operational performance is managed by reference to financial and non-financial targets, within the constraints of programme and operational expenditure limits set by DLUHC. These programmes therefore form the basis of the Agency's operating segments as defined by IFRS 8 Operating Segments.

All of the Agency's activities, and therefore its income, expenditure, assets and liabilities, occur within the UK. An analysis of the various types of income which the Agency receives is shown in the Statement of Comprehensive Net Expenditure.

As many of the Agency's programmes do not generate their own revenue, and are financed by Grant in Aid, the financial measure used by the Board to assess the Agency's operating performance and manage its resources is programme and administrative expenditure and receipts against Departmental Expenditure Limits (DEL). The programme and administrative expenditure and receipts information below is presented on the basis of the information presented to the Board.

	2021/22			2020/21		
Programme	**Expenditure £m**	**Receipts £m**	**Total £m**	**Expenditure £m**	**Receipts £m**	**Total £m**
Help to Buy	**2,397.5**	**(34.3)**	**2,363.2**	4,079.1	(22.1)	4,057.0
Investment:						
Long Term Fund	**180.0**	**(199.7)**	**(19.7)**	223.3	(65.9)	157.4
Short Term Fund	**356.5**	**(422.2)**	**(65.7)**	286.1	(298.1)	(12.0)
Build to Rent	**39.9**	**(76.3)**	**(36.4)**	67.6	(54.7)	12.9
Estate Regeneration	**1.6**	**(1.5)**	**0.1**	8.5	(1.2)	7.3
Legacy	**1.0**	**(19.7)**	**(18.7)**	2.2	(46.3)	(44.1)
PRS Guarantees	**0.1**	**-**	**0.1**	0.1	-	0.1
Levelling Up Home Build Fund	**11.6**	**(0.3)**	**11.3**	-	-	-
Brownfield, Infrastructure and Land fund	**14.8**	**(0.5)**	**14.3**	-	-	-
	605.5	**(720.2)**	**(114.7)**	587.8	(466.2)	121.6
Housing Infrastructure Grants:						
Housing Infrastructure Fund	**318.6**	**-**	**318.6**	203.6	-	203.6
Accelerated Construction	**31.8**	**(0.2)**	**31.6**	66.6	-	66.6
	350.4	**(0.2)**	**350.2**	270.2	-	270.2
Development:						
Public Sector Land	**108.8**	**(145.1)**	**(36.3)**	118.7	(195.0)	(76.3)
City Growth Deals	**11.2**	**(12.2)**	**(1.0)**	11.1	(11.5)	(0.4)
Land Assembly Fund/Starter Homes	**112.4**	**(62.7)**	**49.7**	177.8	(15.3)	162.5
Direct Commissioning	**43.0**	**(80.5)**	**(37.5)**	51.8	(94.5)	(42.7)
First Homes	**-**	**2.8**	**2.8**	-	-	-
	275.4	**(297.7)**	**(22.3)**	359.4	(316.3)	43.1
Affordable Housing:						
Affordable Housing Programme	**1,090.5**	**(11.3)**	**1,079.2**	1,149.3	(9.9)	1,139.4
Community Housing Fund	**0.1**	**(0.1)**	**-**	4.4	-	4.4
Move on Fund	**8.9**	**(3.4)**	**5.5**	13.8	(0.2)	13.6
	1,099.5	**(14.8)**	**1,084.7**	1,167.5	(10.1)	1,157.4
Programme Administration:						
Markets People Places	**7.1**	**-**	**7.1**	4.1	-	4.1
Rough Sleepers	**0.5**	**-**	**0.5**	0.1	-	0.1
Building Safety	**3.5**	**-**	**3.5**	1.9	-	1.9
Private Sector Cladding	**0.6**	**-**	**0.6**	0.5	-	0.5
	11.7	**-**	**11.7**	6.6	-	6.6
Evolve*	**16.3**	**-**	**16.3**	13.2	-	13.2
Total programme expenditure and receipts	**4,756.3**	**(1,067.2)**	**3,689.1**	6,483.8	(814.7)	5,669.1
Administration	**154.4**	**-**	**154.4**	137.0	-	137.0
Total expenditure and receipts reported to Board	**4,910.7**	**(1,067.2)**	**3,843.5**	6,620.8	(814.7)	5,806.1
DEL not reported to the Board in respect of Expected Credit Loss charges, write off charges and DEL impairments	**16.7**	**-**	**16.7**	(15.7)	-	(15.7)
Total Net DEL	**4,927.4**	**(1,067.2)**	**3,860.2**	6,605.1	(814.7)	5,790.4

*Evolve was formerly known as Transformation.

b) Reconciliations to net expenditure

Net DEL expenditure, the financial measure used to report the Agency's performance to the Board, excludes certain items which are disclosed separately in the Statement of Comprehensive Net Expenditure such as provisions for impairment, movements in other provisions, depreciation and income tax. It includes items of expenditure which, for statutory reporting purposes, are capitalised in the Statement of Financial Position. Such items include additions to and disposals of non-current assets, loans and land and property assets. In addition, there are instances where there are timing differences between income and expenditure recognised for statutory reporting purposes and for DEL reporting, such as a restriction on recognising income on certain disposals until cash is received. For statutory reporting purposes income is recognised when the Agency is contractually entitled to receive the income. These rules are prescribed by HM Treasury.

A reconciliation of total DEL expenditure to net expenditure before tax as shown in the Statement of Comprehensive Net Expenditure is as follows:

	Note	2021/22 £m	2020/21 £m
Total net DEL expenditure above		**3,860.2**	5,790.4
Reconciling items:			
Increase in impairment of land assets	17	**17.9**	65.1
(Decrease)/Increase in impairment of PPE and intangible assets		**(1.5)**	2.8
(Decrease)/Increase in impairment of assets measured at fair value passing through the SOCNE	13	**(164.0)**	285.3
Valuation gains on financial assets held at FVTPL	13	**(761.3)**	(423.3)
(Decrease)/Increase in provisions	19	**(3.8)**	8.1
Utilisation of provisions	19	**-**	(0.2)
Share of (profits)/losses of associates and joint ventures	12	**(0.2)**	1.7
Investment in joint venture	12b	**(9.2)**	23.5
Pension movements	21	**(20.9)**	(6.1)
Book value of land and property assets disposed	17	**153.4**	137.9
Book value of assets measured at fair value disposed	13	**2,051.8**	1,281.2
Help to Buy and FirstBuy receipts not included within net DEL expenditure*	13	**(1,898.6)**	(1,184.9)
Loan repayments (for loans measured at amortised cost)	13	**503.4**	332.9
Capital items recorded as programme expenditure:			
Additions to assets measured at fair value	13	**(2,600.8)**	(4,220.8)
Additions to land and property assets	17	**(230.2)**	(317.7)
Loans advanced, including interest added to loans measured at amortised cost	13	**(384.5)**	(424.5)
Additions to PPE and Intangible assets		**(7.3)**	(4.6)
Recovery of long-term receivables recorded as programme income		**8.4**	-
Net expenditure before tax as stated in the Statement of Comprehensive Net Expenditure		**512.8**	1,346.8

A reconciliation of programme receipts as shown above to income as stated in the Statement of Comprehensive Net Expenditure is as follows:

	Note	2021/22 £m	2020/21 £m
Total receipts reported to the Board		**1,067.2**	814.7
Reconciling items:			
Clawback of grants recorded as income but shown net within expenditure in Board reporting		**27.1**	20.2
Other income shown net within expenditure in Board reporting		**1.1**	1.4
Expenditure shown net within income in Board reporting		**11.0**	4.0
Valuation gains on financial assets held at FVTPL not reported to Board	13	**761.3**	423.5
Recovery of long-term receivables recorded as programme income		**(8.4)**	-
Receipts from disposal of capital items recorded as programme income:			
Proceeds from the disposal of financial asset investments measured at Fair Value	13	**(2,051.6)**	(1,281.2)
Loan repayments (for loans measured at amortised cost)	13	**(503.6)**	(332.9)
Joint venture disposal proceeds	12b	**(2.7)**	(27.6)
Help to Buy and FirstBuy receipts not included within DEL receipts*		**1,898.6**	1,184.6
Income as stated in the Statement of Comprehensive Net Expenditure		**1,200.0**	806.7

* Help to Buy and FirstBuy receipts are not reported to the Agency's board as they are outside the scope of budgets delegated to the Agency to be managed. Cash received is transferred as Consolidated Fund Excess Receipts via DLUHC to HM Treasury.

c) Major customers

During the year, income from individual customers did not exceed 10% of total income (2020/21: nil).

3. Principal/agent relationships

Homes England is party to a number of significant arrangements where it acts as an Agent for another entity. In these arrangements, Homes England uses its skills and expertise to help bring forward programmes and initiatives. These programmes and initiatives are in addition to the core business of the Agency. It therefore would not be appropriate to show income or expenditure in respect of these transactions or to report on assets and liabilities. The below sets out these arrangements.

Managing programmes for other government departments

The Agency has an agreement with the Department of Health and Social Care (DHSC) in respect of the Care and Support Specialised Housing Fund. Under this programme, DHSC funds specialist housing for older people and adults with disabilities. The programme is delivered and managed by the Agency on behalf of DHSC. During the year grants totalling £6.5m (2020/21: £10.5m) were paid out by the Agency and reimbursed by DHSC.

The Agency also has agreements with DLUHC for the management and delivery of their Voluntary Right to Buy, Next Steps Accommodation, Rough Sleepers Accommodation, Cladding Fund, and Building Safety Fund programmes:

Voluntary Right to Buy: under this programme DLUHC compensate Registered Providers for loss of rent where tenants buy their own property. During the year, grants of £0.4m (2020/21: £13.3m) were paid by the Agency and reimbursed by DLUHC.

Cladding Fund: the fund was set up to replace aluminium composite material (ACM) cladding panels on large-scale residential social housing and this has been extended to the private sector. During the year, grants totalling £71.6m (2020/21: £30.0m) were paid out by the Agency and reimbursed by DLUHC.

Building Safety Fund: this fund is focused on unsafe non ACM cladding systems – high pressure laminates, other metal composite materials etc. – on both social and private sector buildings over 18m in height. Ministerial targets are that building owners should have made full applications by the end of the calendar year and that work should have started on site by 31 March 2021. During the year, grants of £163.5m (2020/21: £37.6m) were paid out by the Agency and reimbursed by DLUHC.

Next Steps Accommodation: Homes England is supporting DLUHC, leading housing associations and local authorities to deliver the ambitious plans which will fast-track thousands of long-term homes for rough sleepers. During the year, grants of £32.2m (2020/21: £43.1m) were paid out by the Agency and reimbursed by DLUHC.

Rough Sleepers Accommodation: Homes England is supporting DLUHC, leading housing associations and local authorities to deliver the ambitious plans which will fast-track thousands of long-term homes for rough sleepers. During the year, grants of £31.4m (2020/21: £nil) were paid out by the Agency and reimbursed by DLUHC.

Managing assets for third parties

The Agency manages home equity portfolios on behalf of the Greater London Authority (GLA), Ministry of Defence (MoD) and multiple housing developers via our Mortgage Administrator. At the year end the Agency managed 6,237 (2020/21: 7,145) assets on behalf of these parties. During the year the Agency also collected 1,055 (2020/21: 1,023) disposal receipts with total proceeds of £23.9m (2020/21: £26.3m).

The Mortgage Administrator collects and distributes disposal receipts to the GLA and housing developers on behalf of the Agency. The Agency receives disposal receipts on behalf of the MoD and subsequently transfers the receipts to the MoD. At the year end the Agency held £3.4m (2020/21: £1.5m) which is due to be paid to the MoD.

The Agency manages three science parks on behalf of the Department for Business, Energy and Industrial Strategy (BEIS). During the year the Agency incurred expenditure of £0.7m (2020/21: £1m) and collected income of £1.8m (2020/21: £0.2m) as a result of day to day management of the sites. The net receipt of £1.1m is due to BEIS from the Agency.

DLUHC Guarantee Programme

Homes England acts as Licence or Concession Manager on behalf of DLUHC for a number of Guarantee programmes:-

Affordable Housing Guarantee Scheme 2013 - a £3.5bn programme to support the delivery of additional new-build affordable homes by enabling registered providers to borrow on a long-term fixed rate basis. The loans carry a government guarantee and the benefit of the guarantee is passed through to borrowers in the form of a lower cost of borrowing. This scheme is closed to new applications.

Private Rented Sector Guarantee Scheme - a £3.5bn programme to support the building of new homes for the private rented sector by enabling developers or investors to raise low cost debt to refinance development funding on a long-term basis. The scheme is closed to new applications.

Affordable Homes Guarantee Scheme 2020 - this is a £3bn successor programme to the 2013 scheme and also provides low cost long-term loans to registered providers of homes for affordable social rent, affordable rent and shared ownership.

Homes England also acts as a programme partner to DLUHC in connection with the ENABLE Build programme. This is a scheme that aims to increase the availability of development finance for small and medium-sized enterprise housebuilders.

Provision of shared services

In addition to the above, the Agency continues to have a close working relationship with the Regulator of Social Housing (RSH). A service level agreement sets out the services provided by Homes England to RSH. Services provided may include, but are not limited to, the provision of accommodation or facilities, the provision of staff time and expertise and the provision of technical resources. During the year, Homes England has charged RSH a fee of £0.7m (2020/21: £1.1m) for these services, credited to other operating income. Invoices are raised and paid monthly. In addition, due to this close working relationship, the systems and processes of Homes England are an important part of the control environment of RSH, and as such, the annual statutory audit of RSH covers a review of the systems and processes. Further disclosure regarding this relationship is provided in the Fees and Charges section of the Annual Report.

4. Grants

Payments were made to Registered Providers of Social Housing, local authorities and other public and private sector partners under the following programmes:

	2021/22 £'000	2020/21 £'000
Affordable Housing	**1,125,070**	1,182,748
Housing Infrastructure Fund	**312,748**	197,828
Local Authority Accelerated Construction	**31,630**	66,022
Community Housing Fund	**90**	4,065
City Deals	**3,169**	8,224
Other	**9,485**	2,016
	1,482,192	1,460,903

The Agency's largest grant programme is the Affordable Housing Grant programme. This aims to increase the supply of new affordable and shared ownership homes in England.

The Strategic Partnership programme is a significant part of the Affordable Housing Grant programme, and totals £654m (£669m in 2020/21). These partnerships provide additional support to Registered Providers for the construction of affordable homes. A new tranche of funding was introduced in 2021 which will run until 2026.

The Housing Infrastructure Fund aims to unlock house building by funding local authorities to build vital physical infrastructure projects, including the construction of roads, bridges, energy networks and other utilities.

The Community Housing Fund officially closed on 31 March 2021, the small number of spend in 2021/22 relates to some legacy schemes that delivered spend/outputs in 2021/22.

Affordable Housing grant

Within the Affordable Homes Programme there are two routes to access funding, providers can apply for funding on a scheme by scheme basis bidding through continuous market assessment or providers can become a strategic partner and access grant for a longer-term development program through a multi-year agreement. During the year, Strategic Partnership grants totalled £654m (2020/21: £670m) and CME grants totalled £471m (2020/21: £513m). Both types are paid to partners across England. The table below shows the geographical split.

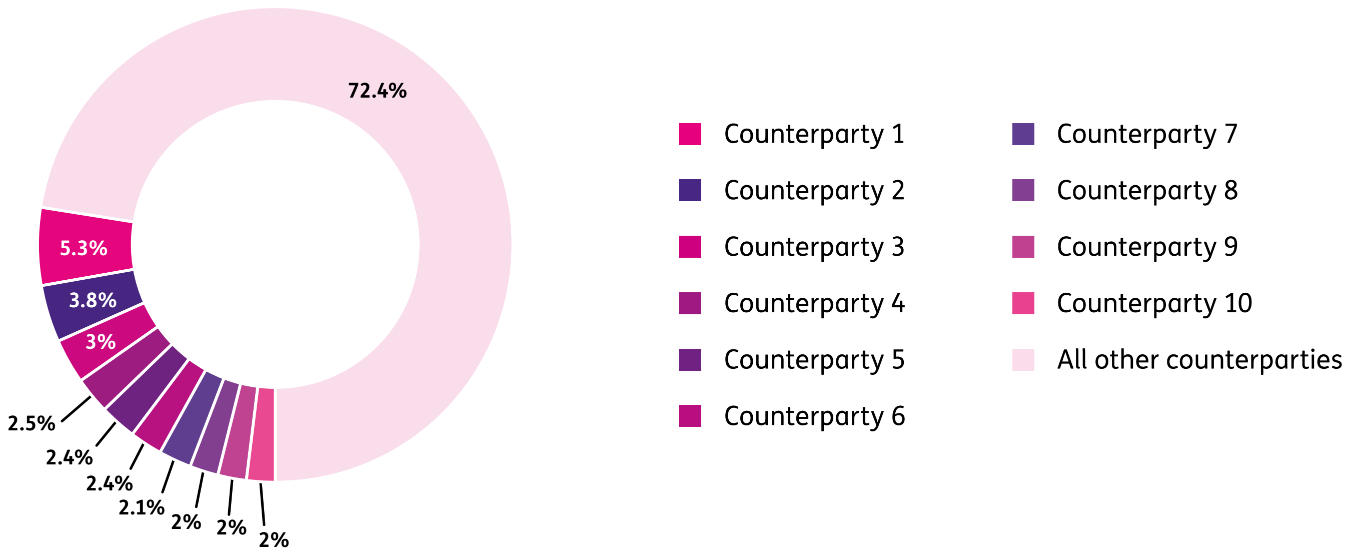
	2021/22		2020/21	
Region	**Total Grant £'000**	**%**	**Total Grant £'000**	**%**
East and South East	**293,544**	**26%**	143,598	12%
South West	**173,612**	**15%**	281,308	24%
Midlands	**219,552**	**20%**	330,593	28%
North East and Yorkshire	**201,594**	**18%**	169,183	14%
North West	**236,768**	**21%**	258,066	22%
	1,125,070	**100%**	1,182,748	100%

Top 10 recipients of Funding to 31 March 2022

Analysis of top 10 recipients of funding by Counterparty to 31 March 2022

	Payments £'000	Percentage of Total Grant Payments
Counterparty 1	**78,087**	5.3%
Counterparty 2	**56,807**	3.8%
Counterparty 3	**44,294**	3.0%
Counterparty 4	**36,804**	2.5%
Counterparty 5	**36,139**	2.4%
Counterparty 6	**35,865**	2.4%
Counterparty 7	**31,783**	2.1%
Counterparty 8	**29,907**	2.0%
Counterparty 9	**29,827**	2.0%
Counterparty 10	**29,078**	2.0%
Total Top 10 Counterparties at 31 March 2022	**408,591**	**27.5%**
Total grant payments to 31 March 2022	**1,482,192**	

Percentage of Top 10 recipients of Funding



5. Disposal of land and property assets

	Note	2021/22 £'000	2020/21 £'000
Proceeds from disposals		**248,630**	246,285
Cost of disposals:			
Book value of disposals	17	**153,418**	137,905
Direct costs of sale		**11,010**	3,973
		164,428	141,878
Gain on disposal		**84,202**	104,407

The proceeds from disposals above can be further analysed as follows:

	Note	2021/22 £'000	2020/21 £'000
Disposals of land (freehold disposal/building lease)		**158,883**	149,441
Direct Commissioning (market sales)		**68,618**	88,667
Direct Commissioning (affordable contracts)		**21,129**	8,177
Proceeds from disposals		**248,630**	246,285

Income from the disposals of land (freehold disposal/building lease) is recognised when there is a legally binding sale agreement, which has become unconditional and irrevocable by the end of the reporting period. The income is recognised at the unconditional date and measured at the fair value of the consideration received or receivable for the disposal of land.

Income in relation to direct commissioning (market sales) is recognised at legal completion and measured at the fair value of the consideration received or receivable for the property.

Income in relation to direct commissioning (affordable contracts) is recognised over time by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by compliance inspector reports of work performed to date. A contract asset is recognised when the Agency has completed a proportion of the contract activity prior to payment being received. A contract liability is recognised where cash has been received in advance of the contract activity being completed.

6. Programme costs

	2021/22 £'000	Represented 2020/21 £'000
Land	**21,700**	26,788
Help to Buy	**13,772**	18,772
Evolve	**10,636**	16,568
Financial Investment Programmes	**7,478**	6,545
Markets, Partners and Places	**7,073**	3,954
Managing Programmes for other government departments	**4,579**	1,996
Affordable Homes	**1,400**	1,279
Housing Infrastructure Fund	**1,102**	2,987
	67,740	78,889

Programme costs are the operational costs incurred by Homes England to run the various programmes. They are typically professional fees to cover activities such as due diligence, legal advice, financial investigation, administration of payments, and property servicing.

Land costs include £9.4m (2020/21: £10.6m) in relation to the management of the Agency's land portfolio.

Help to Buy costs mainly relate to transaction fees paid to local agents who administer new equity loans and servicing costs paid to the Agency's mortgage administrator, who manage the equity loan book. Help to Buy costs also include costs in relation to the Help to Build scheme setup.

In 2021/22 the name of the Homes England transformation programme changed to Evolve. There has been no change to the scope of the programme and the costs cover the service design and digital transformation of Homes England. It is a specific programme funded by DLUHC to support the Agency in meeting its mission and objectives by creating new, more efficient services, teams, infrastructure and ways of working. In the current year there has also been £5.7m (2020/21: £nil) of capital expenditure incurred in relation to Evolve. 2020/21 figures have been represented to include £1.8m of staff costs reallocated from staff costs to programme costs in relation to Evolve in order to better reflect the nature of the transactions and to reflect that Evolve is programme expenditure, not administrative expenditure in nature.

Note 3 details the programmes that Homes England manages for other government departments, the costs included within programme costs above are the staff costs and professional fees associated with these programmes. 2020/21 figures have been represented to reallocate the costs associated with managing programmes for other government departments from financial investment programmes (£1.9m) and other (£0.1m) as this better reflects the nature of the transactions.

7. Staff costs

The costs of salaried staff for the year, excluding Board Members, were as follows:

a) Total staff costs

	2021/22 £'000	Represented 2020/21 £'000
Staff costs charged to net expenditure comprise:		
Staff costs	**72,255**	73,068
Pension costs	**34,722**	25,578
Total staff costs	**106,977**	98,646

The costs above can be further analysed as follows:

	2021/22 £'000	2020/21 £'000
Salaries and wages	**72,041**	66,378
Social security costs	**9,463**	7,558
Pension costs - current service cost*	**32,786**	23,639
Pension costs - past service cost and losses on curtailments and settlements	**-**	16
Pension costs - expenses	**1,936**	1,923
	116,226	99,514
Temporary staff	**11,823**	9,520
Seconded staff	**448**	557
	128,497	109,591
Less staff costs capitalised: Land and Property	**(11,416)**	(7,153)
Less staff costs transferred to programme costs	**(10,104)**	(3,792)
	106,977	98,646
Non-Executive Board Member expenses	**6**	6

* The current service pension cost does not include costs relating to early retirements, which are included within Administration costs, note 8.

During the year, £11.1m of staff costs were capitalised (2020/21: £7.2m) against Land and Property assets, and £0.3m of staff costs were capitalised (2020/21: £nil) against intangible fixed assets. The costs relate to direct labour involved in the enhancement of land and property assets.

In addition, £10.1m (2020/21: £3.8m) of staff costs in relation to the Homes England Evolve Programme, the Building Safety Fund and the Next step Accommodation Fund were reclassified to programme costs. These programmes are partly funded by the Agency's programme budget. The Homes England Evolve Programme covers ongoing work involved in transforming the services, processes and infrastructure of Homes England and is described more fully in note 6.

An additional £1.8m of staff costs in 2020/21, related to the Homes England Evolve Programme, have been transferred to programme costs, see note 6 for disclosure relating to the nature and reason for reclassification.

b) Staff bonuses

Staff members who are direct employees of the Agency benefit from a Performance Related Pay scheme whereby any bonuses are determined with reference to performance against agreed objectives during the year. Performance Related Pay accrued but not yet paid during the year totalled £0.3m (2020/21: £0.3m).

During the year, Directors received bonuses of £9k (2020/21: £22k). The bonuses received during the year relate to 2021/22 performance. The Accountability section of the Annual Report includes further details of bonuses, the average number of staff employed by the Agency, staff numbers by pay band and exit packages.

c) Staff composition

The average number of staff employed by the Agency (full time equivalents) over the course of the year is as follows:

	2021/22	Represented 2020/21
Permanent UK staff	**1,203**	1088
Fixed term UK staff	**102**	81
Temporary staff	**118**	80
Board members	**9**	10
Seconded staff	**4**	4
	1,436	1,263

d) Loans to employees

The Agency has provided travel season ticket loans and cycle scheme loans to employees during the year. The total amount outstanding in respect of these at 31 March 2022 was £18k (2020/21: £20k). There were no other loans to employees.

8. Administration expenditure

	2021/22 £'000	2020/21 £'000
Accommodation and office running costs	**10,852**	12,928
Tax and depreciation	**6,144**	9,504
Professional fees	**5,330**	4,806
Travel and subsistence	**2,057**	1,315
Learning, development and staff	**1,643**	1,602
Other	**482**	369
Auditor's remuneration (Statutory Audit)	**435**	400
	26,943	30,924

There were no restructuring costs in 2021/22 (2020/21: £98,000).

9. Other operating income

	Note	2021/22 £'000	2020/21 £'000
Homeowner fees	13f	**39,313**	27,043
Grant clawback		**27,109**	19,625
Rent and property income		**5,207**	6,384
Other		**5,299**	6,645
		76,928	59,697

Homeowner fees represent income due from homeowners who have acquired a home via the Help to Buy loan equity scheme or via another legacy equity loan scheme. In relation to the Help to Buy equity scheme, from the fifth anniversary of ownership, interest is due. As more Help to Buy homeowners reach the 5 year anniversary, interest fees will continue to increase.

Grant clawback mostly comprises grant recovered from Registered Providers of Social Housing via the Affordable Homes Programme. Clawback may arise where the recipient of grant funding does not meet the conditions set out in the grant agreement resulting in recovery.

Other includes income from investments, income charged to the Regulator of Social Housing (RSH) in respect of services provided, planning windfall income (where a developer buys land which subsequently receives planning permission increasing its value and the Agency shares in this uplift in value) and other windfall income (where the legal restriction on land sold is varied resulting in income to the Agency).

10. Share of profits of associates and joint ventures

The aggregated amounts of the Group's share of results of associates and joint ventures (JVs) included in the Statement of Comprehensive Net Expenditure is as follows:

	2021/22 £'000	2020/21 £'000
Share of results of associates	**(521)**	(3,240)
Share of results of joint ventures	**750**	1,567
Share of profits/(losses) of associates and joint ventures	**229**	(1,673)

The aggregate share of results is the net profit or loss from continuing operations. There was no profit or loss from discontinued operations and no other comprehensive income was recognised in the year.

11. Income tax

a) Tax charge/credit in net expenditure comprises:

	Note	2021/22 £'000	2020/21 £'000
Corporation Tax on the results of the year at 19%		**10,659**	9,434
Adjustment to current tax of prior years		**-**	801
Deferred tax relating to the origination and reversal of temporary differences	20	**(16,006)**	(4,932)
Tax (credit)/charge for the period recognised in Net Expenditure		**(5,347)**	5,303

The Agency is subject to Corporation Tax on all its activities except those related to grant payments.

b) Tax charge/credit on items in other comprehensive expenditure comprises:

	2021/22 £'000	2020/21 £'000
Deferred tax relating to:		
Actuarial gain from pension fund	**16,006**	4,932
Deferred tax charge/(credit) recognised in Other Comprehensive Expenditure	**16,006**	4,932

c) Reconciliation of tax charge

	2021/22 £'000	2020/21 £'000
Net expenditure before tax	**512,845**	1,346,820
Income tax on net expenditure at 19%	**(97,440)**	(255,897)
Effects of:		
Non-taxable income	**(5,337)**	(3,944)
Expenditure not deductible for tax	**123,864**	268,509
Depreciation and amortisation	**814**	1,296
Capital allowances on property, plant and equipment	**(570)**	(510)
Losses utilised	**(26,678)**	(4,952)
Adjustment to current tax of prior years	**-**	801
Tax (credit)/charge for the period	**(5,347)**	5,303

12. Investments in subsidiaries, associates and joint ventures

a) Subsidiary undertakings - Agency

Cost	2021/22 £'000	2020/21 £'000
At 1 April	**50,000**	50,000
Investments in the year	**-**	-
Redemptions	**-**	-
At 31 March	**50,000**	50,000

During the year, the Agency held interests in the following subsidiaries, each of which are registered in England and Wales and are wholly-owned by the Agency:

Name of undertaking	Share capital	Nature of business
English Partnerships (LP) Ltd	**£50,000,000**	Investment holding company
The Estuary Management Company Ltd	**£1**	Property management company
Norwepp (NWDA subsidiary) Ltd	**£500**	Investment holding company
AWM (Subsidiary) Ltd	**£1**	Investment holding company
ONE NorthEast General Partner Ltd	**£100**	Investment holding company

The property management company is held as non-profit making entity to manage shared costs. Other than English Partnerships (LP) Ltd, all of the remaining investment holding companies are dormant.

b) Associated undertakings and joint ventures - Group and Agency

The aggregated movements in the Group's share of net assets of associates and joint ventures (JVs) are as follows:

Cost or valuation	Note	Group 2021/22 £'000	Group 2020/21 £'000	Agency 2021/22 £'000	Agency 2020/21 £'000
At 1 April		**45,732**	70,936	**20,615**	20,615
Investments in the year		**11,861**	4,110	**-**	-
Redemptions		**(2,699)**	(27,641)	**-**	-
Share of profits/(losses) of associates and joint ventures	10	**229**	(1,673)	**-**	-
At 31 March		**55,123**	45,732	**20,615**	20,615

In 2021/22 £1.2m (2020/21: £4.1m) was received in dividends from group companies and treated as redemptions under the equity method per IAS 28.

In 2021/22 £2.3m (2020/21: £4.1m) was re-invested by the Group into English Cities Fund from amounts previously repaid to the group and £9.6m (2020/21: £nil) invested from the additional £25.0m commitment which was made available in 2017/18. There have been £1.5m repayments of this funding made during 2021/22 (2020/21: £23.5m). In the year, the Agency has recommitted to English Cities Fund for a further ten years to 2036.

The aggregated amounts of the Group's share of net assets and liabilities of associates and JVs are as follows:

	2021/22 £'000	2020/21 £'000
Group share of net assets of associates	**29,863**	21,222
Group share of net assets of joint ventures	**25,260**	24,510
Group share of net assets of associates and joint ventures	**55,123**	45,732

During the year, the Group had interests in the following associated undertakings and joint ventures, all of which are registered or resident in England and Wales:

Name of undertaking	Group/Agency	Interest	Nature of business
English Cities Fund Limited Partnership	Group	46%	Property development
Countryside Maritime Limited ^	Agency	50%	Development of land
Tilia Community Living LLP ^ *	Agency	26%	Property development
Temple Quay Management Limited	Agency	24%	Property management company
Kings Waterfront (Estates) Limited	Agency	50%	Property management company
Pride in Camp Hill	Agency	33%	Regeneration of Camp Hill area of Nuneaton

^ Joint venture.

* During the year, Kier Group disposed of Kier Living Limited to Terra Firma Capital Partners Limited. The company has been rebranded to Tilia Homes Limited and the joint venture rebranded to Tilia Community Living LLP.

The Agency's interest in English Cities Fund Limited Partnership (ECF) represents the partner profit share arrangements, which entitles the Agency to a 45.78% share of the net profits or losses of the Partnership. The Agency's Chief Investments Officer represents the Agency's interest on the Board of ECF.

c) Commitments for associated undertakings and joint ventures - Group and Agency

The Agency has made a £5.0m (2020/21: £5.0m) working capital facility available to Countryside Maritime Limited, of which £1.2m (2020/21: £0.8m restated) was drawn at 31 March 2022. In 2017/18, the Group committed to invest a further £25.0m into English Cities Fund. During 2021/22, £9.6m has been drawn down from this additional commitment (2020/21: £nil restated).

13. Financial assets

		2021/22			2020/21		
	Note	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**
Cash and cash equivalents	a)	**-**	**195,776**	**195,776**	-	262,541	262,541
Trade & other receivables	b)	**271,666**	**223,112**	**494,778**	208,379	335,317	543,696
Financial asset investments	c)	**19,372,785**	**1,411,607**	**20,784,392**	17,930,324	1,497,943	19,428,267
		19,644,451	**1,830,495**	**21,474,946**	18,138,703	2,095,801	20,234,504

a) Cash and cash equivalents - Group and Agency

	2021/22 £'000	**2020/21 £'000**
Cash held with Government Banking Service	**139,608**	221,636
Cash held with commercial banks	**146**	250
Cash held with third parties	**56,022**	40,655
	195,776	262,541

The Agency draws Grant in Aid from DLUHC on a monthly basis, being received on the 8th working day. At 31 March, the Agency therefore held cash balances as shown above to enable it to meet its short-term cash requirements until receipt of the next instalment of Grant in Aid.

The cash figure takes account of BACS payments initiated by 31 March 2022 to settle short-term liabilities, but not cleared by 31 March 2022. These payments totalled £92.9m (2020/21: £53.9m) and cleared the bank in early April 2022. There were no cash equivalents at any of the reporting dates shown.

Cash held with third parties covers amounts retained by external legal firms and the Agency's mortgage administrator for home equity investments. Cash is held to Homes England's order.

b) Trade & other receivables - Group and Agency

			2021/22			2020/21
Gross balances	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**
Land sale receivables	**262,127**	**3,158**	**265,285**	199,765	10,660	210,425
Direct Commissioning	**-**	**88,975**	**88,975**	-	156,735	156,735
Other receivables and prepayments	**9,539**	**131,159**	**140,698**	8,614	168,474	177,088
	271,666	**223,292**	**494,958**	208,379	335,869	544,248
Expected Credit Loss allowances	**-**	**(180)**	**(180)**	-	(552)	(552)
Net balances	**271,666**	**223,112**	**494,778**	208,379	335,317	543,696
Of which:						
Non-current assets	**187,646**	**87,498**	**275,144**	153,490	70,630	224,120
Current assets	**84,020**	**135,614**	**219,634**	54,889	264,687	319,576
	271,666	**223,112**	**494,778**	208,379	335,317	543,696
Of which:						
Balances with Private Sector counterparties	**271,273**	**137,137**	**408,410**	207,986	248,736	456,722
Balances with Public Sector counterparties	**393**	**85,975**	**86,368**	393	86,581	86,974
	271,666	**223,112**	**494,778**	208,379	335,317	543,696

Land sale receivables

Land sale receivables are measured with reference to the underlying agreement, in the majority of cases the inclusion of an overage clause within the land sale agreement requires the receivable to be measured at Fair Value Through Profit or Loss (FVTPL). Where the contractual terms give rise to cash flows that are solely payments of the principal amount these are measured at Amortised Cost.

Direct Commissioning

Direct Commissioning receivables represent amounts due from unit sales and accrued income due under contracts to develop multi-unit properties from projects managed under the Direct Commissioning programme. They are measured at amortised cost.

Other receivables and prepayments

Other receivables held at FVTPL relate to home equity management fees and interest. The remainder of other receivables are held at amortised cost and include trade receivables, prepayments and other receivables.

Credit risk of trade and other receivables classified to FVTPL

The Agency is exposed to credit risk in relation to trade and other receivables measured at FVTPL. The credit risk exposure at the year end is £271.7m (2020/21: £208.4m).

c) Financial asset investments - Group and Agency

				2021/22		Represented*	2020/21
	Fair value hierarchy (where relevant)	Fair value £'000	Amortised cost £'000	Total £'000	Fair value £'000	Amortised cost £'000	Total £'000
PRS REIT plc	Level 1	**32,120**	**-**	**32,120**	26,144	-	26,144
Help to Buy Equity Loans	Level 2	**18,428,202**	**-**	**18,428,202**	17,053,549	-	17,053,549
Other Legacy Equity Loans	Level 2	**211,871**	**-**	**211,871**	232,011	-	232,011
Infrastructure Loans	Level 3	**336,758**	**829,788**	**1,166,546**	260,765	926,908	1,187,673
Development Loans	Level 3	**64,792**	**504,547**	**569,339**	135,304	519,981	655,285
Other Loans	Level 3	**66,238**	**66,341**	**132,579**	38,339	46,999	85,338
Development and Infrastructure Equity	Level 3	**119,809**	**-**	**119,809**	87,711	-	87,711
Managed Funds	Level 3	**64,932**	**-**	**64,932**	52,420	-	52,420
City Deals	Level 3	**29,500**	**10,931**	**40,431**	29,137	4,055	33,192
Other Equity	Level 3	**12,641**	**-**	**12,641**	7,701	-	7,701
Overage	Level 3	**5,922**	**-**	**5,922**	7,243	-	7,243
		19,372,785	**1,411,607**	**20,784,392**	17,930,324	1,497,943	19,428,267
Of which:							
Non-current assets		**19,255,217**	**957,504**	**20,212,721**	17,701,316	1,012,875	18,714,191
Current assets		**117,568**	**454,103**	**571,671**	229,008	485,068	714,076
		19,372,785	**1,411,607**	**20,784,392**	17,930,324	1,497,943	19,428,267
Of which:							
Balances with Private Sector counterparties		**19,292,542**	**1,395,117**	**20,687,659**	17,864,351	1,487,200	19,351,551
Balances with Public Sector counterparties		**80,243**	**16,490**	**96,733**	65,973	10,743	76,716
		19,372,785	**1,411,607**	**20,784,392**	17,930,324	1,497,943	19,428,267

* In 2020/21, City Deals Loans of £4.055m were included within the Other Loans category. In 2021/22, it was considered that these loans are more appropriately categorised into the City Deals category, therefore the 2020/21 balances have been represented to move the City Deals loans balances from Other Loans into this category.

Investments measured at Fair Value

Financial assets measured at Fair Value through Profit or Loss are stated at fair value in accordance with International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13) and relate to the following:

- PRS REIT: An investment in shares issued by the PRS REIT plc, supporting the launch of the first quoted Real Estate Investment Trust to focus purely on the private rented sector;
- The Agency's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes, the majority of which arises from the Help to Buy scheme. Other Legacy Equity Loans consist of amounts due from homebuyers in relation to the following legacy equity schemes - First Buy: £49.9m (2020/21: £56.3m), Home Buy Direct and Kickstart Home Buy Direct: £93.9m (2020/21: £101.9m), FTBI: £67.3m (2020/21: £69.3m), and amounts due in relation to deferred land charges of £0.8m (2020/21: £4.5m);

- Development, Infrastructure and Other Loans: There are a number of loans which are measured on a fair value basis under the level 3 hierarchy as they do not clearly meet the requirements under IFRS 9 to be described as basic lending arrangements. Development Loans have been made to private sector developers in order to bring forward the development of housing under the Home Building Fund. Infrastructure 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 under the Home Building Fund. Other Loans mainly relate to commercial non-site specific loans, such as corporate type facilities;
- Development, Infrastructure and Other Equity and City Deals: Investments in development and infrastructure projects under which the Agency benefits from variable returns based on income generated by the project funding, including projects with both the private sector and local authorities, some of which have arisen under City Deals entered into to support the Government's aim of promoting localism. The Agency has also invested capital into funds and has invested as a minority shareholder, and will receive returns from these investments based on the performance of the underlying investments or vehicle;
- Managed Funds: Investments in Housing Growth Partnership, operated by Lloyds Banking Group;
- Overage: Future receipts due from the disposal of land to third parties, where the Agency includes contractual provisions in line with Managing Public Money to protect the public interest by requiring additional overage payments to be made where developments are more profitable than envisaged when the initial disposal consideration was agreed.

Assets measured at Fair Value through Profit or Loss are carried at fair value, using the valuation methods described in note 14. Following initial recognition, all movements in the fair value of these assets are recognised in net expenditure. On disposal of the related assets, the net difference between proceeds and the carrying value of the asset is recognised in net expenditure.

Investments measured at Amortised Cost

These assets are measured at amortised cost where they meet the criteria of Solely Payments of Principal and Interest (SPPI) and therefore meet the requirement to be described as a basic lending arrangement under IFRS 9.

Development Loans have been made to private sector developers in order to bring forward the development of housing under the Agency's programmes, including the Home Building Fund, the Levelling Up Home Building Fund, Get Britain Building, Builder's Finance Fund and Build to Rent. These loans are repayable during periods ranging up to 2033. Infrastructure 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 2031. Other loans include £25.5m of loans made to utility companies (2020/21: £26.2m) in respect of water infrastructure for new town developments (due for redemption by 2053), £4.2m loans made to Local Authorities (2020/21: £5.4m) which are repayable during periods ranging up to 2036. Other Loans also include amounts due to the Agency in relation to loans provided under the Home Building Fund and the Levelling Up Home Building Fund totalling £36.3m (2020/21: £15.4m) and mainly relate to commercial non-site specific loans, such as corporate type facilities. These loans are due over periods up to 2027. Loans made of £10.9m in respect of City Deals (2020/21: £4.1m) are repayable up to 2024.

d) Movements in financial asset investments measured at Fair Value - Group and Agency

	Level 1	Level 2		Level 3		
	Shares held in PRS REIT plc £'000	Help to Buy Equity Loans £'000	Other Legacy Equity Loans £'000	Loans at FVTPL* £'000	Other Investments £'000	Total £'000
Balances as at 1 April 2020	**22,857**	**14,016,314**	**253,254**	**326,093**	**229,024**	**14,847,542**
Additions	-	4,059,942	-	147,152	13,694	4,220,788
Reclassifications	-	-	-	(11,503)	-	(11,503)
Disposals	-	(1,181,623)	(29,194)	(32,060)	(38,332)	(1,281,209)
Fair value adjustment	-	401,421	6,504	16,534	15,364	439,823
(Impairment)/reversal of impairment	3,287	(242,505)	1,447	(11,811)	(35,537)	(285,119)
Balances as at 31 March 2021	**26,144**	**17,053,549**	**232,011**	**434,405**	**184,213**	**17,930,322**
Additions	-	2,383,698	-	116,054	52,958	2,552,710
Disposals	-	(1,860,919)	(36,269)	(111,741)	(42,718)	(2,051,647)
Fair value adjustment	2,119	707,566	15,813	20,320	31,629	777,447
(Impairment)/reversal of impairment	3,857	144,308	316	8,748	6,724	163,953
Balances as at 31 March 2022	**32,120**	**18,428,202**	**211,871**	**467,786**	**232,806**	**19,372,785**

* Loans measured at Fair Value Through Profit or Loss (FVTPL) because the contractual terms of the loan do not give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding. This category includes Development, Infrastructure and other Loans, the nature of which is described in note 13c.

Other Investments include Development and Infrastructure Equity, Overage and Other Equity, the nature of which is defined within note 13c.

Significant reclassifications

During the year, there were no loan investments reclassified. In 2020/21, there were three loan investments identified which were classified as fair value through profit or loss in the prior year but which would be more appropriately measured on an amortised cost, as a result of the assets meeting the definitions of Solely Payments of Principal and Interest (SPPI) under IFRS 9. This was treated as an in-year adjustment in 2020/21 as a result of the reclassification not being material to the Agency's Financial Statements. The total remaining cost of these assets at 31 March 2020 was £11.99m, with net fair value uplifts to 31 March 2020 of £0.5k having been adjusted through fair value movements in 2020/21.

Sensitivity of the valuation of assets held at fair value under the level 2 and level 3 hierarchy

The valuation of the Agency's equity-loan mortgage portfolio is highly sensitive to changes in assumptions, in particular about market prices. Analysis showing the sensitivity of the portfolio valuation of these assets to market prices is shown in note 15a. The sensitivity of the Help to Buy valuation to the Agency's modelling assumptions is analysed in note 16a. As described in note 13, the investments categorised under the level 3 fair value hierarchy are not homogeneous in nature, therefore the underlying inputs used within the calculation of fair value vary depending on the nature of the asset. This category of assets is therefore sensitive to a range of underlying inputs which are not necessarily common across the level 3 portfolio. A sensitivity analysis has been performed in note 15a to demonstrate the impact of an increase or decrease in development returns.

Using economic scenarios produced by the Agency which account for the key economic risks and macro-economic uncertainty facing the Agency, further analysis has been undertaken in the Annual Report in relation to the impact of these scenarios on the valuation of the Agency's assets which are held at fair value under the level 2 and level 3 hierarchy.

Credit risk of loans classified to Fair Value through Profit or Loss (FVTPL)

The Agency is exposed to credit risk in relation to loans classified to Fair Value through Profit or Loss (FVTPL). The credit-risk exposure at 31 March 2022 in relation to these investments is £483.4m (2020/21: £471.1m).

e) Movements in financial asset investments measured at Amortised Cost - Group and Agency

	Development Loans £'000	Infrastructure Loans £'000	Other Loans*** £'000	Total £'000
Gross balances as at 1 April 2020*	**542,073**	**857,051**	**36,143**	**1,435,267**
Additions	255,144	106,631	7,957	369,732
Reclassifications	(5,544)	6,703	10,344	11,503
Repayments	(273,269)	(56,139)	(3,531)	(332,939)
Interest added to loans	21,389	32,282	1,094	54,765
Amounts written-off loans / modification losses	(171)	(2,517)	-	(2,688)
Gross balances as at 31 March 2021*	**539,622**	**944,011**	**52,007**	**1,535,640**
Interest accrued but not yet added to loans at 31 March 2021**	471	2,550	65	3,086
Expected Credit Loss Allowances	(20,112)	(19,653)	(1,018)	(40,783)
Net balances as at 31 March 2021*	**519,981**	**926,908**	**51,054**	**1,497,943**

	Development Loans £'000	Infrastructure Loans £'000	Other Loans*** £'000	Total £'000
Gross balances as at 1 April 2021*	**539,622**	**944,011**	**52,007**	**1,535,640**
Additions	298,191	57,596	28,722	384,509
Repayments	(334,764)	(165,446)	(3,376)	(503,586)
Interest added to loans	19,716	27,388	953	48,057
Amounts written-off loans / modification losses	(292)	(15,538)	-	(15,830)
Gross balances as at 31 March 2022*	**522,473**	**848,011**	**78,306**	**1,448,790**
Interest accrued but not yet added to loans at 31 March 2022**	251	2,740	144	3,135
Expected Credit Loss Allowances	(18,177)	(20,963)	(1,178)	(40,318)
Net balances as at 31 March 2022*	**504,547**	**829,788**	**77,272**	**1,411,607**

* Gross balances exclude Expected Credit Loss Allowances and interest accrued but not yet added to loans, but include the effect of amounts which have been considered to have been written-off as irrecoverable or which have been recognised as modification gains or losses where an agreement has been varied. Net balances include the effect of applying Expected Credit Loss Allowances.

** Interest accrued but not yet capitalised of £nil was written off during 2021/22 (£nil in 2020/21).

*** Other Loans include amounts due on City Deals of £10.9m in 2021/22 (2020/21: £4.1m).

Sensitivity of Expected Credit Losses to modelling assumptions

IFRS 9 requires an Expected Credit Loss allowance calculation to be performed with reference to the level of credit risk and performance of each investment. The determination of the risk associated with each asset is a key judgement by management as the result determines whether a 12-month loss allowance or a lifetime loss allowance is calculated for that asset. The Expected Credit Losses are calculated by comparing the estimated balance at the time of default against moderated security values (calculated by applying Modified Security Value percentages (MSVs) to gross security values to estimate the likely value which might be realised from a sale of security in distressed circumstances). A minimum loss on default value of 35% is applied (see accounting policies - Loss Given Default (LGD) Floor). This is then multiplied against an associated Probability of Default percentage value (PD) for the relevant loss calculation period. The PD value applied is determined based on the Credit Risk Rating of the associated asset using industry metrics for default.

In addition to calculating either 12-month or lifetime loss allowances, IFRS 9 also requires consideration of how the calculation would vary under alternative economic scenarios. The Agency achieves this by varying the application of PD assumptions to the same base loan data. In addition, the Agency varies the MSVs applied to the ECL allowance calculation performed under each economic scenario, to reflect the relative expected discount on gross security values in a distressed situation for each economic scenario. The results calculated for each scenario are then used to calculate an unbiased, weighted-average loss allowance. This is done by using the relative likelihood of each scenario, based on the Agency's view of their relative probability.

The Expected Credit Loss model is highly sensitive to the modelling assumptions noted above, which are therefore considered to be a key judgement of management. To analyse the impact of the key assumptions applied at 31 March 2022, a sensitivity analysis has been performed in note 16b, which also provides an overview of the key modelling assumptions and how they are applied.

f) Summary of movements recognised in consolidated net expenditure in relation to financial assets

	Note	2021/22 £'000	2020/21 £'000
Movements in Net Expenditure in relation to assets held at fair value			
Valuation gains on financial asset investments held at FVTPL	13d	**777,447**	439,823
Valuation gains on receivables held at FVTPL		**12,489**	4,350
(Impairment)/Impairment reversal of financial asset investments held at FVTPL	13d	**163,953**	(285,119)
(Impairment)/Impairment reversal of receivables held at FVTPL		**(112)**	(151)
Gain/(loss) on disposal against fair value		**25,162**	(7,010)
Monthly Fees recognised on Help to Buy equity loans		**34,279**	22,065
Monthly Fees recognised on other legacy equity loans		**5,034**	4,978
Movements in Net Expenditure in relation to assets held at amortised cost			
Interest on loans		**59,214**	63,493
Interest on receivables		**83**	50
Credit impairment loss reversals / (charges), including modification gains/(losses)		**(15,504)**	17,880
		1,062,045	260,359

There have been net fair value gains on financial assets measured at FVTPL and impairments of financial assets measured at FVTPL. This is because movements in fair value are assessed and disclosed at an individual asset level.

The change in impairment of financial assets held at FVTPL is primarily caused by the Help to Buy portfolio where there is valuation uplift due to the strong growth in the housing market during 2021/22.

Gain/(loss) on disposal of financial asset investments

2021/22	Help to Buy Equity Loans £'000	Other Legacy Equity Loans £'000	Loans at FVTPL £'000	Other Investments £'000	Total £'000
Proceeds from disposals	1,888,821	33,529	111,741	42,718	2,076,809
Fair value of assets disposed	1,860,919	36,269	111,741	42,718	2,051,647
Gain/(loss) on disposal against fair value	**27,902**	**(2,740)**	**-**	**-**	**25,162**

2020/21	Help to Buy Equity Loans £'000	Other Legacy Equity Loans £'000	Loans at FVTPL £'000	Other Investments £'000	Total £'000
Proceeds from disposals	1,176,904	26,903	32,060	38,332	1,274,199
Fair value of assets disposed	1,181,623	29,194	32,060	38,332	1,281,209
Gain/(loss) on disposal against fair value	**(4,719)**	**(2,291)**	**-**	**-**	**(7,010)**

Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost

	2021/22 £'000	2020/21 £'000
Net movements in Expected Credit Loss Allowances	**(837)**	(20,840)
Amounts written-off loan balances	**15,830**	2,688
Modification gains	**-**	-
Amounts written-off interest accrued but not yet added to loan	**-**	-
Amounts written-off/(written-back) on receivable balances	**511**	272
Total credit impairment loss charges/(credits)	**15,504**	(17,880)

g) Write-offs at the reporting date

Movement in write-off allowances during 2021/22

	Allowances at 1 April 2021 £'000	Recognised £'000	Written-back £'000	Utilised £'000	Allowances at 31 March 2022 £'000
Financial asset investments at amortised cost	58,861	16,060	(230)	(783)	**73,908**
Trade & other receivables	375	522	(11)	(325)	**561**
	59,236	16,582	(241)	(1,108)	**74,469**

Further details of how the Agency identifies assets for which a write-off is required are disclosed in the Parliamentary Accountability section of the Annual Report. This also includes details of loan balances over £300k which have been considered to be irrecoverable and which are written-off in accordance with IFRS 9, or where the Agency has received authorisation from HM Treasury during the current year to cease pursuing the debt.

Movement in write-off allowances during 2020/21

	Allowances at 1 April 2020 £'000	Recognised £'000	Written-back £'000	Utilised £'000	Allowances at 31 March 2021 £'000
Financial asset investments at amortised cost	59,479	2,891	(203)	(3,306)	**58,861**
Trade & other receivables	137	289	(17)	(34)	**375**
	59,616	3,180	(220)	(3,340)	**59,236**

h) Movement in Expected Credit Loss (ECL) allowances during the reporting period

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Simplified approach £'000	Total £'000
Position as at 1 April 2020	**51,301**	**10,671**	**58**	**145**	**62,175**
New credit-risk exposures in the reporting period	15,437	-	-	-	15,437
Movements from Stage 1 to Stage 2***	(55)	55	-	-	-
Movements from Stage 1 to Stage 3	-	-	-	-	-
Movements from Stage 2 to Stage 1***	357	(357)	-	-	-
Movements from Stage 2 to Stage 3	-	-	-	-	-
Movements from Stage 3 to Stage 1	-	-	-	-	-
Movements from Stage 3 to Stage 2***	-	58	(58)	-	-
ECL utilised when written-off*	-	-	-	-	-
Movements as a result of modifications*	-	-	-	-	-
Released on repayment	(2,848)	(1,525)	-	-	(4,373)
Movements on reclassification***	91	-	-	-	91
Changes in risk parameters and risk models**	(26,046)	(6,403)	184	270	(31,995)
Net movements in Expected Credit Loss Allowances	**(13,064)**	**(8,172)**	**126**	**270**	**(20,840)**
Expected Credit Loss allowance as at 31 March 2021	**38,237**	**2,499**	**184**	**415**	**41,335**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Simplified approach £'000	Total £'000
Position as at 1 April 2021	**38,237**	**2,499**	**184**	**415**	**41,335**
New credit-risk exposures in the reporting period	9,904	1,335	-	-	11,239
Movements from Stage 1 to Stage 2***	(645)	1,806	-	-	1,161
Movements from Stage 1 to Stage 3***	(769)	-	769	-	-
Movements from Stage 2 to Stage 1***	796	(895)	-	-	(99)
Movements from Stage 2 to Stage 3	-	-	-	-	-
Movements from Stage 3 to Stage 1	-	-	-	-	-
Movements from Stage 3 to Stage 2	-	-	-	-	-
ECL utilised when written-off*	(256)	-	-	-	(256)
Movements as a result of modifications*	-	-	-	-	-
Released on repayment	(3,435)	(621)	(45)	-	(4,101)
Movements on reclassification	-	-	-	-	-
Changes in risk parameters and risk models**	(7,234)	(1,196)	(96)	(255)	(8,781)
Net movements in Expected Credit Loss Allowances	**(1,639)**	**429**	**628**	**(255)**	**(837)**
Expected Credit Loss allowance as at 31 March 2022	**36,598**	**2,928**	**812**	**160**	**40,498**

* Where amounts are considered to be irrecoverable they are written-off (or expensed as modification losses where this arises as the result of changes to contractual terms) and the associated Expected Credit Loss allowance is released. As a result, the charge to Net Expenditure at this time is limited to the difference between the actual amount written-off and the Expected Credit Loss allowance carried at the point of write-off.

** For reasons of practicality and efficiency, all movements in the ECL allowance for short-term receivables (which are calculated by applying a simplified approach based on historic losses observed in the population, as allowed under IFRS 9) are disclosed in a single line. For all other investments, the following input and assumption changes are reflected within this line: CRR inputs; changes in loss given default assumptions (including movements in existing asset security balances and exposures); and changes in modelling assumptions including PDs, economic scenario weightings, MSV rates and the profile of forecast expenditure and receipts across each year.

*** The movements in the ECL between Stages are determined firstly by removing the prior year ECL from the column associated with the prior year allocated Stage. The opening ECL position is then recalculated using the Stage allocated in the closing position. This is then added to the column associated with the new Stage. The differences noted in the Total column are therefore the difference between these two positions.

Expected Credit Loss allowance analysed for disclosure against loan categories

2021/22	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Simplified approach £'000	Total £'000
Development Loans	15,454	1,911	812	-	18,177
Infrastructure Loans	19,946	1,017	-	-	20,963
Other Loans	1,178	-	-	-	1,178
Trade & other receivables	20	-	-	160	180
Total ECL allowances at 31 March 2022	**36,598**	**2,928**	**812**	**160**	**40,498**
2020/21					
Development Loans	17,429	2,499	184	-	20,112
Infrastructure Loans	19,653	-	-	-	19,653
Other Loans	1,018	-	-	-	1,018
Trade & other receivables	137	-	-	415	552
Total ECL allowances at 31 March 2021	**38,237**	**2,499**	**184**	**415**	**41,335**

During 2021/22, the Economic Scenarios, Weightings and Probability of Default values applied in the Agency's Expected Credit Loss model were revised with reference to current market conditions and future expectations. The change in assumptions, including Probability of Default Values, Economic Scenario Weightings, MSVs, and cash flow profiles has resulted in a decrease in the Expected Credit Loss allowance of £4.95m during the year (2020/21: decrease of £27.91m). Details of the assumptions adopted are set out in the Annual Report.

14. Financial assets and financial liabilities: fair value and amortised cost.

The fair values of financial assets are assessed at least annually to meet the reporting requirements of IFRS 9 and are determined as follows:

Level 1	The fair value of the Agency's shareholding in the PRS REIT plc is calculated with reference to prices quoted on the London Stock Exchange and is therefore categorised as level 1 in the fair value hierarchy as defined by IFRS 13.
Level 2	The fair values of assets held at Fair Value through Profit or Loss relating to the Agency's equity-loan mortgage portfolio are calculated with reference to movements in the ONS house price index (UK HPI) 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 which consider geography, age and property type. These experience adjustments are observable as they are developed using publicly available market and transaction data. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 13.
Level 3	The fair values of assets held at Fair Value through Profit or Loss relating to managed funds, equity investments in development / infrastructure projects and overage follow the income approach under IFRS 13. The fair value of level 3 assets are calculated using project-level cash flow forecasts, discounted at rates set by HM Treasury, or the effective interest rate of the underlying loan agreement for loans at FVTPL if higher. This approach is as prescribed by the Government Financial Reporting Manual, issued by HM Treasury. This reflects the valuation methodology which would be employed by market participants when pricing the assets and, since the inputs which inform the calculation of fair value are unobservable to users of the accounts, the assets are categorised as level 3 in the fair value hierarchy as defined by IFRS 13. The nature of the investments disclosed within this category vary in nature, as the Agency tailors the type of support or funding available to the individual situation. The nature of investments categorised within the level 3 category is summarised in note 13c. In addition, the mechanism by which the Agency obtains returns on these investments are specific to the asset. For example, the Agency may be due a share of returns from a development project, or the Agency may be due a share of profit which is determined based on the underlying performance of an investment. As a result of this, the inputs used to determine the fair value of each individual asset vary in nature. Input data can include project-level cash flows which are either provided by counterparties and moderated by the Agency's project managers or are obtained via independent valuation or monitoring reports from professional advisers (for individually significant assets).
	The fair value of other financial instruments (including liabilities, where significant and long-term) are similar in nature to other level 3 assets and 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. For financial assets, this results in classification as level 3 in the fair value hierarchy as defined by IFRS 13.

No financial assets have moved between categories during 2021/22 (2020/21: None).

Measuring fair value on recognition

Where 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 considered to be significant they are either:

- recognised as grant expenditure where fair value is considered to be below cost, in accordance with IAS 20 Government Grants; or
- deferred and released over the expected life of the instrument in accordance with IFRS 9 Financial Instruments.

Changes in aggregate gains yet to be recognised in net expenditure are as follows:

Group and Agency	2021/22 £'000	2020/21 £'000
At 1 April	**2,142**	5,671
Gain recognised on recognition	**-**	-
Released	**(181)**	(3,529)
At 31 March	**1,961**	2,142

Comparison of cost and carrying value (Group and Agency)

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

	Note	2021/22 Original cost £'000	2021/22 Carrying value £'000	2020/21 Original cost £'000	2020/21 Carrying value £'000
Assets measured at amortised cost					
Cash and cash equivalents	13a	**195,776**	**195,776**	262,541	262,541
Trade and other receivables	13b	**208,449**	**207,708**	287,241	286,314
Financial asset investments	13c	**1,525,829**	**1,411,607**	1,597,587	1,497,943
Assets measured at Fair Value					
Trade and other receivables	13b	**284,131**	**271,666**	228,661	208,379
Financial asset investments	13c	**18,195,770**	**19,372,785**	17,570,295	17,930,324
Total financial assets		**20,409,955**	**21,459,542**	19,946,325	20,185,501

Prepayments, tax and social security balances are excluded from the table above as these are non-financial assets.

There are no differences between the carrying values and fair values of the Agency's financial liabilities, which are as follows:

	Note	2021/22 £'000	2020/21 £'000
Other financial liabilities			
Trade and other payables	18	**499,084**	710,435
Provisions	19	**15,716**	20,642
Total financial liabilities		**514,800**	731,077

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

15. Financial risk management

The Group and Agency's financial assets and liabilities are detailed in notes 13 & 18. The statements in this note apply to both the Agency itself and the Group, except where indicated.

The exposure to financial risk arising from 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 subject to a level of analysis which would be seen in UK financial institutions, which includes the consideration of aggregated exposures where applicable;
- for existing recoverable investments, cash flows are managed monthly based on client's agreed cash flows for drawdowns;
- when selling property the Agency is normally secured by use of a Building Lease giving the right to retake possession of the disposed property in the event of a default by the buyer; and
- 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. These are subject to individual review and structuring.

a) Market price risk

The Agency's results and equity are dependent upon the prevailing conditions of the UK economy, especially UK house prices, which significantly affect the valuation of the Agency's assets.

In particular, the Agency is exposed to significant market price risk in its equity-loan mortgage portfolio and land portfolio. Any market price movements are reflected in net expenditure for the period.

The Agency accepts market price risk as an inherent feature of its operation of Help to Buy and other home equity schemes. It therefore does not attempt to directly mitigate this risk, for example via hedging, but monitors the exposure at a strategic level using a range of scenario analysis techniques such as that described below.

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. Stress-testing is performed which looks at exposure to adverse scenarios to ensure that the financial risks are understood.

Home Equity Portfolio

The table below shows the effect on net expenditure arising from movements in the fair value of these portfolios at 31 March 2022, before the effects of tax, if UK house prices had varied by the amounts shown and all other variables were held constant. This illustrates the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.

Modelled change in house prices (%)	Estimated portfolio value (£m)	Incremental change in fair value recognised in net expenditure (£m)	% Incremental change in fair value (recognised in net expenditure)
20.0%	22,370.2	3,730.1	20.0%
10.0%	20,505.6	1,865.5	10.0%
0.0%	18,640.1	-	0.0%
-5.0%	17,705.2	(934.9)	-5.0%
-10.0%	16,741.2	(1,898.9)	-10.2%
-20.0%	14,362.8	(4,277.3)	-22.9%
-30.0%	11,023.4	(7,616.7)	-40.9%

Private sector developments, overage and infrastructure

At 31 March 2022, if development returns had been 10% higher/lower and all other variables were held constant, the effect on the Agency's net expenditure arising from movements in investments in private sector developments and infrastructure projects, before the effects of tax, would have been an increase/decrease of £26.1m/£26.1m from that stated.

Land Portfolio

The table below shows the effect on net expenditure at 31 March 2022, before the effects of tax, if at 31 March 2022 average land and property prices had varied by the amounts shown and all other variables were held constant. This illustrates the lower of cost and net realisable value principle whereby impairments will only be recognised when an asset falls below its cost base and impairment reversals will only be recognised to the extent the asset has previously been impaired.

Modelled change in land and property values (%)	Estimated portfolio value (£m)	Incremental change in land and property impairments recognised in net expenditure (£m)	% Incremental change in land and property value (recognised in net expenditure)
20.0%	1,286.7	(118.0)	10.1%
10.0%	1,234.0	(65.3)	5.6%
0.0%	1,168.7	-	0.0%
-5.0%	1,129.3	39.4	-3.4%
-10.0%	1,088.6	80.1	-6.9%
-20.0%	995.4	173.3	-14.8%
-30.0%	899.0	269.7	-23.1%

b) Interest rate risk

The Agency's income is exposed to interest rate risk on its financial assets classified as loans and receivables, where these pay interest at a variable rate. For the majority of the Agency's loan portfolio, the variable element is the EC Reference Rate, which was 0.66% as at 31 March 2022 (0.11% as at 31 March 2021).

The going concern of the Agency is not affected by a reduction in interest income in the event of a reduction in variable interest rates and the Agency does not undertake any specific measures to mitigate against the risk of changes in variable interest rates.

If interest rates on the Agency's variable rate loans had been 1% higher/lower throughout the year ended 31 March 2022, the Agency's net expenditure for the year, before the effect of tax, would have been £13.8m/£13.8m higher/lower.

c) Liquidity risk

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

To the extent that the Agency's liabilities cannot be met from its own sources of income, they may be met by future grants or grant in aid from the Agency's sponsoring department, DLUHC. Such grants are paid on a monthly basis to fund net liabilities as they are expected to fall due. Short-term liquidity is managed through the investment of any cash surpluses with the Government Banking Service.

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

Substantially all of the Agency's financial liabilities (as described in note 18) are contractually due within one year of the reporting date.

d) Currency risk

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

e) 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 13.

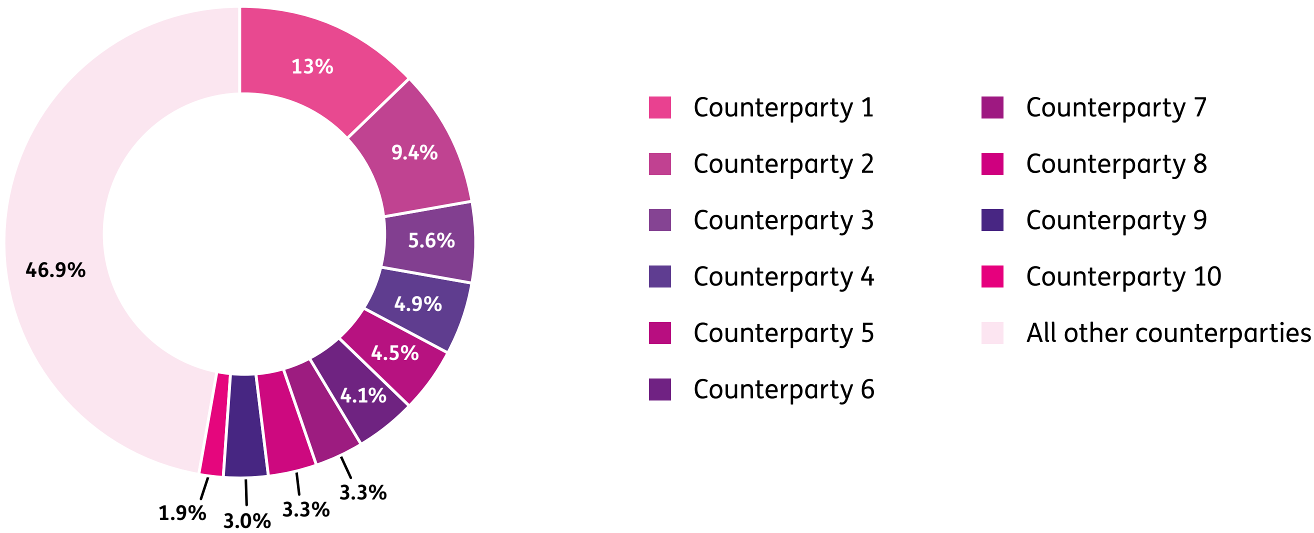
The nature and concentration of the credit risk arising from the Agency's most significant financial assets is demonstrated in the tables below.

Financial asset investments measured at fair value relate mainly to amounts receivable individually from proceeds generated when the equity-loan mortgage portfolio properties are sold or staircased, 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 homes are secured by a second charge over their property.

Analysis of Total Loan Exposure by Counterparty at 31 March 2022

	Exposure £'000	Percentage of Total Loans
Counterparty 1	249,434	13.0%
Counterparty 2	181,500	9.4%
Counterparty 3	108,416	5.6%
Counterparty 4	94,700	4.9%
Counterparty 5	87,431	4.5%
Counterparty 6	78,102	4.1%
Counterparty 7	62,984	3.3%
Counterparty 8	62,984	3.3%
Counterparty 9	58,477	3.0%
Counterparty 10	36,249	1.9%
Total Exposure of Top 10 Counterparties at 31 Mar 2022	**1,020,278**	**53.1%**
Total Loans Balance at 31 Mar 2022*	**1,922,936**	

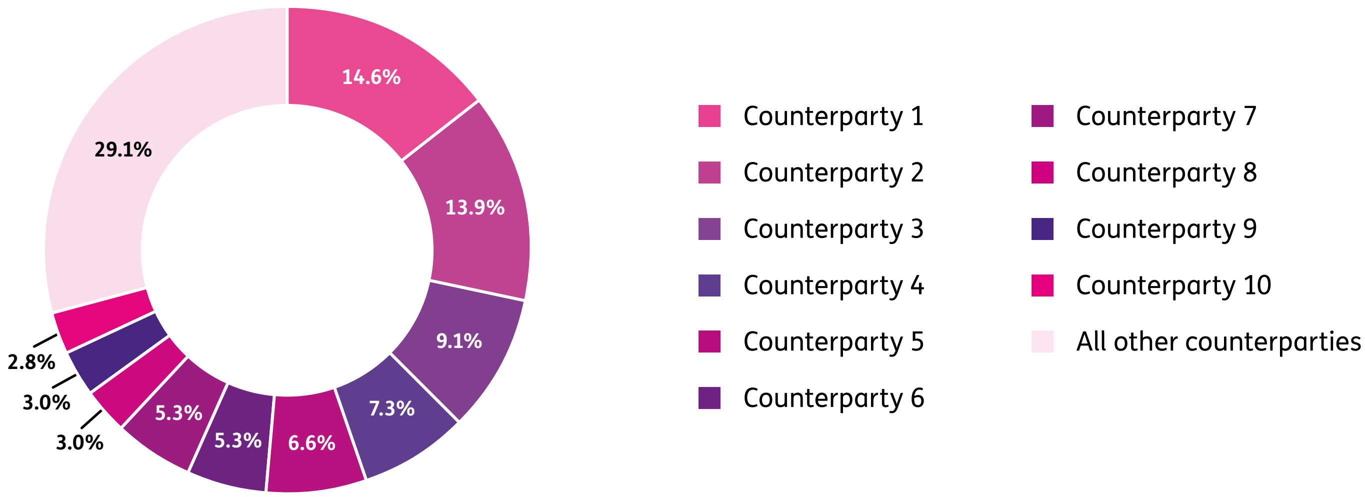
Percentage of Total Loans



Analysis of Infrastructure Loan Exposure by Counterparty at 31 March 2022

	Exposure £'000	Percentage of Total Infrastructure Loans
Counterparty 1	173,911	14.6%
Counterparty 2	166,262	13.9%
Counterparty 3	108,416	9.1%
Counterparty 4	87,431	7.3%
Counterparty 5	78,102	6.6%
Counterparty 6	62,984	5.3%
Counterparty 7	62,984	5.3%
Counterparty 8	36,249	3.0%
Counterparty 9	36,033	3.0%
Counterparty 10	33,439	2.8%
Total Exposure of Top 10 Counterparties at 31 Mar 2022	**845,811**	**70.9%**
Total Infrastructure Loans Balance at 31 Mar 2022*	**1,192,313**	

Percentage of Total Infrastructure Loans

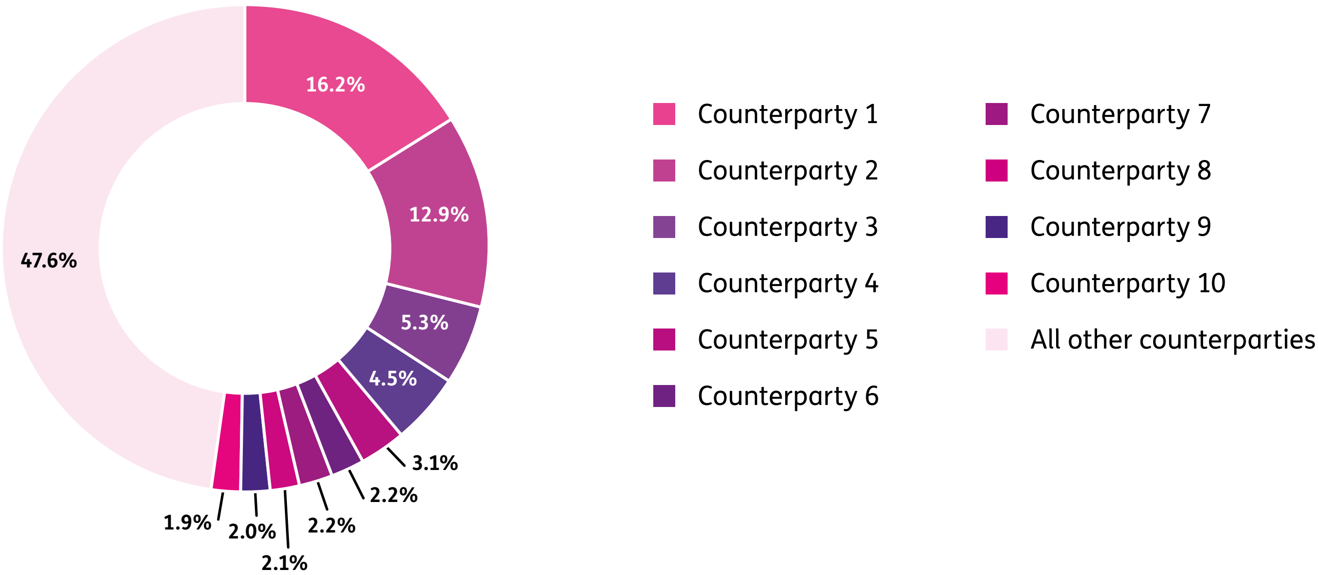


*The balances analysed above for Development Loans, Infrastructure Loans and Other Loans include both loans measured at amortised cost and loans measured on a fair value basis. The exposures are before the application of the Expected Credit Loss allowance. The balances do not include capitalised fees and the effects of unwinding deferred income in relation to fees recharged to developers, with a net effect of £16.8m (2020/21: £15.1m).

Analysis of Development Loan Exposure by Counterparty at 31 March 2022

	Exposure £'000	Percentage of Total Development Loans
Counterparty 1	94,700	16.2%
Counterparty 2	75,523	12.9%
Counterparty 3	30,980	5.3%
Counterparty 4	26,195	4.5%
Counterparty 5	18,388	3.1%
Counterparty 6	13,014	2.2%
Counterparty 7	12,699	2.2%
Counterparty 8	12,434	2.1%
Counterparty 9	11,697	2.0%
Counterparty 10	10,972	1.9%
Total Exposure of Top 10 Counterparties at 31 Mar 2022	**306,603**	**52.4%**
Total Development Loans Balance at 31 Mar 2022*	**584,914**	

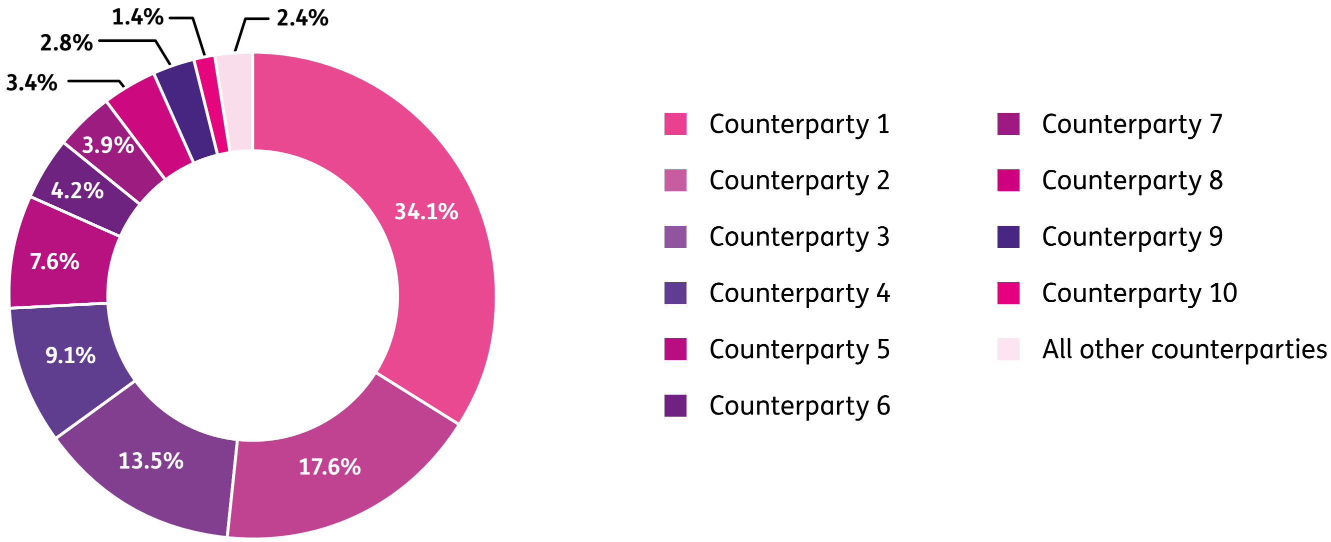
Percentage of Total Development Loans



Analysis of Other Loan Exposure by Counterparty at 31 March 2022

	Exposure £'000	Percentage of Total Other Loans
Counterparty 1	49,212	34.1%
Counterparty 2	25,485	17.6%
Counterparty 3	19,557	13.5%
Counterparty 4	13,085	9.1%
Counterparty 5	10,970	7.6%
Counterparty 6	6,061	4.2%
Counterparty 7	5,633	3.9%
Counterparty 8	4,900	3.4%
Counterparty 9	4,054	2.8%
Counterparty 10	2,050	1.4%
Total Exposure of Top 10 Counterparties at 31 Mar 2022	**141,007**	**97.6%**
Total Other Loans Balance at 31 Mar 2022*	**144,484**	

Percentage of Total Other Loans

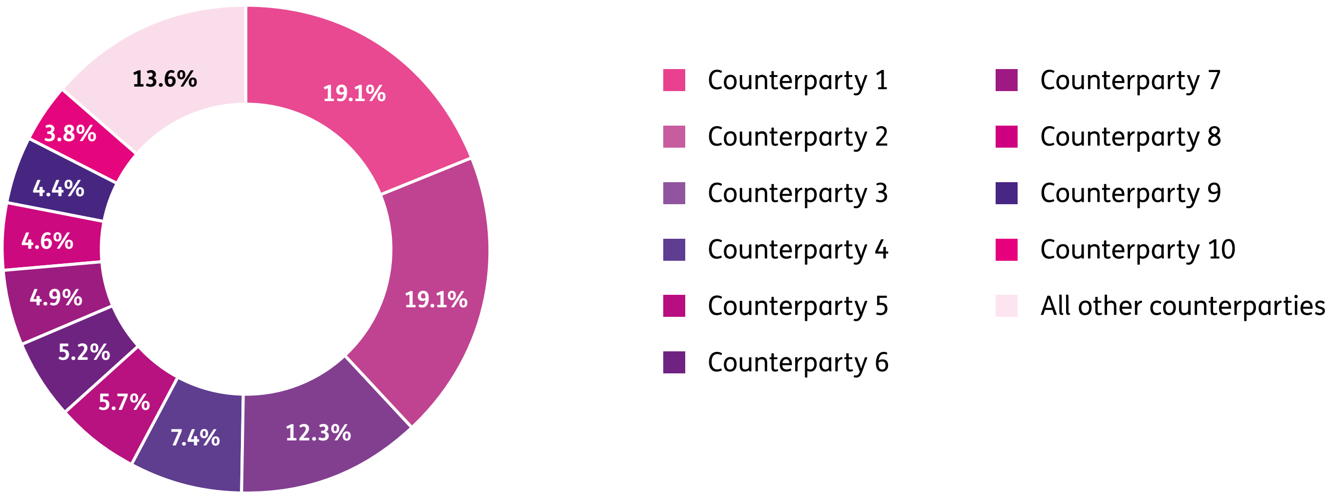


*The balances analysed above for Development Loans, Infrastructure Loans and Other Loans include both loans measured at amortised cost and loans measured on a fair value basis. The exposures are before the application of the Expected Credit Loss allowance. The balances do not include capitalised fees and the effects of unwinding deferred income in relation to fees recharged to developers, with a net effect of £16.8m (2020/21: £15.1m).

Analysis of Receivables due from Disposal of Land and Property Exposure by Counterparty at 31 March 2022

	Exposure £'000	Percentage of Total Land and Property Receivables
Counterparty 1	50,739	19.1%
Counterparty 2	50,715	19.1%
Counterparty 3	32,760	12.3%
Counterparty 4	19,546	7.4%
Counterparty 5	15,077	5.7%
Counterparty 6	13,769	5.2%
Counterparty 7	12,914	4.9%
Counterparty 8	12,172	4.6%
Counterparty 9	11,554	4.4%
Counterparty 10	9,962	3.8%
Total Exposure of Top 10 Counterparties at 31 Mar 2022	**229,209**	**86.4%**
Total Receivables due from Disposal of Land and Property Balance at 31 Mar 2022	**265,285**	

Percentage of Total Land and Property Receivables



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 or by the Agency's mortgage administrator pending allocation to customer accounts.

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 2022 was £249.4m (2020/21: £251.3m), and the five largest counterparties accounted for 3.4% of the total financial assets balance of £21,264m (2020/21: 3.3% of £19,923m).

Credit policies

Credit policies are developed which set the context of the appetite for risk, requirements for risk assessment (both at the outset and through the cycle of facilities provided) and the operational aspects of managing the overall risk profile. Details are provided in the Agency's accounting policies (note 1).

Assessment of significant increases in credit risk

Individual loans are actively managed by dedicated project managers and are subject to ongoing review, enabling the Agency to react to early warning signs and to continually assess the relevant IFRS 9 stage for Expected Credit Loss (ECL) allowances. This enables the Agency to consider the need for more intensive management to protect the exposure or if needed undertake a structure review to consider whether a write-off allowance is required. Forbearance is considered as part of any assessment and review of the customer risk rating during the term of facilities. This ensures that data which informs the ECL allowance calculation appropriately reflects current credit risk characteristics of the portfolio of investments.

External factors that can affect the delivery, cashflow or ultimate repayment of facilities are closely monitored and any impacts emerging in the portfolio considered for trends and common themes. Support for the delivery of policy objectives and recovery of funds are further considered in the context of challenges being seen at that time. In response to current uncertainty, we are reviewing our processes and resources to ensure they are adequate to manage emerging risks to our investments in a downturn, should one occur.

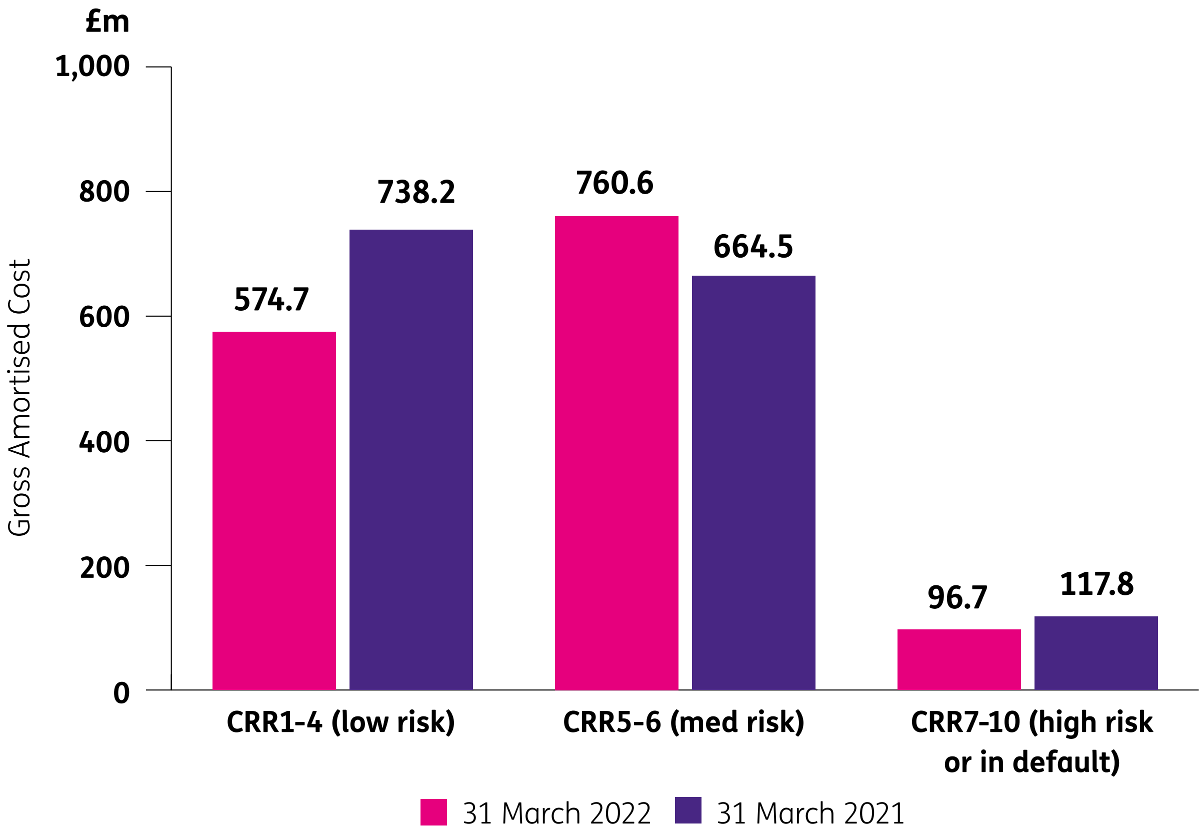
All assessments and approvals are operated within a structured approval delegation matrix from HM Treasury and DLUHC.

Where term loans are issued, it is often sensible to apply an assumption that any missed monthly repayments which are not remedied within a 30-day timeframe are indicative of a significant increase in credit risk. However, because the Agency does not issue term loans with monthly repayment terms and loans are usually repayable either on development milestones or in full at a contractual long-stop date, the 30-day measure is not considered to be helpful as an indicator of significant increases in credit risk for the Agency's loan portfolio.

Credit profile of investments

Of the total gross amortised loans cost exposures of £1,432m in 2021/22 (2020/21: £1,521m) excluding capitalised fees and the effects of unwinding deferred income, with the net effect of £16.8m (2020/21: £15.1m), £575m (2020/21: £738m) were categorised with a Credit Risk Rating (CRR) between 1 to 4 (low risk), with £761m (2020/21: £665m) of exposures being categorised as CRR 5 to CRR 6 (medium risk). £97m (2020/21: £118m) of loan exposures were categorised as CRR 7 or above (high risk or in default).

Chart: Credit profile of investments



Collateral held as security for financial asset investments

Collateral is usually obtained as security against default. The primary sources of collateral are often land which is being developed with the aid of the investment finance, but they can be other land assets within the control of our counterparties or their parent group. Parent company guarantees are also employed. For the Expected Credit Loss calculation, only land and property security values have a net value after applying MSV rates, with an average base MSV adjustment of 57% for land and property applied to reflect reduced values which might reasonably be expected in a distressed sale. Because security values often relate to land under development, security values are modelled based on up-to-date information to take account of factors such as site expenditure and realised sales.

The Agency held gross collateral values against loans totalling £8,134m in 2021/22 (2020/21: £7,756m), the majority of which related to security over land and property assets held by third parties of £7,797m (2020/21: £7,486m). The modified value of this security value after applying Marginalised Security Value adjustments under the central economic scenario was £4,090m in 2021/22 (2020/21: £3,844m).

Of the total exposures relating to loans measured at amortised cost of £1,432m (2020/21: £1,520m), £1,254m (2020/21: £1,304m) or 80.1% of agreements (2020/21: 85.8%), were fully covered by gross land and property security values held in relation to those investments. There were 39 exposures (2020/21: 39 exposures), 19.9% of agreements (2020/21: 14.2%), totalling £178m (2020/21: £216m) where gross security values held were less than the exposure at that date. The total gross security values held for these investments was £47m (2020/21: £52m). This is £28m after applying Marginalised Security Value adjustments under the central economic scenario (2020/21: £28m). Of these 39 investments, there were 27 investments (2020/21: 25 investments), 13.8% of agreements (2020/21: 10.2%), with a gross exposure value of £112m (2020/21: £155m) where no security is held. The majority of these agreements are legacy agreements and relate to loans with other government bodies. The total gross value of loans measured at amortised cost which were credit impaired was £56.1m (2020/21: £37.5m). The Agency held gross land and property security values of £141.2m (2020/21: £77.7m) against these assets at 31 March 2022. This is £71.3m (2020/21: £35.7m) of net security values after applying Marginalised Security Value adjustments under the central economic scenario. The Agency held total gross land and property security values of £700.3m (2020/21: £695.1m) against loan assets measured at Fair Value at 31 March 2022. This is £363.2m (2020/21: £357.0m) of net security values after applying Marginalised Security Values under the central economic scenario.

16. Sensitivity of Significant Valuation Modelling Assumptions

a) Help to Buy

Homes England models the fair value of Help to Buy on the basis of the estimated proceeds that would be achieved were all homeowners to redeem their equity loans on the reporting date. Homes England considers these estimated proceeds to be a significant accounting estimate, because the fair value of the portfolio is highly sensitive to market price risk as set out in note 15. In addition, the estimate is sensitive to significant assumptions that Homes England makes within the valuation model. We have disclosed below the individual impact of the assumptions that currently have a material impact on the estimates. Other assumptions within the valuation model, including estimated rates of first charge mortgage arrears and discount to sales on repossession, do not have a material impact at present, but could do if there was a significant decrease in house prices.

Assumptions of market adjustments

Office for National Statistics House Price Indices (UK HPI) – which are used by Homes England to estimate the effect of house price inflation over time – are based on all market activity. Help to Buy is only available on new-build properties purchased with a mortgage, and redemptions can occur via staircasing as well as by sale. This means that the market price of the property on redemption may differ from that estimated by HPI alone. Homes England therefore makes regional market adjustments using its accumulated experience of gains and losses on disposals across different redemption transaction types to allow for these differences. These assumptions have a significant effect on the fair value because they modify the expected market price of properties from which Homes England's percentage share is calculated.

The table considers how the portfolio valuation would vary with 1% changes in the adjustments applied

	Fair value £m	Movement from base assumption (£m / %)	
2% increase in market adjustment (decrease in house prices)	18,019.3	(408.9)	-2.2%
1% increase in market adjustment (decrease in house prices)	18,223.7	(204.5)	-1.1%
Base assumption	18,428.2	-	0.0%
1% decrease in market adjustment (increase in house prices)	18,632.6	204.4	1.1%
2% decrease in market adjustment (increase in house prices)	18,837.1	408.9	2.2%

Assumptions of expected proportions of transaction types

Help to Buy is redeemed at the earlier of the sale of the property, or when the homeowner staircases the equity loan with a payment equivalent to Homes England's share of the current estimated value of the property (as determined by a Chartered Surveyor). Homes England applies regional assumptions based on its accumulated experience to estimate the proportion of its portfolio that will be redeemed by each of these two redemption types. These assumptions have a significant effect on the estimated fair value because the proceeds recovered via a sale may be reduced by the balance due to the first charge mortgage lender and because different transaction types are observed to generate differing returns (as reflected in the regional market adjustments applied).

The table considers how the portfolio valuation would vary with changes in the expected proportions of transaction types

	Fair value £m	Movement from base assumption (£m / %)	
All redemptions are staircasing transactions	18,043.6	(384.6)	-2.1%
10% increase in the rate of staircasing	18,339.1	(89.1)	-0.5%
Base assumption (a blend of sales and staircasing)	18,428.2	-	0.0%
10% increase in the rate of sales	18,517.4	89.2	0.5%
All redemptions are sales	18,935.5	507.3	2.8%

Combined impact of assumptions

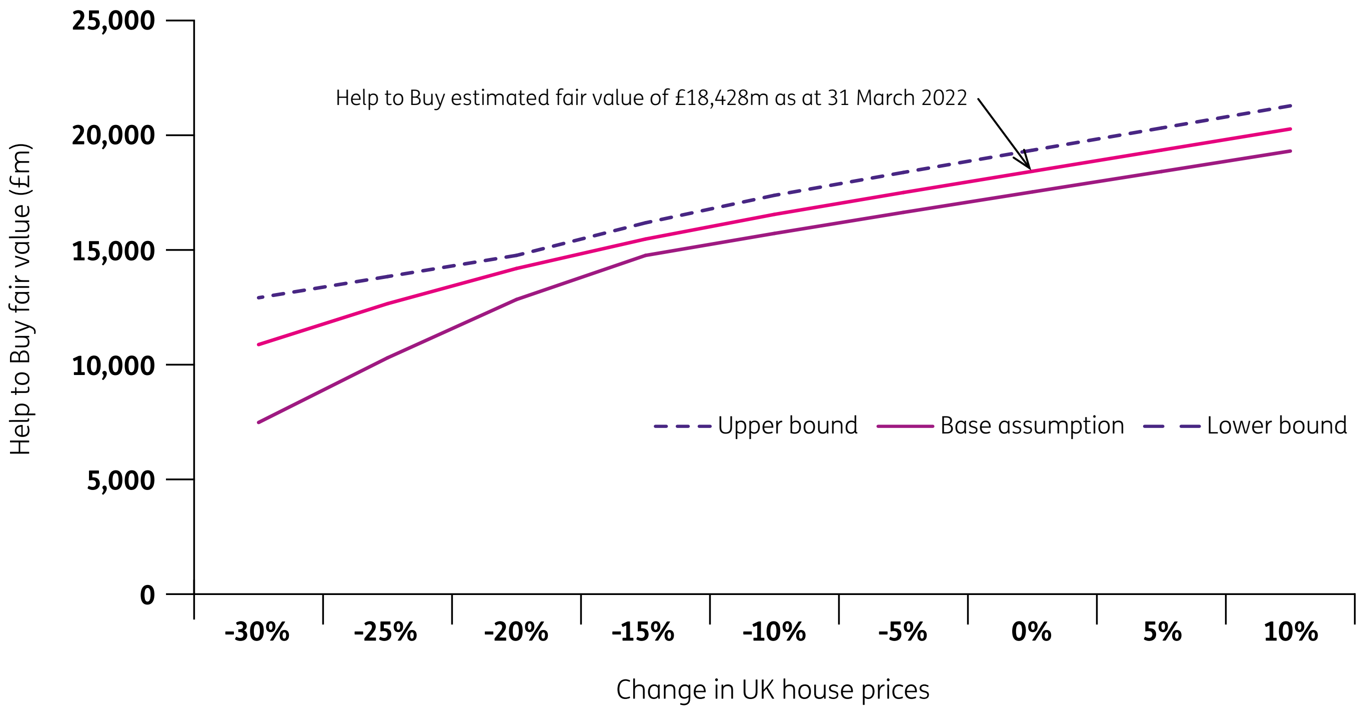
The assumptions applied by Homes England will interact with each other in different economic scenarios. For example, a 15% point fall in house prices might lead to both a 10% point increase in staircasing transactions (relative to sales) and a 7.5% increase in accounts in arrears (of which 1.5% might be an increase in accounts likely to be repossessed). In this situation the Agency would model a fair value of £15,164m: a reduction of £3,264m or 17.7% on the base assumption.

The graph below illustrates a potential spread of fair value from the combined impact of assumptions at different market prices. The upper and lower bounds correspond to assumptions within the following ranges:

- market adjustments between 2% lower and 2% higher than the base assumptions
- proportion of transaction types between 100% sales and 100% staircasing
- mortgage arrears rates ranging from no arrears to a 7.5% increase on the base assumption
- discounts on repossession between 15% lower and 15% higher than the base assumption

For example, the lower bound corresponds with a 2% increase in market adjustment, a 7.5% increase in accounts in arrears, and 15% increase in discount on repossession. Each bound has been calculated by selecting the value which is furthest from the base assumption for each of the 100% sales and 100% staircasing scenarios.

The combined impact of assumptions generates a spread in estimated fair value of £1.82bn at current market prices. This spread would increase in a falling market, reaching approximately £5.4bn should market prices fall by 30%. The combined impact of assumptions is therefore more sensitive in a falling market. This is primarily due to the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.



b) Expected Credit Loss allowance

Following the requirements of IFRS 9, the Agency is required to calculate an Expected Credit Loss allowance for Financial Assets measured at Amortised Cost. A summary of the calculation is provided in note 13e. Due to the complex nature of the Expected Credit Loss methodology, the calculation is highly sensitive to some key judgements and assumptions.

The impact of the assumptions applied in the Expected Credit Loss calculation has been considered and the different assumptions have a varying impact on the results of the calculation.

There are two assumptions which have a trivial impact on the Expected Credit Loss allowance which are summarised as follows:

- Timing of default events: The calculation of the Expected Loss Allowance at 31 March 2022 assumes that default events would occur at a mid-point of the year for each future calculation date, to build in an unbiased assumption that a default could happen at any point during a future year. This creates variation in the estimate because of the effect of discounting, which will be greater for losses modelled at a later point in the year. If a default event were assumed to occur at the beginning or end of a year, this would increase or decrease the loss allowance by £1,136k (2.8%) / £1,102k (2.7%) respectively.
- Profile of forecast expenditure and receipts within years: Forecast loan balances must be calculated into the future to determine the Loss Given Default (LGD) of each asset (calculated as exposure at default less modified security values). Expenditure and receipts data is available at an annual level for future years within the Agency's systems, whereas future balances are calculated at quarterly intervals. As a result, an assumption has been applied within the model to apportion spend and receipts over all future quarters using historic data on actual expenditure and receipt profiles. If it had been assumed expenditure and receipts were to be profiled equally over the year, this would have increased the loss allowance by £692k (1.7%) at 31 March 2022.

Estimates of the impact of key assumptions on the Expected Credit Loss allowance calculation at 31 March 2022 are provided below.

Economic Scenarios and Scenario Weighting assumptions

IFRS 9 requires the Agency to consider alternative economic scenarios in the calculation of the Expected Credit Loss allowance. For each identified economic scenario, variations are made to the Probability of Default values applied based on an individual investment's Credit Risk Rating. Weightings are applied to the Expected Credit Loss calculation for each scenario, determined in relation to the probability of each scenario occurring, with reference to current market and credit risk expectations. At 31 March 2022, the Agency applied three economic scenarios: a base case central scenario, a downside scenario and an upside scenario. Further details in relation to these scenarios are summarised in note 1. At 31 March 2022, a 75% weighting was applied to the base case scenario, a weighting of 20% to the downside scenario and a 5% weighting to the upside scenario calculation.

The impact of varying these weightings is analysed below:

The table considers how the Expected Credit Loss allowance would vary with alternative scenario weightings applied:

	Expected credit loss £'000	Movement from base assumption	£'000 / %
Weighting of 70% : 20% : 10% applied	39,216	(1,122)	-2.8%
Weighting of 80% : 15% : 5% applied	39,573	(764)	-1.9%
Base assumption of 75% : 20% : 5% applied	40,338	-	0.0%
Weighting of 60% : 30% : 10% applied	40,744	407	1.0%
Weighting of 70% : 25% : 5% applied	41,102	764	1.9%

Probability of Default (PD) assumptions

PD values are determined with reference to current economic conditions; however for alternative scenarios the PD values are migrated to adjust the PD % values against each Credit Risk Rating. The PD values are applied to each asset in relation to their CRR. The PD values applied to alternative scenarios have a significant impact on the calculation of the Expected Credit Loss allowance. To illustrate the sensitivity of the estimate to this data, the impact of a one level downgrade / upgrade in PD values assigned to each Credit Risk Rating value across each of the scenarios is analysed below:

The table considers how the Expected Credit Loss allowance would vary with a change to the probability of default assumptions

	Expected credit loss £'000	Movement from base assumption	£'000 / %
PD values downgraded one level	75,845	35,507	88.0%
Base assumption	40,338	-	0.0%
PD values upgraded one level	17,478	(22,860)	-56.7%

Moderated Security Value (MSV) assumption

To reflect the expected value which might reasonably be realised from the sale of security in the event of default, MSV percentages are applied to gross security values to determine a measure of Loss Given Default (when compared against the estimated exposure on default). The MSVs are varied depending on the type of security held. A lower MSV percentage results in a higher discount applied to the determined security values. The analysis below illustrates the sensitivity of the estimate to a decrease / increase in MSV values determined for each economic scenario by 10%. At present, this only has a limited impact on the ECL due to the effect of the loss floor assumption applied in the Agency's modelling methodology (see below).

The table considers how Expected Credit Loss allowance would vary with changes to the MSV values

	Expected credit loss £'000	Movement from base assumption £'000 / %	
MSV percentages decreased by 10%	40,746	409	1.0%
Base assumption	40,338	-	0.0%
MSV percentages increased by 10%	40,042	(296)	-0.7%

Loss Floor

A minimum percentage value has been applied to the LGD calculation with reference to individual investments (see accounting policies - Loss Given Default (LGD) Floor). At 31 March 2021 and 31 March 2022 the LGD floor applied was 35%. In order to demonstrate the sensitivity of the calculation of Expected Credit Loss allowances to the LGD floor assumption, alternative floors of 0%, 50% and 75% have been applied to the calculations with results summarised below.

The table considers how the Expected Credit Loss allowance would vary with a change in the Loss Floor

	Expected credit loss £'000	Movement from base assumption £'000 / %	
Increase in loss floor to 75%	64,023	23,685	58.7%
Increase in loss floor to 50%	48,876	8,539	21.2%
Base assumption of 35%	40,338	-	0.0%
Reduction in loss floor to 0%	22,169	(18,168)	-45.0%

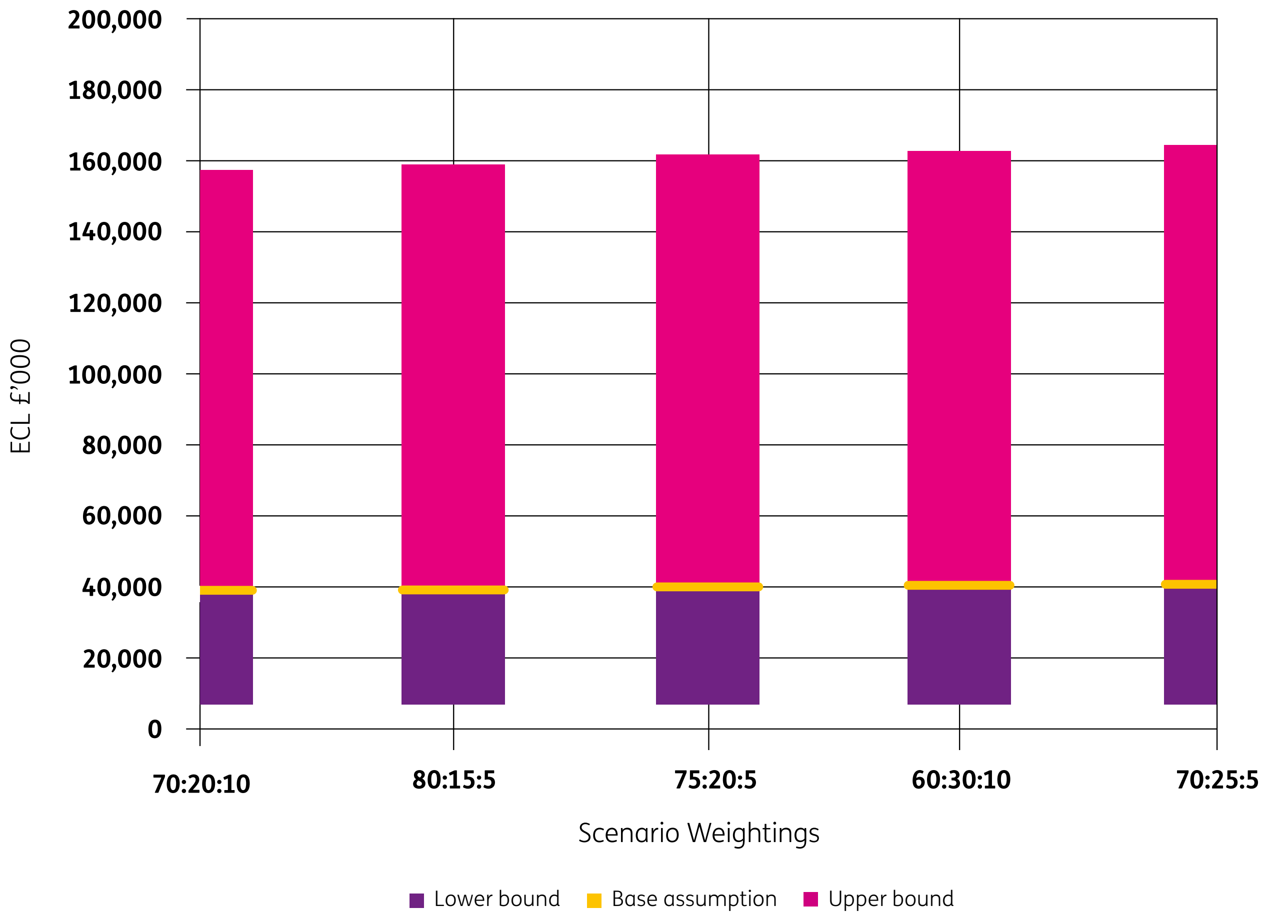
Combined impact of assumptions

The sensitivity analysis performed above has focused on changing one assumption in turn, with all other metrics remaining in line with the assumptions applied in determining the Expected Credit Loss allowance as at 31 March 2022.

However to consider the impact of several assumptions changing, an analysis has been performed to establish the impact if the key assumptions above (excluding scenario weightings) were changed within reasonable limits to consider the highest and lowest possible Expected Credit Loss allowance. The upper and lower bounds correspond to assumptions within the following ranges:

- PDs downgraded by one level (upper bound) and upgraded by one level (lower bound).
- MSVs decreased by 10% (upper bound) and increased by 10% (lower bound) across all three scenarios.
- Increase in loss floor to 75% (upper bound) and decrease in loss floor to 0% (lower bound).
- Assuming default events occur at the beginning of the year (upper bound) and at the end of the year (lower bound).
- Assuming all spend occurs at the beginning of the year and all receipts at the end of the year (upper bound) and assuming all spend occurs at the end of the year and all receipts at the beginning of the year (lower bound).

A variation has then been applied to the scenario weightings against the highest and lowest Expected Credit Loss positions in order to consider the impact of these variations in combination with all other assumptions changing.



17. Land and property assets - Group and Agency

	Note	2021/22 £'000	2020/21 £'000
Net book value at 1 April		**1,110,886**	998,074
Additions		**230,174**	317,730
Disposals	5	**(153,418)**	(137,905)
Impairments		**(18,985)**	(67,013)
Net book value at 31 March		**1,168,657**	1,110,886

The above includes land and property assets with a net book value of £22.6m (2020/21: £58.0m), managed under the Direct Commissioning programme where the Agency acts as a developer. Under this arrangement, external contractors manage build and sales on behalf of the Agency.

The net book value at 31 March includes land and property assets expected to be realised in more than one year of £972.3m (2020/21: £807.3m).

Impairment of land and property assets

Impairments include charges of £76m (2020/21: £88m) and reversals of £57m (2020/21: £21m).

Following the determination of net realisable value at the reporting period, each asset is individually assessed in order to calculate an impairment/reversal of impairment. The valuation applied reflects the specific intentions Homes England has for the site and its particular disposal strategy as at the reporting date. As the portfolio includes many assets which may be deemed unviable without the intervention of Homes England, it is not unusual for assets to be impaired. Some assets may require significant investment which may not readily translate to increased value, at least in the short-term. Valuations are highly sensitive to changes in input assumptions, some of which are subjective in nature and small changes can therefore lead to impairments or reversals. Impairments may be temporary in nature and values may increase in following years, resulting in impairment reversals.

Valuation

Land and property assets had a combined net realisable value of £1,576m (2020/21 £1,419m).

As described in note 1k the estimated valuation at the reporting period of the portfolio of land and property assets is obtained in accordance with the current edition of RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors. The information provided to the valuers, and the assumptions and valuation models used by the valuers are reviewed internally in accordance with the Agency's ALVVE (Annual Land Validation and Valuation Exercise) guidance.

The valuation models used by the external valuers will vary depending on the Agency's objectives and conditions for each asset. However, they will typically include a mixture of the following:

- Residual method - the residual method is based on the concept that the value of land or property with development potential is derived from the value of the land or property after development minus the cost of undertaking that development, including a profit for the developer.

- Market approach - the market approach uses comparable evidence of similar assets, normally in a similar type of location or geographical area.
- Where disposal processes are well advanced e.g. bids received, preferred bidder identified or conditional agreements entered into, the valuer would be expected to have regard to these. The valuer will make a judgement as to the appropriate weight to apply on a case by case basis depending on how advanced the process is and the considered likelihood of the transaction completing as currently structured.

In all cases further allowances for risk will be applied as appropriate, for example planning risk.

The net realisable value of each asset includes a deduction for expected disposal costs, such as estimated marketing and legal costs. The net book value is the lower of cost and net realisable value.

Sensitivity of the valuation of land and property assets

As described in note 1k, the land and property asset portfolio is not homogeneous in nature and the valuation methodology reflects the Agency's objectives and conditions for each individual asset. Therefore, the underlying inputs used within the calculation for the net realisable value of each asset will vary depending on the nature of the asset, the Agency's objectives in respect of the asset and the conditions of the asset. This category is therefore sensitive to a range of underlying inputs which are not necessarily common across the land and property assets portfolio. A sensitivity analysis has been performed in note 15a to provide an indication of the potential effect of a range of variations in land and property prices on the Financial Statements.

Market uncertainty

In 2019/20, firms supporting the year end valuation were directed by the Royal Institution of Chartered Surveyors (RICS), to attach a 'material valuation uncertainty' comment in light of the COVID-19 pandemic and the difficulties they had encountered in forming a judgement about valuations. Consequently, firms had advised that less certainty and a higher degree of caution should be attached to valuations at 31 March 2020 than would normally be the case.

On 9 September 2020, the RICS Material Valuation Uncertainty Leaders Forum (UK) recommended that material valuation uncertainty should no longer be applied to all UK real estate, excluding some assets valued with reference to trading potential (for example retail and leisure). This position was reconfirmed on 3 November 2020 and 5 January 2021. On 11 May 2021, the forum recommended that material uncertainty declarations were not required for any assets (although discretion to include such a declaration remained with the valuer) and on 3 March 2022, the RICS fully withdrew the COVID-19 valuation directions.

In respect of the ongoing conflict in Ukraine, RICS has published guidance to consider the impact on markets. It has advised that valuers should continue to follow Global Red Book standards and has said that whether or not a material valuation uncertainty exists remains a matter for the valuer's judgement. Valuers have reported that the impact on the property market is as yet unknown and, at this stage, there is no evidence that transaction activity and the sentiment of buyers or sellers has changed. Valuers have not issued any reports as being subject to material valuation uncertainty.

18. Trade and other payables - Group and Agency

	Group 2021/22 £'000	Group 2020/21 £'000	Agency 2021/22 £'000	Agency 2020/21 £'000
Trade payables	**376,325**	532,592	**376,325**	532,592
Direct Commissioning	**100,073**	154,291	**100,073**	154,291
Deferred income	**11,198**	12,908	**11,198**	12,908
Taxes and social security	**3,063**	4,649	**3,063**	4,649
Due to subsidiary	**-**	-	**20,328**	30,290
Other	**22,686**	23,551	**22,686**	23,551
Balance at 31 March	**513,345**	727,991	**533,673**	758,281
Of which:				
Current liabilities	**398,233**	632,273	**418,561**	662,563
Non-current liabilities	**115,112**	95,718	**115,112**	95,718
Balance at 31 March	**513,345**	727,991	**533,673**	758,281

19. Provisions - Group and Agency

	2021/22 £'000	2020/21 £'000
Balance at 1 April	**20,642**	12,689
Charge to net expenditure	**1,829**	7,972
Unused provisions credited to net expenditure	**(5,690)**	(37)
Unwinding of discount/change in discount rate	**49**	192
Expenditure against provisions	**(1,114)**	(174)
Balance at 31 March	**15,716**	20,642
Of which:		
Current liabilities	**5,362**	1,372
Non-current liabilities	**10,354**	19,270
Balance at 31 March	**15,716**	20,642
Total recognised in Net Expenditure		
Increase/(decrease) in provisions recognised in Net Expenditure	**(3,812)**	8,127

Provisions include £7.5m environmental liabilities (2020/21: £13.6m) and £8.2m other liabilities (2020/21: £7.0m). Other liabilities include obligations mostly in respect of land and development projects.

20. Deferred tax - Group and Agency

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

2021/22	At 31 March 2021 £'000	Charged to net expenditure £'000	Charged to OCE* £'000	At 31 March 2022 £'000
Unused tax losses	(69,643)	(26,678)	-	**(96,321)**
Arising from IFRS 9 transition **	50,954	6,513	-	**57,467**
Provisions	(3,923)	(7)	-	**(3,930)**
Pensions	22,612	4,166	16,006	**42,784**
Deferred tax liability / (asset)	-	(16,006)	16,006	**-**

* Other Comprehensive Expenditure.
** Amounts deferred on 1 April 2018 at the point of transition from IAS 39 to IFRS 9 are unwound over a period of 10 years.

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 £166m (2020/21: £184m) 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. The primary driver of the increase is the residual element to be unwound in relation to the first adoption of IFRS 9.

2020/21	At 31 March 2020 £'000	Charged to net expenditure £'000	Charged to OCE* £'000	At 31 March 2021 £'000
Unused tax losses	(64,728)	(4,915)		**(69,643)**
Arising from IFRS 9 transition **	52,103	(1,149)		**50,954**
Provisions	(2,158)	(1,765)		**(3,923)**
Pensions	14,783	2,897	4,932	**22,612**
Deferred tax liability / (asset)	-	(4,932)	4,932	**-**

* Other Comprehensive Expenditure.
** Amounts deferred on 1 April 2018 at the point of transition from IAS 39 to IFRS 9 are unwound over a period of 10 years.

21. 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. The Homes and Communities Agency Pension Scheme is the only scheme open to new employees. The scheme is a final salary scheme but from 1 September 2019, new members will accrue benefits on a career average basis. The other schemes are local government schemes which changed from a final salary to career average basis for benefits accruing from 1 April 2014. Further information on the funding arrangements for the schemes is contained within note 21(k) below.

Valuations of the Agency's assets and liabilities in each scheme as at 31 March 2022 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, weighted according to each scheme's liabilities. Other information below is shown on a consolidated basis for all three schemes.

a) Pension assets/(liabilities)

	HCA Pension Scheme £'000	Westminster £'000	West Sussex £'000	Total £'000
2021/22				
Fair value of employer assets	501,262	430,038	86,810	1,018,110
Present value of funded liabilities	(507,443)	(275,098)	(60,328)	(842,869)
Net funded scheme assets	**(6,181)**	**154,940**	**26,482**	**175,241**
Present value of unfunded liabilities	(1,130)	-	(2,974)	(4,104)
Adjusted net scheme assets/(liabilities)	**(7,311)**	**154,940**	**23,508**	**171,137**
Total of net pension assets				**181,422**
Total of net pension liabilities				**(10,285)**
2020/21				
Fair value of employer assets	481,326	416,764	90,589	988,679
Present value of funded liabilities	(509,729)	(287,540)	(64,478)	(861,747)
Net funded scheme assets	**(28,403)**	**129,224**	**26,111**	**126,932**
Present value of unfunded liabilities	(1,218)	(3,545)	(3,159)	(7,922)
Adjusted net scheme assets/(liabilities)	**(29,621)**	**125,679**	**22,952**	**119,010**
Total of net pension assets				**155,335**
Total of net pension liabilities				**(36,325)**

Funded schemes with net assets as shown above are disclosed within non-current assets in the Statement of Financial Position. Unfunded schemes with net liabilities as shown above are disclosed within non-current liabilities in the Statement of Financial Position.

As principal employer of the HCA Pension Scheme, the Agency continues to monitor the scheme and has a good working relationship with the Trustees. The Trustees review the Scheme's investment portfolio on a regular basis. At present, 25% (2020/21: 25%) of the Scheme's investments are held within liability driven investments which aim to better match the Scheme's liabilities and partially hedge the Scheme against rises in inflation and interest rates. A further 20% (2020/21: 20%) of assets are held in Corporate Bonds. The liability hedging is managed through Insight Investment (one of the HCA Pension Scheme's investment managers) bespoke pooled fund, established as a Qualifying Investor Alternative Investment Fund (QIAIF), which allows Insight to invest in gilts, index linked gilts, gilt repos, reverse gilt repos, guilt and index linked gilt TRS, interest rate and inflation swaps and various cash instruments. As at 31 March 2022, the Scheme had an interest rate hedge ratio of 61% (2020/21: 49%) and an inflation hedge ratio of 59% (2020/21: 51%) relative to the gilts-flat liabilities.

b) Actuarial assumptions

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

i) Financial assumptions

	2021/22	2020/21
Inflation and pension increases rate (CPI)	**3.2%**	2.8%
Salary increases	**3.9%**	3.5%
Discount rate	**2.8%**	2.0%

ii) Mortality assumptions

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

	2021/22 Years	2020/21 Years
Male - current pensioners	**22.3**	22.3
Male - future pensioners	**23.7**	23.6
Female - current pensioners	**24.2**	24.5
Female - future pensioners	**25.9**	26.1

c) Fair value of employer assets

	2021/22 £'000	2020/21 £'000
Equities - quoted	**462,991**	499,560
Equities - unquoted	**7,433**	7,591
Bonds - quoted	**300,777**	294,368
Bonds - unquoted	**21,765**	-
Property	**70,916**	55,360
Other assets - quoted (incl cash)	**136,425**	131,748
Other assets - unquoted	**17,803**	52
Total	**1,018,110**	988,679
Actual return/(loss) on employer assets	**25,257**	166,541

Some of the funds in which the Agency's pension assets are invested permit the use of derivatives for the purposes of achieving their investment aims. In all cases, funds are managed by professional investment managers.

d) Charge to Net Expenditure

	2021/22 £'000	2020/21 £'000
Amounts charged to Net Operating Expenditure		
Current service costs	**32,773**	23,294
Past service costs and losses on curtailments and settlements	**-**	16
Expenses	**1,936**	1,923
	34,709	25,233
Amounts charged to finance costs		
Interest charged on liabilities	**17,550**	16,573
Expected return on assets	**(20,041)**	(18,850)
Interest on asset ceiling	**-**	-
	(2,491)	(2,277)
Total recognised in Statement of Comprehensive Net Expenditure	**32,218**	22,956

The total expected employer contributions to these schemes in the year ending 31 March 2023 are £21m.

e) Amounts recognised in Income and Expenditure Reserve

	2021/22 £'000	2020/21 £'000
Actuarial gains/(losses)	**64,025**	25,957

The cumulative amount of actuarial gains recognised in other comprehensive expenditure since the adoption of IAS 19 is £226.6m (2020/21: £162.6m).

f) Reconciliation of fair value of employer assets

	2021/22 £'000	2020/21 £'000
Opening fair value of employer assets	**988,679**	812,828
Expected return on assets	**20,041**	18,850
Contributions by members	**4,427**	3,906
Contributions by the employer	**20,107**	28,501
Contributions in respect of unfunded benefits	**213**	548
Actuarial (losses)/gains	**5,216**	147,691
Expenses	**(2,028)**	(2,005)
Unfunded benefits paid	**(213)**	(217)
Benefits paid	**(18,332)**	(21,423)
Closing fair value of employer assets	**1,018,110**	988,679

g) Reconciliation of defined benefit obligation

	2021/22 £'000	2020/21 £'000
Opening defined benefit obligation	**869,669**	725,868
Current service cost	**32,773**	23,294
Past service cost and losses on curtailments and settlements	**-**	16
Interest cost	**17,550**	16,573
Contributions by members	**4,427**	3,906
Actuarial (gains)/losses - demographic	**(4,125)**	(20,935)
Actuarial (gains)/losses - financial	**(53,576)**	136,279
Actuarial (gains)/losses - other	**(1,108)**	6,390
Net transfers		-
Expenses	**(92)**	(82)
Unfunded benefits paid	**(213)**	(548)
Benefits paid	**(18,332)**	(21,092)
Closing defined benefit obligation	**846,973**	869,669

h) Five-year history

	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000
Present value of defined benefit obligations	**(846,973)**	(869,669)	(725,868)	(748,977)	(752,798)
Fair value of employer assets	**1,018,110**	988,679	812,828	843,987	844,341
Impact of asset ceiling	**-**	-	-	-	(29,007)
Surplus in the schemes	**171,137**	119,010	86,960	95,010	62,536
Experience gains/(losses) on scheme liabilities	**1,108**	(6,390)	14,145	5,224	12,320
Experience gains/(losses) on employer assets	**5,216**	147,691	(50,939)	52,151	7,337

i) Sensitivity Analysis

The primary assumptions used in calculating the defined benefit obligation are: discount rate, salary increases, inflation and pension increases, and mortality expectations. The assumptions used are specified in note 21b. The assumptions are determined by independent professional actuaries whose work is compliant with Technical Accounting Standard 100: Principles for Technical Actuarial Work as issued by the Financial Reporting Council.

IAS 19 sets out the principal underlying the setting of assumptions, that they should be based on the best estimate of future experience, and also gives a clear direction on the basis for calculating the discount rate. Assumptions should also reflect market conditions at the reporting date, including demographic assumptions and the mix of membership of Homes England's Schemes.

The key assumptions are considered to be the discount rate and the rate of future inflation. The discount rate is important in determining the value of liabilities and is based on high quality corporate bonds at the year end. The rate is in line with the AA corporate bond yield curve at the year end. Inflation expectations inform the rate at which current and future pensioner's benefits accrue. It is based on CPI at the year end with an inbuilt allowance for an insurance risk premium. Demographic assumptions, including mortality expectations, can also have a bearing on the valuation of liabilities, as can the specific membership mix of our schemes.

To assess the defined benefit obligation, assumptions are used in a forward looking financial and demographic model to present a single scenario, using financial assumptions that comply with IAS19. The valuation of the obligation at 31 March 2022 is a snapshot in time; actual experience over time may differ and the total cost of a scheme will depend on a number of factors including the amount of benefits paid, the number of people who benefits are paid to, scheme expenses and the amount earned on assets. These factors aren't known for certain at the valuation date. The calculation of liabilities is sensitive to movements in assumptions and even small changes to individual assumptions can have significant impacts. If they were to change, the impact would be as follows:

Adjustment to discount rate	**+0.25% £'000**	**Current £'000**	**-0.25% £'000**
Present value of total obligation	808,225	846,973	887,289
Movement	(38,748)	-	40,316

Adjustment to inflation	**+0.25% £'000**	**Current £'000**	**-0.25% £'000**
Present value of total obligation	885,966	846,973	809,495
Movement	38,993	-	(37,478)

Adjustment to life expectancy	**+1 year £'000**	**Current £'000**	**-1 year £'000**
Present value of total obligation	877,089	846,973	816,857
Movement	30,116	-	(30,116)

j) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is 20 years.

Pension benefits, including insurance premiums, are expected to be paid over time as follows:

	£'000
Within 5 years	101,793
5-10 years	119,505
After 10 years	625,675
Total defined benefit obligation	**846,973**

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 each of the schemes. Any underfunding is restored to a fully funded position via additional contributions over an appropriate period of time. The estimate of contributions to 31 March 2023 is £21.3m.

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.

Both Homes England and the Regulator of Social Housing (RSH) are members of the HCA Pension Scheme, although Homes England is the only significant contributing employer and accounts for the vast majority of the HCA scheme's liabilities. Based on actuarial data at 31 March 2022, the share of the HCA scheme's assets and liabilities attributed to RSH is approximately 4.5% (2020/21: 4%) with the remainder attributed to Homes England. All assets are pooled and a single employer contribution rate is determined as part of the actuarial valuation for the whole scheme. This contribution rate applies for the principal employer, Homes England, along with any other participating employers, including RSH.

Homes England and RSH record the cost of employer contributions in their own Financial Statements and account for their proportionate share of the Scheme's asset and liabilities separately. The assets and liabilities disclosed in Homes England's Financial Statements relates only to its share of the Scheme's assets and liabilities and not to the assets and liabilities of the entire Scheme.

There are no formal arrangements in place for the allocation of a deficit or surplus on the wind-up of the HCA Pension Scheme or the Agency's withdrawal from the scheme. 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 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.

l) McCloud judgement

In December 2018, the Court of Appeal ruled against the Government in two cases: Sargeant and others v London Fire and Emergency Planning Authority [2018] UKEAT/0116/17/LA and McCloud and others v Ministry of Justice [2018] UKEAT/0071/17/LA. The cases related to the Firefighters' Pension Scheme (Sargeant) and to the Judicial Pensions Scheme (McCloud). For the purposes of the LGPS, these cases are known together as 'McCloud'. The court held that transitional protections, afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. The estimated impact on the total liabilities at 31 March 2022 has therefore been allowed for as a past service cost and has resulted in an increase of c. £0.5m in the defined benefit obligation as at 31 March 2022. It should be noted that this allowance is an estimate of the potential impact on the Employer's defined benefit obligation, based on analysis carried out by the Government Actuary's Department and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

22. 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 DLUHC. The extent of the potential liability will only be known once any defects are identified. No claims have yet been notified under this indemnity.

b) The West Sussex County Council Pension Fund

At 31 March 2022, the Agency had 11 employees (31 March 2021: 11 employees) who were active members of the West Sussex County Council Pension Fund. When the Agency's last active member leaves the scheme, the obligation to pay an exit debt will be crystallised. The timing and value of any exit debt due in the future is not yet known.

c) 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 that payment is considered probable.

23. Financial commitments

	2021/22 £m	2020/21 £m
Not later than one year	**3,772**	3,445
Later than one year and not later than five years	**6,909**	3,299
Later than five years	**77**	105
Total commitments at 31 March	**10,758**	6,849

The Agency has made financial commitments in relation to programmes for investments in loan and equity assets, which had become unconditional at the reporting date, but which had yet to be drawn down by that date. The value of these commitments, excluding those disclosed in note 12c, was £4,283m at 31 March 2022 (31 March 2021: £4,657m).

The Agency has entered into financial commitments in relation to affordable housing grant programmes totalling £5,197m at 31 March 2022 (31 March 2021: £751m). The increase is due to the launch of the Affordable Homes 2021-2026 programme.

The Agency has also given outline approval to investments under the Help to Buy scheme which, while still conditional, are likely to result in the drawdown of investments in the coming year. The value of these outstanding approvals at 31 March 2022 was £993m (31 March 2021: £1,083m).

In addition to the above, the Agency has entered into financial commitments in relation to land development and building leases totalling £262m and £23m respectively at 31 March 2022 (31 March 2021: £333m and £25m).

24. Related party transactions

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

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, Energy & Industrial Strategy, the Department of Health and Social Care and the Ministry of Justice. The Agency has also had a number of material transactions with its associated undertakings, joint ventures and other related parties as follows:

2021/22	Capital invested in/ (redeemed from) entity £'000	Grants and other payments £'000	Loans/ equity advanced/ (repaid) £'000	Loan interest / dividends received £'000
Payments out				
English Cities Fund Limited Partnership	11,861	-	-	-
Sigma PRS Property Investments	-	-	3,763	-
Home Group Limited	-	3,855	-	-
Hyde Housing Association	-	18,888	-	-
Countryside Maritime Limited			400	-
Receipts in				
English Cities Fund Limited Partnership	(2,699)	-	-	-
Sigma PRS Property Investments	-	-	(49,044)	-
Tilia Community Living	-	-	(2,119)	-

2020/21	Capital invested in/ (redeemed from) entity £'000	Grants and other payments £'000	Loans/ equity advanced/ (repaid) £'000	Loan interest / dividends received £'000
Payments out				
English Cities Fund Limited Partnership	4,111	-	-	-
Sigma PRS Property Investments	-	-	16,624	-
Hyde Housing Association	-	12,293	-	-
Receipts in				
English Cities Fund Limited Partnership	(27,641)	-	-	-
Kier Community Living	-	-	(10,573)	-

In addition to the above, the Agency holds £20.3m (2020/21 £21.7m) on behalf of English Partnerships (LP) Ltd, the Agency's wholly owned subsidiary.

The transactions with joint ventures Tilia Community Living and Countryside Maritime Limited relate to loan funding provided under the Short Term Fund and Single Land Programme. The balances of these loans at 31 March 2022 were £21.6m (2020/21 £23.7m) and £1.2m (2020/21 £0.8m) respectively. The loan to Tilia Community Living will be settled in cash and is secured by a debenture and a second charge over land and property assets of the company. The loan to Countryside Maritime Limited will be settled in cash and is unsecured.

The related party relationship with Home Group Limited is due to a close relationship between a member of the senior leadership team at both the Agency and the entity. The transactions in the year relate to grants and other payments provided by the Agency.

The related party relationship with Hyde Housing Association (HHA) is due to a close relationship between a member of the senior leadership team at the Agency and a member of the senior leadership team at HHA. The transactions relate to grant funding provided by the Agency.

The related party relationship with Sigma PRS Property Investments is due to one member of the Agency's Board also being a Director of Sigma Capital Group PLC, who are the parent company of Sigma PRS Property Investments. The transactions relate to loan funding provided by the Agency under the Levelling Up Home Building Fund which offers the applicant a revolving facility. The facility was fully repaid during 21/22 and has been replaced with a new £27.3m loan. As at 31 March 2022 £nil of this new facility had been drawn.

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.

There were no other material transactions in which related parties had a direct or indirect financial interest other than those disclosed above.

None of the senior managers or related parties has undertaken any material transactions with the Agency during the year.

For details of compensation paid to management please see the Remuneration Report.

25. Events after the reporting period

The Agency's Financial Statements are laid before the Houses of Parliament by the Secretary of State for Housing, Communities and Local Government. IAS 10 Events After the Reporting Period requires the Agency to disclose the date on which the accounts are authorised for issue.

The certified accounts were authorised for issue by the Chairman and the Chief Executive and Accounting Officer on the same date as the Certificate and Report of the Comptroller and Auditor General.

In May 2022, Urban Splash HoUSe was placed into administration. The Agency has a 4% shareholding in the company, and this investment is accounted for as a financial asset measured at fair value through profit or loss under the Level 3 category of the fair value hierarchy as defined by IFRS 13. At 31 March 2022, the Agency had fully impaired the investment. Total impairment charges recognised on the investment at 31 March 2022 were £3.13m.

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