Homes England

The Housing and Regeneration Agency

Annual Report and Financial Statements

2022/23

HC 1668

The Housing and Regeneration Agency

Homes England

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Annual Report and Financial Statements 2022/23

Presented to Parliament pursuant to Paragraphs 11 and 12 of schedule 1 of the Housing and Regeneration Act 2008.

Ordered by the House of Commons to be printed on 18 July 2023.

HC 1668

[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 2022/23 Financial Year for the group of entities of which Homes England is the parent. The Homes England Group is consolidated into the 2022/23 Financial Statements of the Department for Levelling Up, Housing and Communities.

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Telephone: 0300 1234 500
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ISBN: 978-1-5286-3856-2
E-Number: E02847083

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty’s Stationery Office.

Contents

1 Chair's foreword

Peter Freeman CBE
Chair

This annual report marks not only the end of the financial year, but also the successful completion of Homes England's initial mission set out in its 2018-2023 strategic plan and the start of a broader national programme under our new 2023-2028 strategic plan.

Since 2018, our primary role has been to support the building of new homes. We have achieved it with spades and in spades. Between 2018 and 2023, Homes England has supported the development of an incredible 186,413 new homes, and has helped 252,543 households[2] into home ownership. That means that hundreds of thousands of people across the country have been able to move into new homes because of the work we do. In this time, the Agency has also unlocked land that could deliver more than 392,000 additional new homes; not only invested £11.1bn but also recovered £3.6bn from land sales and loans repaid.

The Agency has increased not only the supply of new homes generally, but also its focus on high quality, affordable new homes. Last year, we closed the Shared Ownership and Affordable Housing Programme 2016-2021, which will deliver 132,000 affordable homes, exceeding its overall target of delivering 130,000 affordable homes. The current Affordable Homes Programme aims to deliver at least 89,000 affordable homes.

In addition, the Agency has achieved much more. It has managed applications for the delivery of three building remediation funds to help people caught by building safety issues. We have helped to diversify the market, supporting more than 200 small and medium sized builders to grow their business in the last five years.

The Agency has also embedded design and sustainability principles in our work where we can. We have used Building For Life 12 as a basis for design quality assessment to support our land disposals process since 2019. We have supported the NextGeneration Initiative, an annual sustainability benchmark of the 25 largest homebuilders in the UK, through our role on the NextGeneration executive committee. It has launched the Future Homes Standard Research Commission to investigate the impact of building homes to the national Future Homes Standard across all phases of the construction lifecycle.

Finally, we have never forgotten that housing and regeneration go hand in hand. Although property-led regeneration has not been the primary focus since we became Homes England in 2018, it has remained a core part of the Agency's DNA, as our work with local authorities and

[2] The figure for the number of households helped into ownership includes delivery from the Affordable Homes Programme and other Development and Investment programmes.

other stakeholders in Bristol, Birmingham and Manchester demonstrates. I am delighted that our new strategic plan gives us the remit to support urban regeneration even more.

Our achievements are despite the global pandemic and a cost of living crisis that has disrupted the housing market. This has been felt acutely over the last year. Our annual business plan had been based on a strong post-pandemic recovery. It had assumed economic growth of 3.7%, minimal changes to interest rates and house price increases of 7.85%. The plan also incorporated overprogramming to provide a buffer against economic uncertainty.

However, as we all now know, the reality was quite different. Challenging economic conditions including abnormal inflation – especially in building material costs – escalating interest rates, and the growing cost of living crisis all disrupted housing delivery, particularly in the third quarter.

These economic conditions made it difficult for the partners we serve to progress housing development due to increasing costs, more expensive borrowing and reduced consumer confidence and purchasing power.

The Agency will continue to boost the supply of housing – and crucially affordable housing – the strategic plan confirms the expansion of the Agency’s remit and ambition beyond this.

The Agency acted as quickly as it could, together with the Department for Levelling Up, Housing and Communities (DLUHC), to introduce flexibilities to ease the strain on our partners during this period. By making grants and loans available for infrastructure and construction, we enabled our partners- local authorities, housing associations and housebuilders- to build far more than they could without Homes England's continued support. Even so, the economic conditions meant that housing development became less viable, and this had a clear and immediate impact on delivery, meaning that- despite all efforts- we fell short of our central targets.

My colleagues at Homes England, our partners in DLUHC, local authorities, housebuilders and housing associations have shown tremendous resilience during these times. I’d like to thank all my colleagues for their hard work, not just over the past year, but over the past five years. None of this has been easy but it has been immensely worthwhile, and I am incredibly proud of what has been achieved.

I have now been Chair of Homes England for nearly three years. I came to the Agency because I care about the built environment. I strongly believe that everyone should have a decent home. In the same way that access to effective health services or quality education has obvious and measurable impacts on opportunities and outcomes, access to good quality housing in well-designed communities has a hugely positive impact on society.

Our new strategic plan for 2023-2028, published in May 2023, recognises Homes England's role as the Housing and Regeneration Agency and the societal impact of our work.

The Agency will continue to boost the supply of housing – and crucially affordable housing – but the strategic plan confirms the expansion of the Agency’s remit and ambition beyond this.

An unwavering commitment to quality and sustainability is baked into the heart of this plan, as is the belief that creating a good quality home is not just about the building itself, but the wider community in which that home is situated.

For the first time, the Agency's role in providing capacity and capability support to local government, and at times, private sector is officially recognised.

This role is vital. A core aspect of the Agency's strength is in the breadth of its expertise – it has a hugely skilled workforce of well over 1,000 people from multi-disciplinary backgrounds, including architects, civil engineers, economists, finance experts, housebuilders, infrastructure specialists, lawyers, regeneration experts, town planners, surveyors, and more. By bringing all these people together, the Agency provides the skillset and experience to deliver large and complex developments. In addition, it has the influence to convene stakeholders and broker agreements. We also have significant tools at our disposal – £16bn of combined capital to deploy by March 2028, a range of statutory powers, including Compulsory Purchase Orders, and 9,000 hectares of land. In short, the Agency has immense capability and capacity to drive transformational placemaking.

We do not seek to use those tools unilaterally. Rather we work closely with local leaders and other stakeholders who are best placed to understand the opportunities and priorities in their area. We are here to help them test ideas and to develop proposals which we can help promote through land acquisition, design, planning and finance. Our success in providing local government with in-depth capacity support to deliver their place-based ambitions is now one of our key performance indicators.

Homes England visit to the Eastern Green site (Coventry), inspecting new internal site access roads.
Image credit: Homes England

This ability of Homes England, as a national agency, to provide wraparound capacity and capability support to ever more devolved, empowered local places, will only become more important as the Government progresses with its devolution commitment. We have already agreed a strategic place partnership with the Greater Manchester Combined Authority, and we are developing one with the West Midlands Combined Authority – two authorities that have agreed trailblazer devolution deals with government. These strategic place partnerships provide a formal, structured, and replicable approach for providing our additional capacity and capability support to a place.

Crucially, the quality and sustainability of what is built – from housing to regeneration – must also take centre stage in our work with partners. More so than ever before, we will use our influence to champion the creation of brilliantly designed, high quality, sustainable homes, communities and places.

Finally, we will continue to work to build a housing and regeneration sector that works for everyone. We will continue to encourage market diversification and innovation, with the aim of creating a more productive sector.

Homes England has a strong track record of working with partners across the built environment. Over the last year, I have visited many sites and places where Homes England is working. It is heartening to see what has already been achieved in places like Ancoats in Manchester where the regeneration scheme is almost complete. While visits to places like Stoke-on-Trent, Sheffield, Newcastle and Salford have brought home how the Agency helps local leaders

The Malings and Lower Steenberg's Yard, Newcastle
Image credit: PfP-igloo


Autograph Homes, Hambrook, Bristol
Image credit: Octopus Real Estate

to deliver their vision. As we enter the next phase for the Agency, I am confident that we are in a strong position to work with our partners to deliver our new mission and objectives.

The Agency's work is even more important during difficult economic times. As is explained in this report, we have worked closely with the Department of Levelling Up, Housing and Communities in recent months to understand the challenges our partners are facing and identify how we can adjust our programmes in response, to help ease the pressure where possible and maintain housing supply.

Our work is vital to the wellbeing and prosperity of the country. Improving the quality, quantity and affordability of England's housing stock, regenerating our towns and cities, strengthening communities and combatting social injustice are the challenges we take on every day. It's what makes us Homes England.

We will continue to encourage market diversification and innovation, with the aim of creating a more productive sector.

2 Performance report

Contents:

Performance overview

This section is designed to give the reader sufficient information to understand Homes England, our purpose, the key risks to achieving our objectives and how we have performed during the year.

Chief Executive's statement

Peter Denton
Chief Executive

During what's been a profoundly disruptive year for the housing sector, I'm proud of how the Agency, and our partners, have responded to challenging circumstances.

We've continued to deliver more homes, refocused our efforts on the regeneration of our towns and cities across the country, supported local authorities to deliver their visions and all without compromising on the quality, sustainability, or affordability of what we create.

But the year will, in the end, be fundamentally characterised by the adverse economic impacts on our partners and programmes rather than fully meeting initial aspirations. Like the wider UK market, we have suffered but the Agency managed to contribute to approximately 20% of national housing starts and completions, as in previous years. This is partly thanks to the speed with which we were able to work with the Department for Levelling Up, Housing and Communities and HM Treasury to consider how best to respond to these circumstances. Against this backdrop I am pleased to note that all four major programmes that are now being wound up will exceed lifetime targets; the Shared Ownership and Affordable Homes Programme 2016-21 (SOAHP 16-21) will deliver 132,000 homes against a 130,000 target.

Whilst we will reflect on how this year has played out, it is also important to look ahead. With our strategic plan for the next five years in hand, it is incredibly exciting to think about what will come next. Our mission is to drive regeneration and housing delivery to create high quality homes and thriving places. This will support greater social justice, the levelling up of communities across England, and the creation of places people are proud to call home. It is about fairness, delivering equal opportunities to communities all across the country and helping people and places to realise their full potential.

We are ready to combine the full breadth of our powers and tools – including £16bn in capital to deploy, 9,000 hectares of land, Compulsory Purchase Order statutory powers, relationships, capacity and capability – to support the sector to tackle the housing and regeneration challenges faced by communities around England.

While economic concerns appear to be easing, they have not ceased. Core inflation is still high and interest rates reflect this. Values are declining, absorption reduced and confidence uncertain. These impacts are felt most profoundly by the partners at the heart of our support model – small and medium housebuilders, housing associations and regeneration investors.

In short, we are not out of the woods by any stretch. Our delivery and ambition may still be tempered.

Performance overview

We set stretching but initially realistic targets for 2022/23 that sought to maximise value for public money, underpinned by the best market intelligence available at the time. We also built contingency into our plans through over-programming, with potential expenditure and related outputs exceeding the delegated budget and approved delivery plan.

However, over the last financial year actual conditions diverged sharply from the original central forecasts. Economic growth faltered at 0.4% per annum rather than 3.7% assumed at March 2022. Cost inflation escalated to 10.4%, above the initial forecast of 7.4%. Added to this, construction materials were subject to extreme inflation, reaching 26% according to Office for National Statistics (ONS) figures[3], the highest figure since the series began. The Bank of England base rate rose to 4.25% at 31 March 2023, nearly quadruple the central forecast.

It has been a tough year for the sector. In the first half of 2022/23, escalating costs reduced the viability of construction schemes, eroded over-programming and encouraged mothballing as market sentiment and appetite deteriorated across the sector, most notably at this time in our infrastructure programmes. However, our performance continued to track within close range of targets until the end of August.

In September, the housing market deteriorated. Borrowing costs doubled, whilst sentiment and market demand declined. The net balance of new sites entering the market and planning consent for homes fell to the lowest level in 10 years. This is the overall market impact but the Agency’s core role is to support the aspects of that market that were already the most challenged, and which were disproportionately impacted.

The affordable housing sector has had a particularly difficult time. More detail is provided on this in the performance section of this report, but in short, the impact of the events of September added to a series of issues which had crystallised in quick succession. There were already concerns over the funding available for development due to a constrained capped rent settlement and falls in private sales. There was also an increasing realisation of the impact of build cost inflation on delivery, and the need to respond to building safety, decency and net zero demands grew. New debt issuance doubled in cost virtually overnight and Boards' confidence was very badly knocked. In combination, this fundamentally shifted appetite and stalled development activity.

As outlined in the performance section, infrastructure schemes were impacted by the challenging market conditions and planning issues too, with key schemes slipping into 2023/24. We also saw reduced appetite for development finance from smaller developers as their confidence was damaged and they were impacted by sub-contractor failure, reduced margins, lower scheme viability and declining sentiment and banking liquidity (further information is provided in the performance analysis section of this report).

Our mission is to drive regeneration and housing delivery to create high quality homes and thriving places. This will support greater social justice, the levelling up of communities across England, and the creation of places people are proud to call home.

[3] Building materials and components statistics: April 2023- GOV.UK (www.gov.uk)

In addition, declining confidence hindered the origination of investment loans and tempered demand for the Help to Buy product, as mortgage rates spiked.

Despite the fact that we had a pipeline of delivery opportunities which had the potential to over-deliver against our targets by 10 to 25%, these unforeseen economic headwinds impacted our delivery performance in 2022/23. With the public money we deploy typically directed to projects at the margin of viability, the deteriorating conditions had a magnified impact on our performance.

In spite of this, and thanks to the phenomenal efforts of my colleagues and the determination of the partners we serve, the Agency still achieved 33.7k completions, initiated 37.2k starts, unlocked 12.2k units of housing capacity, and supported 27.5k households into home ownership. Although these figures fall short of our central targets for the year (see outturn table in the performance analysis section of this report), when considered against the wider economic challenges facing the sector, I'm incredibly proud of these figures and what we've achieved, and the difference those homes will make.

Following the events of September, the Agency took rapid action, working closely with the DLUHC to gather market intelligence, quickly implement operational adjustments, and reset key programmes to maintain housing supply. The immediate priority was to revise the policy and investment aims of the largest supply programme, the 2021-26 Affordable Housing Programme, followed by the Housing Infrastructure Scheme. Additional management attention and capacity was directed to Investment programmes and Help to Buy. Land development activity was more insulated from the immediacy of the downturn due to its longer-term investment horizons.

Whilst we knew that we could not fully resolve the in-year pressures facing the sector, I'm proud to say that our actions helped to stabilise performance and support the sector to maintain the delivery of new housing supply. As noted above, the Agency still expects to directly contribute to approximately 20% of national

Finchwell Road, Handsworth, Sheffield
Image credit: Nigel Barker

housing starts and completions for the year, in line with previous years. Although delivery was short of central targets, we largely delivered within the ranges outlined in our annual business plan for 2022/23. Compared to the last financial year, the Agency has delivered 3.8% fewer starts, while completions are 9.6% lower.

Our delivery performance remains strong over the long-term and the actions taken have bolstered programme resilience. We are tracking to achieve the original lifetime targets for 11 of our 13 main programmes, and the in-year delivery shortfall is planned to be recouped in future years. The two exceptions to this are the First Homes programme and the Affordable Homes Programme 2021-26. The First Homes programme is a pilot to test the concept. For the Affordable Homes Programme 2021-26, we have worked closely, and at great pace, with DLUHC and HM Treasury (HMT) to reset the programme in response to the challenges facing the sector, increasing grant per unit, introducing additional flexibilities and adjusting the lifetime target. The reset has re-energised delivery and will contribute more homes for social rent. We are now tracking to achieve the revised lifetime target. For the major programmes due to end in 2023/24, Help to Buy, Home Building Fund – Short Term, Home Building Fund – Long Term, and Shared Affordable Homes Programme 2016-21 - lifetime targets will be exceeded.

However, we are not complacent, and continue to progress actions to strengthen operational management and drive better performance. The recruitment of a Chief Operating Officer and the strengthening of programme governance structures are recent examples. We're also developing our new target operating model to ensure that our people, processes and systems are aligned to our new strategic plan, to ensure we are effectively supporting delivery of our programmes and wider activity.

It's important to note that the value the Agency generates extends beyond delivery output, through non-capital interventions. We have provided support to catalyse regeneration in priority places, assumed additional responsibility for the building safety agenda, and continue to manage capital investments robustly, resulting in extremely high recovery rates. We provide much-needed capacity and capability support to local places, we leverage our network of 5,000 partners to act as a bridge between the public and private sector, and we use our influence to encourage further improvements in the design, quality, sustainability, affordability and safety of what is built.

We know that our partners in the housing and regeneration sector see us as more than just a lender or a landowner. The last year has seen an increase in partners accessing non-financial support, including advice, guidance, training and mentoring. For example, more than 15,000 people attended our Summer and Winter Learning Programmes from our Local Government Capacity Centre.

Our 2023-2028 strategic plan has a broader set of KPIs than our previous plan, to fully capture the impact of the Agency on the partners we serve, places, homes and the sector.

We use our influence to encourage further improvements in the design, quality, sustainability, affordability and safety of what is built.

Valette Square, Salford
Image credit: Homes England

Placemaking and regeneration

A year ago, as I drafted my statement for the last annual report, I wrote about the Government's Levelling Up White Paper and what it would mean for the Agency. There was a clear recognition that our work needed to be about more than making homes happen, with a greater emphasis on the community around those homes. It outlined that the Agency's remit would be expanded, with a renewed focus on regeneration and creating sustainable, thriving places that foster a sense of community and pride. In addition, the paper set out the Government's commitment to devolving power to local leaders, and how Homes England should enable this devolution by supporting local leaders to deliver their housing and regeneration priorities.

Although these themes are not reflected in our official performance metrics for this financial year, it is reflected in the KPIs in our strategic plan for 2023-2028 (launched in May 2023), and we've made great headway in this area over the last year. We've identified a number of places across England that are ripe for catalytic transformation, whose leadership have the vision and ambition to make this happen, but not always the full capacity or capability. We're now working with the local leaders in these places to help them deliver their ambition. We've pulled together multi-functional teams with expertise from across the Agency to wrap around those places and support them to develop five-year business plans which will enable us to drive forward the housing and regeneration opportunities in those areas.

One of the five strategic objectives in our new strategic plan is to support the creation of vibrant and successful places that people can be proud of, working with local leaders and other partners to deliver housing-led, mixed-use regeneration with a brownfield first approach. The Agency's impact here will be measured by – among other things – the amount of brownfield land reclaimed, employment floorspace created and the number of jobs created.

Our work in York Central is an excellent example of this. The Agency is working with Network Rail, the City of York Council and the National Railway Museum to regenerate 45 hectares of underused, brownfield land and create a new vibrant mixed-use neighbourhood, complete with residential, cultural, recreational, and commercial spaces. In July 2022, we appointed John Sisk and Son Ltd to deliver over £100 million of critical infrastructure over the next three years, which will make further development at York Central possible. This is a long-term regeneration project that will take a number of years, but when complete the site will provide up to 2,500 homes, at least 20% of which will be affordable, and over 1 million sq. ft. of commercial spaces for offices, retail and leisure which will provide a significant boost for the local economy.

We’re also supporting the creation of c.760 new jobs in Digbeth, Birmingham. The West Midlands Combined Authority (WMCA) and Birmingham City Council have a vision to transform Digbeth into a new, creative hub for the city. To support this, the Agency has assembled Warwick Bar – a collection of derelict and brownfield sites around Digbeth – and in March 2023 we signed a landmark new deal with Digbeth Loc Studios to transform some of these derelict buildings into state-of-the-art film and TV studios. The studios, set to open for bookings this summer, will catalyse further regeneration in Digbeth, creating hundreds of new jobs. Overall, there is potential to create almost 1,000 new homes in Digbeth – of which 35% will be affordable, more than four times as much as the required 8% – as well as 25,000 square metres of commercial floor space and significant improvements to the public realm.

One of the five strategic objectives in our new strategic plan is to support the creation of vibrant and successful places that people can be proud of, working with local leaders and other partners to deliver housing-led, mixed-use regeneration with a brownfield first approach.

The number of local authorities receiving in-depth capacity support from Homes England is another key metric in our new strategic plan. For us, this is about listening to local voices – no one is better placed than local leaders and other partners to understand the opportunities in their area. Our role is to bring to bear the Agency’s full capacity and capabilities and work with a place to implement their vision and achieve their ambitions.

When Sheffield was announced as one of the first priority places for transformational regeneration by the Government two years ago, the Agency launched a place-based collaborative partnership with Sheffield City Council, the South Yorkshire Mayoral Combined Authority, Sheffield Property Association, South Yorkshire Housing Association and South Yorkshire Housing Partnership, called Sheffield Together, to align resources and share priorities and objectives. We’ve since established six priority workstreams, and we’ve created a multi-functional internal team, drawing on expertise from across the Agency, to ‘wrap around’ Sheffield and provide additional capacity to help deliver these workstreams.

I really believe that the Agency has so much more to offer than capital, and our work with Sheffield perfectly exemplifies what we can do in this area without direct investment. One example of this is our work with housing associations in the city. Collectively, housing associations were delivering about 100 new affordable homes in Sheffield a year, far below the city’s target. Last year, the Agency convened the 11 biggest housing associations operating in Sheffield to identify the blockers to delivery in the city – and then work with the Council to unblock these. Those housing associations now have a combined aspiration to build c.880 new affordable homes in Sheffield per annum.

We've worked in a similar way with other places. In Wolverhampton, we've partnered with the council to identify housing-led opportunities in the city, culminating in the launch of the city's Investment Prospectus in March this year. We're now supporting the council to prepare a delivery plan for those opportunities, which considers site prioritisation and public sector intervention. Meanwhile Stoke-on-Trent City's Prospectus and subsequent housing strategy set out an ambitious plan for the city, including the rebalancing of the housing market through investment in the development of new homes as part of a broader regeneration strategy. The Agency has committed to developing a medium-term relationship of mutual support and benefit with the council to help them achieve these ambitions, and to leverage the private and public sector resources that will be required to do so.

Finally, we've supported the trailblazer devolution deals with Greater Manchester Combined Authority (GMCA) and the WMCA, announced by the Government in March this year. As part of our enabling role in the devolution deals, we have agreed a strategic place partnership with GMCA and are developing one with WMCA to develop a joint delivery pipeline. The strategic place partnerships provide a formal, structured and replicable approach for collaborating on shared delivery priorities and are underpinned by an annual business plan to hold all parties accountable and monitor progress. It's a model that we're working at great speed to replicate with other places – indeed, we recently signed our latest Strategic Place Partnership with West Yorkshire Combined Authority.

Looking back over the last year, and thinking about our new strategic plan, there is no denying that we are, now, returning to our roots as the housing and regeneration agency.

Waterside area of Hanley, Stoke-on-Trent
Image credit: Stoke-on-Trent City Council

Quality and sustainability

The quality and sustainability of what we do has become ever more central in recent years. In our new strategic plan we have two specific objectives in these areas which set out our aspirations for the homes and places we work with partners to create, and will underpin everything we do. But this isn't new.

The English Cities Fund, our long-term private public partnership with Legal & General and Muse, is delivering homes with long term measurable social value, helping occupants manage operational carbon emissions and energy costs. The partnership is currently bringing forward the largest Passivhaus-certified scheme in the North-West, and will be 100% affordable. The nine-story apartment block, Greenhaus, in Salford, will use up to 70 to 90% less energy than traditional housing, helping residents to reduce their fuel bills and cut their carbon footprint. Energy saving features include triple-glazed windows, the latest insulation technology, air source heat pumps and publicly accessible electric vehicle charging spaces.

In 2021, we launched the Greener Homes Alliance, in partnership with Octopus Real Estate, which provides loans to finance new small and medium sized house builders' developments – but the homes must achieve a minimum Energy Performance Certificate rating of B. It also incentivises developers to go further than that by offering increasing interest rate margin discounts as the energy efficiency of the homes increases above this.

As well as our funding, we use our land to champion sustainable practises. The Agency has recently selected Keepmoat as our preferred development partner for Sandymoor South in Runcorn thanks to their approach that seeks to protect, conserve and enhance existing qualities and characteristics of the site. Their scheme has achieved an 'exceptional' Building for Healthy Life assessment by Homes England's external consultant Places Matter (it was awarded 12 out of 12 greens).

Culture and diversity

I'm pleased to share that our latest gender pay gap report, published at the end of March 2023, shows that our gender pay gap continues to improve. As of 31 March 2022 our mean gender pay gap was 11.59%, a reduction of 5.31% over the last three years. Our median gender pay gap has also reduced to 7.74%, a 7.56% reduction since March 2020. This is a step in the right direction, and I'd like to acknowledge all the work that has been carried out on this since Homes England began publishing its Gender Pay Gap Report.

However, there is still more to be done. While I know that creating a more gender balanced workforce takes time and a holistic approach, I am committed to deepening our understanding of why we have any gender pay gaps at all. It is vital that, along with targeted interventions, we take action to create an inclusive environment, through the language and imagery we use, the issues we choose to highlight and the conversations we encourage – internally and externally. For example, during our Local Government Capacity Centre's Winter Learning Programme, we hosted a session on "Inclusive Spaces for Girls and Young People", in partnership with charity Make Space For Girls, designed to help local authorities understand the key elements of considering teenage girls in planning. It is initiatives like Make Space for Girls that can make a real difference, and I'm encouraged that we can use platforms like the Local Government Capacity Centre to promote them.

However, diversity, of course, means more than gender. The Agency is currently undertaking a review of our equality, diversity and inclusion (ED&I) strategy, first published in our ED&I report in 2020, after undertaking a National Equality Standards assessment in March 2022. The recommendations have influenced our approach to ED&I over the last year through our people and culture strategy. We will widen our approach in 2023 to include a focus on ethnicity pay gap, and are committed to trialling an ethnicity pay gap analysis, something I have been keen to do for some time.

I'd like to finish by saying thank you to all of my colleagues across the Agency for their continued hard work and resilience. It has been an economically challenging year, but not without its successes. Without the dedication of our staff, we would not have been able to respond in the way we have, or serve our partners as effectively as possible during an incredibly difficult time.

Thank you also to our partners, who have continued to trust us to support them through the most turbulent of times to ensure as many new homes can be built as possible, and that we're creating places that work for our communities now and in the future. The 2023-2028 strategic plan legitimises our mission – to accelerate the pace of house building, remediation and regeneration across the country, as we seek to deliver ever more affordable homes in places people are proud to call home for generations to come. And we cannot do it alone. We look forward to continuing to work with you to achieve this.

The 2023-2028 strategic plan legitimises our mission – to accelerate the pace of house building, remediation and regeneration across the country, as we seek to deliver ever more affordable homes in places people are proud to call home for generations to come.

York Central
Image credit: Allies and Morrison

Organisational overview

Who we are

Since 2018, our mission has been to increase the supply of quality homes, improve affordability and help create stronger, more vibrant places and communities. 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 and Communities (DLUHC). Our statutory objects are contained in the Housing and Regeneration Act 2008, the legislation creating the Homes and Communities Agency, which in 2018 adopted "Homes England" as its trading name to underpin its mission and purpose. The Homes England group structure can be seen in Note 11b of the Financial Statements.

We're governed by a Board, appointed by the Secretary of State for DLUHC, and led by our 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 play a key role in delivering the Government's levelling up and housing agenda. Our ambition is to work in collaboration with equally ambitious partners to deliver the homes and places that our communities need, and to support the regeneration of our towns, cities and rural communities.

We have significant tools at our disposal. We own over 9,000 hectares of land and have £16 billion of combined capital spend (loan, grant and equity) to deploy by March 2028. We also have a range of statutory powers that we can use to deliver our objectives. In addition, we have the expertise to broker private sector investment, convene stakeholders, facilitate collaboration, improve quality across the industry and champion good practice.

We can collaborate in a unique way between government and the public and private sectors. We're unified by our determination to embrace this crucial opportunity to help solve one of the country's most intractable domestic policy issues.

We work with partners from across the country who share our ambition. These include local authorities, private developers, housing associations, lenders and infrastructure providers. Our activities are designed to respond to local needs, and make a difference where the market alone cannot do so. Robust leadership ensures we deliver best value for money in all of our interventions, including those delivered jointly with our 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.

All with a view to meeting the needs of people living in England.

We have just launched our new strategic plan refreshing our mission and strategic objectives to meet the Government's priorities for the sector.

Our mission

We drive regeneration and housing delivery to create high-quality homes and thriving places. This will support greater social justice, the levelling up of communities across England and the creation of places people are proud to call home.

Our strategic objectives

We have five interconnected strategic objectives that work together to deliver our mission.

Three of our objectives focus on the distinct but overlapping categories of our work: places, homes and the sector. They reflect the broad range of interventions that we have already committed to deliver on behalf of the Government, as well as its future ambitions. Embedded across all of them is a firm commitment to working in partnership with a broad range of partners who share our mission and objectives.

We know that enabling the delivery of homes and places alone is not enough to fulfil our mission. Therefore, we have two objectives that set out our aspirations for the attributes of the homes and places we will work with our partners to create.

Performance summary 2022/23

We've directly supported the completion of **33,713 homes**

Delivered **37,175 starts on site**

We've supported **27,534 households** into **home ownership**

Unlocked **land** with capacity for **12,248 homes** to be built

Supported our **387,879th customer** into home **ownership**

through the **Help to Buy** Equity Loan Scheme

Appointed the **Agency's first ever**

Chief Operating Officer **Kirsty Shaw**

Launched a pilot for the new **Cladding Safety Scheme,** which will provide **£4bn of support** to remediate thousands of buildings 11 meters high and over

Agreed a **multi-million pound** finance package **with HSBC** that will see **hundreds of families across** Dorset, Hampshire and Somerset move into **brand new homes** over the next **five years**

HSBC

We appointed **John Sisk and Son LTD** to deliver **over £100m** of **vital infrastructure** at **York Central,** one of the UK's largest regeneration sites

The **45 hectare site** offers a unique opportunity to **transform underused brownfield land** into a vibrant and distinctive new mixed use neighbourhood

BUILDERS SISK CONTRACTORS

Established 1859

We provided **£233m** **of infrastructure** loan funding to bring to life a **new £3.5bn** neighbourhood at **Silvertown, East London,** one of the country's **most significant regeneration projects**

Agreed a **£30m** loan to continue the **transformation of** Middlewood Locks, in Salford, which will see a further **189 new homes** built on the 25-acre brownfield site

Partnered with **Newstead Capital** to provide a cornerstone investment in its **new long-term development** finance fund to **support SME housebuilders**

Newstead Capital

Agreed a **£1.3m** **investment** through the Housing Growth Partnership to support the creation of **39 new homes**

in Digbeth, as part of **our commitment to regenerate the neighbourhood**

Signed a landmark **Strategic Place Partnership** with Greater Manchester

which will support the city to achieve its housing and regeneration ambitions

Entered into a new deal with **West Midlands Combined Authority** and **Birmingham City Council** to transform derelict buildings on **Homes England's** Warwick Bar site in Digbeth into state of the art film and TV studios, **Digbeth Loc. Studios**

Image credit: Digbeth Loc. Limited

Provided **£95m** in government funding to the **regeneration of Bristol Temple Quarter supporting** the creation of thousands of **new homes** and **jobs**

Launched an innovative new long-term **partnership model** with Hyde and AXA IM Alts to deliver thousands of **new affordable homes** of all tenures across the Southeast

Invested **£43m** to unlock **Burtree Garden Village** in Darlington. The funding will provide green infrastructure and transport links **for a new sustainable community of 2,000 homes**

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.

2022/23 Performance review

At the start of 2022/23, the Agency developed stretching, but initially realistic, annual targets in anticipation of a strong post-pandemic recovery following the disruption associated with COVID-19 and the UK's exit from the European Union.

The plan was founded on a healthy market outlook, which assumed post pandemic economic growth of 3.7%, minimal changes to interest rates and house price increases of 7.7%.

Economic conditions, however, shifted quickly and significantly during the year, with the initial recovery from the pandemic giving way to weaker economic growth, increasing inflation, escalating interest rates and a cost-of-living crisis. These conditions departed significantly from the Agency's expectations at the start of the year, and from the consensus projections of market commentators including the International Monetary Fund, KPMG and EY ITEM Club.

Central economic assumptions compared to actual economic performance

Indicators	Measure	Central Economic Forecast[4]	Actual Economic Performance[4]
GDP	YoY %	3.7	0.4
Inflation	YoY %	7.4	10.4
Bank Rate	%	1.1	4.25
House Prices	YoY %	7.7	4.8
Unemployment	%	4.0	3.7
Earnings Growth	YoY %	5.9	4.9

Economic growth which had reached 7.4% in 2021/22, faltered during the year. Growth was reported as 0.1% in the first quarter of 2022/23, -0.2% in the second quarter, and 0% in the third quarter[5]. While a technical recession was avoided, this reflected a worsening of the economic environment.

Inflation continued to rise. Based on the Office for Budget Responsibility forecasts, the Agency anticipated inflation would peak at 7% in the summer of 2022. Year-on-year consumer price inflation, however, peaked at over 11% in October 2022. While it subsided slightly towards the end of the year, it was still above 10% in March 2023.

Within the construction sector, the Building Cost Information Service indices showed construction materials costs rising at 19.8% in 2021, with building costs and tender prices rising at 10.6% and 4.9% respectively. In early 2022, Russia's invasion of Ukraine triggered further increases in the price of energy and commodities, which affected construction materials. By June 2022,

[4] Source: Oxford Economics, Homes England Analysis.
[5] Source: Office for National Statistics.

the construction materials price inflation peaked at 26%. Similar levels of inflation were last seen in the 1970's. Alongside downward pressure on house prices, housebuilders found it challenging to pass rising costs on to consumers, resulting in the viability of schemes becoming strained. This was most fundamentally the case in the affordable housing sector.

In response to rising inflationary pressures and amplified by the adverse reaction of the financial markets to the events of September, the Bank of England base rate increased from 0.75% in April 2022 to 4.25% in March 2023. This resulted in a steep increase to commercial and retail borrowing costs.

The changing conditions profoundly impacted the housing development cycle – with increasing material, labour and borrowing costs reducing the capacity of the sector to build new homes, whilst also reducing consumer purchasing power. These shifts in the economic landscape had a profound impact on sentiment in the housing sector. Homes England's annual partner perception survey[6] stated that optimism in the broader economy and housing sector collapsed. Optimism about the state of the national economy dropped to 6%, a 28 percentage point drop from 2021 and optimism about house prices dropped to 32% optimistic, from 54% in 2021. Through Quarter 3 and Quarter 4, Homes England's ongoing market intelligence continued to emphasise this finding. 255 partners were spoken to during this period, most of whom expressed concerns and caution about the changing market conditions. The Federation of Master Builders reported the third lowest level of buyer demand since the start of the research in 2015, and there was a 40% drop in new build reservations. This created challenges for the housing market and the partners on which the Agency relies to deliver outputs.

The challenges were particularly acute in the second half of the financial year, with the Federation of Master Builders reporting a significant fall in the net balance for housebuilding activity from the third quarter of the financial year. In the same quarter, Savills reported that the net balance of new sites entering the market had fallen to the lowest level for 10 years at-54%. While the number of homes securing planning consent declined by 31% to reach pre-2016 levels, impacting future starts.


The Hawthorns, Elswick
Image credit: Kingswood Homes

[6] Homes England conducts an annual quantitative and qualitative survey of existing partners from across the housing sector to understand their views on market sentiment, strategic issues facing the housing sector, and perceptions of the Agency. c.4,000 partner organisations are invited to take part who work with Homes England in strategic and/or contractual ways.

Resulting agency performance in 2022/23

During the first half of 2022/23, abnormal inflation, labour availability and site viability had started to fundamentally bite across segments of the housing market, particularly within the affordable sector and for smaller developers. Delivery of specific programmes was impacted, and the contingency introduced through overprogramming was eroded.

Year to date delivery and full year forecasts were still tracking close to plan to August, with most delivery measures within a 5% tolerance of central targets. There were some early indications of a slowdown especially in starts. However, it was the economic volatility around September that saw performance diverge from central targets. The remaining contingency evaporated, and forecasts for all performance indicators shifted downwards sharply. The extent of the drop could not have been foreseen.

Full year performance forecast August 2022 v September 2022

		August			September		
	Plan	**Forecast**	**Var (#)**	**Var (%)**	**Forecast**	**Var (#)**	**Var (%)**
Completions	39,008	37,920	(1,088)	(3%)	32,979	(6,029)	(15%)
Starts	52,967	49,468	(3,499)	(7%)	42,739	(10,228)	(19%)
Unlocked Housing Capacity	30,773	34,921	4,148	13%	21,878	(8,895)	(29%)
Home Ownership	39,632	39,141	(491)	(1%)	28,689	(10,943)	(28%)
Financials (£m)							
Expenditure	5,399	5,557	158	3%	4,714	(685)	(13%)
Receipts	(1,016)	(950)	66	(6%)	(914)	102	(10%)
Net	4,383	4,607	224	5%	3,800	(583)	(13%)

Unlike most government entities, the Agency does not have direct control over spending. It is dependent on the willingness of counterparties to take decisions, commit, build, or contract. DLUHC and the Agency responded immediately to the situation, commencing extended market engagement and analysis, developing counter-cyclical policy options and bolstering management of distressed investment. An economic downturn playbook was deployed, with more than fifty practical actions identified to support delivery in the event of a downturn. These included; helping partners with cashflow requirements by increasing grants, extending repayment timeframes and relaxing contractual obligations where this protected delivery.

The key actions taken to protect delivery focused on the programmes most impacted by the economic downturn, and included:

- Agreeing £60m additional grant in 2022/23 for the 16-21 Affordable Homes Programme, which safeguarded delivery of 6,000 starts.
- Increasing grant rates, changing tenure profiles, extending longstop and funding deployment dates to protect the delivery of affordable housing starts and completions for the 2021-26 Affordable Homes Programme.
- Resetting the parameters of business cases and investment periods for the Housing Infrastructure Fund, Home Building Fund – Infrastructure Loans and the Levelling Up Home Building Fund.

Programme mitigation plans included actions to de-risk and protect remaining delivery, along with steps to bolster outputs. For instance, amend grant payment terms for registered providers, allowing changes to tenure mix for current and future allocations to mitigate sales risk and extending repayment terms for borrowers to support cashflow management. The Agency also engaged in more proactive market engagement implementing social media strategies such as ‘thunderclaps’ etc. to widen and deepen the pipeline of opportunities and compensate for in-year attrition where possible.

The Agency also adopted a flexible project management approach, as changing economic conditions required constant monitoring, evaluation and adjustment of strategies and resources. This required coordination and communication across the organisation, as well as effective collaboration with partners, stakeholders, and clients. Multi-disciplinary teams were established to rapidly develop and evaluate proposals for critical projects, create rapid feedback mechanisms with partners and ensure the response was informed by real time analytics. A streamlining of the governance channels with DLUHC and HMT enabled critical approvals to be accelerated.

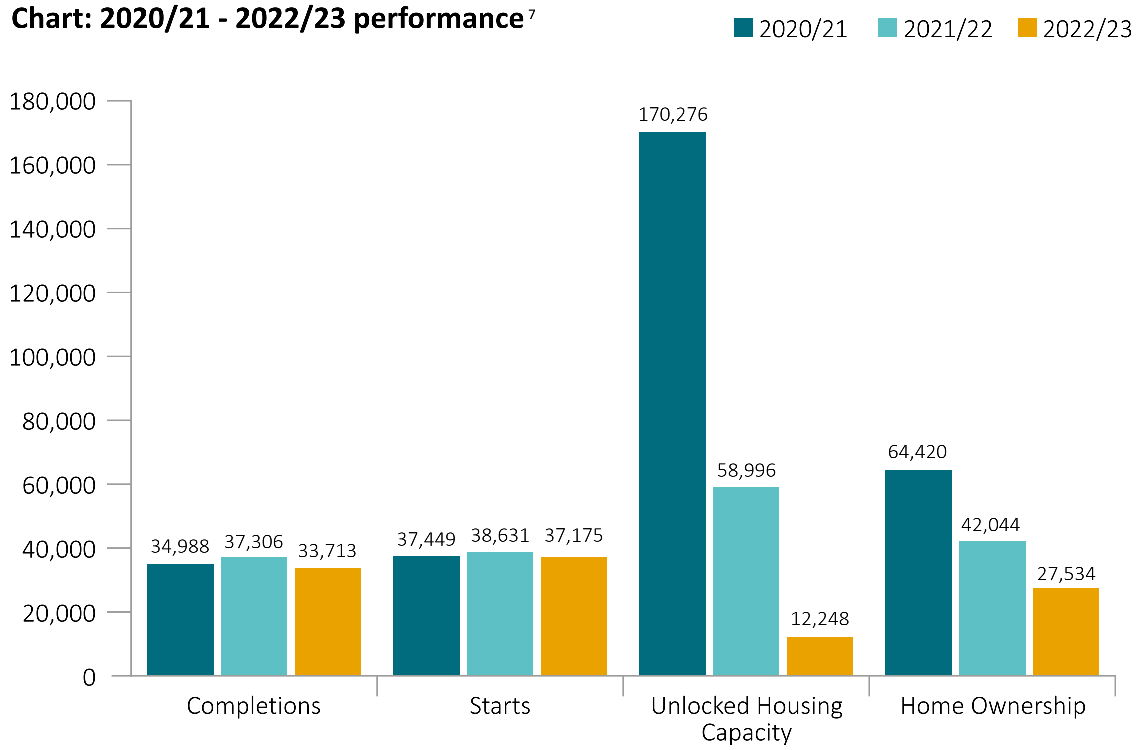
Unsurprisingly, despite the prompt actions taken by the Agency and DLUHC, actual performance finished behind the central targets for the year.

Outturn

Delivery	Outturn	ABP Lower Range	ABP Central Target	ABP Upper Range	Variance Outturn v Target
Total completed new Homes	33,713	27,086	39,008	43,434	(14%)
Total households supported into home ownership	27,534	20,000	39,632	58,900	(31%)
Total starts supported by Homes England	37,175	37,837	52,967	63,420	(30%)
Total unlocked housing capacity	12,248	15,386	30,773	39,419	(60%)

Notwithstanding the turbulence that beset the housing market in 2022/23 and the impact on the Agency’s partners, the Agency delivered outputs at a similar level to previous years. There were around 3.8% fewer starts than last year, while completions finished around 9.6% below last year. This was achieved with net programme expenditure stable at £3.7bn. Despite working in challenging areas of the market – we performed close to sector average, with the ONS reporting a 2% increase in the number of homes started in England during 2022 compared to the previous year (178k v 175k), and 175k of housing completions in both years. The ONS has yet to release the numbers for the first quarter of 2023 enabling a like-for-like comparison, but the National House Building Council has reported a 40% year-or-year fall in starts for the first quarter of 2023.

Chart: 2020/21 - 2022/23 performance[7]



The units of housing capacity unlocked by the Agency dropped by 79% compared to 2021/22. While specific performance issues encountered by infrastructure projects were a key factor, the scale of the year-on-year decline was also due to the closure of the Home Building Fund – Long Term Fund, the transition of the Housing Infrastructure Fund from contracting to portfolio management, the slow ramp-up to contracting via the new Home Building Fund-Infrastructure Loan Fund, and delays in converting the pipeline that was established.

With the managed closure of the Help to Buy Equity Loan scheme, consumers only had six months to apply and reserve a property. As the scheme drew to a close, regional price caps and alternate products, combined with the cost-of-living crisis and a steep increase in mortgage rates to dampen consumer demand. Consequently, legal completions were below original estimates, causing households supported into home ownership to fall below the central target.

[7] Source: Homes England housing statistics.

Delivery performance review

The factors contributing to the in-year delivery shortfall are considered in detail below. While the adverse impact of deteriorating economic conditions is starkly apparent, the review highlights compounding issues for affordable housing, where providers were constrained by the rent cap consultation and the duty of care required in response to the cost-of-living crisis. In addition, delays in launching the Levelling Up Home Building Fund, revised guidance on the classification of Collective Investment Schemes, and project-specific contracting, planning and stakeholder challenges also contributed to under-delivery against targets.

Most of the shortfall in delivery compared to the central targets can be attributed to a small number of programmes:

- 72% of the shortfall in completions is attributed to affordable housing programmes.
- 71% of the shortfall in starts is attributed to affordable housing programmes, with a further 18% relating to the Levelling Up Home Building Fund.
- 97% of the shortfall in unlocked housing capacity is attributed to the Home Building Fund – Infrastructure Loans.
- 99% of the shortfall in households supported into home ownership is due to lower-than-expected demand for Help to Buy.

Allerton Bywater
Image credit: Homes England

Completions

The affordable housing sector was acutely sensitive to the economic circumstances of 2022/23. In the early part of the year, providers faced unprecedented material and labour cost inflation. This led to sub-contractors going bust, renegotiation of contracts, and difficulties accessing the labour needed to complete development. Partners also faced delays in securing local authority sign-off, utility connections and s278 notices. These factors contributed to delays in housing being completed by the Agency's partners, eroding the contingency built into delivery plans.

The situation was then exacerbated by the economic turmoil of September, along with the financial uncertainty created by the consultation on social housing rents which proposed a cap on rent increases for the sector. This resulted in affordable completions slipping into 2023/24. Despite the delays, the lifetime delivery targets for the 16-21 Affordable Housing Programme will still be delivered.

Starts

Following the allocation of c.£5.2 billion to the 2021-26 Affordable Housing Programme and the launch of the Levelling Up – Home Building Fund, the Agency set an ambitious target for the number of starts to be delivered in 2022/23. Increasing delivery targets by 37% on 2021/22. A range of macro-economic factors and policy decision impacted the Agency and its partner's delivery plans, and subsequently tempered aspirations.

Affordable Housing

As already noted, the affordable housing sector faced significant challenges in the early part of the financial year. Build cost inflation, rising labour costs, material availability, building remediation issues and the duty to support tenants through a cost-of-living crisis hindered investment in new homes. Relative to volume developers, housing associations were faced with greater viability challenges due to their fixed funding model and inability to pass on cost increases to the end consumer. This led to the financial case for new schemes to be re-assessed.

Housing associations reported increasingly difficult relations with contractors, with firms requesting fluctuation clauses, re-negotiation of fixed price contracts and in some instances withdrawing from negotiations totally. This eroded the contingency built into the plans for the Agency's affordable housing programme.

Due to the short-term nature of development plans, reliance on smaller sub-contractors and fixed funding formula, the sector was acutely sensitive to the economic turmoil, and the doubling of borrowing costs, that followed the events of September. As conditions deteriorated, the Government was also undertaking a consultation on rent increases, which brought further uncertainty to the sector.

In combination, these inter-connected issues created a 'perfect storm' which engulfed the development plans of providers, with many pausing and re-evaluating plans, with some housing associations refocusing on core activities, and development appetite reduced by up to 30%.

Levelling Up – Home Building Fund

The Levelling Up-Home Building Fund was launched in 2022/23 with an objective of diversifying the housing market by supporting small and medium sized housebuilders. An inability to pre-market the fund during the nine-month delay to the launch meant that pipeline had to be generated from a standing start when the fund was finally launched in February 2022. The lag between marketing, contracting and spend constrained initial performance, and then economic factors materially contributed to reduced programme outputs.

In the first half of the year, build cost inflation caused widespread sub-contractor failure, reduced developer margins and lowered scheme viability. As a result, borrowers shelved plans to open new sites and schemes were deferred, leading to unprecedented levels of attrition in the pipeline. Later in the year, the market turbulence and interest rate increases compounded the situation, particularly for smaller developers exposed to interest rate rises and a tightening of terms and availability of development finance, as lenders became increasingly cautious, if not indeed closed for new business.

The rapid rise in interest rates, accompanied by a withdrawal of mortgage products, dented consumer demand for new build homes. Data from the Home Builders Federation indicated that the level of buyer demand for new build homes began to diverge from previous years in mid-2022. This had a disproportionate impact on Small and Medium Enterprise (SME) developers who often rely on sales to fund further development. Volume developers were more insulated from the fall in reservations and were able to forward sell stock to maintain demand and pricing.

These factors led to SME confidence in progressing housing development drop significantly, as observed in the two SME roundtables held by the then Housing Minister in the autumn of 2022. Decision making paused, scheme commencement stalled, and development was deferred into future years, as partners waited for the market to settle. This rapidly resulted in approximately half the pipeline of committed opportunities not being progressed in-year.

One of the main areas of activity expected to support delivery was equity deals. While UK equity investment volumes were strong in the first quarter, they deteriorated significantly during the third quarter, coming in 51% lower than the previous year, and falling to 2018 levels. The outlook for equity remained bleak with market intelligence indicating early-stage finance will continue to decrease in the next 12 to 18 months.

Unlocked housing capacity

The unlocking of housing capacity by the Agency is heavily reliant on a small number of large-scale infrastructure projects. Contracting is complex and ultimately binary, and there is vulnerability to delays in planning approval.

Infrastructure projects must contend with uncertainty throughout their lifecycle, placing demands on project management, risk management and stakeholder engagement. Housing infrastructure projects are approved and announced early in their lifecycle, with design still at an early stage. This has meant that issues, such as planning and factors uncovered as a result of environmental surveys, are not always clear or resolved until later in the delivery process.

The inherent uncertainties facing infrastructure projects have been exacerbated by elevated levels of inflation, supply chain issues and Local Authority capacity constraints. The economic climate in 2022/23 added to these challenges, and structural problems with infrastructure programmes also contributed to performance being lower than planned, with issues encountered on twelve Home Building Fund – Infrastructure Loan schemes the primary contributor to the shortfall in unlocked housing claimed in 2022/23.

The Home Building Fund – Infrastructure Loan programme targeted the delivery of 20,000 units of unlocked housing capacity (after adjustments for overprogramming). This included projects with the potential to deliver a total of 26,000 units of unlocked housing capacity. A combination of delays relating to market conditions, planning and third-party activities pushed contracting of these schemes into future years, with the majority being deferred during the period from September 2022 through to November 2022, when confidence was at its very worst.

Due to the challenging circumstances, programme delivery fell short of expectations. The future for infrastructure loan activity assumes more effective pipeline development and conversion as the programme matures, which aligns with performance that similar programmes achieved in the past.

Households into home ownership

The shortfall in households supported into home ownership was almost entirely associated with the Help to Buy scheme. The second iteration of the scheme was launched in April 2021, where additional eligibility criteria were introduced, including regional price caps, and restriction to first time buyers. This limited the pool of applicants, and with continued growth in house prices, particularly in the North and Midlands, the number of eligible new build properties were reduced. Consumers also started to explore alternative products such as 95% mortgages and developer schemes. Finally, the steep increase in mortgage rates post September tempered demand, leading to a decline in residential property transactions towards the end of 2022. As a result, the expectations for households supported into home ownership in 2022/23 were revised downwards.

Help to Buy has supported over 380,000 households into home ownership. When the scheme was launched in 2013, it was anticipated that 74,000 households would be supported.

A wider lens on performance

The shift in economic conditions has made it more challenging to achieve lifetime programme objectives with business case parameters typically designed for a benign market. Except for the affordable housing programmes, however, the in-year delivery shortfall from 2022/23 will be broadly recouped over the upcoming five-year planning cycle, with overall programme lifetime targets not materially affected. The decision to support affordable housing partners with increased grant rates in response to inflationary pressures faced by the sector has resulted in a deliberate reduction in the lifetime target for the 2021-26 Affordable Housing Programme, with the fund now targeting a minimum of 89,000 starts.

For several of the larger programmes about to end lifetime performance targets will be exceeded:

- Help to Buy has supported over 380,000 households into home ownership. When the scheme was launched in 2013, it was anticipated that 74,000 households would be supported.
- The Home Building Fund - Short Term Fund has directly supported the development of 44,000 homes against a programme target of 43,000, with 96% of transactions with SME developers. In doing so it has also achieved value for money already returning £400 million to the exchequer.
- The Home Building Fund - Long Term Fund having already unlocked 158,000 homes the fund will achieve its lifetime target of unlocking 160,000 homes in 2023/2024.
- The Affordable Housing Programme 16-21 was launched in 2016 with an objective to deliver 130,000 affordable homes. The programme will exceed its target, delivering 132,000 homes by the end of 2023/24.

Lifetime performance by programme

	Investments	End	Lifetime objective	Delivery to date	Lifetime forecast	Funding allocation	Actual expenditure	Forecast outturn
			Delivery			Financial		
Affordable Housing	SOAHP 16-21	21/22	130,00 starts	126,395 starts	132,000 starts	£4.9bn	£4.8bn	£4.9bn
	Affordable Homes Programme 2021-26	26/27	89,000 starts	26,116 starts	89,000-106,000 starts	£7.4bn	£1.3bn	£7.4bn
Home Ownership	Help to Buy 1 & 2	22/23	292,000 legal completions	387,879 legal completions	388,000 legal completions	£21.1bn	£23.2bn	£24.2bn
	Help to Build	26/27	2,000 legal completions	Launched June 2022	2,000 legal completions	£150m	£0.3m	£155m
	First Homes	23/24	1,500 legal completions	242 legal completions	1,300 legal completions	£139m	£18.3m	£92m
Market Diversification	Levelling-Up Home Building Fund	26/27	42,475 starts, 9,300 UHC/ MMC	3,956 starts	42,475 starts, 9,300 UHC/ MMC	£2bn	£131.1m	£2.2bn
	HBF Short-Term Fund	26/27	43,000 homes	49,303 homes	60,376 homes	£2.2bn	£1.8bn	£2.2bn
Infrastructure	Home Building Fund-Infrastructure Loan	24/25	100,000-116,000 homes unlocked	7,053 homes unlocked	107,000 homes unlocked	£1.5bn	£32m	£1.5bn
	HBF Long-Term Fund	22/23	116,000 homes unlocked	158,435 homes unlocked	160,000 homes unlocked	£1.7bn	£1.4bn	£1.7bn
	Housing Infrastructure Fund	23/24	285,000 homes unlocked	281,176 homes unlocked	285,000 homes unlocked	£3.6bn	£862m	£3.6bn
	LA Accelerated Construction	24/25	up to 10,000 homes	3,573 starts	10,060 starts	£136m	£136m	£136m
Development	Land Assembly Fund	N/A	12,800 starts by March '26	3,094 starts	37,000 starts	Recycling fund- £657m secured at Spending Review 21		
	Single Land Programme	N/A	No targets set post Public Sector Land			Recycling fund- £817m secured at Spending Review 21		

In addition, in-flight programmes continue to exceed value for money benchmarks and the 70% target recovery rates set in original programme business cases. As at the end of 2022/23, the Agency was recovering 99% of its capital investment.

Outside the Agency's direct contribution via programme delivery, the Agency has also bolstered market delivery by deploying its soft powers, convening stakeholders to progress stalled opportunities, supporting deals, and adding capacity and capability to the market and leveraging public investment. The outcome of these activities is not captured in the currently reported delivery metrics.

The Agency has refocused on the regeneration of our towns and cities across the country and supported local authorities to deliver their vision.

York Central is example of our working with local leaders and commercial partners to deliver mixed-use regeneration. One of the UK's largest regeneration sites, York Central will transform 45 hectares of brownfield land into a vibrant and distinctive neighbourhood – complete with residential, cultural, recreational, commercial and outdoor amenity spaces. The site is being brought forward by Homes England and Network Rail in collaboration with the City of York Council and the National Railway Museum. Critical infrastructure will pave the way for 2,500 homes and over one million square foot of commercial space providing a significant boost for the local economy.

The Agency is supporting the creation of jobs in Digbeth, Birmingham. West Midlands Combined Authority (WMCA) and Birmingham City Council have a vision to transform Digbeth into a new, creative hub for the city. The Agency has assembled a collection of brownfield sites around Digbeth – and signed a deal to transform derelict buildings into state-of-the-art film studios. The studios will catalyse further regeneration in Digbeth, creating hundreds of new jobs.

In addition, the Agency is providing essential capacity support to several local authorities. Sheffield Together, a housing growth board, has been launched with capacity provided by the Agency. In Wolverhampton, the Agency has worked with the council to identify housing-led opportunities in the city, culminating in the launch of the City's Investment Prospectus. The Stoke-on-Trent City Prospectus and subsequent Housing Strategy sets out an ambitious plan for the city, including investment in new homes as part of a regeneration strategy. The Agency has committed to supporting Stoke and leverage private and public sector resources. The Agency is also supporting the trailblazer devolution deals with Greater Manchester Combined Authority (GMCA) and the WMCA.

The recent partner perception survey emphasises the positive market view of the Agency, and the value attached to 'softer' interventions noting:

- While the Agency's core role is to provide funding and grants, there is an increasing perception amongst partners of the role being played by the Agency in facilitating the market.
- In addition to accessing our funds, more partners have accessed non-financial support, including advice, guidance, training, and mentoring. On advice and guidance, this mainly related to support in understanding policy requirements. These 'softer interventions' have had tangible impact on partner operations. For instance, 85% of partners who accessed training or mentoring reported an improvement in the knowledge/capacity of their staff.

Banana Warehouse, Digbeth, Birmingham
Before image credit: Homes England

After image credit: Digbeth Loc. Limited

Middlewood Locks, Salford
Image credit: Mark Hitchings

- The importance of this wider role was expressed in the relatively high priority given to non-financial support – one fifth of partners cited providing advice and guidance as a priority for Homes England in the next 12 months, fourth of all priorities cited, behind only funding, affordable housing, and unlocking land supply. Between 18-24% of partners said that they may access training, advice or guidance in the future, if they had not already.
- The extent to which partners agree that Homes England is effective at supporting the housing industry across key cross-cutting topics of sustainability, building safety, design and modern methods of construction has improved, with high levels of demand, particularly amongst local government and housing associations.

Having adapted our funds, and poised to secure approval for the new Brownfield, Infrastructure and Land programme, the Agency is confident in continuing to optimise performance and deliver on the Government's housing and regeneration agenda.

We have improved the extent to which partners agree that Homes England is effective at supporting the housing industry across key cross-cutting topics of sustainability, building safety, design and modern methods of construction.

Our suite of key performance indicators

In the 2022/23 reporting cycle we continued to monitor and track performance across our suite of key performance measures and two forward-looking indicators.

The reporting of KPI 3 – Total completions supported by Homes England Indirectly is reliant on third party datasets and was paused during the year due to reliability and availability of data.

There was the intention to report the share of supported completions which use Modern Methods of Construction (MMC) (KPI 9) and 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, however, evolved as the sector has developed at pace. As a result we have submitted a refreshed MMC strategy to HM Treasury for approval and have continued to work with industry partners to progress use of MMC on housing developments.

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Our ambition to measure the extent and type of MMC used across our portfolio has evolved as the sector has developed at pace. We submitted a refreshed MMC strategy to HM Treasury for approval and have continued to work with industry partners to progress use of MMC on housing developments.

Suite of key performance indicators

Key Performance Indicator		2022/23
KPI 1	Total Completions Directly Supported by Homes England	33,713
KPI 2	Total Completions Directly Supported by Homes England, which are Additional to the Market	21,354
KPI 3[8]	Total Completions Supported by Homes England Indirectly	N/A
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[9]	Total Economic Benefit of Homes England Programmes	£11.72bn in 2021/22
KPI 6	Total Affordable Completed Homes Supported by Homes England	23,318
KPI 7[10]	Total Households Supported into Home Ownership	27,534[11]
KPI 8	Share of Transactions with Low/Medium Volume Builders	80%
KPI 9	Share of supported completions using Modern Methods of Construction	N/A
KPI 10	Average Building for Life 12 Score for Supported Completions	9

Additional performance indicators

Key Performance Indicator		2022/23
PI 1	Total starts supported by Homes England	37,175
PIs 10&11	Total unlocked housing capacity	12,248

8 Data availability issues mean that this measure is not available.
9 This metric is evaluated a year in arrears.
10 The reporting of this indicator is subject to the publication of the official Help to Buy statistics for 2022- 2023 by the Department of Levelling Up, Housing and Communities.
11 We have also supported 9,336 households through our investment, Affordable Homes and Development programmes but which, for targeting purposes, are not included.

Evolve

We continue to deliver an important and significant programme of change. Evolve is Homes England's ambitious programme that will improve our digital services for our customers, partners, and colleagues.

Evolve will deliver shared tools and common ways of working that enable teams and directorates to work collaboratively and consistently to deliver the homes and communities of the future. As a result of revenue budget constraints in the financial year 2022/23, the Evolve portfolio is re-phasing in order to deliver the technical capabilities in a logical prioritised sequence with some elements now delivering into 2024/25.

Countering economic crime

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 Anti-Economic Crime (AEC) team. Our AEC Framework and 7 associated policies (including anti-money laundering and financial and trade sanctions) are reviewed annually and updated accordingly. All reported cases of fraud are investigated and actioned accordingly, with case progression and disposal monitored closely. Additionally, and as part of our reporting function, all cases of confirmed fraud, error or loss are escalated and reported quarterly to DLUHC, Cabinet Office and the new Public Sector Fraud Authority.

Whilst we continue with our counter fraud workshops; the AEC team has embedded a New Programme Risk Assessment (NPRA), incorporating the standard Fraud Risk Assessment, across the business to ensure that new programmes and products are reviewed at their inception and design state to identify, mitigate, and propose treatment strategies for AEC type risks. This allows us to further understand and monitor the AEC risk landscape in relation to internal and external threats and the effectiveness and adequacy of our fraud prevention controls. The NPRA identified risks are incorporated into the new "ARMS (Automated Risk Management System)" operational risk management system, to manage the AEC risk on an ongoing basis. This enhances 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 continues to be a centralised electronic function managed by AEC team. This ensures that all cases reported to AEC can be analysed, managed and where necessary investigated.

As part of our commitment to achieving greater social value benefits, we are committed to eradicating modern slavery across all our business activities and in our supply chains. In the financial year 2022/23 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 has continued, this has aided in benchmarking and endorsing our risk approach. We are proud to hold 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. The removal of COVID-19 restrictions has allowed us to concentrate on delivering external training to our panel firms and framework partners; so, we can instil the need for compliance with our policies. 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.

We continue to monitor the UK Sanctions regime against our consumers. We have completed a review exercise of overseas owned Help to Buy developers ensuring compliance with the UK's Office of Financial Sanctions Implementation's (OFSI) UK Consolidated List. We continue to ensure that internal and external due diligence providers meet the UK's OFSI sanctions regime requirements i.e., 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.

Carr Lodge, Doncaster
Image credit: Andy Tryner Photography

Market context and managing risks

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. Taking risks to fulfil public policy objectives is underpinned by the adoption of best practice in risk management. Through the proper application of our risk appetite, we recognise that this better enables us to respond to changes in the marketplace, not just in terms of meeting demand but also responding to supply side stresses.

Our governance structure provides points of escalation for risks and issues from the operational layers of the business and duly empowers 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 for 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, which assumes squeezed household finances due to high fuel and food costs and higher interest rates, which slows housing market activity. In this scenario house prices are forecast to fall by 7.1% between the quarter ended 31 March 2023 and the quarter ended 31 March 2024;
- an upside scenario, which assumes a faster fall in inflation and interest rates while investment picks up, leading to improved long term growth prospects. Housing market activity still slows in 2023/24 as the market adjusts to previous rapid price increases and the deterioration of affordability. Under this scenario house prices fall 6.7% between the quarter to 31 March 2023 and the quarter to 31 March 2024; and
- a downside scenario of persistent inflation and tighter monetary policy, which leads to an asset price crash, tighter credit conditions and a recession. This has a larger impact on housing market activity and house prices. Under this scenario house prices fall 14.6% between the quarter to 31 March 2023 and the quarter to 31 March 2024.

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 14) which considers how the valuation of this portfolio would change with movements in house prices and a further sensitivity analysis (note 15a) 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 2023.
If land prices were to decrease by 10%, it is estimated that this would result in an increase in the ECL of £4.1m (see note 15b). 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 2022/23

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 2022/23 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 18.4% from reporting date to the lowest point. For the portfolio that exists at 31 March 2023, the estimated effect would be to result in a reduction in the valuation of the portfolio from £19,130m to £14,960m, a reduction of £4,170m.

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 £125.6m 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	46.6	65.0
Central scenario	68.8	94.9
Downside scenario	87.3	125.6

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 £344.8m at 31 March 2023.

	Estimated ECL on loans measured at FVTPL using ECL percentages applied to loans measured at amortised cost (£m)	Estimated ECL on loans measured at FVTPL using ECL percentages applied to loans measured at amortised cost, assuming all assets move to Stage 2 (£m)
Upside scenario	10.8	15.1
Central scenario	16.0	22.1
Downside scenario	20.3	29.2

Land

The carrying value of the Agency's land and property portfolio at 31 March 2023 is £1,069m (net realisable value £1,382m). Subjecting this figure value to metrics for upside, central and downside scenarios, shows the land and property portfolio decreasing over the next 12 months in all cases, as below:

	Estimated value at 31 March 2024 (£m)	Base value at 31 March 2023 (£m)	Reduction since 31 March 2023 (£m)
Upside scenario	1,014	1,069	(55)
Central scenario	1,017	1,069	(52)
Downside scenario	953	1,069	(116)

Looking beyond the next 12 months, the lowest point in each of the 3 scenarios occurs in Q3 2024 in the downside scenario. In this scenario, the land and property portfolio would be valued at £922m, a decrease of £147m from the 31 March 2023 figure.

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.

Future impact of macro-economic uncertainty

We manage our performance and Key Performance Indicator 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 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 that 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 2024, 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.

Kitchener Barracks, Chatham
Image credit: TopHat Homes

Financial summary

For the financial year 2022/23, Homes England's performance against its budgetary control totals is summarised below:

Financial programme performance £m	2022/23			
	Budget	Outturn	Variance	Variance %
Capital Financial Transactions	2,261.4	2,165.6	(95.7)	(4.2%)
Capital Non Financial Transactions	1,669.3	1,649.4	(19.9)	(1.3%)
Resource	(43.6)	(70.4)	(26.8)	(61.5%)
Total Programme	**3,887.1**	**3,744.6**	**(142.5)**	**(3.5%)**

Financial performance in 2022/23

The Agency agrees its annual budgets, once approved by its Executive team and Board, with DLUHC and HM Treasury at the start of each financial year through the Main Estimates process. Any subsequent refinements are made through the Supplementary Estimates process mid-way through the year. Budgets submitted to DLUHC are accompanied with ranges to capture deliver volatility as a result of project, market or economic conditions. A number of the Agency's key programmes generate income as well as incurring expenditure. HM Treasury delegate budgets to DLUHC, and therefore onto the Agency on a net expenditure basis.

Programme budgets for 2022/23 were refreshed through Supplementary Estimates Budgets in October 2022. Due to the demand led nature of Help to Buy, revised budgets were submitted in January 2023 to reflect the latest data from housing developers. The Agency is given the opportunity to update its spend and income budgets using revised forecasts at Supplementary Estimates but corresponding delivery KPIs continue to be reported against the start of year Annual Business Plan figures.

The Agency is delegated programme and administrative budgets. Within both Programme and Administrative budgets, funding is either Capital or Resource in nature – known as CDEL or RDEL. Capital budgets are segregated further into CDEL Financial Transactions (FT) – Loans and Equity and CDEL Non-FT (or CDEL Grant) – Grants and investment in Land activities. Resource DEL refers to the expenditure incurred in the course of day-to-day business activities. This can be spend which enables CDEL spend, support to partners or which pays for the Agency's running costs, including staff salaries.

In 2022/23, against the revised post-Supplementary Estimate annual budgets, the Agency successfully deployed 97% (£4.8bn) of its total expenditure budget delegated from DLUHC and 98% (£1.1bn) of the total income forecast with a breakdown of financial performance by programme as follows.

Chart: % expenditure budget achieved

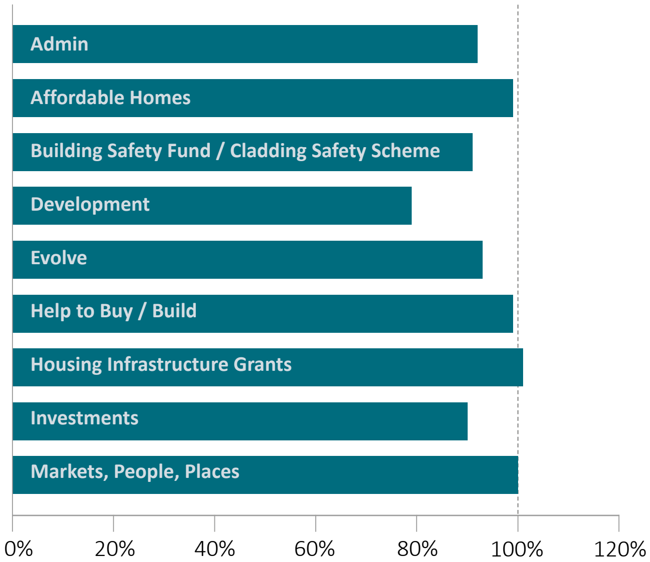
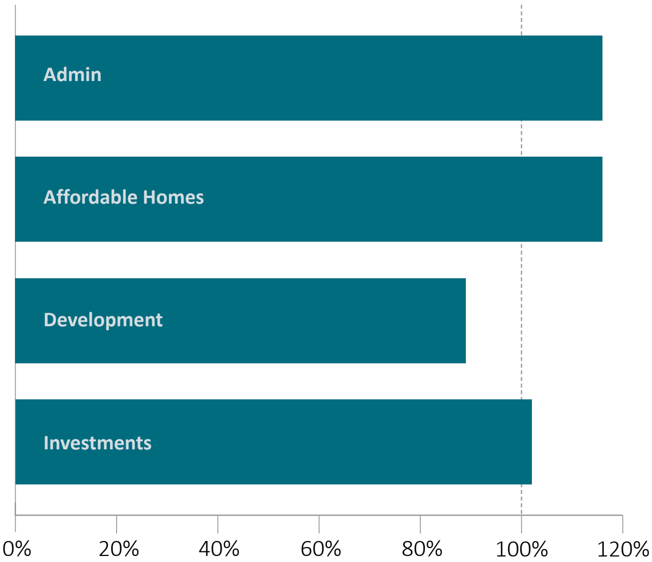


Chart: % income budget achieved



The majority of programmes saw strong financial performance against budgets, despite the economic and delivery challenges encountered in the year.

The Development programmes are managed on a net basis (expenditure less income) across all funding types including CDEL grant, CDEL FT and RDEL. A number of land disposals were delayed in the year due to planning delays and demand within the market, which resulted in reduced income. These disposals are expected to complete in the following financial year. In order to manage to an overall net budget position, land acquisition expenditure had to therefore also be managed and re-profiled into 2023/24. The mitigated net budget position overall was a £12m net underspend against the budget.

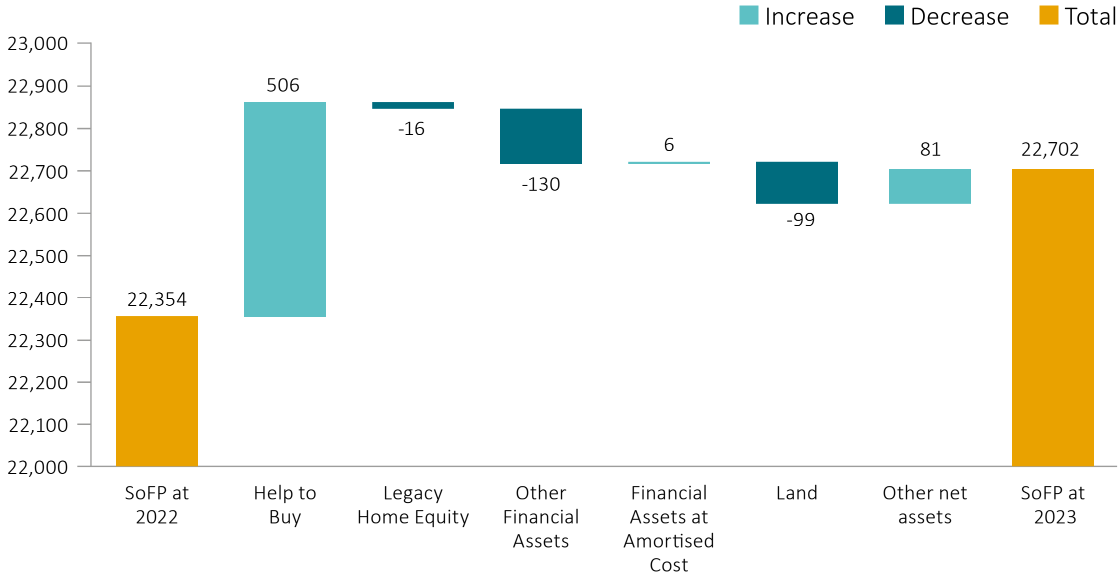
The Agency's Investments programme achieved 90% of its budget expenditure. This was driven by slippage in expenditure of £65m against budget, of which £50m related to Capital FT on the Levelling Up Home Building Fund. In the first half of the year, build cost inflation caused widespread sub-contractor failure, reduced developer margins and lowered scheme viability. As a result, borrowers shelved plans to open new sites and schemes were deferred, leading to unprecedented levels of attrition in the committed pipeline. Later in the year, market turbulence and interest rate increases compounded the situation, particularly for SMEs who were more exposed to interest rate rises and a tightening of terms and availability of development finance, as lenders became more cautious.

In March, ministers announced a moderate extension to the Help to Buy programme (to 31 May 2023) to allow potential homeowners who were unable to complete before the end of the year, to complete their home purchase. The additional period of forbearance has not significantly impacted delivery and financial spend in 2022/23.

Growth of assets in 2022/23

In 2022/23 the Agency's balance sheet continued to grow, driven mainly by a £506m valuation growth in Help to Buy, which represents 83% of net assets. This has been counteracted slightly by a decrease in both Other Financial Assets and Land, which is a result of a combination of reduced capital expenditure, increased disposals and increased impairment within the portfolio.

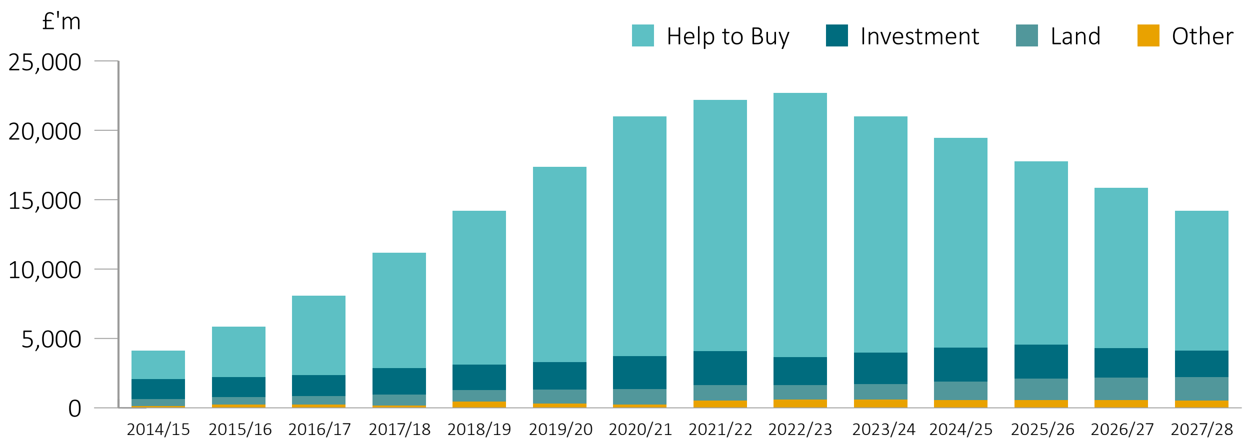
Chart: Change in net assets during 2022/23 (£m)



Projected change in net assets

Over the next five years, based on programme expenditure and income predicted in the Annual Business Plan, the Agency's net asset position is predicted to change as illustrated below, peaking at c.£23bn this year, as the Help to Buy programme closes 31 May 2023.

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



The Agency's performance has remained resilient over the last year despite the economic challenges. The Agency's Land assets are forecast to grow at a steady state, increasing by c.60% to £1.7bn over the next 5 years with Investments growth peaking at 39% in 25/26 to £3.0bn.

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

During 2022/23 the Agency utilised £113.8m (91%) of the original budget settlement of £124.8m provided by DLUHC compared to £115.4m (83%) in 2021/22.

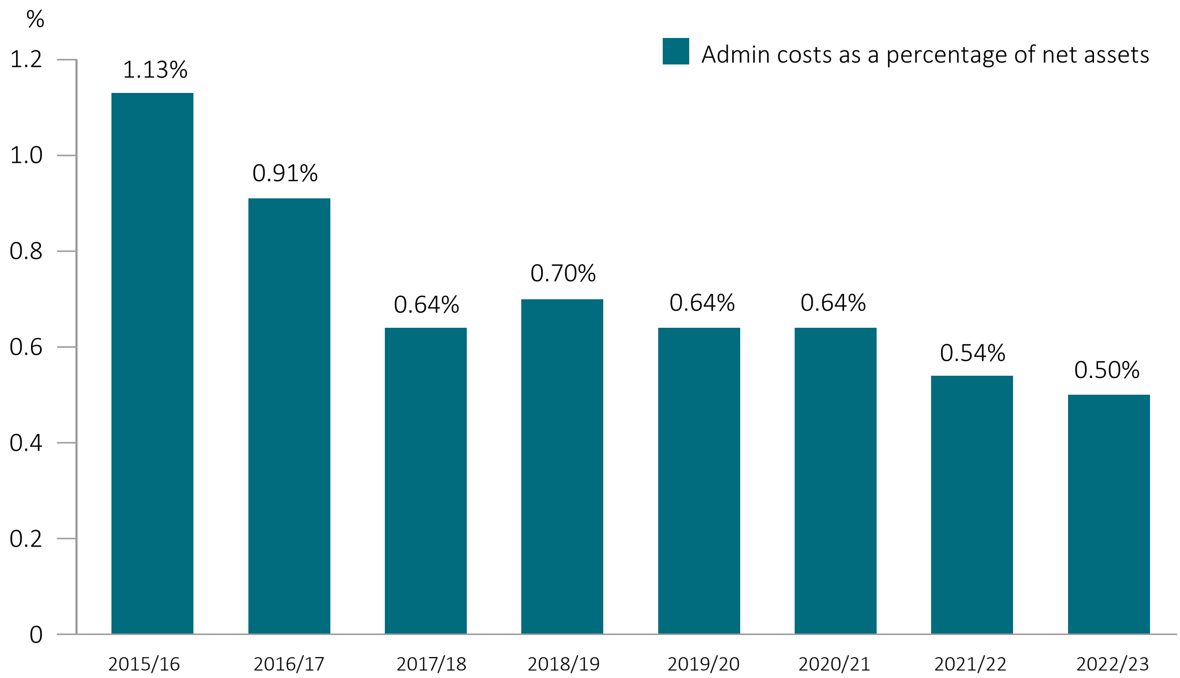
Following a reduced administrative budget allocation of £124.8m in 2022/23, £14m lower than the 2021/22 settlement, the Agency has accelerated and delivered efficiencies of £11m in long-term Admin budget requirements against a target of £5.7m and plans to deliver further efficiencies in 2023/24.

Reduced pay expenditure contributes the largest variance against the 2022/23 administrative budget as a result of high staff attrition compounded by difficulty recruiting in an extremely competitive labour market. In addition, some non-pay expenditure was delayed into 2023/24 as the Agency focused on in-year work in response to economic challenges. This has resulted in an overall Admin budget underspend of £11m (9%).

2023/24 is expected to be a transitional year for the Agency, with operating adjustments required to enable the delivery of the new strategic plan as government's housing and regeneration agency. There has been an increase in recruitment activity to bring in additional skills and resources required to support delivery of the new strategic plan. Alongside that, the Agency is continuing delivery of an ambitious change programme to realise significant efficiencies over the next few years.

The administrative costs expressed as a percentage of net assets managed were 0.50% in 2022/23, broadly similar to the prior year and significantly lower than 1.13% in 2015/16.

Chart: Change in the relationship between administrative costs and net assets



Operating expenditure

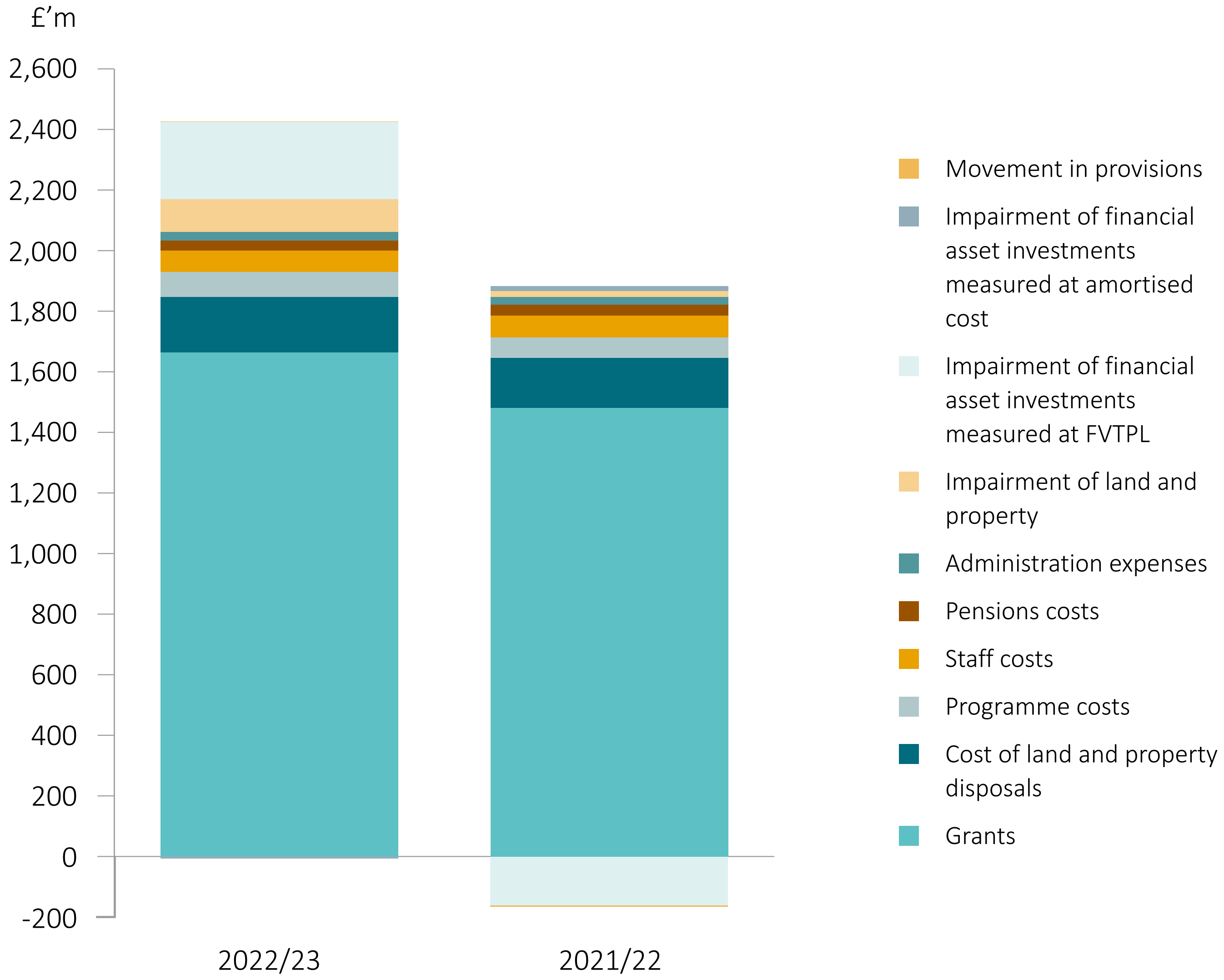
Operating Expenditure totals £2,418m in 2022/23. This is an increase of £703m (41%) from the prior year. Of this increase, impairment of financial assets measured at Fair Value Through Profit or Loss makes up £419m of the movement. This has swung from an impairment credit of £164m in 2021/22 to an impairment charge of £255m this year. Help to Buy is the biggest contributor to this difference.

£182m of the movement in operating expenditure from the prior year is due to an increase in grant spend which has risen from £1,482m in 2021/22 to £1,644m in 2022/23. This is largely due to increases across our Affordable Homes Programmes.

The impairment of land and property accounts for £88m of the increase from the prior year. This is a result of inflationary pressures, lower demand for new build homes and increases in base rates, which have all negatively impacted the valuation of land in 2022/23.

The remaining £14m is due to small movements across the remaining financial statement line items.

Chart: Analysis of the components of operating expenditure

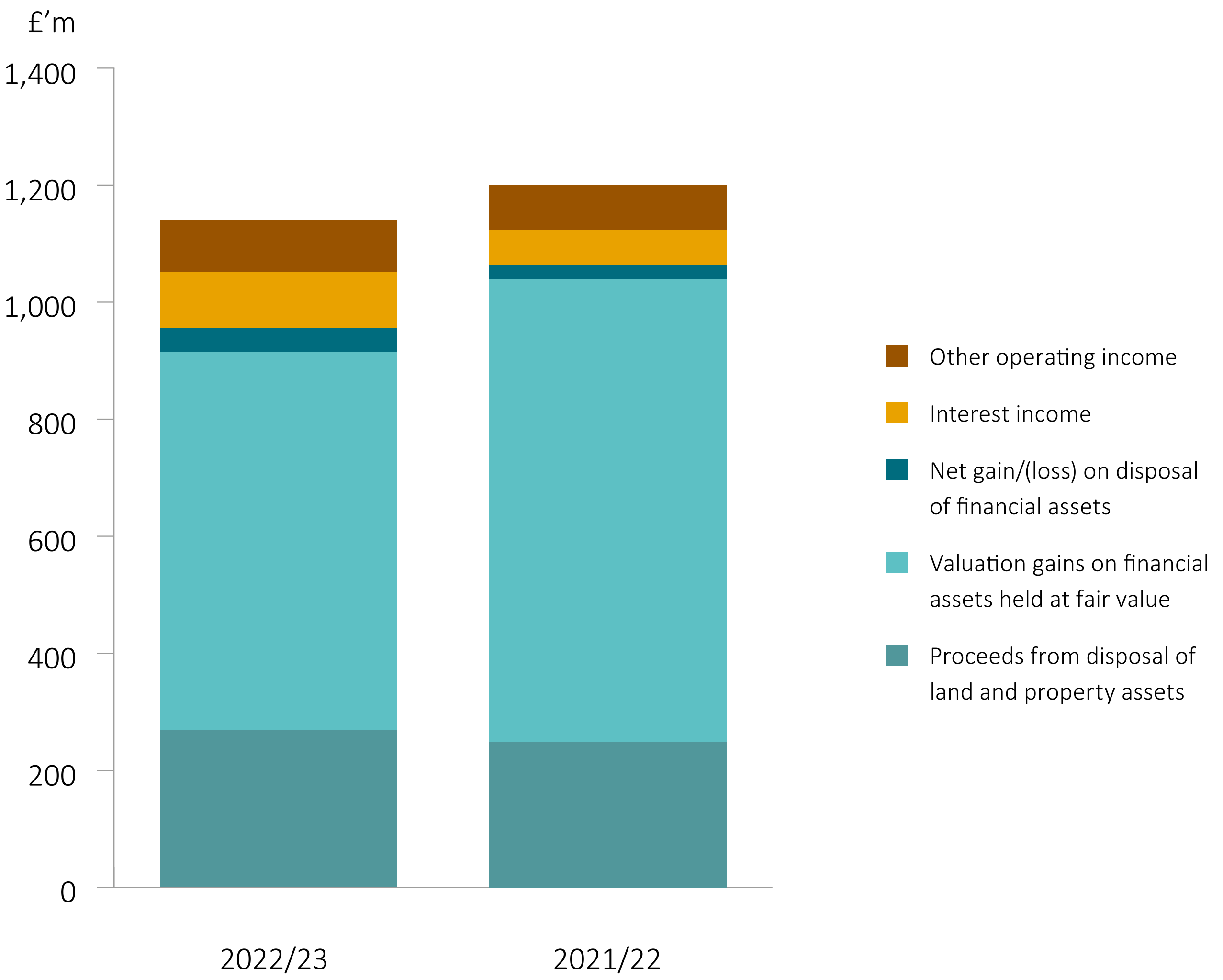


Operating income

Operating income totals £1,140m in 2022/23, a decrease of only £60m (5%) from £1,200m last year. This is a result of the movement in the valuation change of £143m being somewhat offset by slight increases in operating income across the other financial statement line items.

With interest income being the largest offset, increasing by £37m in the year. This is due to the rise in EC reference rate which results in higher interest charges on our loan portfolio where, for the most part, interest rates track the EC reference rate.

Chart: Analysis of the components of operating income



Help to Buy: Equity Loan repayment statistics[12]

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 2022/23:

		Cumulative equity loans repaid 2022/23			Cumulative equity loans repaid 2021/22		
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)**
2022/23	**26,011**	**8**	**0.4**	**0.4**	**n/a**	**n/a**	**n/a**
2021/22	32,684	**316**	**17.0**	**18.3**	16	1.2	1.2
2020/21	55,682	**3,399**	**209.0**	**226.6**	570	34.7	37.4
2019/20	51,449	**6,990**	**434.4**	**465.0**	3,316	204.2	215.5
2018/19	52,467	**13,554**	**829.6**	**883.6**	7,017	410.5	427.3
2017/18	47,587	**25,194**	**1,509.7**	**1,609.4**	13,210	766.3	797.2
2016/17	39,807	**25,261**	**1,401.4**	**1,491.6**	21,174	1,149.3	1,223.2
2015/16	33,873	**23,727**	**1,116.1**	**1,238.7**	21,797	1,020.7	1,127.9
2014/15	27,874	**21,051**	**921.2**	**1,053.9**	20,043	874.4	999.2
2013/14	19,754	**15,046**	**619.7**	**730.7**	14,382	587.0	694.8
All years	387,188	**134,546**	**7,058.5**	**7,718.2**	101,525	5,048.3	5,523.7

The repayment statistics show that between April 2013 and March 2023 a total of 387,188 households bought homes with a Help to Buy: Equity Loan. By March 2023 a total of 134,546 households (35%) had repaid their loan. The repayment statistics also show that Homes England received £7,718.2m from these 134,546 households, when the original cost of the loans was £7,058.5m.

The realised gain on disposal of £659.7m reflects the Agency's share of increases in the value of homes between the time the loan was issued and repaid.

[12] In relation to this data, and any other data within the report which refers to Help to Buy or households supported into home ownership, to achieve data currency, and in the public interest, we have used 'emerging' management information available from Homes England which will be published by DLUHC as 'final' figures as soon as possible. Published official statistics relating to Help to Buy can be found at https://www.gov.uk/government/collections/help-to-buy-equity-loan-and-newbuy-statistics

Bipin, his wife Reshma and daughter Nathalin in Barnstaple, North Devon purchased their dream home with the help of the Government’s Help to Buy: Equity Loan scheme.
Image credit: Homes England

Sustainability report

The Housing and Regeneration Act 2008 that created Homes England sets out four statutory objects, including "to contribute to the achievement of sustainable development and good design in England". We are committed to creating well-designed and sustainable places where people want to live and minimising the environmental impact of our activity while doing this.

We work in a number of different ways to achieve this. We use our land and development expertise to work with key industry bodies, such as the Future Homes Hub, to push the sustainability agenda further and drive higher standards in housebuilding. We provide funding for ground-breaking activity such as the Greenhaus development in Salford through the English Cities Fund, a public-private partnership established by Homes England, Legal & General and Muse. The scheme, which is being built to Passivhaus specification, is delivering long-term social value. We're also supporting the sector to develop commercially viable, sustainable solutions that allow our homes to contribute to combatting climate change, and we use key partnerships with registered providers to drive up sustainability standards in the Affordable Housing sector, creating better homes regardless of the tenure.

The safety and longevity of the homes we support is also a crucial part of sustainability for us, which is why we're a member of the Early Adopters Group. Over the past year we have worked with DLUHC to develop the Cladding Safety Scheme and have amended our contracts to embed the Building a Safer Future Charter in our work with partners.

Greenhaus, Salford
Image credit: The English Cities Fund / Muse Development

Sustainability leadership and governance

Homes England Board members are active in the drive towards developing ambitious sustainability targets. Sadie Morgan is a non-exec director on our Board who is dedicated to championing Sustainability and Design, and throughout 2022/23 has chaired the Cross Cutting Committee. The Committee is tasked with:

- Promoting high quality homes in well-designed places that reflect community priorities; and
- Increasing Homes England's focus on enabling sustainable homes and places, maximising their positive contribution to the natural environment and minimising their environmental impact.

The Cross Cutting Committee meets regularly to share expertise from across the industry and to review and support the Agency's ongoing work to develop sustainability quality standards, ensuring they are embedded in our activity. They work closely with our Executive Leadership Team to develop our sustainability and design agenda with a focus on increasing sustainable practices in our operations and in our decision making.

To emphasise the importance of sustainability and design to all our activities, new high-level objectives around sustainability and design quality are included in the Agency's new strategic plan, which is due to be published this year. This renewed strategic focus is in step with government housing and planning policy, most notably 'The 25 Year Environment Plan' and the Net Zero Strategy - Build Back Greener'.

Embedding sustainability and design

Over the past year we have continued to develop our approach to sustainability and design, including how to embed it throughout our culture and processes. Through exploring 'what good looks like', we have enabled colleagues from across the Agency to come together and emphasise the value and importance we will place on the delivery of sustainable, well-designed homes.

Part of this work has involved looking at the key stages in which we can integrate sustainability and design considerations into the appropriate systems and governance processes. We have also recognised the importance of engaging, empowering and inspiring colleagues through enhanced training, guidance and communication, so that they have the necessary skills to deliver our objectives.

This work has taken place in the context of the 17 UN Sustainable Development Goals, which the UK Government, along with 192 other United Nations members, committed to achieving.

A number of ambitions were set out in previous Annual Reports which have evolved along with the work we have done around sustainability over the last two years. We have refined and expanded these ambitions to include:

- Supporting partners to deliver sustainable, well-designed places through our ongoing package of learning sessions;
- Collaborating with the industry to identify innovative products and processes that speed the transition to net zero, embedding these within the market where possible;
- Providing continued building safety technical support to colleagues at the Agency, its partners and the wider industry;
- Collaborating closely with the Future Homes Hub to refine and align industry standards on carbon reporting and implement the outcomes in our day-to-day work;
- Continuing to develop design quality assessment across Development services, using Building for a Healthy Life1 as our baseline tool, and disseminating the importance of improving design quality across our activities; and

- Mobilising private capital to invest in more sustainable and better designed homes and places, through our early-stage interventions with fund partners and due diligence engagement and monitoring on strategic Environmental, Social and Governance matters.

To expand on these ambitions further, focus groups made up of colleagues with expertise in key areas were created to discuss our emerging sustainability and design outcomes. These focus groups looked at specific technical areas, such as whole life carbon and design, and have worked hard to make recommendations around how we could set high ambitions as an organisation and how we could include these in our day-to-day operations across different business areas and intervention types.

Local Government Capacity Centre

Between January and February 2023 our Local Government Capacity Centre provided 16 free webinars for attendees across all levels of local government in our Winter Learning Programme. Topics covered ranged from transport planning for carbon reduction to future proofed energy solutions.

Cladding Safety Scheme

The Homes England Building Safety Team has made significant progress on the Cladding Safety Scheme (formerly the Mid-Rise Remediation Programme) over the past year. Working collaboratively with industry experts including risk assessors, the team have developed a new system which will be hosted on gov.uk and is currently in testing stage. The new system will enable the person responsible for the external repairs of a building to apply for a grant for removal of unsafe cladding and will provide a digital platform for them to follow the application through the different stages.

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. The selected sites within the study will deliver over 1,000 new homes, using a wide spectrum of MMC technologies.

The aim of the study is to provide 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.

In 2023, the Research Commission will ‘take the pulse’ of the MMC industry through a detailed survey and an ‘MMC Industry Leaders’ half-day workshop in central London. It is anticipated that the results of this study will form the basis of an annual report produced for Homes England, plus academic research papers, presentations, and lectures led by the research team.

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 will come into effect in 2025 with the aim of reducing carbon emissions by 75-80% compared to current building regulations.

The Future Homes Standard Research Commission commenced in late 2022 with the creation of a three-year project plan, agreement of a study methodology and metrics, and the introduction of additional ‘tier 2’ and ‘tier 3’ datasets from industry developments to ensure a robust dataset.

Delivering sustainability – Case studies

Case study: Burtree Garden Village

Homes delivered: 2,200

Sustainability: retaining key biodiversity; park and village greens; integrated SUDS; active transport.

At Burtree Garden Village, Homes England has worked alongside Hellens Land Limited, as part of a Joint Venture, and Darlington Borough Council to deliver up to 2,200 homes, of which 1,600 will be built on Homes England land. Prior to Homes England's involvement, the combination of five separate landowners and significant upfront costs made the development unviable for the market to deliver.

There has been a clear objective from the beginning of the project to take a landscape-led approach to design, working with the site constraints and retaining as many of the veteran trees and hedgerows as possible. The required new link road has been designed not just to be a new section of key infrastructure but a central green spine, linking in with a new park and village greens and integrated Sustainable Drainage System features. There are also a number of walking/cycling routes for the residents to allow easy and car-free access to the park, school and public transport links.

Looking after the project's landscape for the long-term is crucial, which is why a plan has been developed alongside stewardship providers. The scheme will achieve at least 10% biodiversity net gain and is expected to go beyond, creating a new central park and a significant number of new trees, with the hope to deliver an arboretum with learning links to local schools.

Image credit: IDPartnership

Case study: Back of Ancoats

Homes delivered: 1,509

Sustainability: zero-carbon housing; sustainable travel modes; green corridor.

At the Back of Ancoats area in Manchester, grant investment of £28.1 million will address market failures and remove development constraints to unlock the delivery of 1,509 new homes, without which it would be unviable. The grant will also leverage c.£392 million in private sector investment through a range of developers, generating a gross development value of £446 million.

The project supports several Homes England objectives through: unlocking land and investment, supporting local communities, delivering home ownership and promoting high-quality sustainable design. The project is a brownfield regeneration opportunity in a currently deprived area, supporting both the levelling up agenda and Homes England's sustainability objectives.

There will be zero-carbon-ready housing delivered in accordance with government targets. On top of this, the significant infrastructure works includes the Ancoats Mobility Hub, which is designed to provide access to sustainable travel modes including cycling and walking, public transport and car clubs. It will be integrated with enhanced cycling and walking routes, including the green corridor canal towpaths and the route towards New Islington Metrolink stop. There will also be public open space, pedestrian-prioritised green streets.

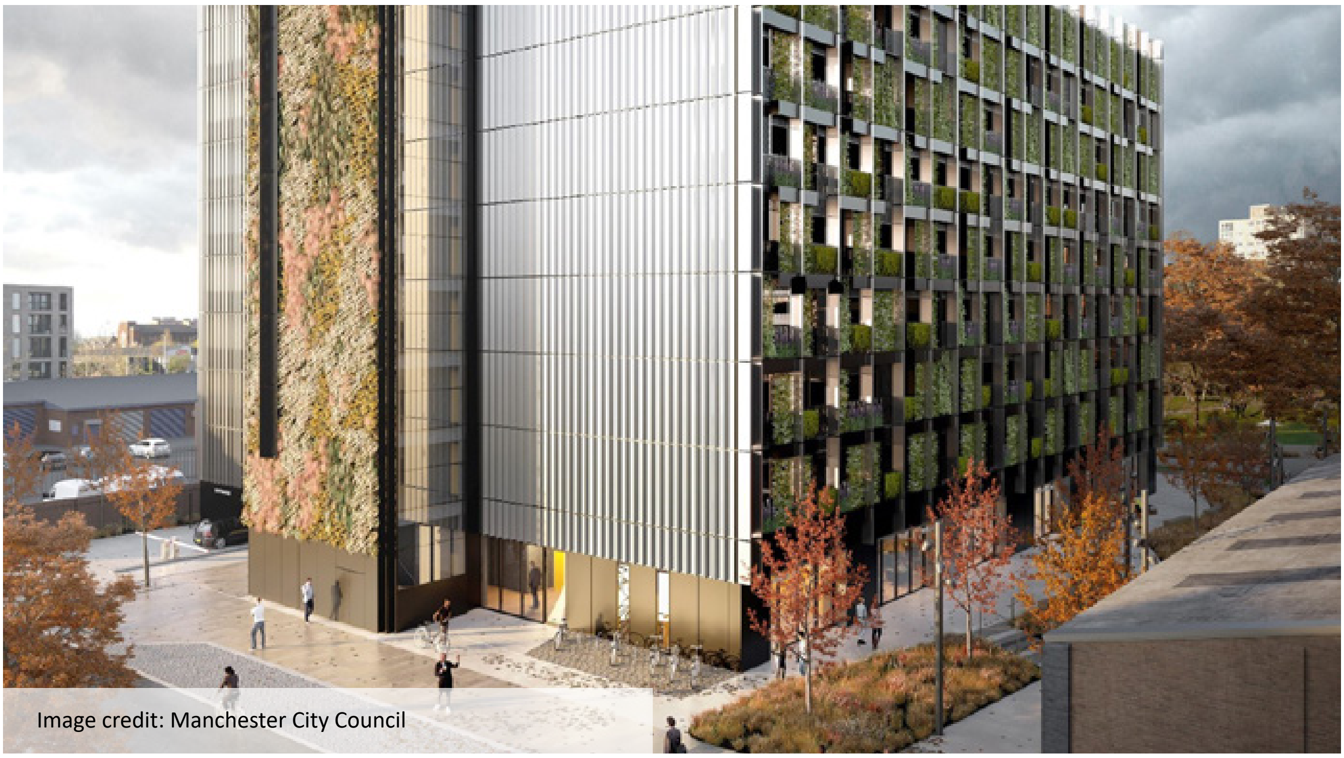


Image credit: Manchester City Council

Case study: Broadnook

Homes delivered: 14,000

Sustainability: wide, tree-lined boulevards; sports and recreation areas; parkland and woodland; active travel.

Homes England funding was required to fund a portion of the land assembly, and to unlock the delivery of the scheme by funding initial enabling infrastructure of Broadnook Garden Village, where commercial funding was not sufficient to support the level of investment necessary to unlock the first phases of development activity.

As well as presenting a major contribution to Charnwood's housing delivery target of 14,000 new homes by 2028, this aims to be an exemplar of the Garden Suburb principles through the provision of high-quality design. Through promotion and development of the site by a partnership of ambitious SME developers, we received a positive Independent Design Review from Design for Homes for the emphasis on wide tree-lined boulevards, public open spaces and large interconnected sports and recreation areas. In addition, there is provision of comprehensive green infrastructure with extensive natural open space, parkland, woodland, sports facilities and allotments throughout the Garden Village; and, Great places to live supported by a network of cycle routes and footpaths within a walkable neighbourhood.

Please note the streetscenes are an artistic interpretation of Davidsons Homes at Broadnook, therefore variations in finishes and exact layout may not be accurate. Images are for illustration purposes only.

Image credit: Davidsons Homes

Case study: Houlton

Homes delivered: 6,200

Sustainability: nature corridors; foot/cycle paths; public transport connections.

At Houlton, Rugby, we were able to unlock 6,200 homes through the provision of large site infrastructure alongside Urban and Civic and Aviva. Crucially, a flexible repayment process allowed receipts from the sale of early development parcels to be recycled into sustainability priorities prior to loan repayments commencing.

The project's sustainability emphasis is diverse with substantial achievements to date, including heritage regeneration and community wellbeing. Sustainability and placemaking have been central to the development approach. The scheme has also delivered biodiversity benefits through the creation of an extensive network of nature corridors and foot/cycle paths, which encourage the use of active travel, whilst the provision of bus services linking Houlton to Rugby and wider employment areas ensure public transport is a viable option.

Image credit: Urban & Civic

Case study: Brookleigh

Homes delivered: 3,500

Sustainability: extensive community engagement.

Homes England acquired land from several landowners at Buckley, following market failure to deliver a comprehensive delivery and place-based strategy, to deliver a new place of 3,500 homes, employment land, new leisure facilities, and additional key infrastructure, as well as green infrastructure, including an extension to Bedelands Nature Reserve.

The project highlighted the importance of community engagement to effective housing delivery, particularly through the formation of a positive working relationship with supportive local authorities (Mid Sussex District Council and West Sussex County Council). Homes England is using its Community Engagement Strategy to inform the project team's approach, encourage and inform more inclusive approaches to engagement, and support this with messaging and communications, to ensure that delivery on the ground is closely aligned with local aspirations. To capture the benefits of this approach, we will be developing and reporting on the Social Value of Brookleigh.

Image credit: Homes England

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 2021-2025 were published with new targets and a revised baseline (2017/18) against which to compare performance.

Notes

Utilities and waste data are presented for the operational offices we either directly manage (Northstowe) or those where we are tenants in a building which is not a government hub (Coventry, Liverpool and Newcastle).

Waste costs relate to Northstowe only, as all other offices include waste services under a combined service contract.

Utilities and waste volumes apportioned to non-government tenants in these offices are excluded.

Travel and paper use data is for the whole organisation.

Following a detailed review of past annual reports, several errors in the reported emissions for the years 2019/20, 2020/2021 and 2021/22 have been identified and revised to reflect those that were recorded in line with our GGCs.

The different organisation emissions are categorised by scopes 1 to 3. Those presented below are the mandatory reported scope emissions including:

- **Scope 1 emissions**, which this year includes all direct emissions from leased vehicles in the Homes England fleet. But in prior years also included direct emissions from gas used in heating our offices. The offices we now manage and for which we report utility emissions, no longer use gas.
- **Scope 2 emissions**, which comprises indirect emissions from energy use (electricity, heating and cooling) in our managed offices.
- **Scope 3 emissions**, which comprises those from business travel by public transport (domestic flights, rail, underground, taxi, bus) or in privately owned staff vehicles.

Greenhouse Gas Emissions		**2017/18 (Baseline)**	**2018/19**	**Restated 2019/20**	**Restated 2020/21**	**Restated 2021/22**	**2022/23**	**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	400.4	85.4	76.9	64.6	↓ 83% Reduction	↓ 16% Reduction	25% Reduction against baseline **Target met**
	Total Scope 2 (indirect) emissions	303.3	222.1	215.5	176.4	62.3	57.1	↓	↓	
	Total Scope 3 emissions	352.7	439.7	476.9	33.5	110.6	231.5	↓	↑	
	Total Emissions (Scope 1, 2 and 3)	1,042.8	1,010.9	1,092.8	295.3	249.8	353.2	↓ 66.1% Reduction	↑	47% Reduction against baseline **Target met**
	Domestic flight emissions	5.06	8.32	3.32	0.00	3.04	6.07	↑ 21% increase	↑	30% reduction against baseline **Target not met**
Related Energy Consumption kWh	Gas consumption	550,000	516,000	842,470	383,000	214,000	0	↓	↓	
	Electricity consumption	789,000	723,000	701,619	393,000	218,000	152,150	↓	↓	
	District heat consumption	-	-	-	-	65,685	139,018	No baseline data	↑	
Total Flights (number)	Domestic flights	95	130	246	0	60	113	↑	↑	
	International flights	-	-	-	-	42	26	No baseline data	↓	New GGC metric
Business Travel (000s of km)	Domestic flights	34	53	21	-	24	47	↑	↑	
	International flights (short haul economy)	-	-	-	-	-	24	No baseline data		New GGC metric
	International flights (long haul economy)	-	-	-	-	-	22	No baseline data		New GGC metric
	Total business travel	6,572	8,157	8,296	314	2,078	4,997	↓	↑	
	Car Travel Total (Combined fleet and private car use)	2,371	2,375	2,524	247	513	835	↓	↑	
	Total distance per full time equivalent (FTE) staff	8.0	8.0	7.9	0.2	1.5	3.6	↓	↑	
Financial Indicators (£000's)	Energy consumption	132	134	130	105	85	38	↓	↓	
	Expenditure of accredited CRC Allowances (scheme ended in 2019)	74	3	0	0	0	0	↓	↔	
	Expenditure on accredited offsets	0	0	0	0	0	0	↔	↔	
	Official business travel	1,772	2,433	3,164	437	1,052	1,169	↓	↑	

Resources Waste and Recycling		2017/18 (Baseline)	2018/19	Restated 2019/20	Restated 2020/21	Restated 2021/22	2022/23	Comparison to 2017/18 Baseline	Comparison to prior year	Target and Status
Non-financial indicators (tonnes)	Total waste generated	26.70	37.39	43.0	62.60	19.57	26.22	↓	↑	15% reduction **Target not met**
	Hazardous waste: landfill	0.03	0.02	0.00	0.00	0.00	0.00	↓	↔	
	Non-hazardous waste: landfill	1.1	0.91	1.00	3.70	0.00	0.00	↓	↔	
Non-financial indicators (tonnes)	Non-hazardous waste: incineration with energy recovery	2.74	2.53	2.00	3.90	4.00	4.00	↑	↔	
	Non-hazardous waste: recycled	16.49	32.90	40.0	55.00	16.00	22.08	↑	↑	
	Non-hazardous waste: ICT reused / recycled	6.34	1.03	0.00	0.00	0.00	0.51	↓	↑	
Non-financial indicators (%)	Recycling rate (%)	85	91	98	94	82	84	↓	↑	
	Landfill Rate %	4	2	2	6	0	0	↓	↔	
Non-financial indicators (No.)	No of A4 reams consumed	5,542	5,287	8,755	234	1,384	747	↓	↓	50% reduction against baseline **Target met**
	No. of reams per FTE staff	7.1	6.1	9.5	0.2	1.0	0.5	↓	↓	
Financial indicators (£'000)	Landfill/ Incineration	15	11	14	42	24	0.78	↓	↓	
	Recycling	9.0	18.0	29.0	19.8	19.0	5.7	↓	↓	
	Total ICT waste recycled, reused and recovered (externally)	-	-	-	-	-	3.99			New GGC metric
	Paper Procurement	19	21	26	0.96	1	3	↓	↑	
Water Consumption										
Non-financial indicators (m3)	Water consumption-supplied (none abstracted)	1,553	1,689	3,439	3,131	1,592	205	↓ 86.8% Reduction	↓	8% reduction against baseline **Target met**
	Consumption per FTE staff (HE owned offices)	4.5	4.2	4.3	3.4	1.1	0.3	↓	↓	
Financial Indicators (£'000)	Water Supply and Sewage Costs	19.0	19.0	20.0	24.0	8.0	3.9	↓	↓	

Mitigating climate change: working towards net zero by 2050

Following a return to flexible working practices after the pandemic, we have noted a 42% increase in total greenhouse gas emissions compared to last year. This year's emissions are 66% less than the 2017/18 baseline which exceeds the target of a 47% reduction.

Our energy usage in the Agency's office space was also reduced in comparison to the previous year and baseline year by 41% and 78% respectively. This reduction in consumption is reflected in the performance of our offices such as The Lumen, Newcastle. Where for the month of February 2023, we recorded the lowest carbon footprint per square foot of all the tenants in the building.

Waste management

Despite staff numbers nearly doubling from 785 in 2017/18 to 1,415 in 2022/23 we have managed to achieve a 1.8% reduction in waste compared to this baseline year. 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 84%. We have met the GGC sub targets to reduce waste to landfill to less than 5% of waste produced and recycle at least 70% of waste produced.

Finite resource consumption: water

We have met the commitment to reduce overall water consumption by 8% against the 2017/18 baseline; and achieved a decrease of 87%. This has been achieved through a combination of moving offices with water saving devices and water saving initiatives such as changing zip tap sensors to push buttons in refurbished offices to improve the efficient use of water for hot drinks.

Finite resources consumption: paper

Against the 2017/18 baseline we have reduced paper consumption by 87% 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.

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

Business travel

Overall, our total distance travelled for business purposes remains below the baseline year of 2017/18, but shows an increase compared the distance travelled last year. This increase is primarily as a result of the relaxation of COVID-19 restrictions.

This year we have monitored the distance travelled on international flights as well as those on domestic flights. In 2022/23 there were two international travel business trips: a research-oriented visit to Tokyo, Japan and attendance by a small delegation to the annual MIPIM conference in Nice, France. Our domestic flight travel has increased this year compared to last year and the baseline year in 2017/18 by 99% and 21% respectively. Taken overall, we have not met the GGC sub target to reduce emissions from flights by 30% from the 2017/18.

Performance against 2017/18 Headline GGC targets

Greenhouse gas emissions

Target 47% reduction

CO_2

We achieved
66%
reduction

Water consumption

Target 8% reduction

We achieved
87%
reduction

Waste management

Target overall 15% waste reduction

We recorded
1.8%
reduction

Target reduce paper use by 50%

We achieved
87%
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.

Homes England now requires that any new contract which it tenders that exceeds £5million includes a carbon reduction plan for the scope of works outlined in the contract.

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.

Our Delivery Partner Dynamic Purchasing System Framework was revised in September 2021 and provides a platform through which developers can bid to acquire our land. The updated qualification process for this framework now requires prospective developers to demonstrate a commitment to environmental protection in their operations through ISO 14001 accreditation or equivalent environmental management systems. Furthermore, at the tender stage for sites, sustainability is a key part of the technical scoring criteria of prospective bids.

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 (BNG)

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 November 2023, preparing and refreshing guidance, briefing staff and raising awareness.

As part of the development of the updated Homes England strategic plan a Key Performance Indicator (KPI) has been established for BNG. This KPI will be used to monitor BNG on all development sites brought forward by the Agency. In support of the new KPI, a process for recording and tracking BNG delivery is being developed which will be implemented in the coming year. This will form part of the Agency's Nature Recovery Plan which is planned to be developed in the coming year.

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 ecological improvement works in more detail has now been undertaken for the most promising sites, which is now being used to inform their future use or disposal strategy.

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. Homes England staff now embrace flexible working, and many split their week between home and office working. As a result, we have witnessed huge reductions in carbon and air pollution from reduced commuting since the 2017/18 baseline year 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. 73% 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 increasing our percentage of 100% ULEV during 2023 and 2024, and meeting the Government ambition of being fully electric by December 2027.

Environmental incidents

There were no significant environmental incidents on Homes England operated estates in this financial year. Six minor environmental incidents were reported that included contractor incidents relating to waste management, surface water management, minor pollution incidents and vegetation management.

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 during the pre-order stage. This allows them to make informed procurement choices and select 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 has reduced from 72,000 items last year to 28,000 items this year. Homes England, as an employer, through our general duties under Health & Safety legislation to reduce the risk of transmission in relation to COVID-19, had previously provided coffee and tea products throughout the office environment in sachet format. Now that COVID-19 restrictions have eased, the remaining stock of these items continues to be utilised but will no longer be procured going forward and substituted with single drums of loose coffee and tea bags in containers. 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.

To increase our efforts in making a move to more sustainable stationery 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.

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 staffed by facility managers 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.

Climate change and adaptation

We have limited scope to change the approach to managing our offices as we are primarily located in Government Hubs or offices managed by third party landlords. At the Agency owned office in Northstowe we have taken measures to improve water efficiency through upgrades to an automated irrigation system to reduce water loss. Our intention is to develop a climate change adaptation strategy in the coming year. This will be developed as part of our sustainability implementation plan.

Forward look

This coming year we will be reinvigorating our network of sustainability champions to promote better behaviours in our offices around travel, resource use and waste. We also plan to initiate work on our nature recovery plan and climate change adaption strategy.

The Performance report is signed on 13 July 2023

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Peter Denton
Chief Executive and Accounting Officer

Houlton, Rugby
Image credit: Urban & Civic plc

3 The Accountability report

The Accountability report sets out how we meet the key accountability requirements to Parliament.

It is broken down into three areas:

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

Contents:

Corporate Governance report

We keep our Board and Committee structures under review to ensure they remain robust and meet the increasing demands of our agile and delivery focused organisation.

Board and committee performance

We are committed to ensuring that our Board and its committees keep their own performance under review and, as necessary, are continually improving. We also support our Board members by offering training and development and annual personal appraisal. These steps help us to ensure our governance is as strong as it can be – supporting the Agency to make the best decisions.

The Board started the 2022/23 financial year with a new committee structure, in response to the significant growth in the complexity of the Agency's remit and size of its balance sheet in 2021/22. This revised structure has now been in place for a year and a further review is imminent, to ensure that the new structure is working as intended and remains effective and in line with the principles of continuous improvement.

Three new Board members were recruited in 2022, a skills audit in March 2022 verified that our Board members had the skills necessary to ensure our governance was effective. These newer members are now fully integrated into the Board and the independent technical experts add valuable additional experience to our decision making through the Cross Cutting Committee. As things move on in 2023/24 we are again seeking new Board members, and we will ensure during the recruitment process that our Board will continue to demonstrate a diversity of skills, knowledge and experience in its membership to support the best decision making.

The Agency values its Board Members, and it asks a lot of them. Through our Board and Committee structures, all Board members have the opportunity to fully engage and support the Agency to navigate complexity and lead our decision making.

Additional responsibilities and impact

The Board has invested considerable time in 2022/23 devising a new strategic plan that will enable it to deliver the Government's aspirations as set out in the Levelling Up White Paper. The Board has also overseen the Agency's response to the slowdown in the housing market that prevailed throughout the year.

This governance report

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:

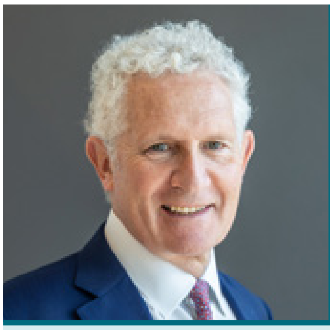
- Board Members' report;
- Statement of Accounting Officer's responsibilities; and
- Governance statement.

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.

In addition to our Non-Executive Board Members, the Secretary of State has appointed the Agency's Chief Executive and Accounting Officer (Peter Denton) and a shareholder Representative (Melanie Montanari and Emma Fraser, a job-share appointment) to the Board. The Agency works closely with our sponsor department, DLUHC, to ensure the delivery of our strategic objectives on behalf of government:



Peter Freeman CBE
Board Member
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 Brindley Place 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
Board Member
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 29 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 sectors.

In addition, Peter has held senior EMEA real estate investment banking roles at BNP Pariba, Barclays, Deutsche Bank, Eurohypo and WestImmo. Peter is also a member of the Urban Land Institute UK Executive Committee, 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.

Councillor Baroness O'Neill of Bexley, OBE
Board Member

Councillor Baroness 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.

Appointed to the House of Lords on 7 November 2022, Councillor Baroness O'Neill resigned from the Board with effect from 03 March 2023.

Duncan Sutherland
Board Member

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 served on the Capital Investment Advisory Board in the Government's Department of International Trade.

Duncan also Chairs Southbank Sinfonia @ St John's Smith Square.

Pat Ritchie CBE
Board Member

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 £50 million 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.

Stephen Bell
Board Member
Chair of Audit, Assurance & Enterprise Risk Committee

Stephen has substantial experience in real estate, financial services, and restructuring. He has been involved in property finance, consumer and commercial lending, and specialist banking. He has held numerous C-Suite and Board roles for a broad range of institutions going through periods of transformation and growth. Stephen is a Certified Director and a Fellow of the Institute of Directors.

Stephen is the Whistleblowing Champion on our Board.

Vanessa Murden
Board Member
Chair of Nominations and Remuneration Committee
Chair of Change Committee

Vanessa has extensive senior executive expertise within the financial service industry, including Travelex, American Express, Lloyds Banking Group and most recently as Group Chief Operating Officer for M&G.

Sadie Morgan OBE
Board Member
Chair of Cross Cutting Committee

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.

Sadie is the Design & Sustainability Champion on our Board.

Mark Rennison
Board Member
Senior Independent Director
Chair of Investment Committee
Chair of Home Ownership Committee

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
Board Member

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.

Lesley-Ann is the Equality and Diversity Champion on our Board and is also non-executive Board Champion for compliance by Board members with the Gifts and Hospitality provisions of our Code of Conduct.

Mark Henderson
Board Member

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, 2016 and 2021.

Mark is currently a Non-Executive Director and trustee of Whiteley Village Trust. He previously ran his own business before joining Home Group, before that he worked with the Regional Development Agency as Operations Director and had held a variety of regeneration and economic development jobs across the country, 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
Board Member

Lord Ian 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. Ian 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, he served as the Minister for Housing and Planning and Minister for the West Midlands and 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.

Melanie Montanari
Board Member Shareholder Representative (appointed on a job-share basis in October 2022)

Emma Fraser
Board Member Shareholder Representative (appointed on a job-share basis in October 2022)

Melanie Montanari is currently co-director for Housing Markets and Strategy, in a job-share with Emma Fraser. Prior to her current role, she was responsible for Homelessness and Rough Sleeping policy at DLUHC.

Before joining DLUHC, Melanie spent 15 years at HM Treasury in a range of public spending and public policy roles, including as Head of Personal Tax leading major reforms to IR35, the landlord tax system and the 'non-dom' regime. She had responsibility for general expenditure policy, leading on Spending Review preparations, and on welfare and labour market policy, including introducing the national living wage and leading for the Chancellor on major reforms to the benefit system. Melanie also worked as Speechwriter and Private Secretary to the Chancellor of the Exchequer, George Osborne.

Emma Fraser is a civil servant with extensive experience of working across a range of housing policy issues, currently co-director for Housing Markets and Strategy in a job-share with Melanie Montanari. Prior to her current role, she was a finance director leading Spending Review 2019 and business planning for the Home Office, and previously headed the transport spending team in HM Treasury. She has also worked on health and social care policy at the Department for Health and Social Care and on energy efficiency financing and policy for the Department for Energy and Climate Change.

Andy Hobart
Board Member Shareholder Representative until September 2022

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.

Responsibilities

Our Board is specifically responsible for:

- Overall governance, including preservation of the reputation of the Agency;
- Our 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, Assurance and Enterprise Risk Committee;
- Considering property, litigation, legal and other corporate issues; and
- 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 led by the Chair, Peter Freeman. It is comprised of Non-Executive members and the Chief Executive, Peter Denton. There is also a Shareholder Representative Board Member, a role filled by Emma Fraser and Melanie Montanari.

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, and members who served throughout the year is detailed in our Board Members' report.

How the Board spent its time

The Board oversees the performance of the full range of the Agency's activities, driving delivery in a fast-changing market. Economic factors, principally inflationary pressure, have had considerable impact on our delivery partners and key stakeholders. It is important that our Board gets the information necessary to support effective decision-making on the critical activities the Agency can progress, within its budget, to make progress towards achieving its strategic goals.

The Board receives and reviews monthly performance information, scored against corporate targets and relating to the management and performance of the Agency. This data is published on a bi-annual basis in accordance with the Office for National Statistics (ONS) Code of Practice for Official Statistics.

The Board and Audit, Assurance and Enterprise Risk Committee receive, monitor, and assess emerging risks from the Agency – both internally and externally.

Board forward look

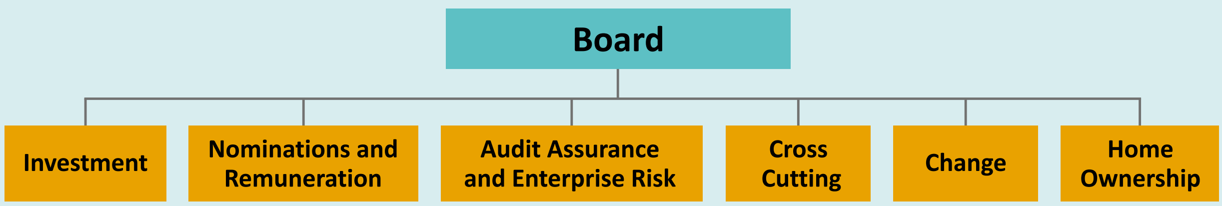
The Levelling Up White Paper[13] places levelling up and social justice at the heart of government's housing and regeneration policy and, while supply remains important, there will be a renewed focus on placemaking. These policy directions mean a renewed focus on the Agency's regeneration objectives and, having worked in 2022/23 to develop a strategic plan that moves the Agency in this direction; in 2023/24 the Board will be focused on overseeing and directing the changes needed to deliver them, both through internal operational changes and by re-focusing its broad suite of different programmes.

Homes England committees

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

In 2022 the Board agreed the 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 its Cross Cutting objectives and delivery of the Agency's Change programme. A review of the effectiveness of these arrangements is planned for the new financial year.

Board and Committees at 31 March 2023



Investment Committee

The Investment Committee considers new development and investment proposals, and reviews business cases, in support of new development projects, 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.

The Committee submitted key project approvals outside Homes England's delegation to DLUHC and HMT and agreed a new process for Progress Against Plan Reporting for these key projects going forward, and for those projects for which there are periodic reporting requirements as part of the approval conditions from HMT or DLUHC.

During the year, in addition, the committee reset the parameters of business cases and investment periods for the Housing Infrastructure Fund, Home Building Fund – Infrastructure Loans and the Levelling Up Home Building Fund, to ensure the continued delivery of affordable homes

[13] Command Paper 604: 2 February 2022.

in a challenging market. The business case for the Brownfield, Infrastructure and Land Fund programme also came to the committee for review as it was under development.

The Committee also recommended changes to the 2021-26 Affordable Homes Programme, changing tenure profiles, and extending longstop and funding deployment dates to protect the delivery of affordable housing starts and completions.

The committee's portfolio monitoring activities included regular reviews of the equity portfolio, including fund deep dives and overviews of the Government guarantees portfolio on behalf of the Secretary of State. The committee also reviewed the actions taken in response to the economic downturn, including waivers and flexibilities afforded to construction partners and developers due to delays in both completions and sales, and overseeing the Agency's response to projects in distressed positions.

The members of the Investment Committee as of 31 March 2023 were Mark Rennison (Chair); Peter Freeman; Duncan Sutherland; Sadie Morgan; Pat Ritchie; Diarmid Swainson (Shareholder Representative); Peter Denton, Chief Executive Officer; Harry Swales, Chief Investments Officer; Barry Cummins, Interim Chief Land and Development Officer; Mike Palin, Executive Director MPP and Lynda McMullan, Chief Finance Officer.

Nominations and Remuneration Committee

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 development of a new People & Culture Strategy; and
- Overseeing reform of the Homes England Pension Scheme.

The members of the Nominations and Remuneration Committee as of 31 March 2023 were Vanessa Murden (Chair); Stephen Bell; Duncan Sutherland; Lesley-Ann Nash; Melanie Montanari (Shareholder Representative); and Peter Freeman.

Audit, Assurance and Enterprise Risk Committee (AAERC)

This Committee supports the Accounting Officer and Board in their responsibilities for risk control, governance, audit, financial stewardship and financial and statutory reporting. It reviews the comprehensiveness of assurance and reporting processes, consistent with the Accounting Officer's assurance needs.

A significant part of the Committee's work this year has been on continuing improvement to the overarching Control Environment Improvement Programme. The three themes identified for 2022/23 were Project Management, Contract Management and Organisational Compliance.

AAERC has also been overseeing the continuing activity led by Risk to move forward organisational thinking and application of the three lines of defence.

The members of Audit, Assurance and Enterprise Risk Committee as of 31 March 2023 were Stephen Bell (Chair); Mark Rennison; Mark Henderson; Lesley-Ann Nash; and Vanessa Murden. Baroness O'Neill left the Board on 03 March 2023 but attended AAERC throughout the year prior to her departure.

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, and has been working to find ways to assess these outcomes, promote them across the sector, and embed them into the Agency's programmes.

The members of Cross Cutting Committee as of 31 March 2023 were Sadie Morgan (Chair); Mark Henderson; and Ian Austin. The committee is also supported by a number of independent experts, who provide a broad range of specialist expertise and experience from across the sector.

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 members of Change Committee as of 31 March 2023 were Vanessa Murden (Chair); Duncan Sutherland; Mark Rennison; Melanie Montanari (Shareholder Representative); and Pat Ritchie.

Home Ownership Committee

The Home Ownership Committee supports the Board in fulfilling its responsibility for reviewing the delivery and operational performance assurance from the Executive of the various home ownership programmes/funds and housing cladding remediation programmes.

Much of the committee's time in 2022/23 has been taken up with overseeing the development of the Cladding Safety scheme for mid-rise buildings, and the new First Homes scheme. The Committee has also overseen the closure of the Help to Buy scheme to new business, and management of the Help to Buy portfolio, which will continue until all loans are repaid.

The members of Home Ownership Committee as of 31 March 2023 were Mark Rennison (Chair), Mark Henderson, Ian Austin, and Emma Fraser/ Melanie Montanari (Shareholder representative).

Board and Committee attendance 2022/23

Name	Board	Audit Assurance & Enterprise Risk Committee	Change Committee	Cross Cutting Committee	Nominations and Remuneration Committee	Home Ownership	Investment Committee
Ian Austin	8/10			4/5		3/5	
Stephen Bell	9/10	(Chair) 6/6			4/4		
Peter Denton (CEO and AO)	10/10						9/11
Emma Fraser/ Melanie Montanari[14]	6/6		2/3		1/2	3/3	
Peter Freeman (Chair)	9/10			4/5	3/4		11/11
Mark Henderson	9/10	5/6		4/5		5/5	
Andy Hobart[15]	5/5	1/2	1/2		2/2		5/6
Sadie Morgan	8/10			(Chair) 4/5			6/11
Vanessa Murden	10/10	6/6	(Chair) 5/5		(Chair) 4/4		
Lesley-Ann Nash	8/10	4/6			4/4		
Teresa O'Neill	8/9	4/6				4/5	
Mark Rennison (Senior Independent Director)	10/10	4/6	5/5			(Chair) 5/5	(Chair) 11/11
Pat Ritchie	10/10		3/4				6/11
Duncan Sutherland	9/10		4/5		2/4		10/11
Meetings	**10**	**6**	**5**	**5**	**4**	**5**	**11**

[14] Melanie Montanari and Emma Fraser joined the Board in October 2022.
[15] Andy Hobart left the Board in September 2022.

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. Any sensitive interests are managed through an Ethics group, which is accountable to the Audit Assurance and Enterprise Risk Committee.

We also have a policy in place for Board Members, which is contained in their Code of Conduct, and based on Cabinet Office guidelines. Members must declare interests at any meeting and withdraw from a meeting before discussion of any matter in which they have an interest.

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 Board 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 is published at: www.gov.uk/government/publications/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 2022/23, there were no personal data breaches that met the threshold for mandatory reporting. Neither has Homes England voluntarily reported any breach to the Information Commissioner's Office.

The Executive leadership team (ELT)

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 2023 the Executive comprised of:

- Peter Denton, Chief Executive and Accounting Officer
- Lynda McMullan, Chief Finance Officer
- Mike Palin, Executive Director of Markets, Partners & Places
- Harry Swales, Chief Investments Officer
- Barry Cummins, Interim Chief Land and Development Officer
- Adrian Tucker, Chief Digital and Data Officer (from 1 July 2022)
- Kirsty Shaw, Chief Operating Officer (from 5 September 2022)
- Ian Workman, Chief Customer Officer (from 14 November 2022)

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. Peter is a Board Member of Homes England and his full biography appears in the Board section above.

Lynda McMullan
Chief Finance Officer and Executive Director, Corporate Resources

Lynda has been with Homes England since July 2019. As well as being the Chief Finance Officer, she manages the Corporate Resources Directorate which currently consists of: Finance, General Counsel's Office, Commercial and Internal Audit. Prior to this, Lynda worked for 5 years on the Metropolitan Police Service Executive Board, leading a wide range of support functions, responsible for successfully delivering significant transformational change and financial savings. Lynda's experience includes a year overseeing the service from within the Greater London Authority and 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. Lynda also served 20 years in local government, latterly in Chief Finance Officer roles.

Mike Palin
Executive Director of Markets, Partners and Places (MPP)

Mike Palin is the 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 and 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 £0.5bn 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.

Harry Swales
Chief Investment Officer

Harry has been with Homes England since 2015 and is the Chief Investment Officer. Harry has over 20 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.

Barry Cummins
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 has detailed knowledge of land assembly and acquisition and has wide experience if all aspects of the sector having successfully created several new regional operating companies.

Adrian Tucker
Chief Digital and Data Officer

Adrian Tucker joined Homes England in July 2021 and joined ELT in July 2022 as the Chief Digital and Data Officer. As part of this, he also has Executive responsibility for the Agency's Evolve programme, which seeks to evolve the Homes England digital services landscape. Adrian has 25 years of technology experience in both the private and public sectors, having held senior technology roles at the Department for Education and the Ministry of Defence, as well as Arcadia and Boots in the retail market and T-Mobile (now EE) and Vodafone in the Telco market.

During his time at the Department for Education, Adrian led an ambitious transformation programme over an 18-month period, ensuring the Department and its agencies were a modern leading-edge technology and predominately cloud based.

Kirsty Shaw
Chief Operations Officer

Kirsty joined Homes England in September 2022. She is Homes England's first Chief Operating Officer. She previously held the role of Chief Operating Officer at the Care Quality Commission, where she was responsible for a complex portfolio of policy, digital and organisational change, transforming the Commission into a flexible and insight-driven regulator. Kirsty has worked across a number of government departments leading complex operations and delivering organisational wide transformation programmes.

At Homes England Kirsty's focus is on unlocking operational effectiveness and supporting ELT with the continued commercialisation of corporate functions. This will all ensure that the Agency is appropriately organised and structured to deliver our objectives.

Ian Workman
Chief Customer Officer

Ian joined Homes England as Interim Chief Customer Officer in November 2022, having worked for over 30 years in the banking industry. He spent much of his career at Barclays in both Retail and Commercial Banking and was most recently the Managing Director for SME/Business Banking Relationships for the UK.

Since leaving Barclays, Ian has worked with Recognise Bank – a challenger Bank. He joins Homes England from the Yorkshire Building Society, where he was the Interim Strategy Lead for YBS Commercial Mortgages.

In addition to the above, the following served on the leadership team throughout the year:

- Mike Wiltshire as Director for Strategy, Research, Analysis and Sponsorship.
- Dominic Gorton was Interim Chief Risk Officer to 31 December 2022.
- Richard Collins as Interim Chief Risk Officer since 31 January 2023.

Mike Wiltshire
Director Strategy, Research, Analysis and Sponsorship

Mike joined Homes England in 2018 and leads the Strategy, Research, Analysis and Sponsorship Unit which focuses on: cross-agency strategy development; the Agency's research, economics and analysis portfolio – headed up by Homes England's Chief Economist; market engagement; and Homes England's Government Sponsorship function.

Prior to joining Homes England Mike was a civil servant in Cabinet Office, DLUHC and the Department for Business, Energy and Industrial Strategy. Where he led work to devolve power to city-regions and drive local growth. This included: the establishment of elected city-region mayors; the negotiation and implementation of devolution/growth/city deals across England, Scotland and Wales; and leading work to drive housing-led growth in the Oxford-Milton Keynes-Cambridge corridor.

Before joining the civil service Mike worked in local government for over ten years across London, South East England and South West England.

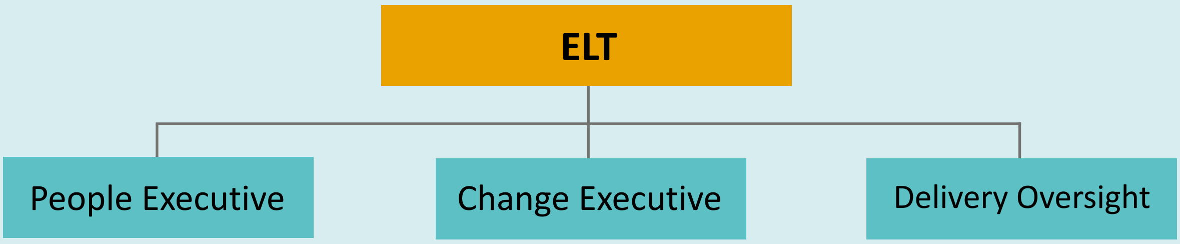
Richard Collins
Interim Chief Risk Officer

Richard has over 25 years experience in the Risk and Control sector, working both in the UK and across the world. He's spent the majority of his career working in the financial sectors for Barclays, Royal Bank of Scotland and UBS, with more recent years spent closer to infrastructure and development finance investments with CDC (now British International Investment) and Macquarie Group. Richard has a strong track record in leading readiness and remediation change and upskilling risk performance, as well as driving the right risk culture within organisations.

Dominic Gorton
Interim Chief Risk Officer until 31 December 2022

Dominic enjoyed a long career with HSBC, including a period of being seconded as Chief Risk Officer with the Homes & Communities Agency, predecessor to Homes England, from 2014-2017. He retired from HSBC in 2019, and in 2022 he kindly agreed to fill in at Homes England as Interim Chief Risk Officer until the end of the year.

ELT structure



The ELT is supported by three executive groups:

- People Executive;
- Change Executive; and
- Delivery Oversight.

People Executive overseas all human resource policy issues.

Change Executive monitors the Agency's programme of change projects.

Delivery Oversight considers the most significant projects at concept stage and, if outside the Agency's delegation, will consider the full business case before it is submitted to the Investment Committee and, if approved, to DLUHC and HM Treasury for consent to make the investment.

These three Executive groups are mapped to the Board Committees:

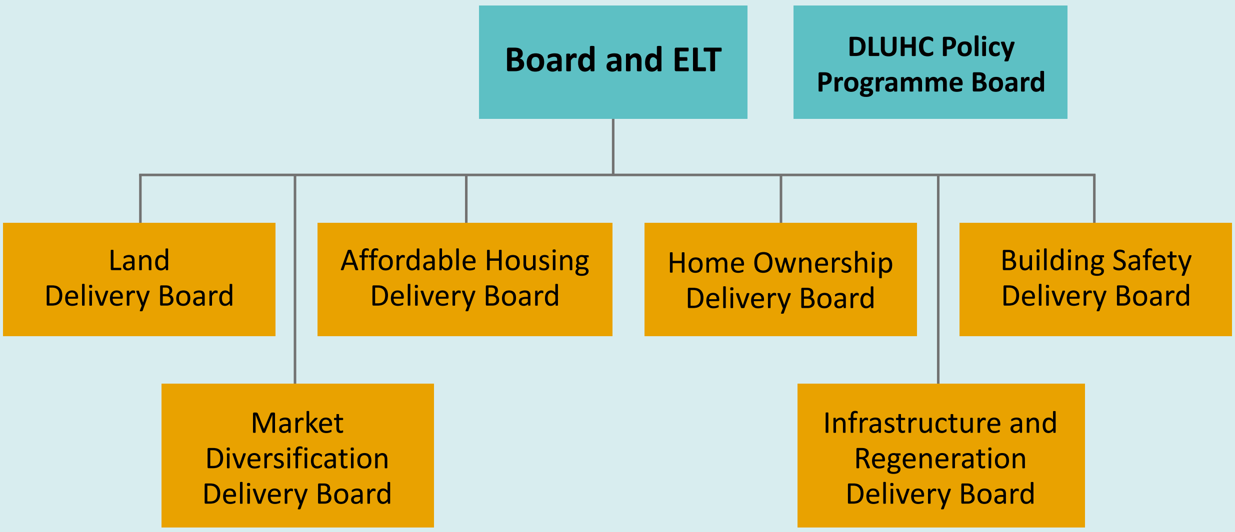
- **People Executive** to Nominations and Remuneration Committee;
- **Change Executive** to Change Committee; and
- **Delivery Oversight** provides assurance on programmes and portfolio delivery to the Investment Committee and assurance on policy matters to the Cross Cutting Committee.

The Executive Leadership team meeting retains responsibility for delivery and assurance to Board of the strategic plan objectives, risk, budget and performance reporting.

As with all of the Agency's governance structures, these arrangements are reviewed regularly to ensure they continue to meet the needs of the Agency.

Delivery Board structure

There are six Delivery Boards that support the policy delivery partnership model agreed with DLUHC, covering Market Diversification, Affordable Housing, Home Ownership, Infrastructure and Regeneration, Land and Building Safety. 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.



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 2022/23 was £575,000 (2021/22: £435,000).

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.

Public Accounts Committee (PAC)

The Public Accounts Committee examines the value for money of government projects, programmes and service delivery. Drawing on the work of the National Audit Office, the Committee holds government officials to account for the economy, efficiency and effectiveness of public spending.

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.

In 2022/23 Homes England participated in the Committee's inquiry on the Affordable Homes Programme since 2015, appearing at an evidence session in Parliament in September 2022. The Committee's inquiry followed a value for money study carried out by the National Audit Office into the Affordable Homes Programme, in which Homes England provided evidence alongside DLUHC and the Greater London Authority.

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 as Accounting 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.

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 Framework Document in place during this reporting period was published in November 2018. Work was undertaken during this reporting period to update the Framework Document, including to reflect change in governance structures and the new strategic plan. This revised version was subsequently approved and published but beyond the period covered by this report.

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

Risk culture

Our risk culture aligns to the Homes England Way to reflect our shared values and focus on our collective behaviour. Ongoing development to Homes England's stated cultural aims through the work of the Shadow Board will continue to inform and be part of the evolution of our Risk Management Framework.

Every employee has a responsibility to manage risk in their respective role. This is supported through performance management. 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.

Enhancing risk engagement has been a key part of this year's risk management approach, through the delivery of an Automated Risk Management System and improvements to risk collateral available to all colleagues via the Control Enhancement Improvement Plan.

Risk management framework

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:

- risk identification and assessment to determine and prioritise how the risks should be managed;
- the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;
- the design and operation of integrated, insightful, and informative risk monitoring; and
- 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:

- **The First Line** refers to all staff responsible for identifying, assessing, managing, and owning the risks in their respective business areas and support functions.
- **The Second Line** 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.
- **The Third Line** 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 as described have been in place for the full financial year and remain in place at the date of the accounts, unless otherwise indicated.

Updating of our Risk Management Framework and the Risk Taxonomy is currently underway. This is to ensure that they both reflect changes in the Agency's structure and internal processes that have occurred since the last Risk Management Framework was published in 2021, and revisions in relevant best practice and guidance. It is anticipated that the update will be completed by the end of 2023/24.

Integral to our periodic and continual improvement revisions of the framework, we look to ensure alignment of the right skills and activities for risk management across the three lines of defence. By doing so, we can achieve greater effectiveness and quality of risk management execution in the first line, as well as identifying quality and efficiency gains in risk and control assurance in the second line. See the Risk and control assurance activity section later in the report for further details.

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. For this year these have been:

Taxonomy	Category Definition	Risk Appetite
Policy Risk	Homes England is open to the requirement to deliver on our strategic objectives while accepting that we operate in an environment where changes in political priorities could lead to a fundamental change in our required role and deliverables. We operate in an agile way with structures and resources adapted to evolving needs. To the extent possible, we will escalate to the Government when the level of these risks exceeds the Agency's comfort or ability to respond to them without government direction or intervention.	Open
Economic Risk	Homes England operates through economic cycles to support the housing market. Our programmes are designed to function and adapt during times of uncertainty, delivering throughout. We operate in multiple sectors including those that may be impacted during economic downturns but seek to have controls and mitigants to limit downside.	Open
Strategic Delivery Risk	To achieve its objectives, Homes England needs to undertake a diverse and innovative set of interventions as well as change related activities; it also needs to prioritise speed of execution. The resulting increase in the risk of interventions containing inappropriate features leading to a failure to perform as originally expected or sub-optimal delivery is acceptable as long as these are due to well understood external drivers. To the extent possible, strategic delivery interventions and change initiatives will be delivered via BAU processes and resources.	Open

Reputation Risk	Homes England will only accept direct reputational risks (i.e. risks of adverse public perception of activities that are fully aligned to Homes England's strategic objectives and policy requirements) to the extent that these are strictly necessary in the pursuit of its strategic objectives. The Agency will not shy away from making the right decision from a housing delivery perspective, even if that decision is possibly an unpopular one with some counterparties. Appropriate steps are taken to mitigate this risk, based on due consideration of the trade-off between costs and achieved mitigation impact.	Neutral
Financial Risk	Homes England is willing to take credit and investment decisions which have higher inherent risk and/or are complex and which would not be taken by the private sector because they do not attract sufficient financial returns but are aligned to Homes England's strategic objectives. Homes England is only willing to accept deviations from its programmes' planned recoveries in exceptional circumstances if these are due to well understood external drivers e.g. countercyclical measures. Homes England's approach to manage credit and investment risks is to limit these risks as much as possible, especially through risk mitigation. To this end it relies on sufficient credit and investment risk management resources/ capabilities to effectively and efficiently limit these risks.	Neutral
Operational Risk	Homes England will only tolerate a minimum level of operational failures. Homes England's approach to manage and especially mitigate these risks is to rely on the implementation of a high degree of controls, accepting the associated costs/delays. If any weaknesses are discovered in Homes England's current operating model which increase the Operational risk, these will be mitigated in a time bound manner.	Averse
Fiduciary Risk	Homes England will comply with all regulatory requirements. Homes England's approach to manage and especially mitigate these risks is to rely on the implementation of a high degree of controls, accepting the associated costs/delays. If any weaknesses are discovered in Homes England's current operating model which increase the Fiduciary risk, these will be mitigated in a time bound manner.	Averse

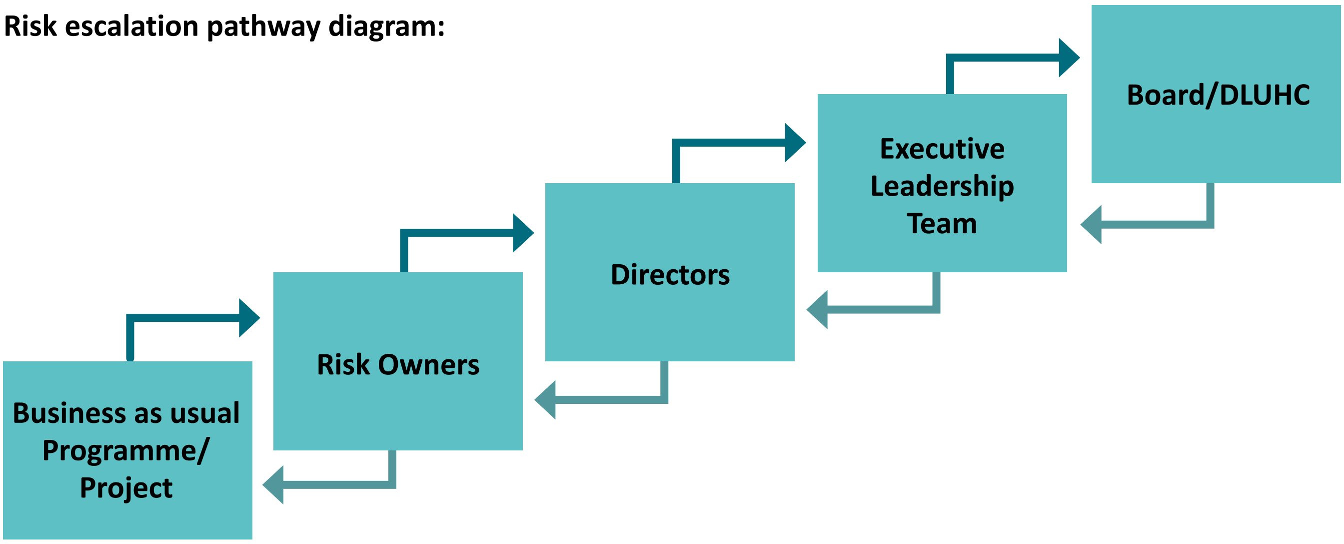
Appetite Descriptor	Acceptability and level of risks:	Risk management implications:	Risk response implications:
Averse	**Unacceptable:** Taking this type of risk is not required to deliver Homes England strategic objectives. Risks are unacceptable and must be avoided /fully mitigated or minimised.	**Cautious:** Risk management aims to avoid or fully mitigate these risks: any risks are fully identified, assessed, controlled, monitored and reported. Risks are unacceptable and must be avoided / fully mitigated or minimised.	**Quick escalation:** Quick escalation to management/ oversight bodies. Managed through time-bound mitigating action plan.
Neutral	**Acceptable, if within programme parameters:** Taking this type of risk is not required to deliver Homes England's strategic objectives. Risks are acceptable but should only be taken if necessary and outcome is within programme parameters.	**Conservative:** Risk management aims to limit risks, especially through risk mitigation. Risk management optimises the scope for reducing risks vs. the resources required to achieve this.	**Management priority:** Escalation, especially to ensure focus of management and oversight. Tracking of mitigation actions and/or changes in delivery plans.
Open	**Acceptable to pursue Upside:** Taking this type of risk is acceptable if balanced against their rewards, i.e. delivery of strategic objectives, or if the risk is outside the ability of the Agency to meaningfully control.	**Confident:** Risk management aims to optimise the risks against their rewards. Resources/skills are aligned to manage significant levels of risks and to optimise risks vs. rewards.	**Adjustment to delivery plan:** Limited escalation and mitigation. Managed mainly through adjustment to delivery plans.

Risk escalation

A risk escalation 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's 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.

Risk escalation pathway diagram:



Automated Risk Management System

Since last year, the way we record, analyse and report Principal and corporate risks has changed. A collaborative project led by the Operational Risk and Digital Teams delivered an Automated Risk Management System. This links directly to our ethos of continuous improvement, making for better engagement and transparency, with further improvements anticipated in the gathering, analysis, assurance, and reporting of risk data.

The system comprises three interconnecting modules:

- **The risk module** has been in operation since November 2022 and enables us to assess, analyse and report risk data across our Principal and corporate risk environment in a consistent way, whilst eliminating our previous spreadsheet-led dependency.
- **The control module** went live in February 2023. This module has been designed to support our assurance activities and will enable us to assess the design and performance of our control environment in a consistent way.

- **The risk incident module** went live in March 2023 and replaces our form-driven manual operational risk event reporting procedure. The new module focuses on the reporting, escalation, and resolution-tracking of operational incidents, such as process or system-led mistakes and errors, which are not captured by existing legal or regulatory reporting routes.

To support embedding risk principles and good practice across the Agency a central Risk Hub has been used as our risk awareness, guidance, and training portal. Over the last year, Hub improvements have been introduced to enhance the quality and relevance of content and better user experience through improved navigation.

Principal Risks

The ELT 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. The Agency has a quarterly Performance ELT (PELT) challenge sessions which provides a regular forum where the Principal Risks are discussed in depth at a senior level across the Agency.

The Agency uses Risk Registers as a "bottom up" risk identification process through business lines, directorates, and Principal risks. In December 2022 Risk Registers moved onto the Automated Risk Management System, with guidance and training issued as part of the launch package. This will provide greater consistency in reporting across the different business lines.

The review of Risk Registers continues as a monthly process, further embedding it in the business rhythms of the Agency and enhancing risk culture. The Operational Risk team, and Risk Business Partners continue to engage with the business to provide guidance and challenge on risk outputs. These outputs help to inform the regular PELT challenge sessions.

Principal Risk snapshot:

There are currently 8 Principal risks being managed through the Principal Risk Register.

PR Ref	Title	March 2022	March 2023	Change
PR:01	Macro-economic Conditions	12	16	↑
PR:02	Strategy, Mission & Objectives	12	12	↔
PR:03	Delivery Partners	12	12	↔
PR:04	Change Management	10	20	↑
PR:05	Business Continuity	10	6	↓
PR:06	Capacity & Capability	9	20	↑
PR:07	Funding	9	16	↑
PR:08	Value for Money	8	8	↔

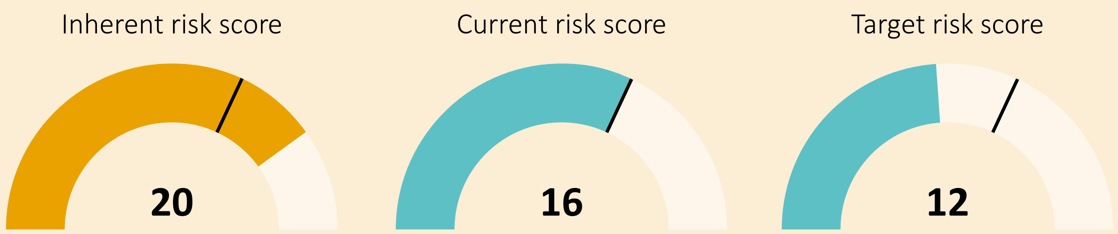
Principal Risk summary:

Key: Outside of appetite Inside appetite / Appetite target

PR:01 Macro-economic Conditions:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Economic	Open	Within Appetite

Description:
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.

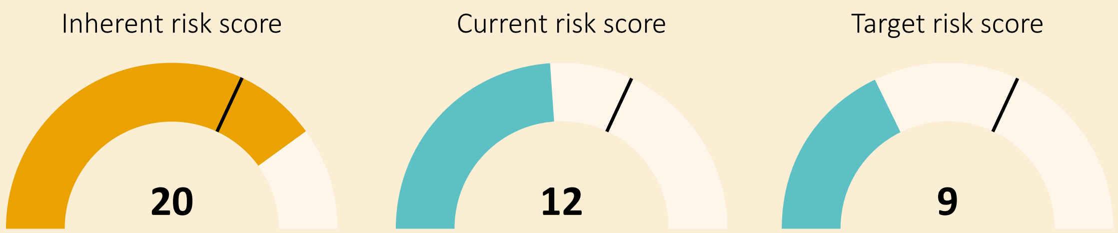


Narrative:
Uncertainty around our ability to respond to macro-economic conditions was stabilising as we neared year end. This risk has seen recent improvement as we sign off further business cases, and with support of strong account monitoring and stress testing, demonstrates that the Agency is still within its current credit risk tolerances. Additionally with robust downturn mitigations, including stress testing plans in place, this allows for further analysis and support of contingency planning.

PR:02 Strategy, Mission & Objectives:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Policy	Open	Within Appetite

Description:
Homes England does not have a clear mission, strategic objectives, and key performance metrics to guide its activity. 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.



Narrative:
Joint governance is in place between Homes England and DLUHC, which provides forums to raise and resolve issues to help ensure alignment with Homes England's mission and objectives. This relationship will be governed by the new Policy Delivery Partnership model, which is currently in development. Further mitigations include bi-lateral meetings between the CEO and Housing Minister; CEO and Permanent Secretary; and CEO and Director General Housing and Planning. Since year end, the current risk score is now aligned to the target risk score. It is anticipated that the risk will be closed in the financial year 2023/24, given that the strategic plan and all expected Agency funding programmes have been agreed.

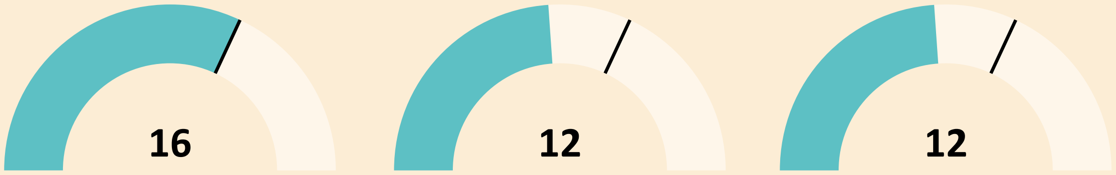
Key: Outside of Appetite Inside Appetite / Appetite target

PR:03 Delivery Partners:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Strategic Delivery	Open	Within Appetite

Description:
Risk that our delivery partners (private sector, Local Authorities, Housing Associations et al.) do not have the capacity, capability or willingness to work with us, delaying or preventing the delivery of housing and regeneration initiatives.

Inherent risk score | Current risk score | Target risk score



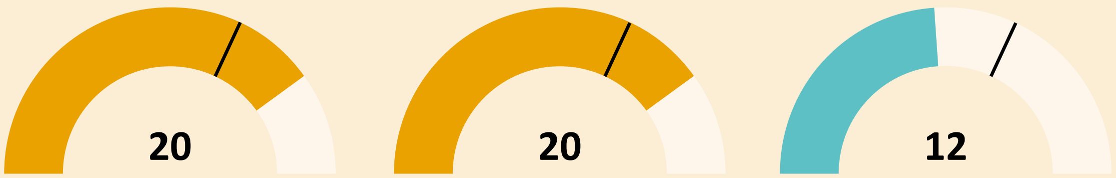
Narrative:
This risk is ‘within appetite’ exposure. The Agency’s Key Account Manager initiative ensures that the largest, most important partners have a clear route into the full range of products and support that the Agency can offer. Downturn planning work for each existing fund has explored potential flexibilities within our control where additional approvals are required to maintain delivery. A Partner Level Engagement Blueprint is underway looking to align geographies within local delivery teams and simplify business development contact points for customers. In addition to this, work is also progressing on the Economic Playbook which may further enhance our offer in a market downturn.

PR:04 Change Management:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Strategic Delivery	Open	Outside Appetite

Description:
The Agency does not effectively deliver or absorb the change agenda, leading to a reduction in efficiency and effectiveness and impacting our ability to deliver.

Inherent risk score | Current risk score | Target risk score



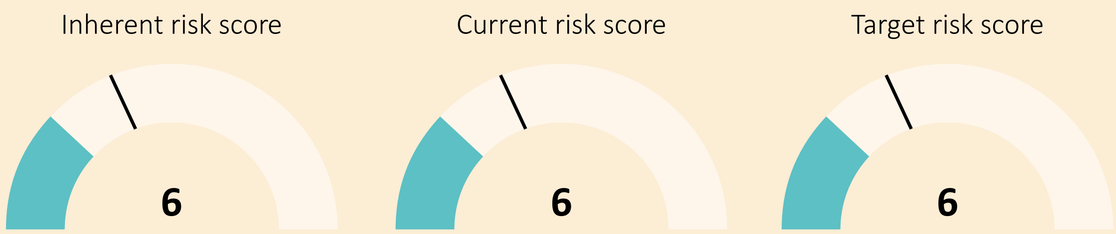
Narrative:
In Quarter 4 the Agency’s Change management capability was evaluated, leveraging learnings from existing programmes, and concluded that the risk of the organisation not being able to absorb change efficiently or effectively, was now outside of appetite. Comprehensive actions have been agreed with the business to bring this risk back into appetite including enhanced programme governance, prioritisation, interdependency capability, communication and resource management.

Key: Outside of Appetite Inside Appetite / Appetite target

PR:05 Business Continuity:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Operational	Averse	Within Appetite

Description:
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. There cannot be an assumption that business systems can be restored quickly as this may not be possible.

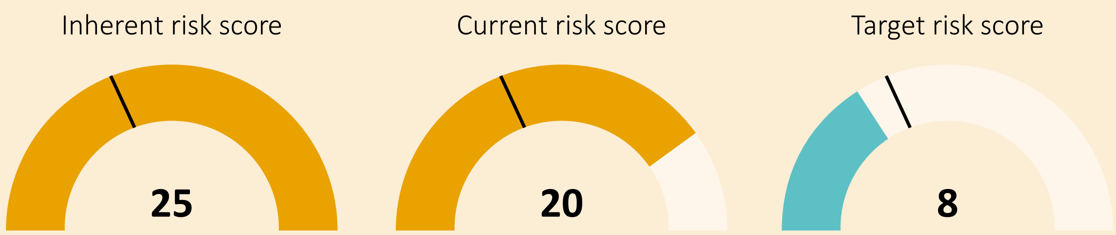


Narrative:
Over the course of the last 12 months, there was an increase in the residual/current score of this risk while awaiting the completion of planned improvement actions. This risk is now back within appetite as a significant number of control improvements were introduced over the last six months, including enhanced levels of cyber resilience. The recent independent ISO Information Security Audit also found no material or major non-conformity in security control design or application leaving us with sufficient confidence to accept that our current level of exposure for this risk is now within appetite.

PR:06 Capacity & Capability:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Operational	Averse	Outside Appetite

Description:
As the ambition for the Agency continues to grow and evolve, there is a risk that we will not be able to deploy, grow our own or recruit people with the right skills to meet this challenge quickly enough. This challenge is exacerbated by the systemic constraints we operate within, the markets in which we compete for staff, the funding we have available and emerging retention/engagement issues.



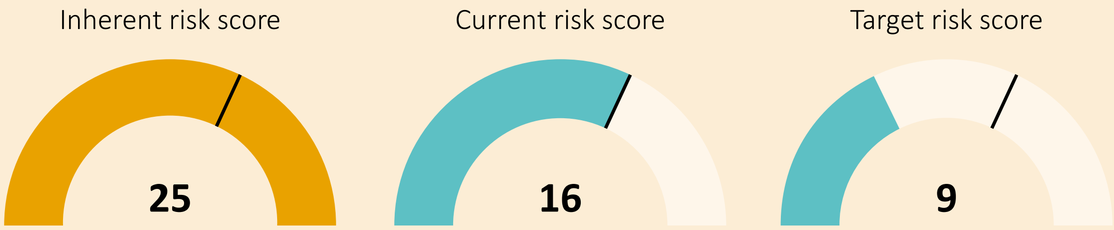
Narrative:
This risk is now outside appetite. The deterioration of the change risk also negatively impacts the capacity and capability of the Agency. There continues to be a heightened risk of skills shortages in certain roles within the Agency. The external market also continues to be extremely competitive impacting our ability to recruit and retain talent. A range of action items have been proposed including strategic workforce planning and a revised senior manager challenge process, however these measures will take time to have an effect.

Key: Outside of Appetite Inside Appetite / Appetite target

PR:07 Funding:

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Strategic Delivery	Open	Within Appetite

Description:
Risk that there is a misalignment between the Agency's Capital, Resource and Admin budgets, and the Government's policy objectives.

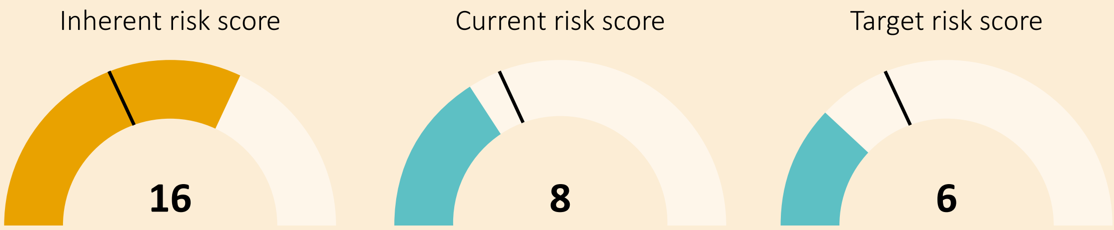


Narrative:
The residual risk score remains high as we face current uncertainties around Resource and Admin budgets which are under pressure across government. To mitigate this budget risk, ELT is actively engaged in prioritising budget allocation to align to the new strategic plan. The realisation of cost efficiency opportunities identified through previous cost reviews should result in budget efficiencies. However, plans for this have not advanced as far as envisaged at this time and significant work is needed by Evolve together with the operating model initiatives to deliver the required efficiencies intelligently.

PR:08 Value for Money (VfM):

Primary Risk Alignment	Risk Appetite	Risk Appetite Position
Operational	Averse	Within Appetite

Description:
Risk that we are unable to demonstrate value for money on public resources invested by the Agency.



Narrative:
Significant improvements were made across 2022/23 and are reflected in the current score. The additional mitigation measures agreed by ELT in December are now in progress to embed a robust VfM culture. Assessment of the VfM environment indicates that low-level controls operate appropriately. The proposed VfM statement and supporting improvements will ensure that a robust joined up and holistic view is made available to provide assurance to the Accounting Officer.

Risks outside the Agency's risk appetite

Principal Risk – change management

In quarter four of 2022/23, we evaluated the Agency's change management capacity, leveraging learnings from existing programmes to conclude that the risk of the organisation not being able to absorb change efficiently or effectively, was now outside of appetite. The overall programme outcomes will support the operating model flexibility to meet objectives and value for money, however, the current change management approach requires improvement.

All three key areas (see below) requiring redress have mitigation plans in place due to complete by June 2024.

- Change governance, visibility and prioritisation – Aligning resources to a congruent design for target operating model and strategic outcomes, informed with consistent project inputs.
- Building on firm foundations – Embedding good practice for understanding interdependencies between and weaknesses in current state processes and systems, and an eyes-wide open approach to change management.
- Supportive change culture – Supporting communication strategies and business ownership to encourage active engagement and buy-in.

Principal Risk – capacity and capability

The Agency continues to face the risk that we are unable to deploy, grow our own or recruit people with the right skills to meet the challenges and objectives of the organisation. Systemic constraints exist due to the market within which we operate and our funding limitations, leading to emerging retention and engagement issues. The overall level of exposure remains outside of appetite as at year end.

There are plans in place and in progress, to address change demand, better define skills and thus identify resource opportunities across the organisation, enhance internal talent, recruitment and onboarding enhancements. We are targeting to have the risk back within appetite by March 2024.

Given the nature of the actions inherently requiring time to take effect and the inherent systemic drivers of the risk, we recognise that this risk will remain outside of appetite for the medium term.

Manual processes and expertise driven processes carry greater inherent risk, and this was exacerbated during the last quarter with greater demands on transactional volumes and reporting requirements, as well as periods of higher distress potential for our portfolio. Over the next few months further work will be taken to better understand specific risk exposures and related actions when aggregating capacity and capability risks at the Agency level. This will allow us to determine if we have both the bottom-up actions and the systemic top-down mitigations to effectively control both the Principal Risk and the directorates owned risks.

Fiduciary Risk – financial crime

Financial crime risk is a component of our 'Primary Risk' category for Fiduciary Risk and is part of the overall Risk Taxonomy.

The Agency manages fiduciary risk at an operational level and takes a holistic approach to prevent, report and/or mitigate events. Such risk management, specifically for scheme abuse or fraud, is managed with the anticipation that there will be events during a financial year, be they internal or external.

Further to the risk appetite position, reported in the 2021/22 Annual Report and Accounts, the

Agency remains outside of Fiduciary Risk appetite for this financial year, specifically due the Help to Buy programme's potential scheme abuse and its progress, during 2023/24, in assessing/reporting such scheme abuse/fraud; ensuring the legacy Help to Buy customers population, c.2,000, are appropriately sanction screened; and the Help to Buy programme conducts effective risk-based ongoing customer due diligence on its mortgage book.

It should be noted that, for the Agency, sanctions exposure is deemed to be low, as its customers (or related party) are predominately UK based and to date no customer has been identified as a UK sanction target match, requiring reporting to the Office of Sanction Implementation (OFSI).

Where an Agency's customer has a non-UK relationship, further scrutiny, during due diligence processes, considers both money laundering and financial sanctions risk; as reflected in the exercise to ensure the Agency has no relationship with a customer on the UK's Russian / Ukrainian sanctions regime.

The Agency, therefore, takes its economic crime obligations seriously and is investigating appropriate remediation avenues, throughout the next financial year, including improving fraud intelligence and assessment through external source partnerships, thus moving the Agency to closer to its risk appetite.

During the latter part of 2022/23, an immaterial internal fraud relating to procured services, was identified through a detective control. An investigation commenced, which identified the fraudulent activity, with management working quickly to prevent further losses. The Agency commenced a two-pronged approach: a) continued the formal fraud investigation to build a case for external reporting, and b) to conduct an initial functional process review to identify 'what happened' and 'control weaknesses'.

The fraud investigation is now complete, and the process review has reported its findings to Executive Management. On the basis of these findings, appropriate improvements to the control environment will be implemented.

Risk events and near misses

The Agency continues to ensure that all risk events and near misses are promptly reported, recorded, and reviewed through the application of its' risk event and near miss policy. This is to ensure outcomes, control and process improvements and learning opportunities are cascaded accordingly. The process helps 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 risk team focusses on operational incidents other than health and safety, major data breaches, fraud, or whistleblowing. Separate reporting routes are maintained for these other types of incidents to ensure the correct regulatory reporting and governance procedure are followed, and to make sure any resultant investigation is handled sympathetically and sensitively by trusted subject matter experts.

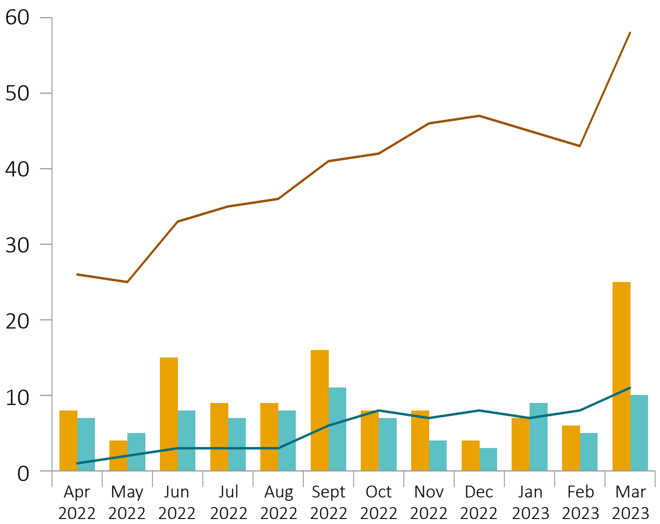
This reporting procedure seeks to capture operational risk events falling into one or more of the following incident categories:

- Business Practices
- Execution and Process Management
- Business Disruption and system application anomalies
- Damage to Physical Assets
- Employment and Workplace Practices

Incidents are assessed immediately when they are reported and those identified as having a potential material consequence are escalated to an appropriate senior management level for sighting and resolution. All risk events are reviewed regularly and most internal incidents are rapidly resolved and closed; however, if a complex issue involves an external party there may be a delay in closure and these are escalated to the Executive Team for noting.

As previously mentioned, an automated **risk incident module** went live in March 2023, replacing our form-driven manual operational risk event reporting procedure. Over the coming year the new system will simplify the way we capture and record risk incidents.

A snapshot of operational risk incidents reported to the risk team for the year is provided below along with the year end 31 March position. The spike in reporting at year end reflects improved reporting and recording transparency following the launch of our new risk incident module.



25 New	**10** Closed	**58** Currently active	**11** Over 6 months old

Risk and control assurance activity

Second line risk activity during the year has predominately focused on putting in place a risk assurance and compliance operating model and the supporting infrastructure. This will enable the Agency to better plan, deliver and report on risk assurance, and compliance activities, in future years.

A new Legal and Regulatory Compliance function delivered an assurance plan of work on key legal and regulatory requirements for the Agency, as well as co-ordinating and assessing performance against Government Functional Standard requirements during Quarter 4.

A second line controls testing framework has been agreed and implemented in this year. Work on improving alignment of resource to the Three Lines of Defence model is progressing under a two-phase approach, aiming to be fully delivered along with comprehensive reporting of second line risk assurance and compliance outputs under the Agency's assurance framework before the end of 2023/24.

Internal audit

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, to provide this overall assurance opinion.

The overall assurance provided for 2022/23 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'.

The assurance level provided in 2021/22 has therefore been maintained. The Opinion is informed through Internal Audit's formal programme of 33 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.

Whistleblowing

Homes England's 'Whistleblowing Policy' includes contact details for our colleagues to raise concerns of wrongdoing matters in the public interest. This is supported by process flows and frequently asked questions. 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.

A benchmarking review of the process and policy was carried out in collaboration with the "Protect" whistleblowing charity in 2022/23. This highlighted several improvement opportunities across the themes of governance, engagement, and effective operations. These improvements bring the Homes England policy and process up to date with industry best practice, improving our control environment.

There were no cases reported in relation to whistleblowing this year.

Conclusion

I have received appropriate assurance from senior management, our governance structures and from reporting and assurance provided to me through the three lines of defence. I am satisfied that the Agency has complied appropriately with all governance requirements. Corporately, we recognise the need for continuous improvement, and I remain personally committed to continuing the Agency's improvement journey. We have strengthened and enhanced our governance and risk management capacity in recent months. I, supported by Executive Leadership Team colleagues, continue to champion improvements in the effectiveness of the Agency's framework of governance, risk management and control environment. We must ensure they remain fit for purpose in a changing policy and operational environment to deliver the best outcomes for the Agency, government, and the public- whom we serve.

The Corporate Governance Report is signed on 13 July 2023

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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 Board on the remuneration of the Executive Directors and the Chief Executive, and any related matters.
- Recommend the appointment or dismissal of the Chief Executive to the Board.
- Set and agree annual performance objectives 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.
- Keep under review the leadership needs of the organisation, both executive and non-executive skills and knowledge. To recommend systems of succession planning, supporting the continued ability of the organisation to deliver the outcomes in the corporate strategy and monitor their implementation.
- To monitor the Agency's overall staffing situation against the organisational structure approved by the Board and to approve any changes having regard to the resource budget agreed by DLUHC and any headcount directions laid down by DLUHC.
- Consider and advise the Board on broader staffing issues, such as recruitment and retention, overall pay levels, grading structure, pension and performance awards, and any other staffing matters that are referred to the Committee by the Executive.
- Advise the Board in relation to the Equality, Diversity and Inclusion Strategy and oversee the implementation plan.
- Review and make recommendations to Board in respect of the People and Culture Strategy.
- Review the management information on the people pillar of the Management Information Dashboard and advise the Board of any concerns alongside management’s reports.

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 as part of the civil service pay remit and Senior Civil Service guidance processes.

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 exception to this is Barry Cummins who is a permanent Homes England employee, seconded into the post of interim 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 2021/22 and 2022/23.

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 2023. Sections that are subject to audit are listed as such.

Board Members’ emoluments (subject to audit)

	2022/23 £’000	2021/22 £’000
Chair		
Peter Freeman CBE	**95**	95
Board Members		
Stephen Bell[16]	**42**	42
Simon Dudley (from 23 October 2020 to 22 October 2021)[17]	**n/a**	15
Baroness Teresa O’Neill OBE (to 3 March 2023)[18]	**23**	25
Duncan Sutherland	**25**	25
Olivia Scanlon (to 31 March 2022)	**n/a**	25
Vanessa Murden[19]	**32**	25
Sadie Morgan OBE[20]	**28**	25
Mark Rennison[21]	**41**	33
Andy Hobart (to 29 September 2022)[22]	**-**	-
Pat Ritchie CBE (from 24 February 2022)[23]	**25**	3
Lesley-Ann Nash (from 28 February 2022)[23]	**25**	3
Mark Henderson (from 24 February 2022)[23]	**25**	3
Lord Austin of Dudley (from 24 February 2022)[23]	**25**	3
Emma Fraser (from 3 October 2022)[24]	**-**	n/a
Melanie Montanari (from 3 October 2022)[24]	**-**	n/a

16 In addition to being a Board Member, Stephen Bell is the Chair of the Audit Assurance Risk and Enterprise Committee. He is also the Agency’s representative on DLUHC’s Audit, Risk and Assurance Committee.

17 Full year equivalent emoluments in 2021/22 were £25,000.

18 Full year equivalent emoluments in 2022/23 were £25,000.

19 In addition to being a Board Member, Vanessa Murden was in place as Chair of the Change Committee and Chair of the Nominations and Remuneration Committee on 1 April 2022, approval was received to pay additional remuneration for these duties in June 2022. Full year equivalent emoluments for 2022/23 are £33,300.

20 In addition to being a Board Member, Sadie Morgan was in place as Chair of the Cross Cutting Committee in April 2022, approval was received to pay additional remuneration for these duties in June 2022. Full year equivalent emoluments for 2022/23 were £29,200.

21 In addition to being a Board Member, Mark Rennison is the Chair of the Investment Committee (CIC) and became the Senior Independent Director (SID) and Chair of the Home Ownership Committee (CHOC) in April 2022. Approval was received to pay additional remuneration for duties as SID and CHOC in June 2022. Full year equivalent emoluments for 2022/23 were £42,350. Mark received additional remuneration for his duties as CIC throughout 2022/23.

22 Andy Hobart, a Director at DLUHC was DLUHC’s shareholder representative. He did not receive a salary for his duties with Homes England.

23 Full year equivalent emoluments in 2021/22 were £25,000.

24 Emma Fraser and Melanie Montanari job share a role as Director at DLUHC and are DLUHC’s shareholder representative. They do not receive a salary for their duties with Homes England.

Chief Executive's emoluments (subject to audit)

Single total figure of remuneration	Salary received in year (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Gordon More, Interim Chief Executive Officer (to 31 August 2021)[25]	**n/a**	95-100	**n/a**	5-10	**n/a**	nil	**n/a**	nil	**n/a**	100-105
Peter Denton, Chief Executive Officer (from 1 August 2021)[26]	**280-285**	185-190	**nil**	nil	**nil**	nil	**nil**	nil	**280-285**	185-190

Key Managers' emoluments (subject to audit)

Single total figure of remuneration	Salary received in year (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Harry Swales, Chief Investments Officer (Interim from 8 March 2021; permanent from 26 May 2021)[27]	**180-185**	175-180	**nil**	nil	**2,100**	5,200	**39**	59	**220-225**	240-245
Stephen Kinsella, Chief Land and Development Officer (to 31 December 2021)[28]	**n/a**	155-160	**n/a**	nil	**n/a**	3,800	**n/a**	34	**n/a**	195-200
Barry Cummins, Interim Chief Development Officer (from 8 November 2021)[29]	**155-160**	60-65	**nil**	nil	**nil**	5,500	**30**	12	**185-190**	80-85
Amy Casterton, Chief of Staff (to 31 August 2021)[30]	**n/a**	45-50	**n/a**	nil	**n/a**	nil	**n/a**	10	**n/a**	55-60
Lynda McMullan, Chief Finance Officer[31]	**185-190**	190-195	**nil**	nil	**nil**	nil	**40**	49	**225-230**	240-245
Paul Kitson, Interim Director of Markets, Partners & Places (from 8 March 2021 to 31 December 2021)[32]	**n/a**	95-100	**n/a**	nil	**n/a**	5,700	**n/a**	18	**n/a**	120-125

Key Managers' emoluments (subject to audit)

Single total figure of remuneration	Salary received in year (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)*		Total (£'000)	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Mike Palin, Executive Director of Markets, Partners & Places (from 1 January 2022)[33]	**150-155**	35-40	**nil**	nil	**nil**	nil	**29**	7	**180-185**	40-45
Adrian Tucker, Chief Digital and Data Officer (from 1 July 2022) [34]	**145-150**	n/a	**nil**	n/a	**nil**	n/a	**28**	n/a	**175-180**	n/a
Kirsty Shaw, Chief Operating Officer (from 5 September 2022)[35]	**105-110**	n/a	**nil**	n/a	**nil**	n/a	**21**	n/a	**130-135**	n/a
Ian Workman, Interim Chief Customer Officer (from 14 November 2022)[36]	**70-75**	n/a	**nil**	n/a	**nil**	n/a	**14**	n/a	**85-90**	n/a

* 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.

[25] Remuneration received during 2021/22 included unused holiday entitlement (£5,000 - £10,000). The bonus received in 2021/22 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.

[26] Full year equivalent emoluments for 2021/22 were £275,000 - £280,000.

[27] Remuneration received during 2021/22 included 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.

[28] Remuneration received during 2021/22 included an arrears payment for the period 1 July 2020 to 7 March 2021 (£0 - £5,000). Full year equivalent emoluments for 2021/22 were £205,000 - £210,000.

[29] Full year equivalent emoluments for 2021/22 were £155,000 - £160,000.

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

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

[32] Full year equivalent emoluments for 2021/22 were £130,000 - £135,000.

[33] Full year equivalent emoluments for 2021/22 were £145,000 - £150,000.

[34] Full year equivalent emoluments for 2022/23 were £190,000 - £195,000.

[35] Full year equivalent emoluments for 2022/23 were £190,000 - £195,000.

[36] Full year equivalent emoluments for 2022/23 were £190,000 - £195,000.

Salary

Basic salaries are determined by considering the responsibilities of the role, each individual's experience and market trends. Salary includes base remuneration and, in exceptional circumstances, 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. However, all Executive Directors gave up their lease cars during 2022/23; no benefit was received in respect of lease cars from 3 September 2022.

Pension benefits (subject to audit)

Chief Executive and Accounting Officer

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 2023 (£'000)	**Real increase in accrued annual pension (£'000)**	**Accrued lump sum at 31 March 2023 (£'000)**	**Real increase/ (decrease) in accrued lump sum (£'000)**	**CETV* 31 March 2023 (£'000)**	**CETV* 31 March 2022 (£'000)**	**Real increase/ (decrease) in CETV* (£'000)**
Harry Swales	15-20	0-2.5	50-55	5-7.5	304	467	(210)**
Barry Cummins	5-10	0-2.5	20-25	5-7.5	196	200	(24)**
Lynda McMullan	5-10	0-2.5	25-30	5-7.5	197	193	(15)**
Mike Palin	0-5	0-2.5	0	0	20	9	10
Adrian Tucker[37]	0-5	0-2.5	0	0	25	0	25
Kirsty Shaw[38]	0-5	0-2.5	0	0	15	0	15
Ian Workman[39]	0-5	0-2.5	0	0	11	0	11

* Cash Equivalent Transfer Value (CETV).

** The decrease in CETV figures is due to the change in market conditions, principally the increase in gilt yields.

[37] Adrian Tucker joined the Agency on 1 July 2022. The figure shown is the value of benefits accrued since that date.

[38] Kirsty Shaw joined the Agency on 5 September 2022. The figure shown is the value of benefits accrued since that date.

[39] Ian Workman joined the Agency on 14 November 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 2023 are active members of the Homes & Communities Agency Pension Scheme.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023/24 CETV figures.

Accrued pension at 31 March 2023

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2023.

Cash Equivalent Transfer Value 31 March 2023

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 2022/23 were £nil (2021/22: £nil).

Staff costs (subject to audit)

Staff costs	2022/23 (£'000)	2021/22 (£'000)
Permanent staff employed directly by the Agency		
Salaries and wages	**70,559**	72,041
Social security costs	**8,644**	9,463
Employer pension contributions	**19,182**	20,080
Other pension costs	**12,681**	14,642
Sub total	**111,066**	116,226
Temporary staff	**15,562**	11,823
Seconded staff	**88**	448
Less staff costs capitalised: Land and Property	**(10,709)**	(11,416)
Less staff costs transferred to programme costs	**(13,472)**	(10,104)
Total net costs	**102,535**	106,977

There were £nil redundancy costs during 2022/23 (2021/22: £nil). An analysis of exit packages is shown below.

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:

	2022/23 Number	2021/22 Number
Permanent UK staff	**1,167**	1,203
Fixed term UK staff	**95**	102
Temporary staff	**142**	118
Board members	**9**	9
Seconded staff	**2**	4
	1,415	1,436

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

	2022/23 Number	2021/22 Number
£0- £25,000	**31**	50
£25,001- £50,000	**523**	553
£50,001- £75,000	**582**	588
£75,001- £100,000	**180**	162
£100,001- £125,000	**64**	49
£125,001- £150,000	**21**	23
£150,001- £175,000	**8**	4
£175,001- £200,000	**5**	5
£200,001- £225,000	**0**	1
£225,001- £250,000	**0**	0
£250,001- £275,000	**0**	0
£275,001- £300,000	**1**	1
	1,415	1,436

Gender analysis

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

	2022/23 Number	2021/22 Number
Board Members – Male	**5**	5
Board Members – Female	**4**	4
Board Members	**9**	9
Key Managers – Male	**5**	4
Key Managers – Female	**2**	1
Key Managers	**7**	5
Other employees – Male	**708**	734
Other employees – Female	**691**	688
Other employees	**1,399**	1,422
	1,415	1,436

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.

The last published Gender Pay Gap was shared in April 2023 based on March 2022 data, 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%.

The Gender Pay Gap report based on March 2023 data is estimated to be reported by September 2023. 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.

2022/23	Salary and allowances % change	Performance pay and bonus % change
Highest paid director	1.8%	0%
Average pay of workforce	6.6%	6.5%

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
2022/23	7.1:1	4.9:1	4.0:1
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	£40,032	£56,708	£70,545
Total pay and benefits	£40,032	£57,158	£70,995

The full year equivalent banded remuneration of the highest paid director in Homes England in the financial year 2022/23, was Peter Denton, £280,000-£285,000 (2021/22: Peter Denton, £275,000-£280,000). This was 4.9 times (2021/22: 5.2 times) the median remuneration of the workforce, which was £57,158, (2021/22: £53,670).

In 2022/23, no (2021/22: no) employees received remuneration in excess of the highest paid director.

Remuneration ranged from £10,000- £15,000 to £280,000- £285,000 (2021/22: £15,000- £20,000 to £275,000- £280,000).

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.

The movement in the pay ratios is consistent with the application of our pay policies and approach. The appointment of the highest paid director was made in line with our framework agreement approved by the Board. In addition, the 2022/23 Pay Award targeted colleagues at the lower end of their pay bands. This is reflected in the increase in the 25th percentile ratio compared to the smaller increase 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. Exit costs are accounted for in full when the departure has been approved and terms agreed. There have been no exit packages agreed in 2022/23.

Loans to employees

The Agency has provided travel season ticket loans, cycle scheme loans and home charge point loans to employees during the year. The total amount outstanding in respect of these at 31 March 2023 was £19,102. There were no other loans to employees.

Staff turnover percentage

Staff turnover for 2022/23 was 19.19% (2021/22: 14.77%). 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 17.16% (2021/22: 12.51%). Involuntary staff turnover was 2.03% (2021/22: 2.26%). Homes England's staff turnover is above the average UK industry norm of c15%. The Agency collects data to understand staff turnover through exit interviews which are offered to departing staff.

Despite being above the industry average for 2022/23, the Agency has observed a fall in staff turnover for the year to May 2023, aligning more towards the industry average.

Expenditure on consultancy

During the year, the Agency incurred expenditure of £6,073,880 on consultancy (as defined by HMT Financial Reporting Manual) (2021/22: £1,453,503). The increase is attributable to consultancy costs in relation to Property and Construction consultancy and Finance consultancy, as shown in the table below:

Consultancy type	2022/23	2021/22
Property and Construction Consultancy	**£3,433,004**	£68,050
Finance Consultancy	**£2,215,956**	£279,128
Organisation and Change Management Consultancy	**£416,025**	£896,591
IT/IS Consultancy	**£8,895**	£191,331
Specialist Contractors	**-**	£18,403
	£6,073,880	£1,453,503

The FReM definition of consultancy can be found in Annex 4 at www.gov.uk/government/publications/government-financial-reporting-manual-2022-23.

Apprenticeship Levy

During the year the Agency incurred expenditure of £315,000 on contributions to the apprenticeship levy to support apprenticeship training and assessment for apprentices (2021/22: £354,000). 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 £146,000 (2021/22: £36,000) from the levy to support apprenticeships.

Off-payroll arrangements

In accordance with the requirements of the 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 2023, that were paid at least £245 per day	2022/23 Number
No. of existing engagements as of 31 March 2023	**176**
of which:	
No. that have existed for less than one year at time of reporting	**142**
No. that have existed for between one and two years at time of reporting	**17**
No. that have existed for between two and three years at time of reporting	**13**
No. that have existed for between three and four years at time of reporting	**4**
No. that have existed for four years or more at time of reporting	**0**

All temporary off-payroll workers engaged at any point during the year ended 31 March 2023, that were paid at least £245 per day	2022/23 Number
No. of off-payroll workers engaged during the year ended 31 March 2023	**261**
of which:	
No. not subject to off-payroll legislation	**0**
No. subject to off-payroll legislation and determined as in scope of IR35	**261**
No. subject to off-payroll legislation and determined as out-of-scope of IR35	**0**
No. of engagements reassessed for compliance or assurance purposes during the year	**0**
No. of engagements that saw a change to IR35 status following review	**0**

On 6 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 was 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 training and awareness.

Off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023	2022/23 Number
No. of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility during the financial year	**0**
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	**21**

Employee matters

People & Culture Strategy

In 2022/23 the People and Culture Strategy was launched to provide greater 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. The strategy has been further refined in 2023 to articulate our People and Culture strategy across three areas of strategic focus aligned with our purpose of: **Providing people services that facilitate a great place to work**. These three areas are:

- Talent Attraction and Growth
- Total Reward and Insight
- Excellence Everyday

Underpinning these is our foundation of everything being built and delivered in the spirit of enhancing **Colleague Inclusion, Trust, Pride and Purpose**.

These themes have been used to inform the development of a detailed Human Resources strategic plan for the period 2023 to 2026. This ambitious plan has been shared with ELT and NRC to ensure that it delivers against critical demands for the business including strategic workforce planning to support capability and capacity, competency frameworks to enable career and pay progression as well as a focus on performance management, development and Equality, Diversity and Inclusion (ED&I).

Equality and diversity in employment & occupation

In July 2020 we published our ED&I objectives which set out our commitment to create an inclusive organisation and sector that reflects the communities we serve. This outlined a four-year plan to cover the reach of impact with each objective sponsored by an Executive Director to promote, advocate, and shape the work. The five key objectives were purposefully ambitious for the organisation to collectively achieve by 2024, to deliver systematic organisational and cultural change as well as positively impact the industry and our communities.

To support a refresh of the objectives, we benchmarked ourselves against the UK National Equality Standard (NES). The NES is a government backed standard undertaken by Ernst & Young and sets clear ED&I criteria against which companies are independently assessed and benchmarked.

Participation involved a comprehensive review of policies, practices, documents and processes and conversations with stakeholders which provides strategic guidance and recommendations to embed long-term sustainable change. Following the NES review undertaken in 2021/22, we considered the findings and recommendations and reviewed and reset the ED&I objectives. Eleven recommendations were identified in total. Over the last year we have made slower than hoped progress and note that there is more to do to improve progress further. During 2022/23 we prioritised three of the eleven NES recommendations.

We remain committed to embedding equality and diversity practice into our activities as an employer, investor in place and through our enabling role. We continue to strive to work collaboratively through our colleague networks and enable dialogue and change through monthly meetings. The networks support our continuous review of policies and approaches to ensure they meet best practice and legal obligations and more importantly contribute to a positive colleague experience at Homes England. We will be embedding this further through a formalised ED&I governance structure.

We have developed our ED&I data as part of the Strategic Workforce Planning framework. The data enables us to benchmark, measure and report progress to improve transparency and accountability. A priority for 2023/24 is to increase declaration to support more targeted interventions that contributes to an inclusive culture.

During 2022/23, a range of development courses were delivered to increase awareness of ED&I. A refreshed programme is prioritised to improve and embed the ED&I learning curriculum for 2023/24.

Staff policy regarding disabled persons

We remain committed to ensuring equality of opportunity for all disabled people who work or apply to work for us. We're proud to ensure that our disability confident scheme provides avenues where individuals with disabilities are able, where they meet the minimum criteria for the role, to secure a guaranteed interview in line with our commitment to this scheme, as it's an integral part of enabling us to secure a more diverse pool of candidates. On all applications we ask if any adjustments are needed to enable any interview or selection process, and monitor applicants who indicate they have a disability to ensure they are aware of the disability confident scheme and support we can offer.

Where we are made aware of colleagues with disabilities or long-term health conditions, we have a variety of tools and support available. We work with colleagues, line managers, Human Resources and Occupational Health to identify reasonable adjustments to the workplace and working arrangements specific to the individual’s need to support disabled colleagues in the workplace. In addition to this we have a group of colleague-led networks that provide feedback, help monitor the effectiveness of our support and help us with our thinking as we develop policy, process and our strategies.

Sickness absence

During the year 1.80% (2021/22: 1.76%) of working days were lost to sickness absence. According to the Office for National Statistics, in the UK labour market as a whole for calendar year 2022, 2.6% of days were lost due to sickness absence, split 2.3% private sector and 3.6% public sector.

Health and safety

Homes England's health and safety performance has remained strong through 2022/23 and its key achievements are set out below.

For the fifth 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 2022/23. The AIR for all types of accidents involving employees was calculated at 500 which is below the latest published national Labour Force Survey AIR rate of 1,790 injuries per 100,000 employees.

Homes England sets annual corporate health and safety targets for completing risk assessments, training, site inspections and audits. 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. Out of the 19 targets set for 2022/23, 18 have been met or exceeded. The missed target relates to the implementation of a cloud-based health and safety management system which has been delayed to September 2023.

During the year we procured external specialists to support the Agency manage its obligations as a client under the Construction Design and Management Regulations 2015 (CDM) and to carry out site risk assessments on our development portfolio.

Employee engagement

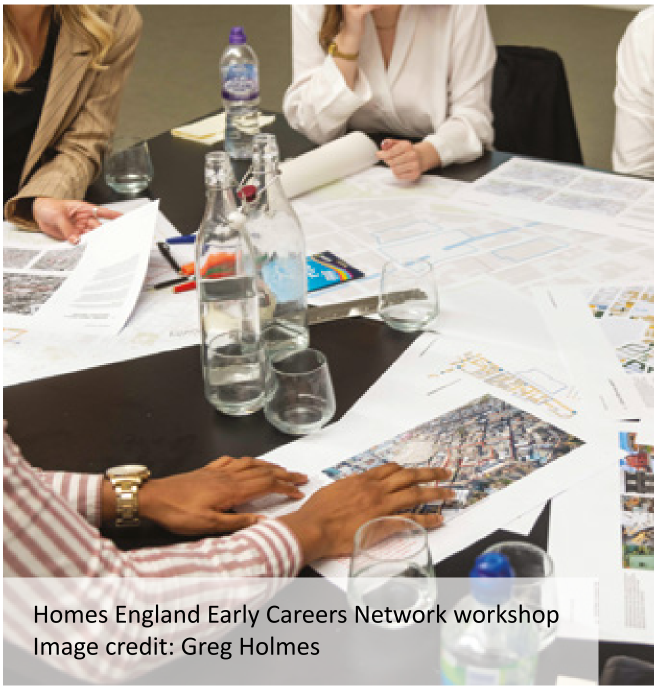
In 2022/23, Homes England continued to develop and embed the #LetsTalk engagement survey first launched in 2020/21. During the year, we ran a baseline survey in April 2022, followed by a pulse survey in November 2022.

The initial Baseline survey's asked 48 questions, focussing on seven categories of engagement which are:

- **Motivating managers**
- **Health and wellbeing**
- **Meaningful work**
- **Irresistible workplace**
- **Realising potential**
- **Additional insight**
- **Leadership and inspiration**

There was an overall response rate of 83%, highlighting that our colleagues are eager to be heard. Our engagement providers also confirmed that response rates above 70% provide a good level of representation.

The survey was different in structure to the survey in 2020, meaning that direct comparisons were not possible across all questions. However, the survey did include an Engagement Index metric which combines advocacy, loyalty and pride and provides us with a rounded view of engagement that we can use to monitor progress. The outcome of 5.7 indicates that colleagues at Homes England are generally engaged although the outcome was a decrease from the Engagement Index in 2020 of 6.9. The Employee Net Promoter Score also reduced from +14 to-33. These scores were broadly replicated in the Autumn pulse survey, albeit on a lower response rate of 73%.


Homes England Early Careers Network workshop
Image credit: Greg Holmes

Across both surveys, key issues included a desire from colleagues for greater interaction with senior leaders, greater focus on recognition and a focus on development opportunities to retain talent. In response, ELT commenced regular roadshows held in person across all sites, offering colleagues the opportunity to hear directly about future plans and also to ask questions. At the same time, ELT launched an enhanced instant recognition scheme for colleague recognition scheme to enable greater colleague to colleague and manager to colleague recognition.

Our aim through 2023 is to develop a devolved autonomy across a large number of our potential actions recognising that the Agency is complex in its design. Working with the Senior Leadership Team, Heads of Service and Engagement Lead communities we are developing a set of tailored action plans that aim to meet the needs of departments, teams and groups of colleagues rather than a top-down agency wide action plan in silo.

Pension reform

In September 2022, Homes England commenced a formal consultation process with a view to reforming the final salary tier of the Homes and Communities Pension Scheme (HCAPS), impacting c.630 colleagues. The consultation was supported by a significant communication and engagement programme, providing affected colleagues with detailed proposals, personal impact statements and access to modelling tools, as well as a dedicated website. In addition to explanatory sessions, both on-line and in person, supported by pension experts and Homes England senior leaders, affected colleagues were given access to a helpline operated by Hymans Robertson, one of the UK's leading pension consultancies.

Questions and issues raised were gathered and discussed in detail with trade union and scheme representatives across a period of more than two months. This enabled both trade union and scheme representatives to attend both ELT and NRC sessions, to submit detailed colleague views and counter-proposals.

These views were considered in detail and as a result two business cases were submitted with both DLUHC and HMT. The first resulted in agreement from the Secretary of State to implement the reform from 1 April 2024 rather than 2023 to enable impacted scheme members greater time to review the impact and adjust any retirement plans. The outcome of the second business case to HMT is still pending.

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.

The coaching and mentoring programmes are an example of how we have provided highly personalised, practical, and supportive development enabling colleagues to own their career development and progression. With c.75 internal coaches and mentors, the Agency can draw on a body of 'experts by experience' who are supported to grow and develop with access to regular Continuing Professional Development and supervision. All colleagues can access a range of self-directed learning solutions available at a time and place which 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 2022/23, our apprenticeship strategy focused on upskilling existing colleagues through professional qualification apprenticeships and recruiting apprentices in response to specific business needs.

The number of apprenticeships increased from 21 in March 2022 to 30 in March 2023. Although we are not fully utilising the apprenticeship levy, we are continuing with our revised apprenticeship strategy. This includes the launch of an apprenticeship academy to target data analysis skills shortages, recruitment of apprentices targeted to identified skills shortages, aligned with organisational needs and growth strategies, developing an early careers talent pipeline which will contribute to a decrease in unused levy.

We are supporting social mobility through the Graduate Programme. There was a 62% increase in applicants from a lower socio-economic background, 48% increase in applications who are female or non-binary, 12% increase in applicants declaring a disability and 43% increase in applicants from an ethnic minority background compared to the 2020 Programme.

Through the 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. The 15 graduates recruited from the 2022 Graduate Programme have commenced a Leadership Development Programme with Coventry University which supports the development of 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 are required to make a number of disclosures regarding Trade Union Facility Time. This information is set out in the following tables:

Relevant union officials	2022/23
Number of employees who were relevant union officials during the relevant period	**6**

Percentage of time spent on facility time	2022/23 Number
0%	**0**
1- 50%	**6**
51%- 99%	**0**
100%	**0**

Percentage of pay bill spent on facility time	2022/23
Total cost of facility time (£’000)	**39**
Total pay bill (£’000)	**70,559**
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	**0.06%**

Paid trade union activities	2022/23
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:

	2022/23		2021/22	
	Cases	**£'000**	**Cases**	**£'000**
Total of all losses and special payments	**97**	**149,592**	108	18,729
Cases over £300,000:				
Loans written off or impaired and fruitless payments	**7**	**148,727**	6	18,184

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 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 2022/23 there were six cases of loan losses recognised where the amount written-off or impaired for accounting purposes was in excess of £300k; three write-offs of loans measured at amortised cost, and three impairments of loans measured at FVTPL. The table below details these losses. There was one fruitless payment:

Accounting write-offs or impairments / reversals in 2022/23 (£'000)	
Loans measured at amortised cost	
1,792	The Agency provided an infrastructure loan under the Long-Term Home Building Fund to support development of 3,000 homes. A series of delays prior to work commencing on site impacted timelines for delivery, and equity investment was insufficient to meet future funding requirements. A review was commissioned by the Agency which suggested the scheme was no longer viable, and the borrower has subsequently gone into liquidation. A loss of £15.5m was recognised in 2019/20, a further £0.7m in 2020/21 and £1.3m in 2021/22. Forecast recovery is based on the value of security held, which is lower than the amount forecast in 2021/22, and recovery is also now expected later than previously forecast, resulting in an additional accounting write-off of £1.8m in 2022/23. **As at 31 March 2023, total losses recognised were £19.3m.**
959	Funding was provided under the Short-Term Home Building Fund to assist with development of 27 homes. A number of challenges on scheme construction added delays and costs, including site drainage, COVID-19 lockdowns, cladding issues and an increase in interest costs. Sales of properties have also been slower than anticipated and the loan is now in default. The Agency has appointed a Fixed Charge Receiver to complete the site and sell the properties, with net income from future sales expected to partially cover the outstanding amount. An impairment of £959k has been recognised to reflect the potential remaining loss. **As at 31 March 2023, total losses recognised were £959k.**
534	The Agency provided funding under the Short-Term Home Building Fund to support infrastructure and enabling works for future development of homes on 12 plots, on a site owned by the Agency which is leased to the borrower. Limited interest in the plots, lease restrictions and the lengthy process to move from offer to sale, have led to issues resulting in the loan now being in default. The Agency is pursuing several strategies to recover amounts due but there remains significant risk of non-payment. An impairment of £534k has been recognised to reflect the potential loss on the full outstanding amount. **As at 31 March 2023, total losses recognised were £534k.**
Loans measured at FVTPL	
87,362*	Market Abuse Regulations preclude further commentary. An accounting impairment of £73.5m, together with reversal of previous fair value uplifts of £13.9m, have been recognised in 2022/23 to reflect the potential loss on the full outstanding amount. The equivalent total impairments expected against contractual amount due (principal and interest) were £96m at 31 March 2023. **As at 31 March 2023, total cumulative accounting impairments recognised were £73.5m.**
56,744*	Market Abuse Regulations preclude further commentary. An accounting impairment of £53.1m, together with reversal of previous fair value uplifts of £3.6m, have been recognised in 2022/23 to reflect the potential loss on the full outstanding amount. The equivalent total impairments against contractual amount due (principal and interest) were £67m at 31 March 2023. **As at 31 March 2023, total cumulative accounting impairments recognised were £53.1m**.
936	Funding was provided under the Short-Term Home Building Fund to assist with development of 150 apartments and commercial space. As a result of several factors, including slow pace of sales, additional interest costs and a reduction in capital values, the loan interest has not been fully repaid. In prior years, there were accounting impairments recognised of £24k and reversals of fair value uplifts of £376k and £741k respectively. Some recovery is expected on the loan following sale of remaining units, but a further accounting impairment of £936k has been recognised in 2022/23 to reflect the potential remaining loss. The equivalent total impairments against contractual amount due (principal and interest) were £1.5m at 31 March 2023. **As at 31 March 2023, total cumulative accounting impairments recognised were £960k.**
Fruitless Payments	
400	During the year, the Agency agreed to pay £400k to a third-party service provider in line with contractual mechanisms following delays to implementation of the services under the contract. This payment was outstanding at 31 March 2023.
148,727	**Total write-offs and impairments recognised on Loans and Receivables and fruitless payments which exceed £300k**

* Includes reversal of previous fair value uplifts

Included in the 2022/23 accounts are further write-offs of loans measured at amortised cost totalling £353k and further impairments of loans measured at FVTPL of £14k and of receivables measured at FVTPL of £191k, which individually are below the reporting threshold and therefore have not been included in the table above.

In addition to this, the 2022/23 accounts reflect the reversal of previously disclosed impairments totalling £40.0m during the period. The reversals include £33.7m on a loan which has been recovered in full following the scheme being refinanced, and £6.3m partial recovery on a loan following a change in group structure, where the remaining outstanding amount continues to be impaired.

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 £230.0m at 31 March 2023.

Regularity (subject to audit)

During 2022/23, the Agency complied with the requirements of regularity as set out in Managing Public Money. HM Treasury approval was obtained for all novel, contentious or repercussive transactions relating to 2022/23.

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 of facilities, the provision of staff time and expertise and the provision of technical resources. Service income charged to RSH during the year was £587,000.

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 £240,000. 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 for Business, Energy and Industrial Strategy (as it was at the time of the transactions) 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.

Functional standards

Homes England is an active participant in the Government functional standards that are led from Cabinet Office. Assessments have been carried out against all the standards and action and improvement plans are being actively completed. Grant functions and Internal Audit were amongst the highest scoring functions across the Agency in the most recent review undertaken.

The Accountability report is signed on 13 July 2023

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Peter Denton
Chief Executive and Accounting Officer

Nightingale Lodge, Romsey, Hampshire
Image credit: Places for People Living Plus

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 2023 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 2023;
- 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 2023 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 Bodies in the United Kingdom (2022). 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 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 is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the 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.

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

- Adequate accounting records have not been kept by Homes England and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 Board and Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Homes England and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008;
- ensuring that the annual report, which includes the Remuneration and Staff report, is prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008; 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, I:

- considered the nature of the sector, control environment and operational performance including the design of Homes England and its Group's accounting policies.
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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.
- inquired of management, Homes England's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the 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, complex transactions, bias in management estimates, payment of grants on the basis of self-certification that grant conditions have been met, and loans to and investments in 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.

I obtained an understanding of Homes England and its Group's framework of authority and other legal and regulatory frameworks in which Homes England and its Group operates. I focused 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 and tax legislation.

I undertook specific risk assessment procedures relating to fraud, non-compliance with laws and regulations and regularity including: risk-based review of 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit, Assurance and Enterprise Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed estimates in the accounts and challenged underlying assumptions and methodologies, and substantively tested grant expenditure streams, investments, loans and property transactions to address risk of irregularity.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal 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 expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

17 July 2023

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

4 Financial Statements

Group Statement of Comprehensive Net Expenditure – Year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Expenditure			
Grants	4	**1,663,912**	1,482,192
Cost of land and property disposals	5	**182,609**	164,428
Programme costs	6	**83,376**	67,740
Staff costs	7a	**70,672**	72,255
Pension costs	7a	**31,863**	34,722
Administration expenses	8	**30,190**	26,943
Impairment of land and property	16	**106,924**	18,985
Impairment/(impairment reversal) of financial assets measured at fair value through profit or loss	12f	**254,790**	(163,841)
Impairment/(impairment reversal) of financial assets measured at amortised cost	12f	**(7,309)**	15,504
Increase/(decrease) in provisions		**854**	(3,812)
		2,417,881	1,715,116
Income			
Proceeds from disposal of land and property assets	5	**267,742**	248,630
Valuation gains on financial assets measured at fair value through profit or loss	12f	**646,815**	789,936
Net gain on disposal of financial assets	12f	**41,191**	25,162
Interest income	12f	**96,248**	59,297
Other operating income	9	**87,904**	76,928
		1,139,900	1,199,953
Net operating expenditure		**1,277,981**	515,163
Interest payable		**440**	402
Share of profits of associates and joint ventures	10	**(3,309)**	(229)
Pension fund finance net expected return	18d	**(4,886)**	(2,491)
Net expenditure before tax		**1,270,226**	512,845
Income tax credit		**(8,766)**	(5,347)
Net expenditure for the year		**1,261,460**	507,498
Other comprehensive expenditure			
Actuarial gain from pension fund	18e	**(63,767)**	(64,025)
Income tax charge on items in other comprehensive expenditure		**15,942**	16,006
		(47,825)	(48,019)
Total comprehensive expenditure for the year		**1,213,635**	459,479

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

Group Statement of Financial Position – At 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Non-current assets			
Intangible assets		**9,282**	6,161
Property, plant and equipment		**11,000**	4,957
Investments in associates and joint ventures	11b	**61,932**	55,123
Pension assets	18a	**233,226**	181,422
Trade and other receivables	12b	**176,780**	275,144
Financial assets held at amortised cost	12c	**846,979**	957,504
Financial assets held at fair value through profit or loss	12c	**19,622,677**	19,255,217
		20,961,876	20,735,528
Current assets			
Non-current assets held for sale		**-**	2,450
Land and property assets	16	**1,069,359**	1,168,657
Trade and other receivables	12b	**368,300**	219,634
Financial assets held at amortised cost	12c	**570,566**	454,103
Financial assets held at fair value through profit or loss	12c	**109,670**	117,568
Cash and cash equivalents	12a	**217,485**	195,776
		2,335,380	2,158,188
Total assets		**23,297,256**	22,893,716
Current liabilities			
Trade and other payables	17	**(555,453)**	(398,233)
Provisions		**(3,889)**	(5,362)
		(559,342)	(403,595)
Non-current assets plus net current assets		**22,737,914**	22,490,121
Non-current liabilities			
Trade and other payables	17	**(25,324)**	(115,112)
Provisions		**(4,821)**	(10,354)
Pension liabilities	18a	**(5,858)**	(10,285)
		(36,003)	(135,751)
Assets less liabilities		**22,701,911**	22,354,370
Reserves			
Income and Expenditure Reserve		**22,701,911**	22,354,370
Taxpayers' equity		**22,701,911**	22,354,370

The accompanying Notes are an integral part of these Financial Statements. Approved by the Board on 13 July 2023 and signed on their behalf by:

Peter Denton
Chief Executive and Accounting Officer

Agency Statement of Financial Position – At 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Non-current assets			
Intangible assets		**9,282**	6,161
Property, plant and equipment		**11,000**	4,957
Investments in subsidiaries	11a	**50,000**	50,000
Investments in associates and joint ventures	11b	**20,615**	20,615
Pension assets	18a	**233,226**	181,422
Trade and other receivables	12b	**176,780**	275,144
Financial assets held at amortised cost	12c	**846,979**	957,504
Financial assets held at fair value through profit or loss	12c	**19,622,677**	19,255,217
		20,970,559	20,751,020
Current assets			
Non-current assets held for sale		**-**	2,450
Land and property assets	16	**1,069,359**	1,168,657
Trade and other receivables	12b	**368,300**	219,634
Financial assets held at amortised cost	12c	**570,566**	454,103
Financial assets held at fair value through profit or loss	12c	**109,670**	117,568
Cash and cash equivalents	12a	**217,485**	195,776
		2,335,380	2,158,188
Total assets		**23,305,939**	22,909,208
Current liabilities			
Trade and other payables	17	**(571,170)**	(418,561)
Provisions		**(3,889)**	(5,362)
		(575,059)	(423,923)
Non-current assets plus net current assets		**22,730,880**	22,485,285
Non-current liabilities			
Trade and other payables	17	**(25,324)**	(115,112)
Provisions		**(4,821)**	(10,354)
Pension liabilities	18a	**(5,858)**	(10,285)
		(36,003)	(135,751)
Assets less liabilities		**22,694,877**	22,349,534
Reserves			
Income and Expenditure Reserve		**22,694,877**	22,349,534
Taxpayers' equity		**22,694,877**	22,349,534

The accompanying Notes are an integral part of these Financial Statements. Approved by the Board on 13 July 2023 and signed on their behalf by:

Peter Denton
Chief Executive and Accounting Officer

Statement of Cash Flows – Year ended 31 March 2023

Group and Agency	Note	2022/23 £'000	2021/22 £'000
Net cash (outflow)/inflow from operating activities	(a)	**(1,532,265)**	(2,091,309)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(384)**	(1,671)
Disposal of property, plant and equipment		**-**	-
Purchase of intangible assets		**(4,690)**	(5,678)
Investment made in group companies	11b	**(3,500)**	(9,162)
Net cash outflow from investing activities		**(8,574)**	(16,511)
Cash flows from financing activities			
Grant in Aid from sponsor department	SoCTE*	**1,562,548**	2,041,055
Net cash inflow from financing activities		**1,562,548**	2,041,055
Increase/(decrease) in cash and cash equivalents in the period		**21,709**	(66,765)
Cash and cash equivalents at 1 April	12a	**195,776**	262,541
Cash and cash equivalents at 31 March	12a	**217,485**	195,776

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

	Note	2022/23 £'000	2021/22 £'000
Net operating expenditure	SoCNE**	**(1,277,981)**	(515,163)
Financial assets:			
Financial asset investments made by the Agency	12	**(2,672,858)**	(2,937,219)
Proceeds from disposal of financial asset investments	12	**2,822,375**	2,580,395
Gain on disposal of financial assets	12f	**(41,191)**	(25,162)
Valuation gains on financial assets held at fair value through profit or loss	12f	**(646,815)**	(789,936)
Decrease/(increase) in impairment of financial assets	12f	**247,481**	(148,337)
Interest added to financial assets held at amortised cost	12	**(76,671)**	(48,140)
Land and property:			
Additions to land and property assets	16	**(182,429)**	(230,174)
Cost of land and property assets disposed		**177,253**	155,668
Increase in impairment of land and property	16, 8	**106,924**	17,525
Depreciation and amortisation	8	**5,123**	4,286
Pension costs	18d	**12,422**	14,389
Payments of income tax		**(9,750)**	(9,200)
		(1,536,117)	(1,931,068)
Decrease/(increase) in receivables		**(48,123)**	61,190
Increase/(decrease) in payables		**58,981**	(216,505)
Decrease in provisions		**(7,006)**	(4,926)
Net cash (outflow)/inflow from operating activities		**(1,532,265)**	(2,091,309)

* SoCTE: Statement of Changes in Taxpayers' Equity
** SoCNE: Statement of Consolidated Net Expenditure

Group Statement of Changes in Taxpayers’ Equity – Year ended 31 March 2023

	Note	2022/23 £’000	2021/22 £’000
Balance at 1 April		**22,354,370**	20,772,794
Change in accounting policy on 01 April 2022	1p	**(1,372)**	-
Net expenditure for the year		**(1,261,460)**	(507,498)
Actuarial gain from pension fund	18e	**63,767**	64,025
Income tax on items in other comprehensive expenditure		**(15,942)**	(16,006)
Total comprehensive expenditure for the year		**(1,215,007)**	(459,479)
Grant in Aid from sponsor department	1e	**1,562,548**	2,041,055
Balance at 31 March		**22,701,911**	22,354,370

Agency Statement of Changes in Taxpayers’ Equity – Year ended 31 March 2023

	Note	2022/23 £’000	2021/22 £’000
Balance at 1 April		**22,349,534**	20,767,387
Change in accounting policy on 01 April 2022	1p	**(1,372)**	-
Net expenditure for the year		**(1,263,658)**	(506,927)
Actuarial gain from pension fund	18e	**63,767**	64,025
Income tax on items in other comprehensive expenditure		**(15,942)**	(16,006)
Total comprehensive expenditure for the year		**(1,217,205)**	(458,908)
Grant in Aid from sponsor department	1e	**1,562,548**	2,041,055
Balance at 31 March		**22,694,877**	22,349,534

Notes to the Financial Statements for the year ended 31 March 2023

1. Statement of accounting policies

a) Statutory basis

The Homes and Communities Agency, trading as Homes England, 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 (DLUHC).

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 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 2022/23 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 or 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, where 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 2023 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.

Newton Development Partners LLP prepares its annual Financial Statements up to 31 March. The partnership was incorporated in the year and will produce its first set of audited accounts for the year ended 31 March 2024.

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 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 income. It is regarded as a contribution from a controlling party and is therefore credited to the income and expenditure reserve in full. 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 12d. 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, but neither metric would be sufficient if used on its own.

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 to settle the Agency's 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 material 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 14a. In addition, Note 15a 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 12c and Note 13.

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 Expected Credit Loss allowance is also calculated for cases where there has been a contractual loan commitment entered into at the reporting date. The Agency also calculates a Simplified Expected Credit Loss Allowance for Current Trade Receivables as permitted under International Financial Reporting Standard 9 Financial Instruments (IFRS 9).

The Expected Credit Loss Allowance at 31 March 2023 is analysed in Note 12h. 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 increased household costs due to inflation. The Probability of Default values are applied to each investment in relation to their individual Credit Risk Rating (CRR).
- **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 Performance Report within the Impact of macro-economic uncertainty section. For each identified scenario, variations are made to the Probability of Default values applied based on an individual investment's CRR. 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 2022 and 31 March 2023, 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, MSV percentages are applied to gross security values to determine a measure of LGD (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 15b.

Note 12h provides an analysis of the movements in the Expected Credit Loss allowance between 1 April 2022 and 31 March 2023, 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, based on 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.

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, 7.06% (6.97% in 2021/22). 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.

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 Grants may be paid in one, two or three instalments depending on scheme and provider eligibility: 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;
- 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; and
- Housing Infrastructure Fund 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 International Financial Reporting Standard 15 Revenue from Contracts with Customers (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 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, in light of the current economic environment (increases in base rates, below average buyer demand for new build homes, inflationary pressures in general and particularly in respect of construction costs and construction related costs), the decision was made to revalue all assets, even where no trigger events have occurred. This replicates the approach in the two previous years, although in those years the uncertainty mostly related to the COVID-19 pandemic. With respect to the ongoing conflict in Ukraine, this forms part of the wider economic uncertainty referred to above. The Royal Institution of Chartered Surveyors (RICS) has not published any specific guidance for valuers in 2023 on this matter. It has advised that RICS members should continue to follow Global Red Book standards, including Valuation Practice Guidance Application 10 Matters that may give rise to material valuation uncertainty. In particular, the decision on whether material uncertainty exists, remains the decision of the RICS valuer.

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. 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% (2021/22: 1.9%), in accordance with HM Treasury's PES (Public Expenditure System) (2022) 08, 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 2 December 2022.

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. Accounting policy m) Financial assets, under subheading Impairment, 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 (Public Expenditure System) (2022) 08, 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 2 December 2022.

Provisions are recognised for other liabilities as appropriate and discounted in line with 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 12c and Note 13, 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, where the fair value is estimated to be above cost.

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 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 (AC);
- financial assets measured at fair value through other comprehensive income (FVTOCI); and
- financial assets measured at 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 AC 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 FVTPL. There is an option to make an irrevocable election for non-traded equity investments to be measured at FVTOCI, 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 AC are recognised and measured at FVTPL. Business models are determined on initial application. If the business model were to change, the Agency would then reassess the classification of assets held within the portfolio. 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. The practical application of this standard is explained with reference to the Agency's asset portfolios in Notes 12c and 13, with detail regarding the key assumptions which support the Agency's most significant fair value estimate set out in Note 15a.

When the fair value of an asset falls below the associated initial cost of that asset, the Agency discloses this as an impairment charge in the financial statements.

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 particular asset groups or where there has been a contractual change for an individual asset.

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

As aforementioned, 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; and
- 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 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 DLUHC, to allow for current economic projections by considering historical movements in the various economic indicies. 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 2022/23 are derived from the macro-economic forecast scenarios provided by the Office for Budget Responsibility. Sensitivity analysis regarding this judgement is provided in Note 15b.

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 are consistent with income recognition. For loan commitments, the effective interest rate is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. For variable or 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, being 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 15b.

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. 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 International Accounting Standard 19 Employee Benefits (IAS 19). 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 £865m employer assets at 31 March 2023 disclosed in Note 18, only £61m (7.06%) related to 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.

p) Leases

The adoption of International Financial Reporting Standard 16 Leases (IFRS 16) for public sector bodies on 1 April 2022 sets out new principles for the recognition, measurement, presentation, and disclosure of leases. The standard requires a lessee to recognise a right-of-use asset and corresponding lease liability on the Statement of Financial Position for all leases other than short term leases or leases for which the underlying asset is of low value.

The Agency has made the decision to adopt IFRS 16 using the cumulative catch-up method from 1 April 2022, as permitted under the specific transitional provisions in the standard. As a result, comparatives have not been restated for the 2021 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position.

At 31 March 2022, the Group was committed to minimum payments under non-cancellable operating lease agreements totalling £23.6m. These commitments were recognised on 1 April 2022 under IFRS 16 at the minimum present value of the remaining lease payments, discounted at a rate prescribed by HM Treasury. Under IFRS 16, likely lease extensions are factored into the Agency's remaining payments, however variable payments such as service charges and rates have been excluded.

The Agency discounts its lease payments at the rate prescribed by HM Treasury in their 'Public Expenditure System' (PES). The Group's weighted average incremental borrowing rate applied to its lease liabilities on 1 April 2022 was 0.95% per PES (2021) 10, Discount Rates for General Provisions, post-employment benefits, financial instruments and leases (under IFRS 16); Announcement of rates.

Reconciliation of operating lease commitments to IFRS 16 lease liability

	£m
Operating lease commitments disclosed at 31 March 2022	23.6
Less impact of changes to commitments disclosed at 31 March 2022	(0.6)
Less service charges, rates and car parking included in commitments	(9.7)
If discounted at the Group's incremental borrowing rate of 0.95%	(0.4)
Less short-term operating leases not accounted for under IFRS 16	(1.2)
IFRS 16 lease liability at 1 April 2022	**11.7**

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied with the cumulative effect recognised as an adjustment to opening balances. Right-of-use assets of £9.2m were recognised on Statement of Financial Position at 1 April 2022. The difference between lease assets and liabilities of £2.5m is partially offset by a £1.1m adjustment in relation to rent-free periods, resulting in £1.4m being recognised as an adjustment to the Group's opening reserves, as shown in the Summary Statement of Changes in Taxpayers Equity.

q) Financial Commitments

The Agency recognises a financial commitment when it is legally or constructively committed to pay another body in relation to a specific matter. It is legally committed when it is subject to statute or is contractually bound. It is constructively committed when it has created a valid expectation in others, via its policies, conduct or established pattern of practice, for example, that it will be bound by certain obligations. The value of the financial commitment is determined by the amount which is still to be paid at the reporting date and profiled with reference to cash flow forecasts.

r) Impact of standards and interpretations in issue but not yet effective

International Financial Reporting Standard 17: Insurance Contracts (IFRS 17)

IFRS 17: Insurance Contracts replaces International Financial Reporting Standard 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 2025 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 are managed with Directorates which therefore form the basis of the Agency's operating segments as defined by International Financial Reporting Standard 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.

	2022/23			2021/22		
Programme	**Expenditure £m**	**Receipts £m**	**Total £m**	**Expenditure £m**	**Receipts £m**	**Total £m**
Help to Buy	**2,237.2**	**(53.3)**	**2,183.9**	2,397.5	(34.3)	2,363.2
Investment	**533.4**	**(627.9)**	**(94.5)**	605.5	(720.2)	(114.7)
Housing Infrastructure Grants	**299.0**	**-**	**299.0**	350.4	(0.2)	350.2
Development	**211.0**	**(364.1)**	**(153.1)**	275.4	(297.7)	(22.3)
Affordable Housing	**1,356.3**	**(10.6)**	**1,345.7**	1,099.5	(14.8)	1,084.7
Programme Administration	**26.1**	**-**	**26.1**	11.7	-	11.7
Evolve	**20.9**	**-**	**20.9**	16.3	-	16.3
Total programme expenditure and receipts	**4,683.9**	**(1,055.9)**	**3,628.0**	4,756.3	(1,067.2)	3,689.1
Administration	**119.1**	**(2.5)**	**116.6**	154.4	-	154.4
Total expenditure and receipts reported to Board	**4,803.0**	**(1,058.4)**	**3,744.6**	4,910.7	(1,067.2)	3,843.5
DEL not reported to the Board in respect of Expected Credit Loss charges, write off charges and DEL impairments*	**(7.1)**	**-**	**(7.1)**	16.7	-	16.7
Total Net DEL	**4,795.9**	**(1,058.4)**	**3,737.5**	4,927.4	(1,067.2)	3,860.2

* Whilst ECL, write-off charges and DEL impairments are not reported to Board as part of the monthly performance management information, they are sighted through reporting to various committees.

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 also 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	2022/23 £m	2021/22 £m
Total net DEL expenditure above		**3,737.5**	3,860.2
Reconciling items:			
Increase in impairment of land assets	16	**106.9**	17.9
(Decrease)/Increase in impairment of PPE and intangible assets		**-**	(1.5)
(Decrease)/Increase in impairment of assets measured at fair value passing through the SOCNE		**254.6**	(164.0)
Valuation gains on financial assets held at FVTPL		**(614.7)**	(761.3)
(Decrease)/Increase in provisions		**0.9**	(3.8)
Utilisation of provisions		**(7.9)**	-
Share of (profits) of associates and joint ventures	11b	**(3.3)**	(0.2)
Investment in joint ventures and associates	11b	**(3.5)**	(9.2)
Pension movements	18d, 18f	**7.5**	(20.9)
Book value of land and property assets disposed		**177.3**	153.4
Book value of assets measured at fair value disposed	12f	**2,332.5**	2,051.8
Help to Buy and FirstBuy receipts not included within net DEL expenditure*	12d, 12f	**(2,259.2)**	(1,898.6)
Loan repayments (for loans measured at amortised cost and at fair value)		**448.7**	503.4
Capital items recorded as programme expenditure:			
Additions to assets measured at fair value		**(2,301.9)**	(2,600.8)
Additions to land and property assets	16	**(182.4)**	(230.2)
Loans advanced, including interest added to loans measured at amortised cost		**(447.3)**	(384.5)
Additions to PPE and Intangible assets		**(5.1)**	(7.3)
Recovery of long term receivables recorded as programme income		**29.6**	8.4
Net expenditure before tax as stated in the Statement of Comprehensive Net Expenditure		**1,270.2**	512.8

* 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 the Department for Levelling Up, Housing and Communities to HM Treasury.

A reconciliation of programme receipts as shown above to income as stated in the Statement of Comprehensive Net Expenditure is as follows:

	Note	2022/23 £m	2021/22 £m
Total receipts reported to the Board		**1,058.4**	1,067.2
Reconciling items:			
Clawback of grants recorded as income but shown net within expenditure in Board reporting		**18.7**	27.1
Other income shown net within expenditure in Board reporting		**1.1**	1.1
Expenditure shown net within income in Board reporting		**7.8**	11.0
Disposal of non-current assets held for sale		**(2.5)**	-
Valuation gains on financial assets held at FVTPL not reported to Board	12d	**614.7**	761.3
Recovery of long term receivables recorded as programme income		**(6.1)**	(8.4)
Receipts from disposal of capital items recorded as programme income:			
Proceeds from the disposal of financial asset investments measured at fair value	12d	**(2,332.3)**	(2,051.6)
Loan repayments (for loans measured at amortised cost)	12e	**(472.2)**	(503.6)
Joint venture disposal proceeds	11b	**(6.9)**	(2.7)
Help to Buy and FirstBuy receipts not included within DEL receipts*		**2,259.2**	1,898.6
Income as stated in the Statement of Comprehensive Net Expenditure		**1,139.9**	1,200.0

* 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 the Department for Levelling Up, Housing and Communities to HM Treasury.

c) Major customers

During the current and prior year, income from individual customers did not exceed 10% of total income.

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 DLUHC

The Agency has agreements with DLUHC for the management and delivery of their Cladding Fund, Building Safety Fund, Next Steps Accommodation, Rough Sleepers Accommodation and Voluntary Right to Buy programmes:

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 £24.0m (2021/22 £71.6m) were paid out by the Agency and reimbursed by DLUHC.

Building Safety Fund: this fund is focussed on unsafe non-ACM cladding systems (for example due to high pressure laminates and other metal composite materials) on both social and private sector buildings over 18 metres in height. The Fund opened to new applications in July 2022 for eligible buildings. During the year, grants of £254.4m (2021/22: £163.5m) were paid out by the Agency and reimbursed by DLUHC.

Next Steps Accommodation Programme (NSAP): 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. NSAP is the first phase to deliver these plans. During the year, grants of £6.6m (2021/22: £32.2m) were paid out by the Agency and reimbursed by DLUHC.

Rough Sleepers Accommodation Programme (RSAP): 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. RSAP is the second phase to deliver these plans. During the year, grants of £41.8m (2021/22: £31.4m) were paid out by the Agency and reimbursed by DLUHC.

Voluntary Right to Buy: under this programme DLUHC compensate registered providers for loss of rent where tenants buy their own property. The programme ceased during financial year 2021/22 therefore grants of £nil (2021/22: £0.4m) were paid by the Agency and reimbursed by DLUHC.

Managing programmes for other government departments

The Agency's agreement with the Department of Health and Social Care (DHSC) in respect of the Care and Support Specialised Housing Fund ceased at the end of the 2021/22 financial year. Under this programme, DHSC funded specialist housing for older people and adults with disabilities. During 2021/22 grants of £6.5m were paid out by the Agency and reimbursed by DHSC.

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 5,547 (2021/22: 6,237) assets on behalf of these parties. During the year the Agency also collected 690 (2021/22: 1,055) disposal receipts with total proceeds of £20.1m (2021/22: £23.9m). 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 £5.6m (2021/22 £3.4m) which is due to be paid to the MoD.

The Agency manages three science parks on behalf of the Department for Science, Innovation and Technology (DSIT). During the year the Agency incurred expenditure of £0.6m (2021/22: £0.7m) and collected income of £6.9m (2021/22: £1.8m) as a result of day to day management of the sites. The net receipt of £6.3m is due to DSIT 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, but applications submitted before the December 2018 deadline continue to be progressed.

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 £0.6m (2021/22: £0.7m) 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:

	2022/23 £'000	Represented* 2021/22 £'000
Affordable Housing:		
Strategic Partnerships	**799,331**	653,968
Affordable Housing	**517,833**	471,102
Housing Infrastructure Fund	**264,609**	312,748
First Homes	**56,194**	-
Local Authority Accelerated Construction	**11,446**	31,630
Other	**10,096**	9,485
City Growth Deals	**4,403**	3,169
Community Housing Fund	**-**	90
	1,663,912	1,482,192

* Represented to split out Strategic Partnerships from Affordable Housing.

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. Strategic Partnerships is part of the Affordable Housing Grant Programme. These partnerships provide additional support to registered providers for the construction of affordable homes.

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 First Homes scheme offers discounts to first time buyers, which means they may be able to buy a home for 30% less than the market value. The home can be a new home built by a developer, or a home you buy from someone else who originally bought it as part of the scheme. This is subject to eligibility criteria.

The Local Authority Accelerated Construction programme was scheduled to end on 31 March 2022, however an extension was granted for the 2022/23 financial year. The reduction in spend from 2021/22 to 2022/23 is in line with the programme winding down to a close. No further extension has been granted beyond 2022/23.

The Community Housing Fund officially closed on 31 March 2021. The small amount 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 programme through a multi-year agreement. Both types are paid to partners across England.

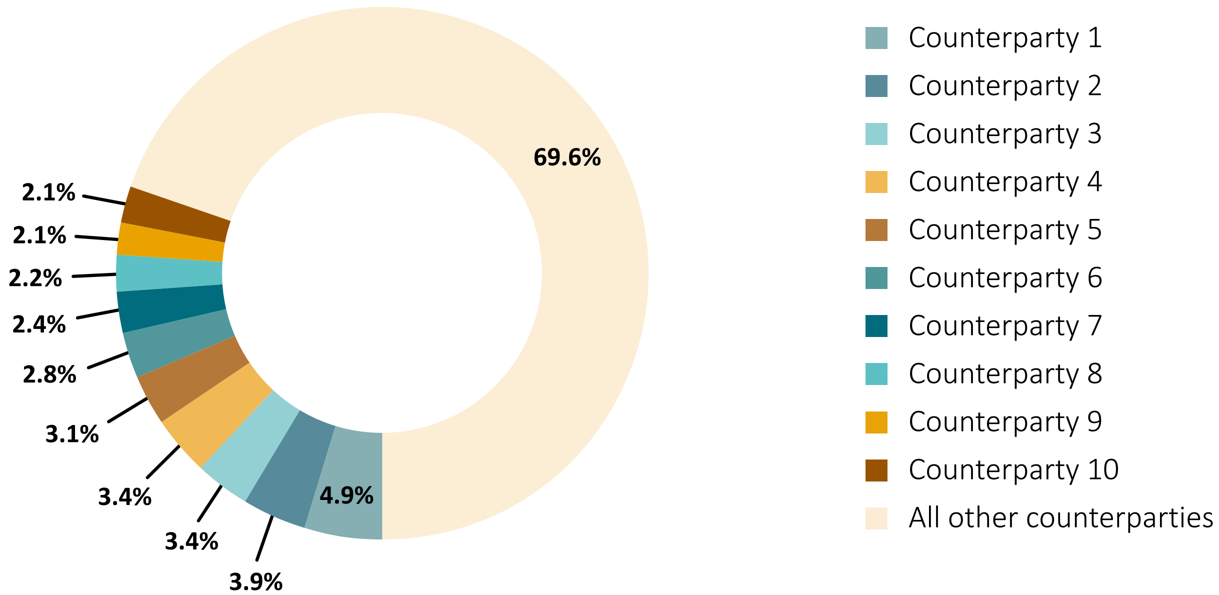
The table below shows the geographical split.

	2022/23		2021/22	
Region	**Total Grant £'000**	**%**	**Total Grant £'000**	**%**
East and South East	**304,149**	**23%**	293,544	26%
South West	**191,904**	**14%**	173,612	15%
Midlands	**244,018**	**19%**	219,552	20%
North East and Yorkshire	**273,387**	**21%**	201,594	18%
North West	**303,706**	**23%**	236,768	21%
	1,317,164	**100%**	1,125,070	100%

Top 10 Recipients of Funding to 31 March 2023

Analysis of top 10 recipients of funding by counterparty to 31 March 2023	Payments £'000	Percentage of Total Grant Payments
Counterparty 1	**81,799**	4.9%
Counterparty 2	**65,258**	3.9%
Counterparty 3	**57,136**	3.4%
Counterparty 4	**55,862**	3.4%
Counterparty 5	**52,053**	3.1%
Counterparty 6	**46,841**	2.8%
Counterparty 7	**39,958**	2.4%
Counterparty 8	**36,954**	2.2%
Counterparty 9	**35,701**	2.1%
Counterparty 10	**34,141**	2.1%
Total Top 10 counterparties at 31 March 2023	**505,703**	**30.3%**
Total grant payments to 31 March 2023	**1,663,912**	**69.7%**

Percentage of Top 10 Recipients of Funding



5. Disposal of land and property assets

	Note	2022/23 £'000	2021/22 £'000
Proceeds from disposals		**267,742**	248,630
Cost of disposals:			
Book value of disposals	16	**174,803**	153,418
Direct costs of sale		**7,806**	11,010
		182,609	164,428
Gain on disposal		**85,133**	84,202

The proceeds from disposals above can be further analysed as follows:

	Note	2022/23 £'000	2021/22 £'000
Disposals of land (freehold disposal/building lease)		**199,733**	158,883
Direct Commissioning (market sales)		**46,070**	68,618
Direct Commissioning (affordable contracts)		**21,939**	21,129
Proceeds from disposals		**267,742**	248,630

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

	2022/23 £'000	2021/22 £'000
Land	**20,983**	21,700
Evolve	**15,729**	10,636
Help to Buy	**12,900**	13,772
Markets, Partners and Places	**8,898**	7,073
Financial Investment Programmes	**7,997**	7,478
Cladding Safety Scheme	**7,511**	-
Managing programmes on behalf of DLUHC	**4,511**	4,579
Housing Infrastructure Fund	**2,805**	1,102
Affordable Homes	**1,185**	1,400
Strategy Research Analysis Sponsorship	**857**	-
	83,376	67,740

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.

Evolve 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 £4.7m (2021/22: £5.7m) of capital expenditure incurred in relation to Evolve.

Help to Buy costs relate to transaction fees paid to local agents who administer new equity loans, servicing costs paid to the Agency's mortgage administrator, who manage the equity loan book and costs incurred for a future transfer to a new mortgage administrator. Help to Buy also include costs in relation to the Help to Build scheme setup.

Cladding Safety Scheme costs relate to the development and setup of the Cladding Safety Scheme Programme. This is a new grant scheme for 11-18 meter high buildings with unsafe cladding. The scheme's vision is to offer financial support, where recovery has not been possible from those responsible, to enable the remediation of eligible buildings with cladding systems which present an unacceptable life-safety risk.

Note 3 details the programmes that Homes England manages for DLUHC and other government departments, the costs included within programme costs above are the staff costs and professional fees associated with these programmes.

7. Staff costs

The costs of salaried staff for the year, excluding Board Members, were as follows:

a) Total staff costs

	2022/23 £'000	2021/22 £'000
Staff costs charged to net expenditure comprise:		
Staff costs	**70,672**	72,255
Pension costs	**31,863**	34,722
Total staff costs	**102,535**	106,977

The costs above can be further analysed as follows:

	2022/23 £'000	2021/22 £'000
Salaries and wages	**70,559**	72,041
Social security costs	**8,644**	9,463
Pension costs- current service cost*	**29,716**	32,786
Pension costs- expenses	**2,147**	1,936
	111,066	116,226
Temporary staff	**15,562**	11,823
Seconded staff	**88**	448
	126,716	128,497
Less staff costs capitalised: Land and Property	**(10,709)**	(11,416)
Less staff costs transferred to programme costs	**(13,472)**	(10,104)
	102,535	106,977
Non-Executive Board Member expenses	**-**	6

* The current service pension cost does not include costs relating to early retirements, which are included within Administration expenditure, Note 8.

During the year, £10.7m of staff costs were capitalised (2021/22: £11.1m) against Land and Property assets. The costs relate to direct labour involved in the enhancement of land and property assets. During the year, no staff costs were capitalised (2021/22: £0.3m) against intangible fixed assets.

In addition, £13.5m (2021/22: £10.1m) of staff costs, in relation to the Homes England Evolve Programme, the Building Safety Fund and the Next step Accommodation Programme, 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.

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 £0.4m (2021/22: £0.3m).

During the year, no Directors received bonuses (2021/22: £9k). The Remuneration and staff report within 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:

	2022/23 Number	2021/22 Number
Permanent UK staff	**1,167**	1,203
Fixed term UK staff	**95**	102
Temporary staff	**142**	118
Board members	**9**	9
Seconded staff	**2**	4
	1,415	1,436

d) Loans to employees

The Agency has provided travel season ticket loans, cycle scheme loans and charge point loans to employees during the year. The total amount outstanding in respect of these at 31 March 2023 was £19k (2021/22: £18k). There were no other loans to employees.

8. Administration expenditure

	2022/23 £'000	Represented* 2021/22 £'000
Accommodation and office running costs	**9,423**	10,852
Professional fees	**5,425**	5,330
Depreciation and Amortisation	**5,123**	2,826
Travel and subsistence	**3,291**	2,057
Taxation not recoverable	**3,280**	3,318
Staff welfare, learning and development	**2,184**	1,643
Other	**889**	482
Auditor's remuneration (Statutory Audit)	**575**	435
	30,190	26,943

* Represented to show Depreciation and Amortisation and Taxation not recoverable separately.

Movements in accommodation and office running costs and depreciation from the prior year have occurred as a result of a change in accounting policy (note 1).

There were increases in travel and subsistence compared to prior year as they start to return to pre-pandemic levels.

9. Other operating income

	Note	2022/23 £'000	2021/22 £'000
Homeowner fees	12f	**57,621**	39,313
Grant clawback		**19,836**	27,109
Other		**5,611**	5,299
Rent and property income		**4,836**	5,207
		87,904	76,928

Homeowner fees represent income due from homeowners who have acquired a home via the Help to Buy loan equity scheme or other historic equity loan schemes. In relation to the Help to Buy equity scheme, from the fifth anniversary of ownership interest is due, calculated as 1.75% of the loan outstanding (applied monthly), the interest rate increases each year by RPI +1%.

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 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 included in the Statement of Comprehensive Net Expenditure is as follows:

	2022/23 £'000	2021/22 £'000
Share of results of associates	**2,393**	(521)
Share of results of joint ventures	**916**	750
Share of profits of associates and joint ventures	**3,309**	229

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. Share of profits of associates and joint ventures

a) Subsidiary undertakings - Agency

Cost	2022/23 £'000	2021/22 £'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 a 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 are as follows:

Cost or valuation	Note	Group 2022/23 £'000	Group 2021/22 £'000	Agency 2022/23 £'000	Agency 2021/22 £'000
At 1 April		**55,123**	45,732	**20,615**	20,615
Investments in the year		**10,405**	11,861	**-**	-
Redemptions		**(6,905)**	(2,699)	**-**	-
Share of profits of associates and joint ventures	10	**3,309**	229	**-**	-
At 31 March		**61,932**	55,123	**20,615**	20,615

In 2022/23, £2.7m (2021/22: £1.2m) was received in dividends from group companies and treated as redemptions under the equity method per International Accounting Standard 28: Investments in Associates and Joint Ventures.

In 2022/23, £10.4m (2021/22: £11.9m) of committed funding was invested by English Partnerships (LP) Ltd, our wholly owned subsidiary into English Cities Fund. This comprises new funding of £10.4m (2021/22: £9.6m) and amounts previously repaid to the Group of £nil (2021/22: £2.3m). There have been £4.2m (2021/22: £1.5m) of repayments of funding made during the year. In 2021/22, the Agency recommitted to the English Cities Fund for a further ten years to December 2036.

The aggregated amounts of the Group's share of net assets and liabilities of associates and JVs are as follows:

	2022/23 £'000	2021/22 £'000
Group share of net assets of associates	**35,756**	29,863
Group share of net assets of joint ventures	**26,176**	25,260
Group share of net assets of associates and joint ventures	**61,932**	55,123

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
Newton Development Partners LLP ^ *	**Agency**	**25%**	Property development

^ Joint venture
* During the year, the Agency entered into a partnership agreement to invest up to £50m in equity in a joint venture, Newton Development Partners LLP. At the year end the joint venture had been established but no funds had been invested by the Agency.

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 (2021/22: £5.0m) working capital facility available to Countryside Maritime Limited, of which £3.7m (2021/22: £1.2m) was drawn at 31 March 2023. In 2017/18, the group committed to invest a further £25.0m into English Cities Fund. During 2022/23, £10.4m (2021/22: £9.6m) has been drawn down from this additional commitment. In 2022/23, the Agency committed £50.0m of funding to Newton Development Partners LLP. At 31 March 2023 £nil had been drawn down.

12. Financial assets

	Note	2022/23 Fair value £'000	2022/23 Amortised cost £'000	2022/23 Total £'000	2021/22 Fair value £'000	2021/22 Amortised cost £'000	2021/22 Total £'000
Cash and cash equivalents	a)	**-**	**217,485**	**217,485**	-	195,776	195,776
Trade & other receivables	b)	**281,970**	**263,110**	**545,080**	271,666	223,112	494,778
Financial asset investments	c)	**19,732,347**	**1,417,545**	**21,149,892**	19,372,785	1,411,607	20,784,392
		20,014,317	**1,898,140**	**21,912,457**	19,644,451	1,830,495	21,474,946

a) Cash and cash equivalents- Group and Agency

	2022/23 £'000	2021/22 £'000
Cash held with Government Banking Service	**149,595**	139,608
Cash held with commercial banks	**5,317**	146
Cash held with third parties	**62,573**	56,022
	217,485	195,776

The Agency draws Grant in Aid from DLUHC on a monthly basis which is 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 2023 to settle short-term liabilities, but not cleared by 31 March 2023. These payments totalled £45.5m (2021/22: £92.9m) and cleared the bank in early April 2023. 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

	2022/23			2021/22		
Gross balances	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**	**Fair value £'000**	**Amortised cost £'000**	**Total £'000**
Land sale receivables	**269,791**	**7,336**	**277,127**	262,127	3,158	265,285
Direct Commissioning	**-**	**155,788**	**155,788**	-	88,975	88,975
Other receivables and prepayments	**12,179**	**100,407**	**112,586**	9,539	131,159	140,698
	281,970	**263,531**	**545,501**	271,666	223,292	494,958
Expected Credit Loss allowances	**-**	**(421)**	**(421)**	-	(180)	(180)
Net balances	**281,970**	**263,110**	**545,080**	271,666	223,112	494,778
Of which:						
Non-current assets	**160,515**	**16,265**	**176,780**	187,646	87,498	275,144
Current assets	**121,455**	**246,845**	**368,300**	84,020	135,614	219,634
	281,970	**263,110**	**545,080**	271,666	223,112	494,778
Of which:						
Balances with Private Sector counterparties	**281,577**	**206,036**	**487,613**	271,273	137,137	408,410
Balances with Public Sector counterparties	**393**	**57,074**	**57,467**	393	85,975	86,368
	281,970	**263,110**	**545,080**	271,666	223,112	494,778

The increase in Direct Commissioning receivables has largely driven the total increase in receivables. This programme is also responsible for the movement to current assets from non-current assets. The Direct Commissioning Programme is due to end in 2023/24.

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 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 amounts due from DLUHC for programmes delivered on their behalf, utility prepayments, trade receivables and other smaller balances.

Credit risk of receivables classified to FVTPL

The Agency is exposed to credit risk in relation to receivables measured at FVTPL. The credit risk exposure at the year end is £297.4m (2021/22: £284.1m).

c) Financial asset investments - Group and Agency

		2022/23			2021/22		
	Fair value hierarchy (where relevant)	Fair value £'000	Amortised cost £'000	Total £'000	Fair value £'000	Amortised cost £'000	Total £'000
PRS REIT	Level 1	**24,172**	**-**	**24,172**	32,120	-	32,120
Help to Buy Equity Loans	Level 2	**18,934,182**	**-**	**18,934,182**	18,428,202	-	18,428,202
Other Legacy Equity Loans	Level 2	**195,791**	**-**	**195,791**	211,871	-	211,871
Infrastructure Loans	Level 3	**289,341**	**845,630**	**1,134,971**	336,758	829,788	1,166,546
Development Loans	Level 3	**46,373**	**477,354**	**523,727**	64,792	504,547	569,339
Other Loans	Level 3	**9,073**	**94,561**	**103,634**	66,238	66,341	132,579
Development and Infrastructure Equity	Level 3	**119,351**	**-**	**119,351**	119,809	-	119,809
Managed Funds	Level 3	**66,140**	**-**	**66,140**	64,932	-	64,932
City Growth Deals	Level 3	**29,536**	**-**	**29,536**	29,500	10,931	40,431
Other Equity	Level 3	**10,151**	**-**	**10,151**	12,641	-	12,641
Overage	Level 3	**8,237**	**-**	**8,237**	5,922	-	5,922
		19,732,347	**1,417,545**	**21,149,892**	19,372,785	1,411,607	20,784,392
Of which:							
Non-current assets		**19,622,677**	**846,979**	**20,469,656**	19,255,217	957,504	20,212,721
Current assets		**109,670**	**570,566**	**680,236**	117,568	454,103	571,671
		19,732,347	**1,417,545**	**21,149,892**	19,372,785	1,411,607	20,784,392
Of which:							
Balances with Private Sector counterparties		**19,657,286**	**1,411,897**	**21,069,183**	19,292,542	1,395,117	20,687,659
Balances with Public Sector counterparties		**75,061**	**5,648**	**80,709**	80,243	16,490	96,733
		19,732,347	**1,417,545**	**21,149,892**	19,372,785	1,411,607	20,784,392

Investments measured at fair value

Financial assets measured at FVTPL are stated at fair value in accordance with 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;
- Help to Buy and Other Legacy Equity Loans: 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: £45.0m (2021/22: £49.9m), Home Buy Direct and Kickstart Home Buy Direct: £86.3m (2021/22: £93.9m), First Time Buyers' Initiative: £61.8m (2021/22: £67.3m), and amounts due in relation to deferred land charges of £2.7m (2021/22: £0.8m);

- Infrastructure, Development, 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 and Infrastructure Equity, City Growth Deals and Other Equity: 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 Growth 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 FVTPL are carried at fair value, using the valuation methods described in Note 13. 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 2032. Other loans include £24.7m of loans made to utility companies (2021/22: £25.5m) in respect of water infrastructure for new town developments (due for redemption by 2053), £4.3m loans made to Local Authorities (2021/22: £4.2m) 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 £64.4m (2021/22: £36.3m) 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 £nil in respect of City Growth Deals (2021/22: £10.9m) are repayable up to 2023.

d) Movements in financial asset investments measured at fair value - Group and Agency

	Level 1	Level 2		Level 3		
	Shares held in The 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 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**
Additions	-	2,224,473	-	51,069	28,954	2,304,496
Disposals	-	(2,211,609)	(21,554)	(58,647)	(40,691)	(2,332,501)
Fair value adjustment	(2,119)	615,229	5,452	10,945	12,472	641,979
(Impairment)/reversal of impairment	(5,829)	(122,113)	22	(126,366)	(126)	(254,412)
Balances as at 31 March 2023	**24,172**	**18,934,182**	**195,791**	**344,787**	**233,415**	**19,732,347**

* Loans are measured at 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 12c.

Other Investments include Development and Infrastructure Equity, Overage and Other Equity, the nature of which is defined within Note 12c.

During the year there have been unrealised gains recognised in the Statement of Comprehensive Net Expenditure of £642.0m.

Impairments recognised of £122.1m on Help to Buy Equity Loans are mainly in respect of recent asset additions, for which the fair value at 31 March 2023 is more likely to be impacted by the recent falls in house prices observed since December 2022. There have also been net impairments charges recognised on Loans measured at FVTPL of £126.4m. The majority of the total impairment recognised relates to two projects which were fully impaired during the year, resulting in impairments recognised of £126.6m. Further details of these cases are disclosed within the Losses and Special Payments note of the Annual Report.

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 15a. As described in Note 12c, 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 14a 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 Performance report section of 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 FVTPL

The Agency is exposed to credit risk in relation to loans classified to FVTPL. The credit-risk exposure at 31 March 2023 in relation to these investments is £522.2m (2021/22: £483.4m).

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 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**

	Development Loans £'000	Infrastructure Loans £'000	Other Loans*** £'000	Total £'000
Gross balances as at 1 April 2022*	**522,473**	**848,011**	**78,306**	**1,448,790**
Additions	249,511	74,292	44,559	368,362
Repayments	(298,607)	(122,584)	(27,492)	(448,683)
Interest added to loans	28,706	45,669	1,909	76,284
Amounts written-off / (written back) loans and modification gains	(1,838)	38,199	-	36,361
Gross balances as at 31 March 2022*	**500,245**	**883,587**	**97,282**	**1,481,114**
Interest accrued but not yet added to loans at 31 March 2023 **	1,312	3,732	389	5,433
Expected Credit Loss Allowances	(24,203)	(41,689)	(3,110)	(69,002)
Net balances as at 31 March 2023*	**477,354**	**845,630**	**94,561**	**1,417,545**

* 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 2022/23 (2021/22: £nil).

*** Other Loans include amounts due on City Growth Deals of £nil in 2022/23 (2021/22: £10.9m).

It is a requirement of IFRS 7 that for each class of financial instruments the fair value of these assets is disclosed. For assets held at amortised cost, it is considered that the amortised cost carrying value after adding back the Expected Credit Loss allowance is an appropriate proxy for fair value. This value was £1,486m at 31 March 2023 (£1,452m at 31 March 2022).

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 2023, a sensitivity analysis has been performed in Note 15b, 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	2022/23 £'000	2021/22 £'000
Movements in Net Expenditure in relation to assets held at fair value			
Valuation gains on financial asset investments held at FVTPL	12d	**641,979**	777,447
Valuation gains on receivables held at FVTPL		**4,836**	12,489
(Impairment)/Impairment reversal of financial asset investments held at FVTPL	12d	**(254,412)**	163,953
(Impairment)/Impairment reversal of receivables held at FVTPL		**(378)**	(112)
Gain/(loss) on disposal against fair value		**41,191**	25,162
Monthly Fees recognised on Help to Buy equity loans		**53,333**	34,279
Monthly Fees recognised on other legacy equity loans		**4,288**	5,034
Movements in Net Expenditure in relation to assets held at amortised cost			
Interest on loans		**95,861**	59,214
Interest on receivables		**387**	83
Credit impairment loss reversals/(charges), including modification gains/(losses)		**7,309**	(15,504)
Net income recognised in consolidated net expenditure		**594,394**	1,062,045

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 and is mainly in respect of recent asset additions, for which the fair value at 31 March 2023 is more likely to be impacted by the recent falls in house prices observed since December 2022.

Gain/(loss) on disposal of financial asset investments

2022/23	Help to Buy Equity Loans £'000	Other Legacy Equity Loans £'000	Loans at FVTPL £'000	Other Investments £'000	Total £'000
Proceeds from disposals	2,253,035	21,319	58,647	40,691	2,373,692
Fair value of assets disposed	2,211,609	21,554	58,647	40,691	2,332,501
Gain/(loss) on disposal against fair value	**41,426**	**(235)**	**-**	**-**	**41,191**

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**

Credit impairment loss charges to Net Expenditure in relation to assets held at amortised cost

	2022/23 £'000	2021/22 £'000
Net movements in Expected Credit Loss Allowances	**28,925**	(837)
Amounts written-off/ (written-back) loan balances	**(36,354)**	15,830
Modification gains	**(7)**	-
Amounts written-off/(written-back) on receivable balances	**127**	511
Total credit impairment loss charges/(credits)	**(7,309)**	**15,504**

g) Write-offs at the reporting date

Movement in write-off allowances during 2022/23

	Allowances at 1 April 2022 £'000	Recognised £'000	Written-back £'000	Utilised £'000	Allowances at 31 March 2023 £'000
Financial asset investments at amortised cost	73,908	3,638	(39,992)	(69)	**37,485**
Trade & other receivables	561	135	(8)	(20)	**668**
	74,469	**3,773**	**(40,000)**	**(89)**	**38,153**

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 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**

h) Movement in 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 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)
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**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Simplified approach £'000	Total £'000
Position as at 1 April 2022	**36,598**	**2,928**	**812**	**160**	**40,498**
New credit-risk exposures in the reporting period	5,637	1,595	-	-	7,232
Movements from Stage 1 to Stage 2***	(10,572)	20,158	-	-	9,586
Movements from Stage 1 to Stage 3***	(544)	-	544	-	-
Movements from Stage 2 to Stage 1***	71	(71)	-	-	-
Movements from Stage 2 to Stage 3	-	(21)	21	-	-
Movements from Stage 3 to Stage 1	-	-	-	-	-
Movements from Stage 3 to Stage 2	-	-	-	-	-
ECL utilised when written-off*	-	(276)	-	-	(276)
Movements as a result of modifications*	-	-	-	-	-
Released on repayment	(2,778)	(1,139)	-	-	(3,917)
Changes in risk parameters and risk models**	5,804	(5,603)	16,034	65	16,300
Net movements in Expected Credit Loss Allowances	**(2,382)**	**14,643**	**16,599**	**65**	**28,925**
Expected Credit Loss allowance as at 31 March 2023	**34,216**	**17,571**	**17,411**	**225**	**69,423**

* 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

2022/23	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Simplified approach £'000	Total £'000
Development Loans	15,965	7,351	887	-	24,203
Infrastructure Loans	14,945	10,220	16,524	-	41,689
Other Loans	3,110	-	-	-	3,110
Trade & other receivables	196	-	-	225	421
Total ECL allowances at 31 March 2023	**34,216**	**17,571**	**17,411**	**225**	**69,423**

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**

During 2022/23, 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 an increase in the Expected Credit Loss allowance of £14.31m during the year (2021/22: decrease of £4.95m). Details of the assumptions adopted are set out in the Performance report section of the Annual Report.

13. 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 (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 12c. 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 2022/23 (2021/22: 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 International Accounting Standard 20 Government Grants; or
- deferred and released over the expected life of the instrument in accordance with IFRS 9

Changes in aggregate gains yet to be recognised in net expenditure are as follows:

Group and Agency	2022/23 £'000	2021/22 £'000
At 1 April	**1,961**	2,142
Gain recognised on recognition	**-**	-
Released	**(1,961)**	(181)
At 31 March	**-**	1,961

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	2022/23 Original cost £'000	2022/23 Carrying value £'000	2021/22 Original cost £'000	2021/22 Carrying value £'000
Assets measured at amortised cost					
Cash and cash equivalents	12a	**217,485**	**217,485**	195,776	195,776
Trade and other receivables		**248,818**	**247,729**	208,449	207,708
Financial asset investments	12c	**1,524,032**	**1,417,545**	1,525,829	1,411,607
Assets measured at fair value					
Trade and other receivables	12b	**294,125**	**281,970**	284,131	271,666
Financial asset investments	12c	**18,423,343**	**19,732,347**	18,195,770	19,372,785
Total financial assets		**20,707,803**	**21,897,076**	20,409,955	21,459,542

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	2022/23 £'000	2021/22 £'000
Other financial liabilities			
Trade and other payables		**559,581**	499,084
Provisions		**7,850**	15,716
Total financial liabilities		**567,431**	514,800

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

14. Financial risk management

The Group and Agency's financial assets and liabilities are detailed in Notes 12 and 17. 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;
- 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 2023, 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%	22,962.1	3,832.9	20.0%
10.0%	21,047.3	1,918.1	10.0%
0.0%	19,129.2	-	0.0%
(5.0%)	18,148.7	(980.5)	(5.1%)
(10.0%)	17,064.2	(2,065.0)	(10.8%)
(20.0%)	14,503.9	(4,625.3)	(24.2%)
(30.0%)	11,075.8	(8,053.4)	(42.1%)

Private sector developments, overage and infrastructure

At 31 March 2023, 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 £25.8m/£25.8m from that stated.

Land portfolio

The table below shows the effect on net expenditure at 31 March 2023, before the effects of tax, if at 31 March 2023 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%	1,195.3	(125.9)	11.8%
10.0%	1,135.2	(65.8)	6.2%
0.0%	1,069.4	-	0.0%
(5.0%)	1,031.1	38.3	(3.6%)
(10.0%)	990.6	78.8	(7.4%)
(20.0%)	908.5	160.9	(15.0%)
(30.0%)	819.7	249.7	(23.3%)

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 3.52% as at 31 March 2023 (0.66% as at 31 March 2022).

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 2023, the Agency's net expenditure for the year, before the effect of tax, would have been £13.1m/£13.1m 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 17) 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

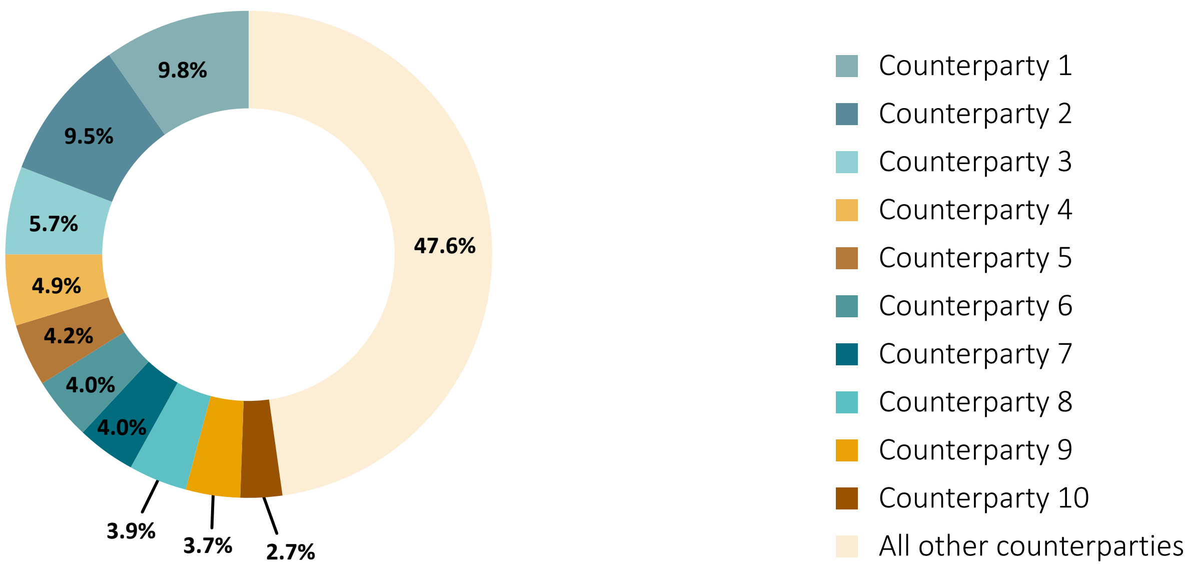
Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. The Agency's maximum exposure to credit risk, without taking into account any security held, is the same as the carrying amount of financial assets recorded in the Financial Statements, as disclosed in Note 12.

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.

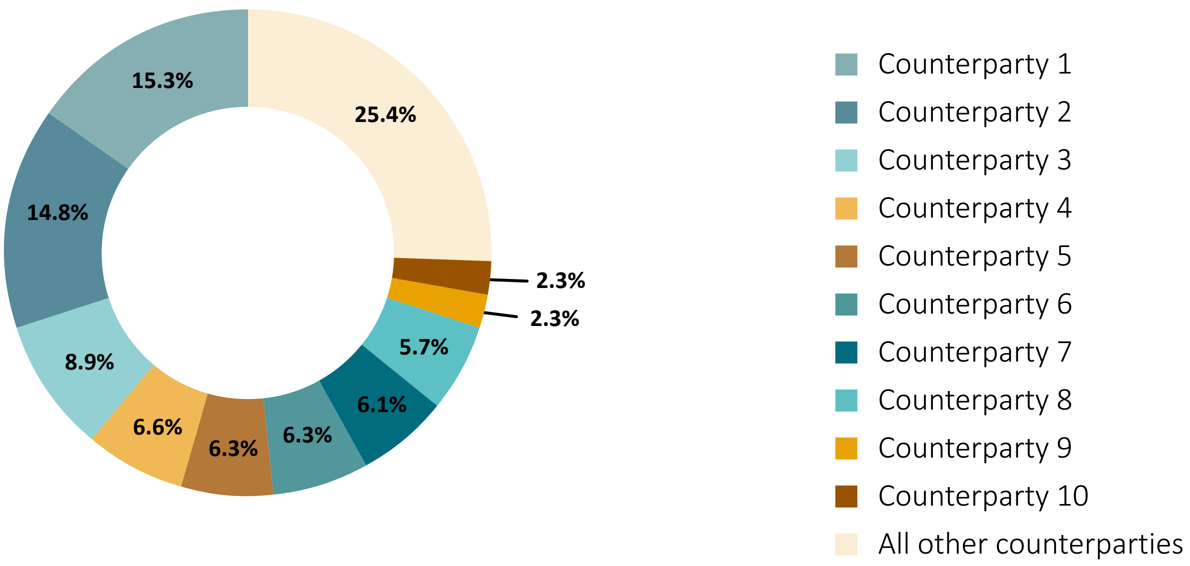
Analysis of total loan exposure by counterparty at 31 March 2023	Exposure £'000	Percentage of Total Loans
Counterparty 1	**197,336**	9.8%
Counterparty 2	**189,465**	9.5%
Counterparty 3	**114,231**	5.7%
Counterparty 4	**98,605**	4.9%
Counterparty 5	**84,122**	4.2%
Counterparty 6	**80,612**	4.0%
Counterparty 7	**80,612**	4.0%
Counterparty 8	**77,934**	3.9%
Counterparty 9	**73,507**	3.7%
Counterparty 10	**53,253**	2.7%
Total Exposure of Top 10 counterparties at 31 Mar 2023	**1,049,677**	**52.4%**
Total Loans Balance at 31 Mar 2023*	**2,004,855**	

Percentage of Total Loans



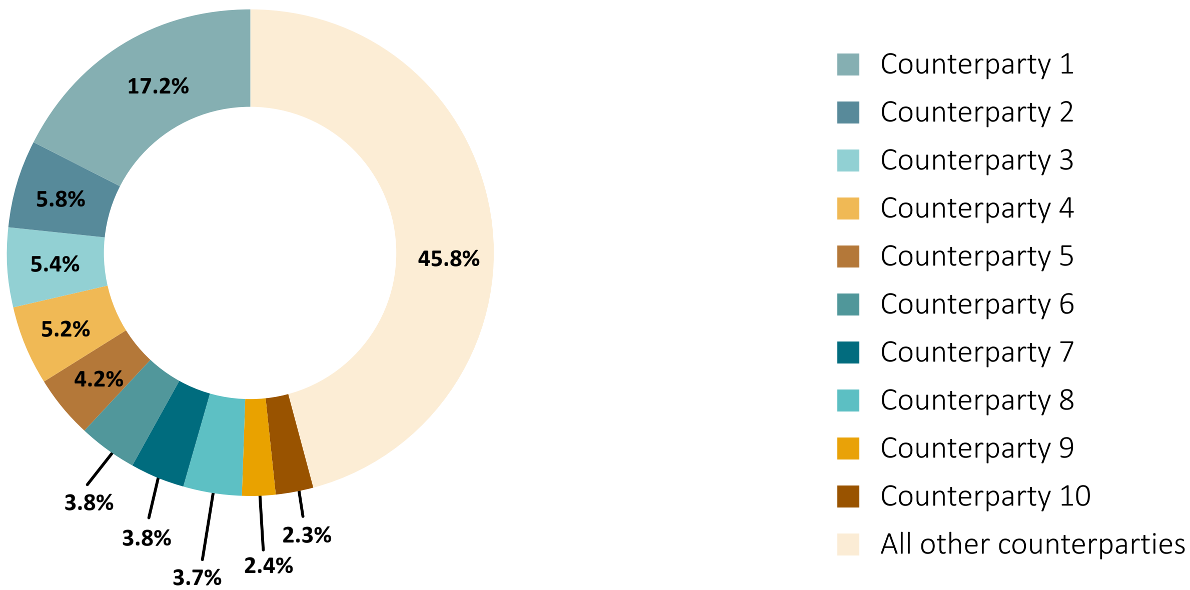
Analysis of Infrastructure Loan Exposure by counterparty at 31 March 2023	Exposure £'000	Percentage of Total Infrastructure Loans
Counterparty 1	**196,400**	15.3%
Counterparty 2	**189,465**	14.8%
Counterparty 3	**114,231**	8.9%
Counterparty 4	**84,122**	6.6%
Counterparty 5	**80,612**	6.3%
Counterparty 6	**80,612**	6.3%
Counterparty 7	**77,934**	6.1%
Counterparty 8	**73,507**	5.7%
Counterparty 9	**29,265**	2.3%
Counterparty 10	**29,265**	2.3%
Total Exposure of Top 10 counterparties at 31 Mar 2023	**955,413**	**74.6%**
Total Infrastructure Loans Balance at 31 March 2023*	**1,282,500**	

Percentage of Total Infrastructure Loans



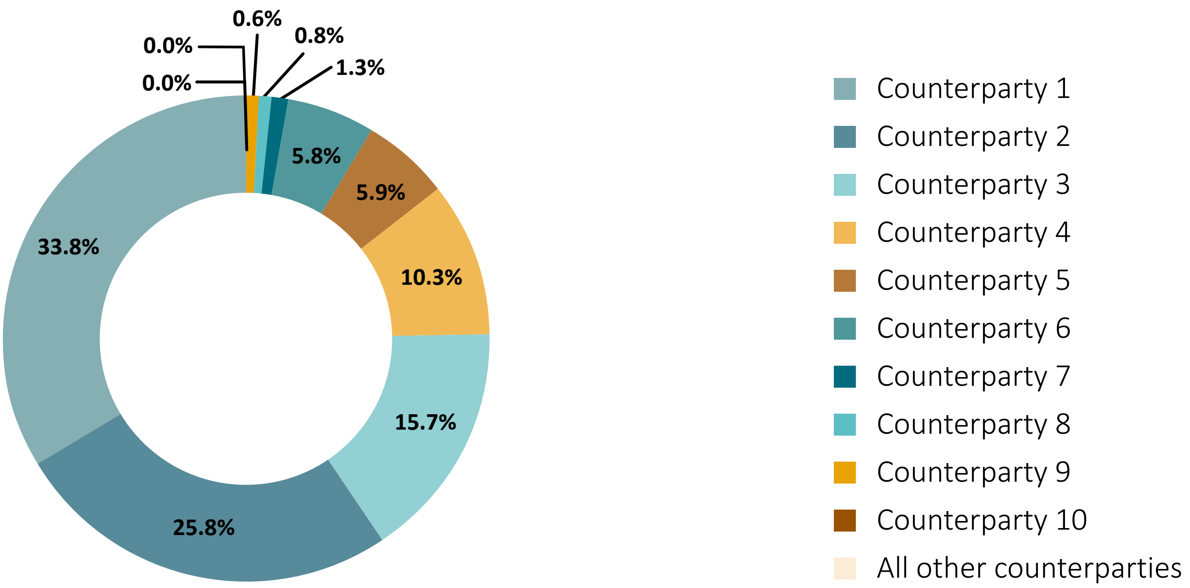
Analysis of Development Loan Exposure by counterparty at 31 March 2023	Exposure £'000	Percentage of Total Development Loans
Counterparty 1	**98,605**	17.6%
Counterparty 2	**32,649**	5.8%
Counterparty 3	**30,156**	5.4%
Counterparty 4	**28,956**	5.2%
Counterparty 5	**23,290**	4.2%
Counterparty 6	**21,381**	3.8%
Counterparty 7	**21,252**	3.8%
Counterparty 8	**20,489**	3.7%
Counterparty 9	**13,525**	2.4%
Counterparty 10	**12,683**	2.3%
Total Exposure of Top 10 counterparties at 31 Mar 2023	**302,986**	**54.2%**
Total Development Loans Balance at 31 Mar 2023*	**561,090**	

Percentage of Total Development Loans



Analysis of Other Loan Exposure by counterparty at 31 March 2023	Exposure £'000	Percentage of Total Other Loans
Counterparty 1	**53,253**	33.8%
Counterparty 2	**40,728**	25.8%
Counterparty 3	**24,727**	15.7%
Counterparty 4	**16,244**	10.3%
Counterparty 5	**9,310**	5.9%
Counterparty 6	**9,073**	5.8%
Counterparty 7	**2,126**	1.3%
Counterparty 8	**1,260**	0.8%
Counterparty 9	**919**	0.6%
Counterparty 10	**3**	0.0%
Total Exposure of Top 10 counterparties at 31 Mar 2023	**157,643**	**100.0%**
Total Other Loans Balance at 31 Mar 2023*	**157,643**	

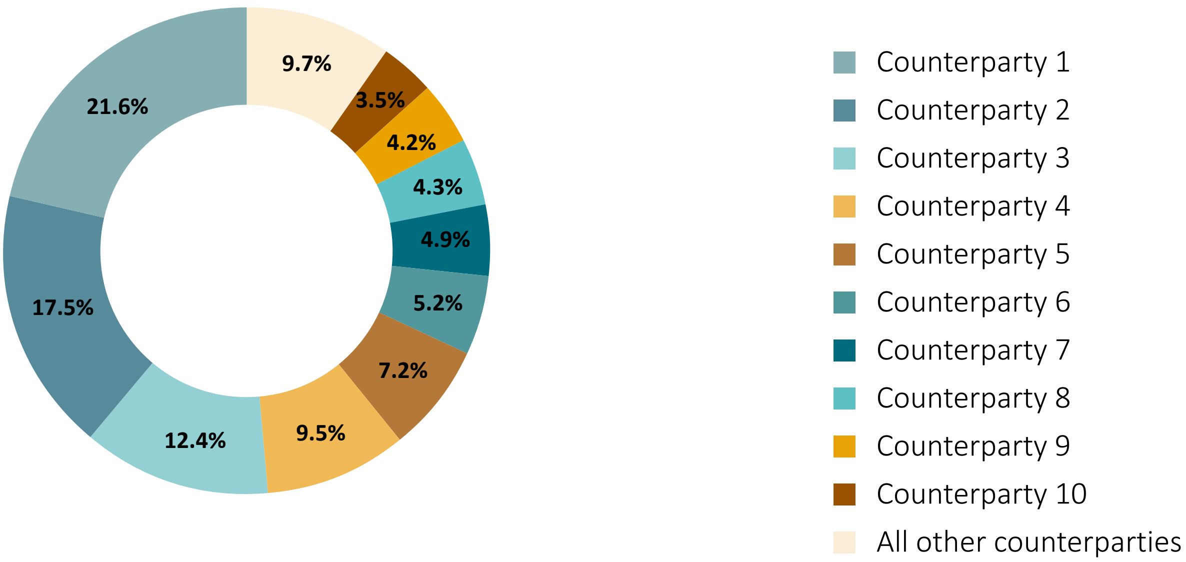
Percentage of Total Other Loans



* 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 £16.0m (2021/22: £16.8m).

Analysis of Receivables due from Disposal of Land and Property Exposure by counterparty at 31 March 2023	Exposure £'000	Percentage of Total Land and Property Receivables
Counterparty 1	**59,856**	21.6%
Counterparty 2	**48,630**	17.5%
Counterparty 3	**34,313**	12.4%
Counterparty 4	**26,287**	9.5%
Counterparty 5	**19,980**	7.2%
Counterparty 6	**14,534**	5.2%
Counterparty 7	**13,571**	4.9%
Counterparty 8	**11,890**	4.3%
Counterparty 9	**11,773**	4.2%
Counterparty 10	**9,832**	3.5%
Total Exposure of Top 10 counterparties at 31 Mar 2023	**250,666**	**90.3%**
Total Receivables due from Disposal of Land and Property Balance at 31 Mar 2023	**277,127**	

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 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 2023 was £197.3m(2021/22: £249.4m), and the five largest counterparties accounted for 3.2% of the total financial assets balance of £21,680m (2021/22: 3.4% of £21,264m).

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 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.

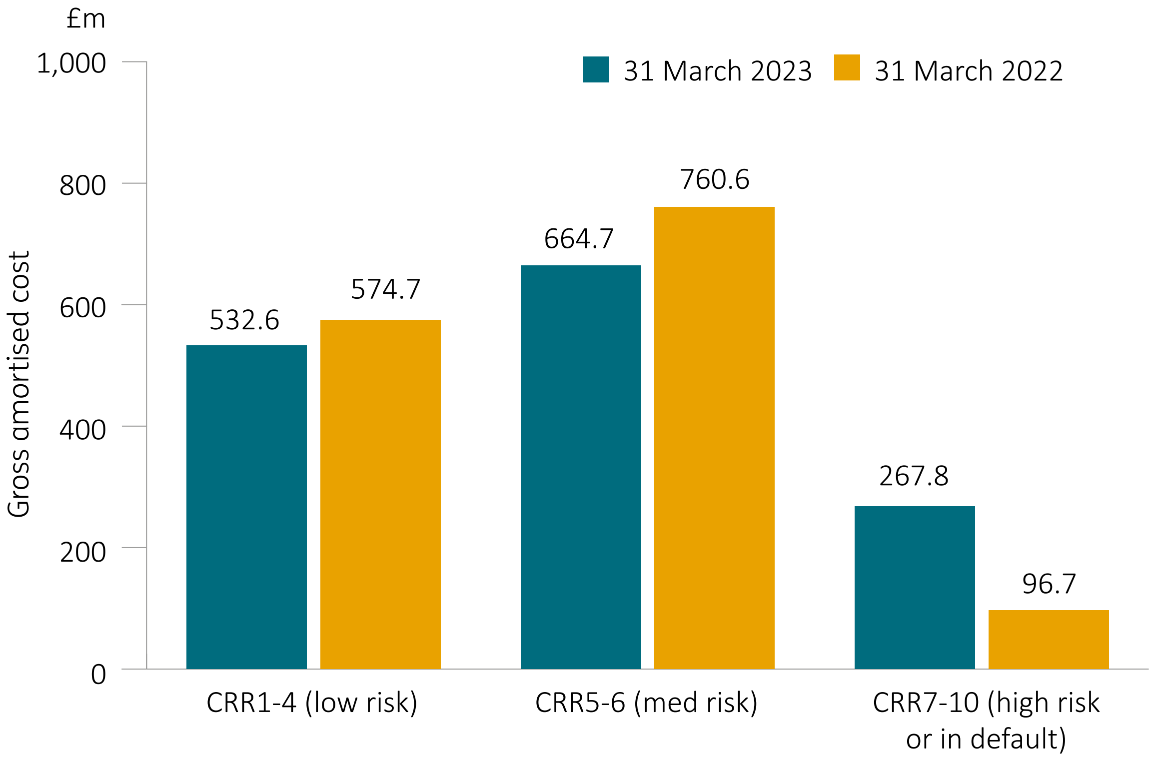
All assessments and approvals are operated within a structured approval delegation matrix from HM Treasury and DLUHC.

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 £1,465m in 2022/23 (2021/22: £1,432m) excluding capitalised fees and the effects of unwinding deferred income, with the net effect of £16.0m (2021/22: £16.8m), £533m (2021/22: £575m) were categorised with a Credit Risk Rating (CRR) between 1 to 4 (low risk), with £664m (2021/22: £761m) of exposures being categorised as CRR 5 to CRR 6 (medium risk). £268m (2021/22: £97m) 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 MSV value, with an average base MSV adjustment of 49% 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 £7,900m in 2022/23 (2021/22: £8,134m), the majority of which related to security over land and property assets held by third parties of £7,529m (2021/22: £7,797m). The modified value of this security value after applying Marginalised Security Value adjustments under the central economic scenario was £3,608m in 2022/23 (2021/22: £4,090m).

Of the total exposures relating to loans measured at amortised cost (excluding accounting write-offs) of £1,503m (2021/22: £1,432m), £1,231m (2021/22: £1,254m), 79.9% of agreements (2021/22: 80.1%), were fully covered by gross land and property security values held in relation to those investments. There were 33 exposures (2021/22: 39 exposures), 20.1% of agreements (2021/22: 19.9%), totalling £272m (2021/22: £178m) where gross security values held were less than the unimpaired exposure at that date. The total gross security values held for these investments was £136m (2021/22: £47m). This is £59m after applying Marginalised Security Value adjustments under the central economic scenario (2021/22: £28m). Of these 33 investments, there were 21 investments (2021/22: 27 investments), 12.8% of agreements (2021/22: 13.8%), with a gross exposure value of £105m (2021/22: £112m) where no security is held.

The total gross value (after adding back accounting write-offs) of loans measured at amortised cost which were credit impaired was £43.3m (2021/22: £56.1m). The Agency held gross land and property security values of £86.9m (2021/22: £141.2m) against these 11 assets at 31 March 2023 (2021/22: 10 assets). This is £43.2m (2021/22: £71.3m) of net security values after applying Marginalised Security Value adjustments under the central economic scenario. Of the 21 investments where no security is held, 6 of these are credit impaired investments (2021/22: 6 assets) with a gross pre-write-off exposure value of £6.7m (2021/22: £6.6m).

The Agency held total gross land and property security values of £763.0m (2021/22: £700.3m) against loan assets measured at fair value at 31 March 2023. This is £412.4m (2021/22: £363.2m) of net security values after applying Marginalised Security Values under the central economic scenario.

15. 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 14. 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 – 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)	18,518.3	(415.9)	(2.2%)
1% increase in market adjustment (decrease in house prices)	18,726.6	(207.6)	(1.1%)
Base assumption	18,934.2	-	0.0%
1% decrease in market adjustment (increase in house prices)	19,130.2	196.0	1.0%
2% decrease in market adjustment (increase in house prices)	19,347.5	413.3	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). Staircasing occurs for example, where the homeowner decides to use their own funds to repay part of the equity loan or remortgages. 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	18,456.2	(478.0)	(2.5%)
10% increase in the rate of staircasing	18,843.8	(90.4)	(0.5%)
Base assumption (a blend of sales and staircasing)	18,934.2	-	0.0%
10% increase in the rate of sales	19,024.6	90.4	0.5%
All redemptions are sales	19,360.5	426.3	2.3%

Combined impact of assumptions

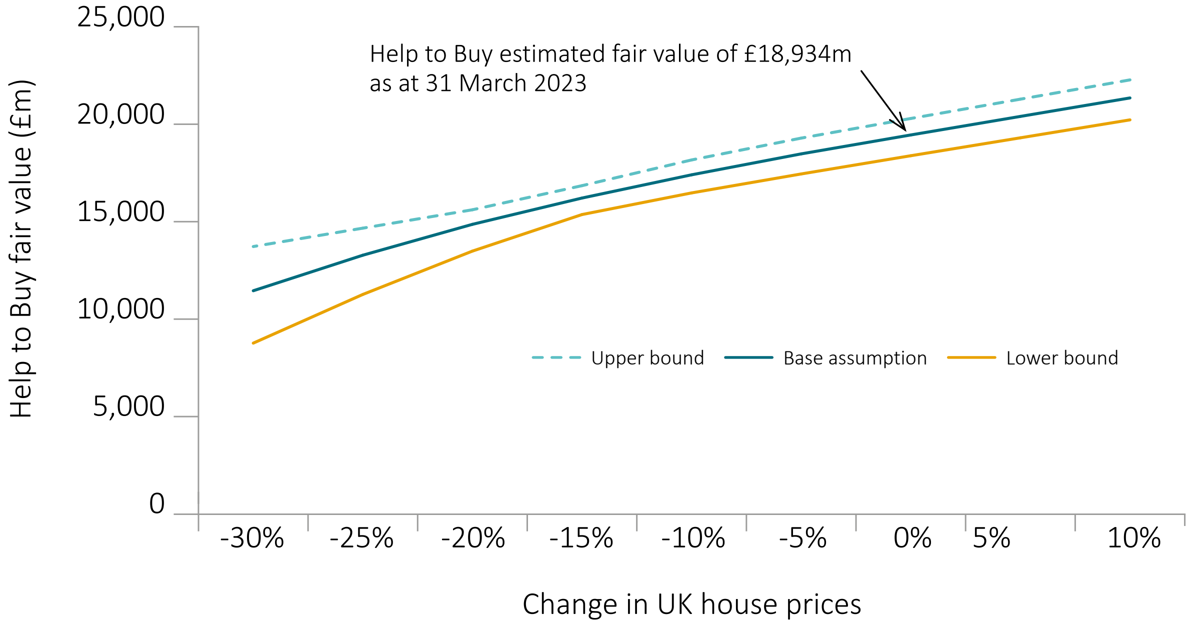
The assumptions applied by Homes England will interact with each other in different economic scenarios. For example, a 15% point fall in house prices might lead to both a 10% point increase in staircasing transactions (relative to sales) and a 7.5% increase in accounts in arrears (of 1.5% might be an increase in accounts likely to be repossessed). In this situation the Agency would model a fair value of £15,364m: a reduction of £3,570m or 18.9% on the base assumption.

The below graph 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 £1.91bn at current market prices. This spread would increase in a falling market, reaching approximately £4.9bn 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 12e. 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 2023 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 £3.2m (4.7%) / £3.1m (4.5%) respectively.
- **Profile of forecast expenditure and receipts within years:** Forecast loan balances must be calculated into the future to determine the 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 decreased the loss allowance by £273k (0.4%) at 31 March 2023.

Estimates of the impact of key assumptions on the Expected Credit Loss allowance calculation at 31 March 2023 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 2023, 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 2023, a 65% weighting was applied to the base case scenario, a weighting of 20% to the downside scenario and a 15% 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 80% : 5% : 15% applied	66,428	(2,770)	(4.0%)
Weighting of 70% : 15% : 15% applied	68,275	(923)	(1.3%)
Base assumption of 65% : 20% : 15% applied	69,198	-	0.0%
Weighting of 70% : 20% : 10% applied	70,308	1,110	1.6%
Weighting of 60% : 30% : 10% applied	72,155	2,957	4.3%

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	142,376	73,178	105.8%
Base assumption	69,198	-	0.0%
PD values upgraded one level	41,050	(28,148)	(40.7%)

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%	73,274	4,076	5.9%
Base assumption	69,198	-	0.0%
MSV percentages increased by 10%	66,042	(3,156)	(4.6%)

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 2022 and 31 March 2023 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%	102,944	33,746	48.8%
Increase in loss floor to 50%	80,503	11,305	16.3%
Base assumption of 35%	69,198	-	0.0%
Reduction in loss floor to 0%	49,890	(19,308)	(27.9%)

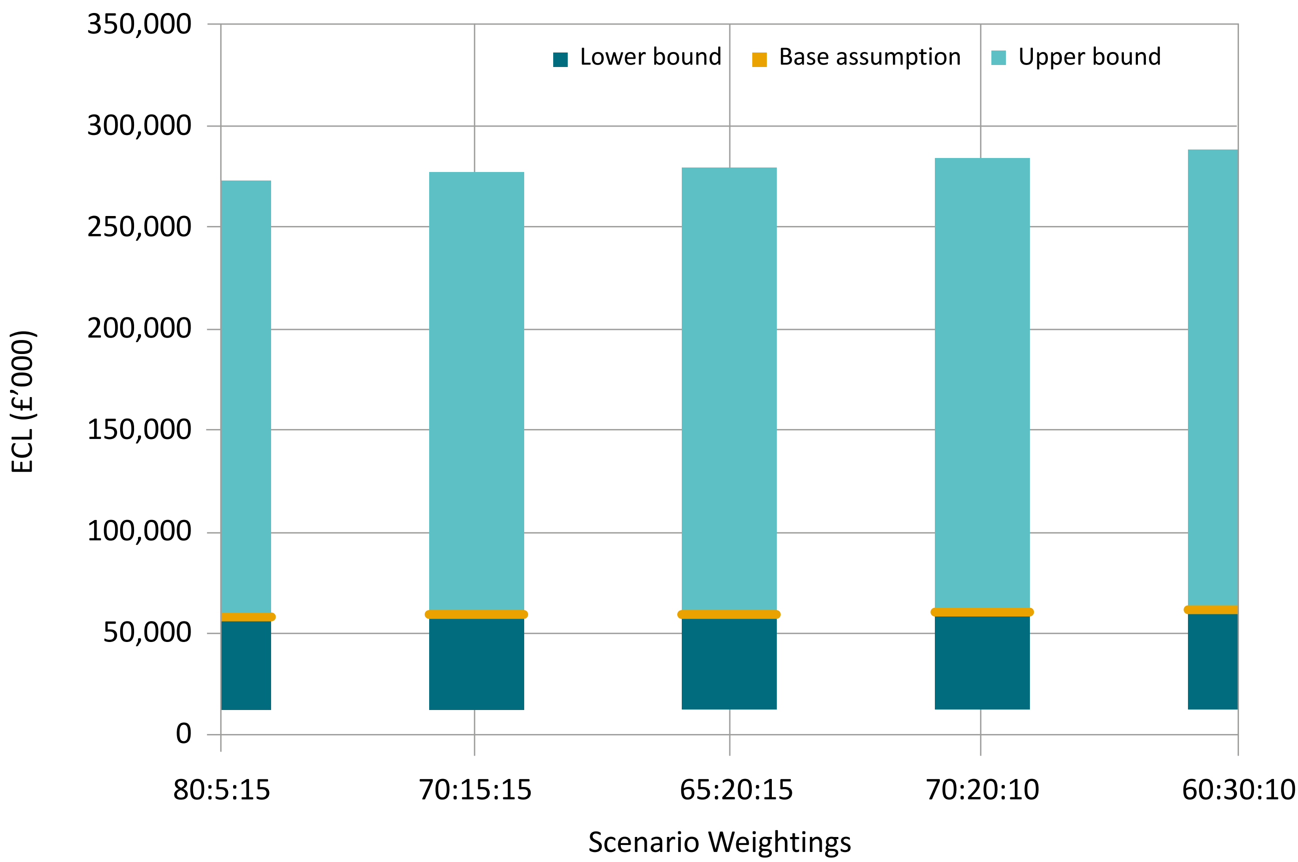
Combined impact of assumptions

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 2023.

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.



16. Land and property assets - Group and Agency

	Note	2022/23 £'000	2021/22 £'000
Net book value at 1 April		**1,168,657**	1,110,886
Additions		**182,429**	230,174
Disposals	5	**(174,803)**	(153,418)
Impairments		**(106,924)**	(18,985)
Net book value at 31 March		**1,069,359**	1,168,657

The above includes land and property assets with a net book value of £7.7m (2021/22: £22.6m), 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 2023 includes land and property assets expected to be realised in more than one year of £829.5m (2021/22: £972.3m).

Impairment of land and property assets

Impairments include charges of £136m (2021/22: £76m) and reversals of £29m (2021/22: £57m).

Whilst the land and property portfolio is complex and comprises many different assets with different specific features and challenges, spread across different geographical locations, common themes relevant to the net impairment charge include: increases in build and infrastructure costs combined with relatively flat sales expectations and increases in the scope of development costs and in the cost of finance and other regulatory impacts.

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- especially the larger schemes to be delivered over long timescales- 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 £1,382m (2021/22: £1,576m).

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 as 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 14a to provide an indication of the potential effect of a range of variations in land and property prices on the Financial Statements.

Market uncertainty

During the year, there have been increases in base rates, inflationary pressures generally and particularly in respect of construction costs and construction related costs, as well as lower than average demand for new build homes and flat sales values. In respect of the ongoing conflict in Ukraine, RICS has not published any specific guidance for valuers in respect of the conflict in Ukraine and potential impact on valuations, it has advised that 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.

In respect of COVID-19, RICS had previously issued specific guidance directing valuers to attach a material valuation uncertainty to all valuations. However, by 31 March 2021, it was recommended that a blanket material valuation uncertainty comment should not be applied and by 31 March 2022, all specific COVID-19 guidance had been withdrawn.

17. Trade and other payables - Group and Agency

	Group 2022/23 £'000	Group 2021/22 £'000	Agency 2022/23 £'000	Agency 2021/22 £'000
Trade payables	**380,410**	376,325	**380,410**	376,325
Direct Commissioning	**144,545**	100,073	**144,545**	100,073
Deferred income	**10,206**	11,198	**10,206**	11,198
Taxes and social security	**10,990**	3,063	**10,990**	3,063
Due to subsidiary	**-**	-	**15,717**	20,328
Other	**34,626**	22,686	**34,626**	22,686
Balance at 31 March	**580,777**	513,345	**594,494**	533,673
Of which:				
Current liabilities	**555,453**	398,233	**571,170**	418,561
Non-current liabilities	**25,324**	115,112	**25,324**	115,112
Balance at 31 March	**580,777**	513,345	**596,494**	533,673

18. 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 was originally established as a final salary scheme. However, from 1 September 2019, new members 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 (k) below.

Valuations of the Agency's assets and liabilities in each scheme as at 31 March 2023 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
2022/23				
Fair value of employer assets	377,734	404,767	82,581	865,082
Present value of funded liabilities	(380,287)	(206,858)	(47,264)	(634,409)
Net funded scheme assets / (liabilities)	**(2,553)**	**197,909**	**35,317**	**230,673**
Present value of unfunded liabilities	(850)	-	(2,455)	(3,305)
Adjusted net scheme assets/(liabilities)	**(3,403)**	**197,909**	**32,862**	**227,368**
Total of net pension assets				**233,226**
Total of net pension liabilities				**(5,858)**
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 / (liabilities)	**(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)**

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, 35% (2021/22: 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 11% (2021/22: 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, which allows Insight to invest in gilts, index linked gilts, gilt repurchase agreements, reverse gilt repurchase agreements, guilt and index linked gilt Total Return Swaps, interest rate and inflation swaps and various cash instruments. As at 31 March 2023, the Scheme had an interest rate hedge ratio of 59% (2021/22: 61%) and an inflation hedge ratio of 59% (2021/22: 59%) 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

	2022/23	2021/22
Inflation and pension increases rate (Consumer Price Index)	**2.9%**	3.2%
Salary increases	**3.7%**	3.9%
Discount rate	**4.8%**	2.8%

ii) Mortality assumptions

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

	2022/23 Years	2021/22 Years
Male- current pensioners	**22.6**	22.3
Male- future pensioners	**24.0**	23.7
Female- current pensioners	**24.5**	24.2
Female- future pensioners	**25.9**	25.9

c) Fair value of employer assets

	2022/23 £'000	2021/22 £'000
Equities- quoted	**411,215**	462,991
Equities- unquoted	**2,386**	7,433
Bonds- quoted	**232,705**	300,777
Bonds- unquoted	**-**	21,765
Property	**61,082**	70,916
Other assets- quoted (incl cash)	**106,717**	136,425
Other assets- unquoted	**50,977**	17,803
Total	**865,082**	1,018,110
Actual return/(loss) on employer assets	**(144,770)**	25,257

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.

The main driver of the loss on assets is the increase in market yields which reduced the value of the scheme's bond holdings. The scheme's equity holdings also reduced in value over the year in line with market performance. There was an offsetting impact (of the yield moves) on the liabilities as a result of the higher discount rate. Overall, the impact of market movements was positive for the scheme in terms of funding despite inflation experience being worse than expected and contributions being below the cost of accrual.

d) Charge to Net Expenditure

	2022/23 £'000	2021/22 £'000
Amounts charged to Net Operating Expenditure		
Current service costs	**29,424**	32,773
Past service costs and losses on curtailments and settlements	**-**	-
Expenses	**2,147**	1,936
	31,571	34,709
Amounts charged to finance costs		
Interest charged on liabilities	**22,881**	17,550
Expected return on assets	**(27,767)**	(20,041)
Interest on asset ceiling	**-**	-
	(4,886)	(2,491)
Total recognised in Statement of Comprehensive Net Expenditure	**26,685**	32,218

The total expected employer contributions to these schemes in the year ending 31 March 2024 are £20.1m.

e) Amounts recognised in Income and Expenditure Reserve

	2022/23 £'000	2021/22 £'000
Actuarial gains/(losses)	**63,767**	64,025

The cumulative amount of actuarial gains recognised in other comprehensive expenditure since the adoption of IAS 19 is £290.4m (2021/22: £226.6m).

f) Reconciliation of fair value of employer assets

	2022/23 £'000	2021/22 £'000
Opening fair value of employer assets	**1,018,110**	988,679
Expected return on assets	**27,767**	20,041
Contributions by members	**4,255**	4,427
Contributions by the employer	**18,932**	20,107
Contributions in respect of unfunded benefits	**217**	213
Actuarial (losses)/gains	**(172,537)**	5,216
Expenses	**(2,469)**	(2,028)
Unfunded benefits paid	**(217)**	(213)
Benefits paid	**(28,976)**	(18,332)
Closing fair value of employer assets	**865,082**	1,018,110

g) Reconciliation of defined benefit obligation

	2022/23 £'000	2021/22 £'000
Opening defined benefit obligation	**846,973**	869,669
Current service cost	**29,424**	32,773
Interest cost	**22,881**	17,550
Contributions by members	**4,255**	4,427
Actuarial (gains)/losses- demographic	**(5,556)**	(4,125)
Actuarial (gains)/losses- financial	**(283,441)**	(53,576)
Actuarial (gains)/losses- other	**52,693**	(1,108)
Expenses	**(322)**	(92)
Unfunded benefits paid	**(217)**	(213)
Benefits paid	**(28,976)**	(18,332)
Closing defined benefit obligation	**637,714**	846,973

h) Five-year history

	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000
Present value of defined benefit obligations	**(637,714)**	(846,973)	(869,669)	(725,868)	(748,977)
Fair value of employer assets	**865,082**	1,018,110	988,679	812,828	843,987
Impact of asset ceiling	**-**	-	-	-	-
Surplus in the schemes	**227,368**	171,137	119,010	86,960	95,010
Experience gains/(losses) on scheme liabilities	**(52,693)**	1,108	(6,390)	14,145	5,224
Experience gains/(losses) on employer assets	**(172,537)**	5,216	147,691	(50,939)	52,151

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 (b) above. 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 principle 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 Consumer Price Index 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 2023 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	614,828	637,714	661,494
Movement	(22,886)	-	23,780

Adjustment to inflation	+0.25% £'000	Current £'000	-0.25% £'000
Present value of total obligation	660,912	637,714	615,329
Movement	23,198	-	(22,385)

Adjustment to life expectancy	+1 year £'000	Current £'000	-1 year £'000
Present value of total obligation	656,685	637,714	618,743
Movement	18,971	-	(18,971)

j) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is 16 years.

Pension benefits, including insurance premiums, are expected to be paid over time as follows:

	£'000
Within 5 years	130,806
5-10 years	150,165
After 10 years	356,743
Total defined benefit obligation	**637,714**

k) Funding arrangements

Contribution rates for each of the three schemes are reviewed at least every three years following a full actuarial valuation. The last full funding valuation was undertaken at 31 March 2020 with the next valuation to be undertaken as at 31 March 2023. Work on the 31 March 2023 valuation is currently ongoing. 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 2024 is £20.1m.

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 2023, the share of the HCA scheme's assets and liabilities attributed to RSH is approximately 5% (2021/22: 4.5%) 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 assets 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 Local Government Pension Scheme (LGPS). Assets and liabilities for all employers in LGPS funds are identifiable on an individual employer basis. There are no minimum funding requirements or winding up provisions in the LGPS. Any deficit on withdrawal is required to be paid by the withdrawing employer and any surplus is retained by the fund.

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 additional liabilities created are estimated to be from c.0.1% of total liabilities based on the 2022 scheme valuation. It is not yet clear how this judgement may affect LGPS members’ past or future service benefits.

19. 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) The West Sussex County Council Pension Fund

At 31 March 2023, the Agency had 11 employees (31 March 2022: 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.

b) Other contingent liabilities

The Agency is potentially liable for miscellaneous claims by developers, suppliers, 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.

20. Financial commitments

	2022/23 £m	2021/22 £m
Not later than one year	**3,523**	3,772
Later than one year and not later than five years	**4,792**	6,909
Later than five years	**76**	77
Total commitments at 31 March	**8,391**	10,758

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 11c, was £3,608m at 31 March 2023 (31 March 2022: £4,283m). The profiling of the commitments reflects the Agency's best estimate of when cashflows will arise, however the actual timing may vary based on factors not wholly within the Agency's control.

The Agency has entered into financial commitments in relation to affordable housing grant programmes totalling £4,557m at 31 March 2023 (31 March 2022: £5,197m). One of these grants is individually material. An amount of £239m is payable before 31 March 2026 to a strategic partner under the Affordable Homes Programme 2021-26.

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 2023 was £20m (31 March 2022: £993m). Applications for the HtB scheme closed on 31 October 2022, and following Secretary of State consideration, all homebuyers were required to reach legal completion on their home before 31 May 2023. The decrease in Help to Buy commitments at the year end compared to the prior year is reflective of the closure of the scheme to new applicants.

In addition to the above, the Agency has entered into financial commitments in relation to land development and building leases totalling £205m and £1m respectively at 31 March 2023 (31 March 2022: £262m and £23m).

ECLs on loan commitments are included within the ECLs on loan balances in Note 12f.

21. 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 transactions with other government departments and other government bodies, including various local authorities, the Department of Health & Social Care, the Ministry of Justice and the departmental body formerly known as the Department for Business, Energy and Industrial Strategy. The Agency has also had a number of transactions with its associated undertakings, joint ventures and other related parties as follows:

2022/23	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	10,405	-	-	-
Sigma PRS Property Investments	-	-	6,041	-
Home Group Limited	-	2,273	-	-
Hyde Housing Association	-	22,027	-	-
Countryside Maritime Limited	-	-	2,500	-
Receipts in				
English Cities Fund Limited Partnership	(4,162)	-	-	(2,744)
Tilia Community Living	-	-	(2,501)	-

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)	-

In addition to the above, the Agency holds £15.7m (2021/22 £20.3m) 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 Home Building Fund- Short Term Fund and Single

Land Programme. The balances of these loans at 31 March 2023 were £19.1m (2021/22: £21.6m) and £3.7m (2021/22: £1.2m) 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 one member of the Agency's Board also being a Director of 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 in the year, 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 2021/22 and has been replaced with a new £27.3m loan. As of 31 March 2023 £6.0m (2021/22: £nil) had been drawn. The loan will be settled in cash and is secured by a full fixed and floating charge over all assets and undertakings of the borrower and a capital shortfall guarantee of £10m.

M&G Group is a related party due to a member of the Agency's Board having a leadership role at M&G Group. The Agency committed to provide funding of up to £10m to M&G Group in the year. None of this funding had been drawn at the year end.

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 and staff report.

22. Events after the reporting period

The Agency’s Financial Statements are laid before the Houses of Parliament by the Secretary of State for Levelling Up, Housing and Communities. 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 as Accounting Officer on the same date as the Certificate and Report of the Comptroller and Auditor General.

In June 2023, ilke Homes Holdings Limited, ilke Homes Limited and ilke Homes Land Ltd were placed into administration. The Agency provided recoverable loans of £60m to ilke Homes Holdings Limited and ilke Homes Limited under the Long Term Fund, with ilke Homes Land Ltd acting as guarantor to the loan facilities. The loans were provided in November 2019, with terms subsequently amended during 2020, 2021 and 2022. This investment is accounted for as a financial asset measured at fair value through profit and loss under the Level 3 category of the fair value hierarchy as defined by IFRS 13. At 31 March 2023, the Agency had fully impaired the investment.

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ISBN: 978-1-5286-3856-2
E-Number: E02847083