English Partnerships

Annual Report and Financial Statements

Year ended 31 March 2007

English Partnerships
The National Regeneration Agency

English Partnerships Annual Report and Financial Statements 2006/2007

Commission for the New Towns

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

Urban Regeneration Agency

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

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

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Front cover top: Original façades of Chimney Pot Park, Langworthy, Salford.
Bottom: A reflection of the distinctive architecture of Greenwich Millennium Village, London.
Inside front cover: First London-Wide Initiative homes near to completion, Adelaide Wharf, Hackney, London.
Above: New housing at Upton, Northamptonshire (featuring a home designed by Gale and Snowdon Architects Ltd).

Who we are and what we do

English Partnerships is the national regeneration agency helping the Government to support high quality sustainable growth in England.

We have five core business areas and deliver our objectives through:

- Developing our own portfolio of strategic projects.
- Acting as the Government's specialist advisor on brownfield land.
- Ensuring that surplus public sector land is used to support wider Government objectives, especially the implementation of the *Sustainable Communities Plan*.
- Helping to create communities where people can afford to live and want to live.
- Supporting the Urban Renaissance by improving the quality of our towns and cities.

We have the resources to work on large and complex programmes and are able to share our expertise and skills with our partners, adding substantial value to the projects in which we become involved.

Opposite: New homes at New Islington Millennium Community, East Manchester.
Above: 1 Children playing at Willen Lake, Milton Keynes.
2 Solar panels on new housing at Upton, ©Gale and Snowdon Limited.

Highlights of the year

This year we have seen £586m invested in our programme, some £14m above budget as a result of increased returns. Our programme receipts reached £376m, up 34 per cent on last year, allowing us to fund 64 per cent of our work, which is a significant achievement.

Our results for the past year reflect our hard work to both generate income from our assets and to meet, and in all cases exceed, our core output targets. While the bald statistics do not fully highlight our achievements in bringing about large-scale regeneration and development, they are still a useful barometer of our success during 2006/2007.

This year's highlights include:

- The launch of our First Time Buyers' Initiative on more than 37 housing sites providing low-cost home ownership for up to 1,200 new homeowners as part of a £100m funding package.

- A celebration of the National Coalfields Programme and its achievements in helping to regenerate more than 100 sites over the past 10 years, coinciding with the announcement of a further £20m of funding and the addition of six new sites to the Programme.

- The launch of the Carbon Challenge, an initiative to kick-start the development of zero carbon communities in conjunction with our private and public sector partners. The Challenge will act as a test-bed for introducing new technologies, new design and new ways of engaging with the community.

- The completion of the first homes, at Oxley Woods in Milton Keynes, resulting from our ground-breaking Design for Manufacture Competition. The Competition will ultimately provide more than 1,000 environmentally sustainable new homes, many for a construction cost of just £60,000.

- Practical completion of both Harlow Town Football Club and a new athletics facility, along with the start on site of 194 new homes and a receipt of £7m, as part of the Harlow Gateway project.

- Completion of a development agreement for the delivery of a £200m mixed-use zero carbon scheme at Middlehaven in Middlesbrough. The BioRegional Quintain development will be the first stage of an £800m transformation programme.

- Detailed planning permission was granted for the former RAF Staff College site in Bracknell, paving the way for more than 700 new homes at The Parks on surplus public sector land near the town centre.

- We started on site at Adelaide Wharf, Hackney and Wandsworth Southside as part of our London-Wide Initiative, aimed at providing up to 1,500 key worker homes in the capital.

Targets 2006/2007

	Target	Outturn
Brownfield land reclaimed (ha)	270	328
Housing units – starts on site commissioned	8,490	9,403
Housing units – completions	3,990	4,248
Employment floorspace created (sq m)	260,000	325,871
Private-sector investment attracted (£m)	870	1,022

Housing unit starts
up 21 per cent
Compared to 2005/2006

Housing unit completions
up 32 per cent
Compared to 2005/2006

Private sector investment
up 51 per cent
Compared to 2005/2006

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- English Cities Fund, our joint venture with AMEC and Legal & General, has started on site on phases 1 and 2 of St Paul's Square in Liverpool and secured commitments to progress mixed-use projects in Plymouth, Manchester, Central Salford, Canning Town and Wakefield, with an estimated completed development value of £2bn.

- Agreements have been signed to put in place an innovative approach to unlock the potential of the Hattersley Estate in Greater Manchester. Developers BASE and CTP have been appointed to bring forward up to 900 new private homes and a 10,000 sq m new district centre including community facilities, while Peak Valley Housing is delivering improvements to more than 1,400 existing social homes.

- At Barking Riverside in the Thames Gateway, outline planning approval was granted for 10,800 new homes and construction could start in 2008.

- Successful completion of our Compulsory Purchase Order at Meden Valley Making Places, our joint venture with Mansfield and Bolsover District Councils and East Midlands Development Agency (EMDA). We also completed a £10m refurbishment and sale of 60 houses at Cresswell Model Village, Nottinghamshire.

- The completion of the Central Milton Keynes combined heat and power plant that will serve more than 1,500 homes, a primary school and over 60,000 sq m of office and shopping space. The plant will help drive down energy use and reduce CO_2 emissions.

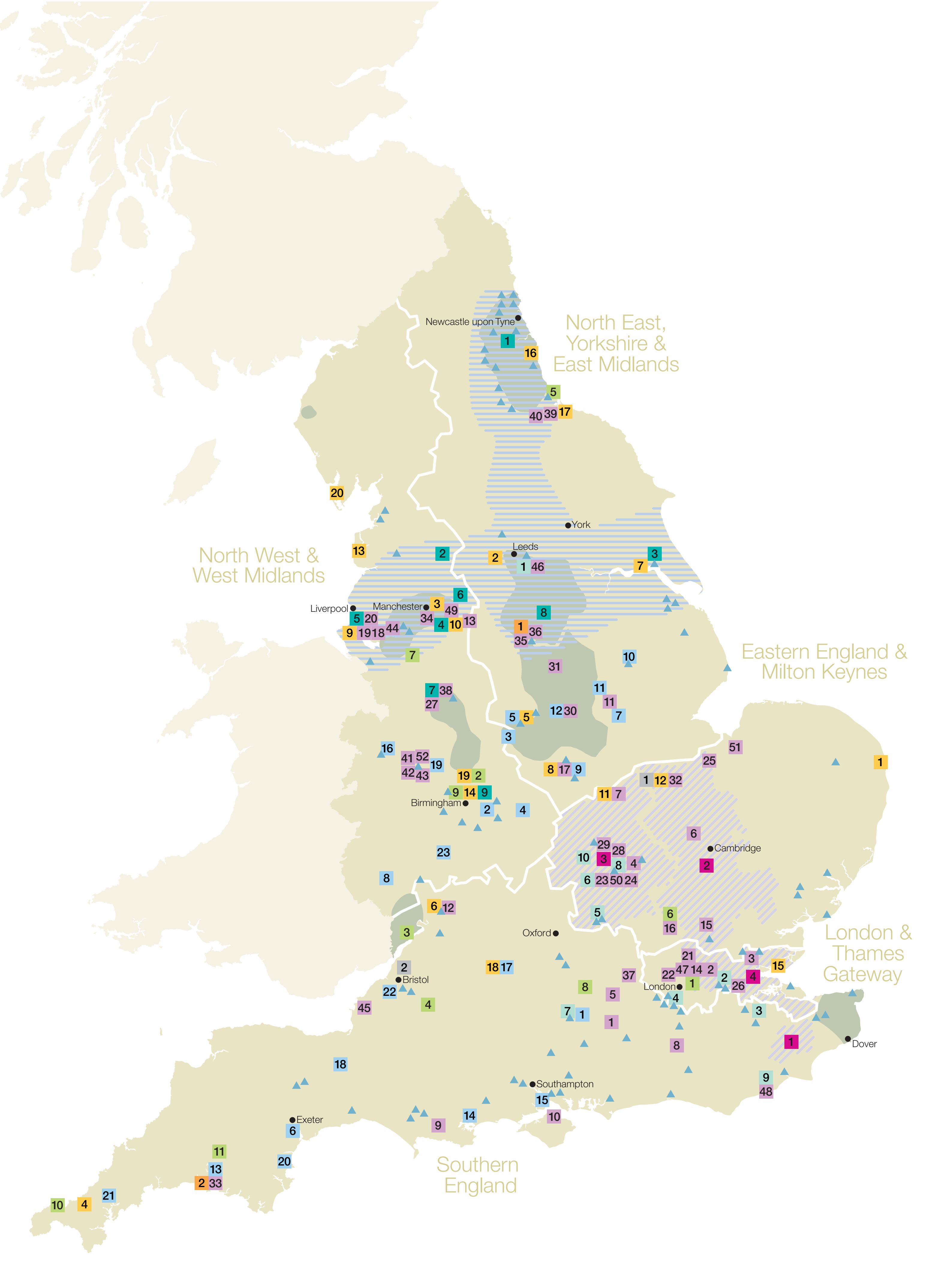
- At Liverpool's Kings Waterfront, the state-of-the-art arena and convention centre, which will play a major role under the city's Capital of Culture status in 2008, is now completed and in use. Work has also begun on 96 single-aspect apartments and two new hotels. Contracts have also been exchanged to build more than 400 private for sale apartments.

- Progress on the £1bn Omega employment park in Warrington, Cheshire, moved forward following Warrington Council's resolution to grant outline planning permission in October 2006 for the first two phases of development. With the legal agreement close to signing, planning permission is expected in June 2007 with start on site expected in January 2008.

- In Sheffield a £146m funding package has been agreed to refurbish more than 800 flats in the historic Grade II listed Park Hill estate.

- Along with our partner, Bournville Village Trust, we have agreed contracts and proposals for the 800 new homes and a village centre that will become Lightmoor Village in Telford.

Opposite: Innovative new homes on the Design for Manufacture site at Oxley Woods, Milton Keynes.
Above: 1 Hattersley, Greater Manchester will be subject to major estate renewal. 2 Milton Keynes power plant under construction. 3 Cresswell Model Village, Nottinghamshire after a £10m refurbishment programme.


North East, Yorkshire & East Midlands
North West & West Midlands
Eastern England & Milton Keynes
London & Thames Gateway
Southern England
Newcastle upon Tyne
York
Leeds
Liverpool
Manchester
Birmingham
Cambridge
Oxford
Bristol
London
Dover
Southampton
Exeter

Areas of operation

Urban Regeneration Companies

1 1st East
2 Bradford Centre Regeneration
3 Central Salford
4 CPR Regeneration
5 Derby Cityscape
6 Gloucester Heritage
7 Hull Citybuild
8 Leicester Regeneration Company
9 Liverpool Vision
10 New East Manchester
11 North Northants Development Company
12 Opportunity Peterborough
13 ReBlackpool
14 Regenco Sandwell
15 Renaissance Southend
16 Sunderland arc
17 Tees Valley Regeneration
18 The New Swindon Company
19 Walsall Regeneration Company
20 West Lakes Renaissance

Strategic Projects

52 projects in total
including 7 Millennium Communities

1 Aldershot – Defence Estates' Site
2 Barking – Barking Riverside
3 Basildon – Gardiners Lane/ Craylands and Fyerns
4 Bedford – Western Bypass
5 Bracknell – Former RAF Staff College (The Parks)
6 Cambridgeshire – Northstowe Development
7 Corby – Parklands Gateway/ Station Area
8 Crawley – Town Centre
9 Dorset – Winfrith
10 East Cowes, Isle of Wight
11 East Midlands – Blueprint, the East Midlands Property Investment Fund
12 Gloucester – Gloucester College and Quays
13 Greater Manchester – Hattersley
14 Greenwich Peninsula
15 Harlow – Gateway and Town Centre
16 Hatfield – Town Centre
17 Leicester – Waterside
18 Liverpool – Edge Lane
19 Liverpool – Kings Waterfront
20 Liverpool – Lime Street
21 London-Wide Initiative – all 16 sites
22 London – Housing (Tabard Square/ Urban Village Shoreditch)
23 Milton Keynes – MK Partnership
24 Milton Keynes – Planning Prospectus
25 Nene Waterfront – Wisbech, Cambridgeshire
26 North Kent – Thameside
27 North Staffordshire – Urban Core Area
28 Northampton – Brownfield Initiative
29 Northampton – Upton
30 Nottingham – Trent Basin
31 Nottingham/Derbyshire – Meden Valley
32 Peterborough – South Bank
33 Plymouth – Millbay Docks, Devonport
34 Salford – Central Station Area/ University Quarter
35 Sheffield – New Retail Quarter
36 Sheffield – Park Hill
37 Slough – Heart of Slough
38 Stoke City – Waterfront
39 Tees Valley – Middlehaven
40 Tees Valley – North Shore
41 Telford – Lawley
42 Telford – Lightmoor
43 Telford – Woodside
44 Warrington – Omega
45 Weston-super-Mare – Former RAF Locking

Millennium Communities

Strategic Projects

46 Allerton Bywater, near Leeds
47 Greenwich Millennium Village (London)
48 Hastings (East Sussex)
49 New Islington (East Manchester)
50 Oakgrove (Milton Keynes)
51 South Lynn (King's Lynn)
52 Telford (East Ketley)

Growth Areas

1 Ashford
2 London-Stansted-Cambridge-Peterborough
3 Milton Keynes and South Midlands
4 Thames Gateway

Growth Points

1 Basingstoke
2 Birmingham/Solihull
3 Burton-on-Trent
4 Coventry
5 Derby
6 Exeter and East Devon
7 Grantham
8 Hereford
9 Leicester
10 Lincoln
11 Newark-on-Trent
12 Nottingham
13 Plymouth
14 Poole
15 PUSH The Partnership for Urban South Hampshire
16 Shrewsbury
17 Swindon
18 Taunton
19 Telford
20 Torbay
21 Truro
22 West of England Partnership
23 Worcester

Housing Market Renewal Pathfinders

1 Bridging NewcastleGateshead
2 Elevate East Lancashire
3 Gateway – Hull and East Riding
4 Manchester and Salford HMR Pathfinder
5 newheartlands – Merseyside
6 Oldham and Rochdale HMR Pathfinder
7 RENEW North Staffordshire
8 Transform South Yorkshire
9 Urban Living – Birmingham and Sandwell

City Development Companies

1 Creative Sheffield
2 Plymouth CDC

Design for Manufacture sites

1 Allerton Bywater, near Leeds
2 Horns Cross, Dartford
3 Linton, Maidstone
4 Merton, London
5 Oxford Road, Aylesbury Vale
6 Oxley Woods, Milton Keynes
7 Park Prewett, Basingstoke
8 Renny Lodge, Newport Pagnell
9 School Road, Hastings
10 Upton, Northampton

Carbon Challenge sites

1 Glebe Road, Peterborough
2 Hanham Hall, Bristol

National Coalfields Programme

East Midlands (27 sites)
North East (20 sites)
North West (9 sites)
South East (5 sites)
South West (6 sites)
West Midlands (7 sites)
Yorkshire (33 sites)

Land Stabilisation Programme

Current and recently completed

1 Blackheath, London
2 Bosty Lane, Walsall
3 Bream, Gloucestershire
4 Combe Down, Bath
5 Hartlepool, Teesside
6 Hatfield, Herts
7 Northwich, Cheshire
8 Reading, Berkshire
9 Seven Sisters, Dudley
10 St Ives, Cornwall
11 Tavistock, Devon

Northern Growth Corridor

Hospital Sites Programme

96 sites

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English Partnerships' Board

1 The Baroness Ford of Cunninghame
Chairman
Baroness Ford was first appointed Chairman of English Partnerships in April 2002 and was re-appointed in 2005 for a further three-year term. She is a Non-Executive Director of Serco plc and Non-Executive Chairman of Pinnacle Staffing Group. Until recently she was Deputy Chairman of Good Practice Ltd, the publishing company that she founded. She is Chairman of Irvine Bay Regeneration Company on the west coast of Scotland. Margaret spent her early career in local government and management consultancy before creating and building several successful companies. She has worked extensively in regeneration and is a specialist in public sector reform and leadership development. She was made a Labour Peer in June 2006.

2 Dr Pauleen Lane CBE
Deputy Chairman
Dr Pauleen Lane is a civil engineer by profession, graduating from Manchester University in 1985. After obtaining her PhD, she worked in transportation, bridge and highway design, and construction. She holds an academic post in engineering at the University of Manchester. She is an elected member of Trafford Metropolitan Borough Council and was Mayor of the Borough for 2005/2006. She is a Board Member of the Northwest Regional Development Agency and a member of the Milton Keynes Partnership Board. She was an Audit Commissioner until April 2006 and was awarded a CBE in the 2005 New Year's Honours list for services to local government.

3 John Walker
Chief Executive
Since joining English Partnerships in 1994 John has held the posts of Chief Accountant, Finance and Commercial Director, Regional Director for the North East, Yorkshire and East Midlands and Chief Operating Officer. He has twice held the position of Chief Executive on an interim basis in spring 2006 and between July 2002 and March 2003. He is a Director on the Boards of Priority Sites Ltd, English Cities Fund, the Land Restoration Trust, networkspace Ltd, Hull Citybuild and a member of the Investment Board of the Department for Communities and Local Government. Prior to joining English Partnerships John specialised in regeneration and property development with Stoy Hayward Consulting and has held senior appointments with Teesside Development Corporation, Northumbria Police and various local authorities in the North-East.

4 Dr John Belcher CBE
Dr John Belcher grew up in London, Canada, and has held a number of key positions charged with researching and improving social welfare in Canada. John is currently Chief Executive of Anchor Trust, England's largest not-for-profit provider of housing, care and support for older people. He is a member of the NHS National Leadership Network, the Audit Commission – Housing and Communities Board, an advisor to the Cabinet Committee on Older People and a Non-Executive Director of Lewisham Hospital NHS Trust. He was awarded a CBE in the Queen's 2006 Birthday Honours list for services to elderly people.

5 Aman Dalvi OBE
Aman Dalvi is Chief Executive of Gateway to London (GTL), an inward investment agency charged with the responsibility of attracting investment into the Thames Gateway. Prior to joining GTL, he was Chief Executive of Ujima Housing Association, which he led for 10 years. Ujima won several architectural awards in this period. Aman Dalvi was also Assistant Director of Investment (London) at the Housing Corporation. He is currently Chairman of Gallions Housing Association. Aman spent 12 years in the manufacturing industry with two of the largest food production companies in the UK. He was awarded an OBE in the 2000 New Year's Honours list for services to housing.

6 Margaret Fay OBE
Margaret Fay is a former Managing Director of Tyne Tees Television. In her 22 years with Tyne Tees Television she moved from production to management, taking on the role of Managing Director in 1997. Margaret is a Director of Darlington Building Society and Governor of Teesside University. She is also a Patron of Tees Valley Community Foundation and Chairman of One NorthEast. Margaret was awarded an OBE in the Queen's 2004 Birthday Honours list for services to broadcasting.

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7 Richard Harrold

Richard Harrold is a Fellow of the Royal Institution of Chartered Surveyors and holds a BSc in Estate Management. He was until recently Chief Executive of MEPC Ltd, a leading operator and developer of commercial property in the UK. He was previously (1990-2004) Head of Property Investment at Hermes Pensions Management Limited where he had responsibility for significant property investment portfolios of the BT Pension Scheme and Royal Mail Pension Plan. Richard has extensive experience of both the UK and overseas property markets and is a member of the Management Oversight Committee of the Deutsche Bank Global Real Estate Opportunity Funds and a board member of 1st East, the Lowestoft and Great Yarmouth Urban Regeneration Company.

8 Robert Napier

Robert Napier is Chairman of the Board of the Met Office. He was Chief Executive of WWF-UK, the UK arm of the World Wide Fund for Nature, from 1999 to April 2007. Before that he spent 16 years at Redland plc, where he was successively Financial Director, Managing Director and Chief Executive. Robert is currently a Non-Executive Director of Anglian Water Services and Chair of the Sustainability Committee of AWG plc. He is a former Non-Executive Director of Rentokil Initial plc and United Biscuits plc. He was formerly Chairman of the CBI Transport Policy Committee and President of the National Council of Building Material Producers. His community activities include being Chairman of the Governors of Sedbergh School and a Trustee of Baynards Zambia Trust.

9 John Parker

John Parker is a qualified Chartered Accountant with wide experience in finance, business economics and the housing market. He has worked for a leading merchant bank, three building societies, a property investment company and the Burmah Oil Company, before becoming Chairman of the Building Societies Association. His community activities include chairmanship of the Pate's Foundation and the Stroud Feoffees, and membership of the Finance Committee of St John's College, Cambridge.

10 Jon Rouse*

Jon Rouse is Chief Executive of the Housing Corporation. He was previously Chief Executive of the Commission for Architecture and the Built Environment (CABE), Secretary to the Urban Task Force, and Policy and Communications Manager at English Partnerships. Before that, Jon spent five years at the Department for the Environment working as Private Secretary to the Minister for Housing and Local Government, and with the London Borough of Ealing, and the Energy Saving Trust. He has a first degree in Law, and Masters in Urban Policy and Business Administration, specialising in corporate finance. Jon also serves on the Board of Homeless International.

*Jon Rouse left the Board of English Partnerships in late June 2007 following his departure from the Housing Corporation.

11 Dr Anne Wright CBE

Dr Anne Wright has been the Chair of the National Lottery Commission since 2005. She was Chief Executive of Ufi Ltd (the University for Industry) from 1998 to 2001, and from 1990 to 1998 was the Vice-Chancellor and Chief Executive of the University of Sunderland (formerly Sunderland Polytechnic). While in the North-East she was Chair of the National Glass Centre in Sunderland. She has held posts at Liverpool Polytechnic, the Council for National Academic Awards, Hatfield Polytechnic and Lancaster University. She has been a Member of the Armed Forces Pay Review Body since 2002. Anne is a Companion of the Chartered Institute of Management and was awarded a CBE in 1997 for services to higher education.

12 Geoff Wright TD DL

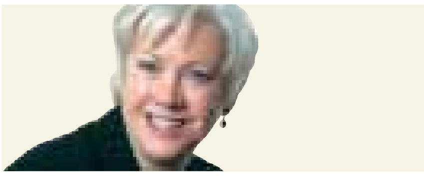
Geoff Wright is a Past President of the Chartered Institute of Building. He spent his career at Hammerson plc, an FT100 company where for the last 18 years was a Director responsible for the company's construction and project management. He held a number of other construction related board appointments, both as Chairman and Deputy Chairman. He is currently a Trustee of the BRE Trust, a Non-Executive Director of Severfield-Rowen plc and is Chairman of the Governors of the Whitgift School.

All Directorships and commercial interests of Board Members are listed in a regularly updated Register of Members' Interests which is published on our website and is available for public inspection at all times.

Details of tenures of Board Members are included in full in the Financial Statements.

Chairman's Report

The twin themes of improved outcomes and better value for money have continued to dominate our thinking this year.



This is the sixth annual report that I have had the pleasure of presenting and I am pleased to report excellent performance once again from English Partnerships. We have met the range of targets set for us by the Secretary of State and in so doing, developed new investment bodies that provide greater value for money, and better outcomes for the communities we serve.

Over the last five years, we have operated in a climate of change and this year has been no exception. The national review of housing and regeneration was concluded in December 2006 and our Board was delighted when in January 2007, the Secretary of State announced the intention to create a single regeneration and housing agency, Communities England. This planned new Agency will bring together the investment programmes of English Partnerships, the Housing Corporation and many of the direct delivery functions of the Department for Communities and Local Government (CLG). And it will be built on new, fit for purpose legislation that provides the range of powers required to tackle housing and regeneration and promote high-quality growth in new and existing settlements across England. Our Board is looking forward to supporting our staff over the next period whilst Communities England is being created.

As we support that process, we need to make sure that we continue to deliver our current programmes and projects; so I was pleased that, in a year when there were many distractions, our performance was so strong.

But the numbers, although important, do not tell the whole story this year. Our Board was especially pleased that we were able to sign off major new projects like the transformation of the Ferrier Estate in Greenwich. An ambitious community regeneration project, it brings together the London Borough of Greenwich, Berkeley Homes, the Housing Corporation, CLG and English Partnerships. By redesigning the way in which the investment is made, we can deliver dramatically better outcomes for the community and a significantly better return for the public purse. The twin themes of improved outcomes and better value for money have continued to dominate our thinking this year and you will see many examples of this new approach to investment throughout this report.

In the course of the year, we were sorry to lose John Callcutt as Chief Executive, who moved to CLG to lead a major national Review into the Housebuilding Industry. Our Board was grateful to John for the very sharp commercial focus he bought to our business and we look forward to the outcome of his Review. John Walker was appointed in his place and the Board was impressed by the highly professional manner in which John led the delivery of our programme for the remainder of the year.

For me, nearly six years on, it continues to be a pleasure to chair English Partnerships. Many projects that were on the drawing board in 2002 are well underway or are now complete: Kings Waterfront in Liverpool; the redevelopment of The Dome; progress on all of our Millennium Communities; the former RAF Staff College at Bracknell; delivery of the planning consent for Omega at Warrington; almost 279,000 sq m from Priority Sites and a fully invested portfolio from the English Cities Fund that will have a completed development value of £2bn.

Over six years, I have taken great pleasure in watching the scale of our work increase and the pace of our delivery accelerate.

And I have enjoyed the support and friendship not only of my Board and colleagues, but also of the very many friends and partners the length and breadth of England. As always, I thank the staff of English Partnerships whose professionalism and commitment are remarkable, and our colleagues in CLG whose support is so crucial to our efforts.

Margaret Ford

The Baroness Ford of Cunninghame
Chairman

Opposite: The new arena and conference centre at Kings Waterfront, Liverpool.
Above: 1 Homes are now on sale at The Parks, Bracknell.
2 Work underway at The Dome to develop The O_2 arena, Greenwich.

Chief Executive's Report: Looking to the future

To increase funding, to deliver higher quality places, to strengthen partnerships, to reduce our environmental impact and to better serve our communities, we are continually looking at ways to operate smarter and more effectively.

Our mantra is 'business as usual' as our work continues to expand over the next two years. In 2007/2008, I expect to see our programme expenditure increase to more than £620m and in 2008/2009 I predict this figure will exceed £700m. To make our work even more challenging, we also anticipate that as much as 70 per cent of our funding will be generated through our own receipts. So we have set ourselves ambitious goals and high hurdles in the run up to Communities England.

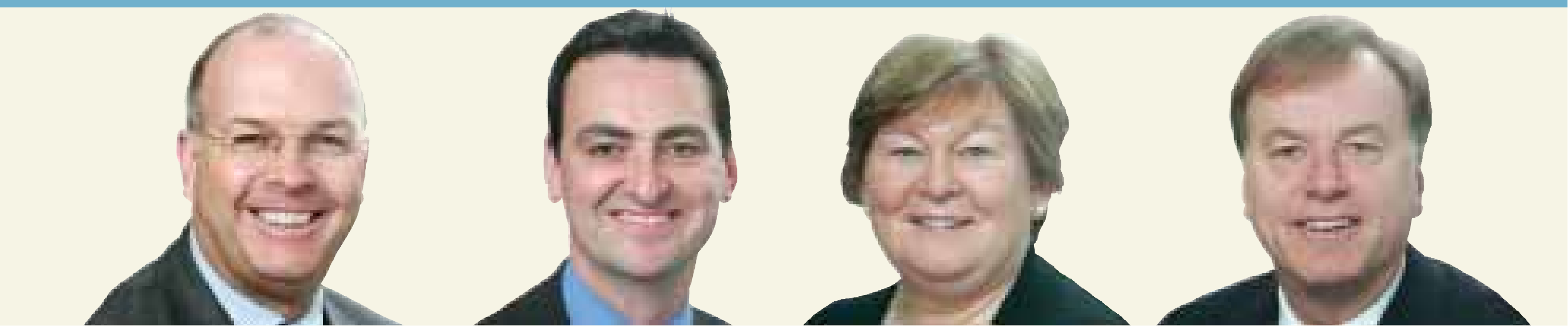
But while it will be business as usual, it won't necessarily be the 'usual' business. To increase funding, to deliver higher quality places, to strengthen partnerships, to reduce our environmental impact and to better serve our communities, we are continually looking at ways to operate smarter and more effectively.

Our Hospital Sites Programme, for example, is on course to deliver some stunning returns on our original £320m investment (see page 25). The Programme is an excellent example of how we have added value to our own portfolio, creating challenging development opportunities that have generated a great deal of interest from leading housebuilders.

As well as generating our own receipts, during 2006/2007 we successfully attracted more than £1bn from the private sector into our initiatives and this is an area that we intend to strengthen. We have identified a huge appetite from institutions to invest in our programmes as long as we can create a climate of certainty and a structured approach. In the next 12 months, we expect to see results emerging from our Urban Finance Team, which has been set up to work with institutional investors to develop mechanisms for funding local authority programmes using asset-backed vehicles.

Where private sector funding has not been readily available to bring about growth or unlock development, then we have created and promoted our own financial mechanisms and this is an area that we will continue to develop. At the end of March 2007, the Milton Keynes Infrastructure Tariff was formalised and is expected to raise more than £300m to pay for growth in the new city. The agreement allows us to forward fund infrastructure work through the Milton Keynes Partnership Committee, which in turn will recoup funding from private sector builders and landowners as development moves ahead. Already £1.9m has been awarded to Milton Keynes General Hospital to support increased healthcare facilities to serve the town's predicted population growth.

While infrastructure in all its guises – whether it be roads, shops, hospitals, schools or parks – is central to creating quality places, there is more to developing a sense of community and social cohesion than buildings. We have seen through our National Coalfields Programme (NCP), which this year celebrated its 10th anniversary, the importance of linking consultation, health, housing and employment issues to deliver long-term sustainable communities. In the next 12 months we expect to launch a new initiative within the coalfields, aimed at tackling areas of need by joining up the work of existing partners to deliver better solutions to unemployment, poor housing, lack of skills and other issues specific to individual communities.



Strengthening partnerships and building on our existing relationships with local authorities will be a high priority for us in the advent of Communities England. The recently published report by Sir Michael Lyons on *Place-shaping** puts a strong emphasis on local government using its powers to promote the well being of communities. We believe we have plenty of skills to offer local authorities that will help them reach their goals. Our Advisory Team for Large Applications (ATLAS), for example, is achieving excellent results, helping to unlock up to 60,000 homes nationally that are caught up in the planning process (see page 43). In the coming months we plan to roll out an online toolkit, created especially for local authorities, on how to implement the lessons learnt from our successful Design for Manufacture Competition.

We are also actively engaging local councils – and other public sector landowners – in our Carbon Challenge, which aims to create a series of zero carbon communities across the country.

Seeking ways to reduce our impact on the environment will increase in importance for everyone in the future and I am delighted by the response from the industry in helping us to push the boundaries of sustainable development. Our industry has moved rapidly. Where once we looked at building houses, now we look at building communities and all that entails. Minimising waste, recycling water, reducing our carbon footprint and even encouraging 'low carbon lifestyles', have become our challenges too. We will continue to raise the bar on our design and environmental standards and have confidence that our partners will continue to meet our targets, particularly with the arrival of the new *Code for Sustainable Homes*.

Throughout all of this, we must be mindful of the people whose lives we affect. Forging partnerships with local people, listening to their views and satisfying their needs – all within the confines of what is possible – is a balancing act that we must practise and master.

I would like to express my pride in being asked to take English Partnerships through this exciting next phase of our journey. I particularly want to thank my fellow directors for their support. This year we welcomed David Hughes to the Executive Management Board as Regional Director for the North East, Yorkshire and East Midlands. Charlie Parker also joined us on secondment from Enterprise plc as Director of Investment and Performance. Finally, I would like to congratulate our staff on their skills and flexible approach, which I know will stand us in good stead for the future.

J Walker

John Walker
Chief Executive

Opposite: Oakgrove school and leisure centre, Milton Keynes, part of the Oakgrove Millennium Community.
Above top row left to right: John Walker, Chief Executive; Trevor Beattie, Corporate Strategy Director; David Hughes, Regional Director, North East, Yorkshire and East Midlands.
Bottom row left to right: Duncan Innes, Regional Director, London and Thames Gateway; John Lewis, Regional Director, Eastern England and Milton Keynes; Eileen Scott, Director, Organisational Development; Paul Spooner, Regional Director, North West and West Midlands.

**Place-shaping: a shared ambition for the future of local government* by Sir Michael Lyons, published 27 March 2007.

Developing our own portfolio of strategic projects

Strategic projects: key facts

English Partnerships has a portfolio of 52 strategic projects across England.

£376m of receipts were recorded from site disposals.

£300m is being invested in the Millbay area of Plymouth.

49,000 sq m of employment floorspace is being created in Milton Keynes.

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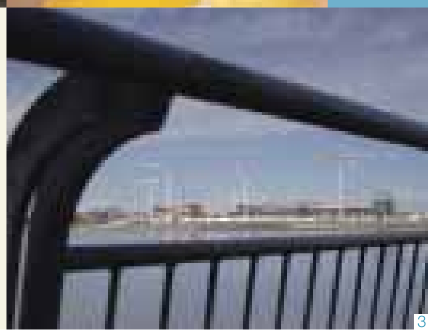
The skills and expertise of our teams to deliver programmes and projects in the communities we serve have been evident across the country.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In securing receipts of £376m we demonstrated our ability to extract strong returns from our own portfolio of strategic projects. We have successfully worked across a wide range of regeneration and development sites, each one presenting different challenges, different opportunities and different ways of working with our partners. In the past 12 months, we have invested £222m in our strategic projects, bringing our total investment to £1.38bn to date.

The skills and expertise of our teams to deliver programmes and projects in the communities we serve have been evident across the country – from dealing with the scale, complexity and historic dimensions of our national Hospital Sites Programme (see page 25), through to creating brand new communities in places such as Lightmoor in Telford or our sustainable urban extension at Bracknell in Berkshire.

While we have a duty to obtain best value and be commercial in our business dealings, our priority is to create quality communities where people will want to live. Getting this balance right is crucial to making places that have a long-term future and we are now seeing our efforts being repaid.

Our Millennium Communities Programme (see page 33) is now in its 10th year and one of the most inspiring examples is Allerton Bywater, near Leeds. This former coalfield site is fast becoming a sought-after place to live. The vision to re-invigorate and expand the former mining community is taking shape with the delivery of a range of new facilities, including a Miners' Welfare Hall, refurbished primary school, allotments and bowling green to support our investment in new homes. Live-work ateliers, Design for Manufacture homes and traditional properties are increasing the choice for local people, who can also seek employment in one of the village's networkspace commercial units that have helped create more than 100 jobs.

In Liverpool, work on Kings Waterfront has gathered pace in the run up to the city's Capital of Culture celebrations in 2008. Events will focus on the 10,000-seat arena and convention centre, which is the only appropriately-sized venue in the North-West and set to become a major business and tourist destination. Work has also begun on 96 new apartments, including shared equity homes for first-time buyers and two top-quality hotels. Plans are also in place for more than 400 new private for sale apartments.

The development is being brought forward by English Partnerships, the URC Liverpool Vision, the Northwest Regional Development Agency, Government Office North West and Liverpool City Council as part of a city-wide regeneration programme.

Another former docks site, Middlehaven (see page 18), in Middlesbrough is also being transformed by English Partnerships as part of the work of the Tees Valley Urban Regeneration Company. Development partner BioRegional Quintain has put forward plans for a £200m mixed-use zero carbon scheme to rejuvenate the area, with work expected to start on site in October 2007.

Opposite: New EcoHomes 'Excellent' homes at Allerton Bywater Millennium Community, near Leeds.
Above: 1 The new hotel at Kings Waterfront, Liverpool, adjacent to the arena and conference centre. 2 A young resident enjoys the street party at New Islington Millennium Community, East Manchester (photograph courtesy of the Regeneration of New Islington). 3 View of the new sixth form college across Middlehaven Dock, Middlesbrough.

Case studies

Transforming estates and communities
Woodside, Telford

Residents of the once run down Woodside Estate in Telford are beginning to experience the real benefits of housing regeneration, through an innovative £60m project that will transform the 72 ha estate, which includes some 2,000 homes. A first phase of improvement to public spaces is now complete, with a second phase underway to significantly rework parking areas and make the new 'urban village' more people-friendly.

With Telford and Wrekin Borough Council's community facility (Park Lane Centre) up and running, our ambition to create a place in which people want to live and choose to stay is becoming a reality. Located at the heart of the development, the Centre includes a community café, a nursery and crèche, training and education rooms, chemist, NHS dental surgery, as well as a community hall and youth centre.

One year on the Centre is hitting its targets. It has achieved a 100 per cent success rate in empowering and enabling individuals to progress into full-time employment, through its 'Skills for Life' courses.

The crèche has also proven very popular and has given people the option of returning to work, with their children safely cared for.

The demolition of over 350 notorious deck-access flats has removed a major blight in the area, making way for 176 new homes in the community. Working with residents is key to Woodside's transformation and Bellway, appointed to develop the new scheme, is due to start a wide ranging community consultation on proposals for the area.

Zero carbon by the waterside
Middlehaven, Middlesbrough

In its nineteenth century heyday, Victoria Dock in Middlehaven was a vibrant place. However, enormous changes in the economy led to many of the key local industries becoming redundant and in 1980 the dock closed its gates to international trade for the last time. For the last two decades the abandoned North East dock has lain dormant.

With an investment of £18m to remediate this site, we have been redeveloping the area with local Urban Regeneration Company, Tees Valley Regeneration. The junction with the A66 has been improved and pedestrian access from the town centre to the site is now enhanced.

This has restored connections with surrounding communities and will allow easy access to all of the new facilities.

Once completed, more than 2,400 homes will be available and the first phase will be one of the largest zero carbon developments in the United Kingdom.

With the first tenant about to move into one of the office buildings, Middlehaven is becoming a truly mixed-use, vibrant development. A new £70m centre will replace Middlesbrough's original sixth form college in time for the 2007/2008 academic year, providing excellent facilities for school age and adult learners. The overall stunning vision will include a hotel, shops and leisure facilities with an emphasis on water sports based around the dock.

Left: Park Lane Centre community facility at Woodside, Telford.
Right: Artist's impression of Middlehaven, Middlesbrough.

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At the other end of the country, we, along with project developers English Cities Fund, submitted a planning application in September 2006 for a £300m regeneration scheme for Millbay, set to become Plymouth's vibrant new coastal quarter. Plans for the dockside area include new homes mixed with commercial space, shops and leisure facilities that will help reconnect Millbay with the city centre and establish Plymouth's position as one of Europe's finest waterfront cities.

Planning consent was also granted in September 2006 for work to start on the creation of a mixed-use, sustainable neighbourhood at the former RAF Staff College close to Bracknell town centre. Our specialist knowledge and experience of large-scale regeneration projects will help transform this exceptional site and ensure that Bracknell's residents benefit from a supply of affordable homes for shared ownership. In addition, 10 per cent of the market sale homes will be set aside for first-time buyers, helping people to get a foot on the property ladder in an area of high demand.

On Greenwich Peninsula, work continued on The O_2, the centrepiece of which is the 23,000 capacity music, entertainment and sports arena, on target to open in June 2007. Developers Lend Lease and Quintain have also completed Peninsula Square, a new public square for London. Flanked by cafés, bars and restaurants and an open air performance space, the square will host a variety of activities creating a focal point for residents and visitors to the area.

In Milton Keynes where we have a significant land portfolio, we have successfully contributed to the region's growth agenda, with 1,300 new homes completed and a further 1,500 housing starts on site. In the last 12 months we have created 49,000 sq m of new employment space to satisfy demand from the 58 companies that have relocated or expanded in the city, marking a four-year high.

Above: 1 The 23,000 seat arena at The O_2, Greenwich. 2 40th anniversary celebrations at Milton Keynes.
3 A ground-breaking ceremony at the start of Phase One of the regeneration of Millbay, Plymouth.

Acting as the Government's specialist advisor on brownfield land

National Coalfields Programme: key facts

The Programme has grown from 57 sites in 1997 to 107 sites in 2007.
Since the start of the Programme:

- £380m of public money has been invested;
- A total of 2,116 ha of land has been brought back into use;
- 16,345 new jobs have been created; and
- 2,192 new homes have been built.

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10 Years On
National Coalfields
Programme

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Figures from the 2006 National Land Use Database returns show a welcome downward trend for the total amount of land and buildings lying derelict and vacant.

This year saw the 10th anniversary of the highly successful National Coalfields Programme (NCP), a milestone marked with a major conference held in Rotherham in March. The event, attended by original Coalfield Task Force members and key delivery partners, examined the transformation of coalfield communities through the decade. The Deputy Prime Minister, the Rt Hon John Prescott MP, and Minister of Housing and Planning, Yvette Cooper MP, in particular, heaped praise on the achievements.

Ministers used the conference to announce that six further sites would be added to the Programme. Of the new total of 107 sites, 72 are now complete or substantially underway and the majority of remaining projects have been approved. With a record annual investment of £47.7m, outputs secured over the year included 222.2 ha of brownfield land reclaimed, more than 85,200 sq m of new employment floorspace created and almost 400 new homes completed, with £188.5m of private sector investment attracted.

An evaluation of the NCP commissioned this year by English Partnerships and CLG confirmed the huge beneficial impact the Programme has made across all key regeneration outputs.

Our response to this evaluation, also announced in March, has been two-fold. Firstly to continue the momentum generated, with the original 10-year programme now extended to 2012; and secondly to commit an additional £20m funding to help coordinate the work of many local service providers in tackling outstanding areas of need specific to individual coalfield communities.

During the past year, particular successes have included investment totalling more than £30m at Fenwick Eccles on Tyneside and Fryston Wheldale, Castleford for a mix of housing and open space improvements. The disposal on our behalf of over 26 ha of land to Prologis at Sideway, Stoke-on-Trent, by Advantage West Midlands, has paved the way for a showcase industrial development setting new benchmarks in environmental design.

At the former Betteshanger Colliery in Kent, 2007 saw the completion and opening of a new 107 ha country park. Fowlmead, as it has been renamed by the community, has given the people of East Kent a new and exciting leisure facility including access to wildlife, mountain biking and cross-country trails, hard standing for caravans and an interactive visitor centre.

Opposite: A day out at CONKERS, Leicestershire (photograph courtesy of CONKERS).
Above: 1 Local people keeping fit and healthy at the 'green gym' in Bentley, Doncaster.
2 Young cyclists at Fowlmead Country Park, Betteshanger, Kent.

Case study

Ten years of the National Coalfields Programme
By Trevor Beattie, Corporate Strategy Director

When the coalfields communities celebrated the first 10 years of English Partnerships' National Coalfields Programme (NCP) in Rotherham earlier this year, I was struck primarily by the scale of its achievements. Expanding the original Programme from 57 to 107 sites, breathing new life into these formerly vibrant communities with new homes, new jobs (over 16,000 of them) community facilities, shops, businesses and open green space are among the roll call of results.

I was also struck by the transformation that has taken place since I was first called into the office by the newly appointed Deputy Prime Minister, John Prescott, more than 10 years ago, to be told that something must be done about the coalfields.

Soon after this, I was appointed as a member of the Coalfields Task Force. Its Report, which was entitled *Making the Difference*, contained 39 action points precisely addressed to individual bodies and laid the foundations for the NCP.

The NCP is the personal brainchild of John Prescott and I know, as will anyone who has ever heard him speak on the subject, just how close to his heart the Programme remains. He, like me, is rightly proud of what has been achieved.

To date we have invested over £380m in the coalfields, which has been used to:

- build over 800,000 sq m of new commercial premises;
- create 16,345 new jobs in some of the most economically deprived areas;
- construct 2,192 new homes; and
- create over 1,100 ha of country parks and community assets.

We are on course to exceed the original targets for the whole programme by delivering over 2.3 million sq m of new commercial floorspace, more than 49,000 new jobs and over 11,000 new homes.

When we add the total of £720m that we will invest to the contribution from the private sector, over £3.5bn will have been invested in the former coalfields communities over the lifetime of the NCP.

This is a major achievement, but we made it clear from the start that the NCP is about much more than bricks and mortar. The last 10 years have been about how we use the large sites to improve the quality of life of all those who live and work in the coalfields and to unlock the huge potential of the coalfields communities. This is why the most important outcome of the last 10 years has been that many former mining communities are once again vibrant and growing places to live and work.

There is plenty more still to do to. English Partnerships therefore recently announced that we would set aside £20m in additional funding for Coalfield Action Areas, where we will work with local authorities and other agencies to address the wider issues of health, education and skills.

From a personal perspective, the NCP has defined my experience at English Partnerships. What we have done – for and on behalf of the coalfields communities – is really the essence of what English Partnerships is all about. Building on our successes in the future, we will ensure that the first 10 years are just the beginning of the story.

Left: Jim Worgan, Vice Chairman of the Friends of Chatterley Whitfield, Stoke-on-Trent.

Right: The Rt Hon John Prescott MP addresses guests at the NCP 10th anniversary gala dinner in Rotherham in March 2007.

We are rigorously pursuing our work outside of the NCP to ensure that other brownfield land is brought back into efficient and effective use. Figures from the 2006 National Land Use Database returns show a welcome downward trend for the total amount of land and buildings lying derelict and vacant.

Building on extensive research, pilot projects and pilot brownfield land action plans, we presented outline recommendations on the reuse of brownfield sites at a major consultation conference in December 2006. This event coincided with the publication of *The Brownfield Guide: A practitioner's guide to land reuse in England*, produced by English Partnerships, which draws together best practice experiences of many organisations. As part of our National Brownfield Strategy, a set of policy recommendations stemming from the consultation event and from our own work, was presented to Ministers in June 2007.

We are already offering assistance to many local authorities faced with major and long-term brownfield challenges in preparing local strategies required by Planning Policy Statement 3 (PPS3) on Housing (published in late 2006).

Another key strand of the Brownfield Strategy will be to consolidate the pilot work undertaken around a cluster of brownfield sites in Sheffield being pioneered by English Partnerships, working with environmental charity CL:AIRE (Contaminated Land: Applications in Real Environments). This looks at new ways of treating contaminated soils.

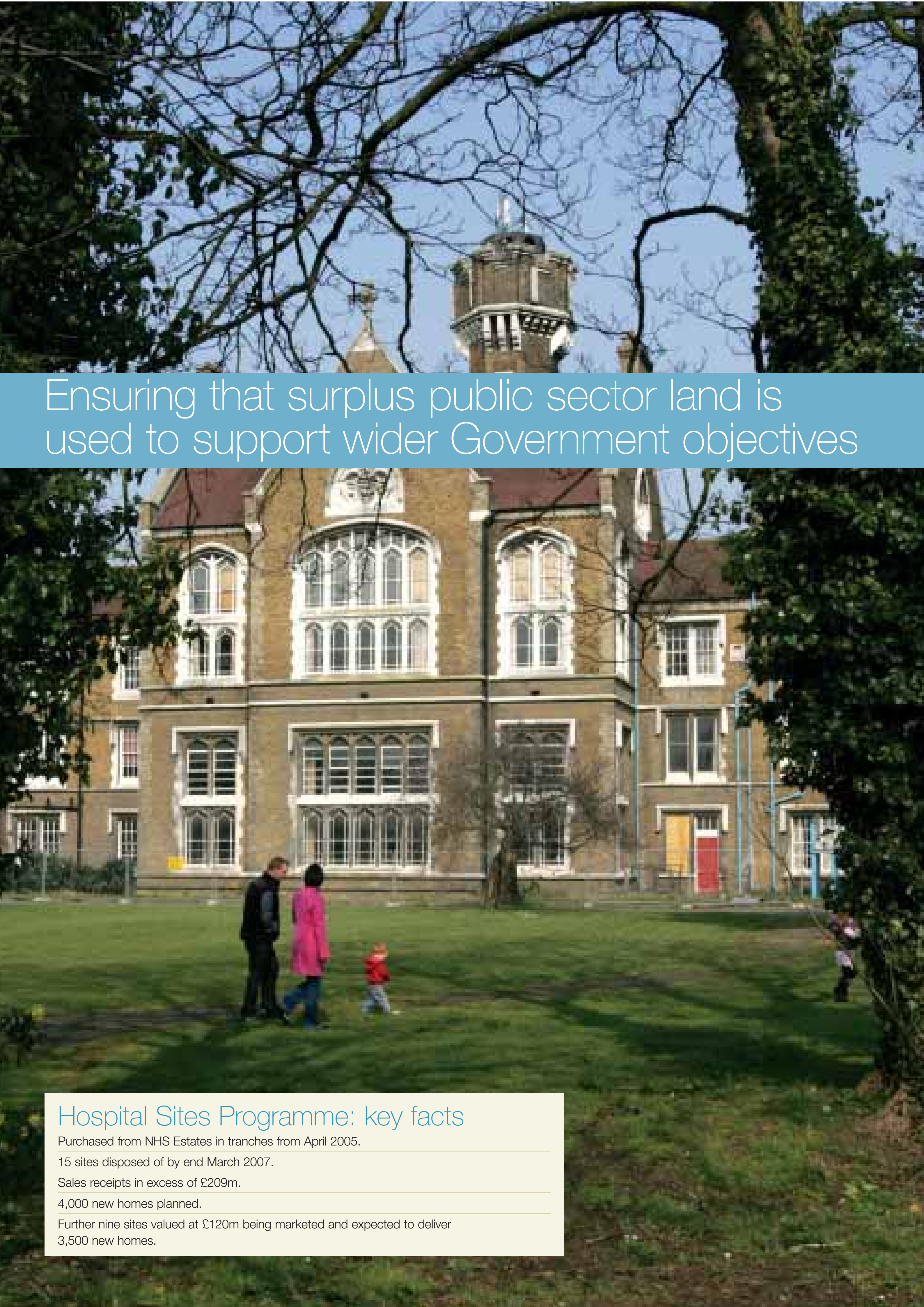
Turning to our joint ventures, this year saw the start on site of projects that will achieve the milestone of the completion of 279,000 sq m of commercial floorspace by Priority Sites Ltd, our commercial joint venture with The Royal Bank of Scotland.

networkspace Ltd, our joint venture with the Langtree Group plc, began work on the final scheme within its agreed 70,000 sq m programme of developing high-quality workspace for small and medium sized enterprises in the coalfields. Included in schemes begun earlier this year was an office and workspace development at Sherwood Energy Village, Ollerton in Nottinghamshire.

As part of our Land Stabilisation Programme, the in-filling of mines at Combe Down, Bath began in April 2007 after much detailed planning. Following the successful stabilisation and reconstruction work at Wheal Ayr Terrace, St Ives, the final chapter in a remarkable turnaround of a once-threatened community is now complete.

Meanwhile the Land Restoration Trust, launched in 2004 to be the long-term steward of open spaces across England, saw the successful conclusion of its three-year pilot. To date, the Trust has taken ownership of around 1,000 ha of previously derelict land and a formal plan is now being prepared with CLG and HM Treasury, to inform how the Trust can move forward.

Above: 1 Workspace and offices at Sherwood Energy Village, Ollerton, Nottinghamshire.
2 Henry Laithwaite, winemaker at HJH Wines Ltd, in his unit at Vector 31, networkspace, Sheffield.



Ensuring that surplus public sector land is used to support wider Government objectives

Hospital Sites Programme: key facts

Purchased from NHS Estates in tranches from April 2005.

15 sites disposed of by end March 2007.

Sales receipts in excess of £209m.

4,000 new homes planned.

Further nine sites valued at £120m being marketed and expected to deliver 3,500 new homes.

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Pressure to provide new homes and create well-balanced, mixed communities remains high and public sector landowners have a duty to work together to make best use of their collective assets.

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Recycling and re-developing surplus public sector land to maximise its contribution to the growth and regeneration agenda remains a major government goal and a key area of focus for English Partnerships. Pressure to provide new homes and create well-balanced, mixed communities remains high and public sector landowners have a duty to work together to make best use of their collective assets.

We have continued to work with government to build on recent successes with key public sector partners such as Defence Estates and Transport for London, and to explore how the Register of Surplus Public Sector Land can be used more effectively. The Register provides a single point of reference for public sector organisations on the supply of surplus land available nationally and will be expanded and developed to assist with unlocking sites to deliver commercial space, community infrastructure and homes.

This year the main thrust of our work has been to focus on maximising the potential of surplus sites we acquired in the last financial year, most notably a portfolio of 96 redundant hospital sites and the former Oakington Barracks in Cambridgeshire.

Purchased in tranches from NHS Estates, starting in April 2005 for £320m, the Hospital Sites Programme has already delivered significant financial results in just under two years. By the end of March 2007 we had disposed of 15 sites, generating sales receipts in excess of £209m and paving the way for up to 4,000 new homes. Marketing also commenced on a further nine sites from the portfolio, which will deliver in the region of 3,500 new homes.

Overall we expect the portfolio to generate sales of more than £580m, providing a significant return on our original investment. While the financial return has been rewarding – allowing us to plough more money into other regeneration programmes – the most fulfilling aspect of the Programme is the progress made to return these sites to productive use.

Listed buildings and historic landscapes are a hallmark of some of the more exceptional sites, such as Fair Mile, which sits on the banks of the Thames in Oxfordshire and contains a number of Grade II listed buildings. Often the focal point and heart of a community, these abandoned buildings will serve local people once again by being transformed into great places to live.

Through our development briefs and our work with English Heritage, we have taken great care to ensure that the features and character of historic buildings and landscapes are maintained. In many cases this presented difficult design challenges to our private sector partners, which they have successfully resolved.

Opposite: Public open day at the former Stonehouse hospital, near Dartford.
Above: 1 Disused military buildings at Oakington Barracks, Cambridgeshire. 2 Local residents are shown around the former Stonehouse hospital, near Dartford. 3 Historic building at the former hospital at Fair Mile, Oxfordshire.

Case studies

Carbon-cutting homes for hospital site
Epsom Cluster, Surrey

A mixed-use development that could cut carbon emissions by up to 50 per cent is planned for Epsom. English Partnerships has chosen a joint partnership between Crest Nicholson and Galliford Try to develop more than 700 new homes across three former hospital sites near the town, which include important listed buildings. This will allow a more holistic approach to be taken to the design and will also assist in other aspects such as development programming and flexibility with regards to providing affordable housing that meets the requirements of English Partnerships and Epsom and Ewell Borough Council (EEBC).

Known as the 'Epsom Cluster', around 54 ha of land will be developed to provide new homes, shops, public parkland and, subject to demand, a hotel in an area lacking social facilities.

Approximately one third of the homes will be allocated for affordable for rent or shared ownership with a number available for first-time buyers.

Some of the existing hospital buildings, including those that are listed, will be retained and converted into apartments.

All new build homes will be EcoHomes 'Excellent' and, together with EEBC, English Partnerships is seeking to create a community of the highest quality with the intention of establishing a Community Development Trust to ensure the development's integrity is protected for the benefit of residents, present and future.

Award winning plans take off
Vision@Devonport, Plymouth

Residents of Devonport had two reasons for celebration in early 2007. They cheered as the first section of the infamous wall surrounding the former South Yard Stores Enclave was removed in January to make way for Vision@Devonport, a new mixed-use, sustainable neighbourhood. A month later, the masterplan for the area-wide regeneration of Devonport won the prestigious Royal Town Planning Institute's Sustainable Communities Award.

Devonport has been identified as suffering from high levels of deprivation and the site was purchased by English Partnerships from Defence Estates in July 2005 to help meet the demand for good quality housing.

We have also played a leading role in working with the local community to develop the masterplan, achieve outline planning permission and secure Redrow as development partner.

As well as more than 460 new homes – 25 per cent of which will be available for affordable rent or shared ownership – the Vision scheme will include new shops, offices, workshops, a police station and a supermarket. The existing Market Hall building and clocktower are being refurbished and will be brought back into public use. Development will be phased over six years and a percentage of the total market price homes will be reserved for first-time buyers.

Left: West Park, Epsom Cluster, Surrey.

Right: Local residents helping to remove the South Yard Enclave wall (photograph courtesy of Redrow Homes).

Highlights of the past 12 months include:

Park Prewett in Basingstoke, Hampshire, developed by Taylor Woodrow, was the first site to be marketed and has now welcomed its first residents. Also in Hampshire, the Coldeast hospital was sold to Miller Homes for a development of 150 homes, along with local facilities. The existing community hall will be refurbished and transferred to Fareham Borough Council and a contribution made to support local bus services to increase the sustainability of the site.

In March 2007 Bellway Homes was selected as preferred developer for the St Margaret's hospital site in Epping, Essex to build around 320 properties, which will provide much needed affordable homes in the area. The Turner Village site in Colchester will deliver around 430 EcoHomes 'Excellent' properties when developer Galliford Try starts work this autumn.

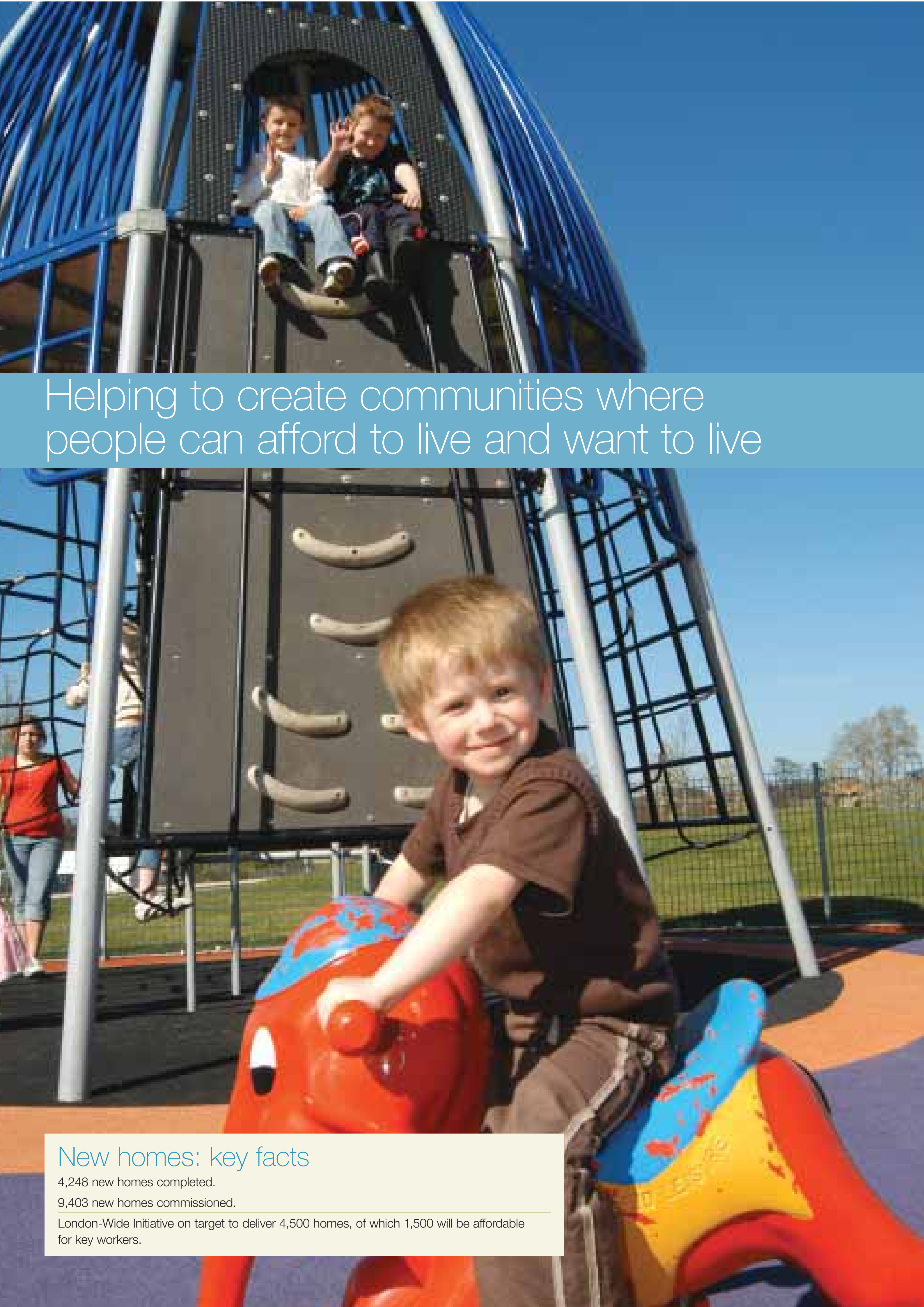
The Hospital Sites Programme is on track to generate £1bn of private sector investment by 2010 and offers the potential for 14,000 new homes, of which more than a third will be for affordable rent or sale.

Five miles north-west of Cambridge, in an area experiencing severe housing pressure, we are currently in the process of forming a joint venture partnership with Gallagher Estates to promote the development of Northstowe, England's newest community of up to 24,000 people. A major part of the area earmarked for this new town is the former RAF Barracks at Oakington, which we purchased from Defence Estates just over a year ago.

The vision for Northstowe is for a cutting-edge community that will embrace the highest standards of sustainability and aspire to the lowest levels of carbon emissions. To achieve these goals, we are working on a draft masterplan for public consultation this summer, with the objective of submitting an outline planning application in late 2007. Anticipating planning consent during 2008 will allow development to begin in 2008/2009.

Government sees Northstowe as setting the agenda for the way that new, large-scale low carbon communities can be delivered and how surplus public sector land can make a significant contribution to the creation of quality places.

Above: 1 Turner Village, Colchester, where 430 EcoHomes 'Excellent' properties will be developed.
2 Community consultation at the Lancaster Moor hospital site, Lancaster.



Helping to create communities where people can afford to live and want to live

New homes: key facts

4,248 new homes completed.

9,403 new homes commissioned.

London-Wide Initiative on target to deliver 4,500 homes, of which 1,500 will be affordable for key workers.

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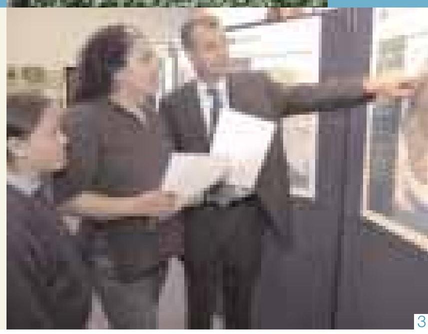
Recognising that sustainable communities are about more than land and housing, we have also created around 320,000 sq m of employment space and attracted over £1bn of private sector investment.



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In creating and rejuvenating communities across England, one of our most important activities continues to be increasing the supply of high-quality new homes.

In 2006/2007 we completed 4,248 new homes and commissioned starts on site for a further 9,403, improving on last year's performance (see full results on page 46). In the same period we brought 328 ha of brownfield land back into use, further helping housing supply by significantly contributing to the amount of land available nationwide for development.

Recognising that sustainable communities are about more than land and housing, we have also created around 320,000 sq m of employment space and attracted over £1bn of private sector investment, exceeding our targets in these areas by 25 per cent and 17 per cent respectively.

Away from cold statistics, however, our approach continues to be all about making places – well-planned places, properly supported by transport links, infrastructure and community facilities, where people want to live, work and relax, and where shops and businesses want to invest.

At the heart of this approach lies community engagement. Early involvement empowers local people to shape their future communities and can often turn initial opposition to development into support.

At the Bickershaw Colliery site in Wigan, for example, we held a series of regular consultation events focusing specifically on the environmental features of the scheme. These culminated in October last year in overwhelming support with over 95 per cent of local residents voting in favour of, amongst other things, a nature reserve, a comprehensive network of footpaths and cycleways, and a forest to include bike trails and orienteering.

This year at Bickershaw we will be seeking residents' views on the community use of reclaimed pastoral fields.

Making Assets Work, the report published by Barry Quirk on behalf of government in the spring, recommends that local people should be given greater control over how key assets in their communities are run. In line with these sentiments we have commissioned our own research into long-term governance of assets and how, in practice, local people can take control of their own neighbourhoods.

As well as our programme of delivering new homes, a major focus during the past 12 months has been to help turn around the fortunes of some neglected estates. Working with the Housing Corporation in both Park Hill, Sheffield (see case study on page 30) and in Hattersley, Greater Manchester, we have been able to kick-start renewal programmes and attract private sector investment through innovative funding mechanisms. Since reporting on Hattersley last year, developer BASE has been appointed to build up to 900 new sale homes. In addition, new community facilities will be delivered by commercial developer, CTP.

Opposite: Young residents enjoy the playground at Allerton Bywater Millennium Community, near Leeds.
Above: 1 Artist's impression of Park Hill, Sheffield. 2 Public transport at Greenwich Millennium Village, London.
3 Community consultation at Bickershaw Colliery site in Wigan.

Case studies

Historic homes move with the times
Park Hill, Sheffield

A £146m transformation of the Park Hill estate in Sheffield got the go ahead in January 2007 with an agreement between English Partnerships, Sheffield City Council and developer Urban Splash.

Completed in 1961, the Park Hill estate was the most ambitious inner-city development of its time and is recognised as Europe's largest Grade II listed building. Covering some 13 ha, the estate contains around 1,000 flats as well as shops, pubs and other community facilities. But to meet the needs and aspirations of the broader housing market renewal partnership, an overhaul of this historic estate was needed.

In a unique funding arrangement, the Housing Corporation committed £9.85m up front to underpin the affordable housing for rent and shared equity units, while English Partnerships agreed a £14.8m grant towards the cost of redeveloping the remainder of the estate. This forward funding has allowed the refurbishment plans to progress more speedily and an additional £5.5m from Transform South Yorkshire (the Housing Market Renewal Pathfinder) is covering the cost of tenant re-housing during the programme. English Heritage has also contributed £500,000 towards project costs.

Urban Splash has submitted detailed plans to modernise the total estate along with Manchester Methodist Housing Association to create a more balanced community.

The public commitment has brought in more than £100m investment from the developer who is confident that it will see significant returns from Park Hill as it strives to return the estate to its former glory and restore the pride of the community.

Melanie moves in
First Time Buyers' Initiative

When a job change for travel consultant Melanie Latham brought her back to England from Spain, she hoped to be able to settle down in a home of her own, near to Heathrow airport.

But with rising house prices, Melanie was one of many who found herself priced out of the housing market, and it seemed that buying a property of her own was a dream.

Today, Melanie is the proud owner of a two-bedroom flat on a brand new development by Barratt in Feltham, west London, thanks to being one of the first people in the country to benefit from our First Time Buyers' Initiative (FTBI).

The Initiative – part of the government's 'HomeBuy' low cost ownership scheme – enables aspiring homeowners to buy a minimum of 50 per cent of a new home with English Partnerships providing the remainder of the funding via a direct payment to the developer.

For the first three years there are no fees to pay to English Partnerships on the un-owned share. This means first-time buyers will only be responsible for their own mortgage repayments in the early years when they are most likely to be short of cash.

"My apartment is fantastic. I'd recommend the location; with everything on the doorstep, it's ideal for busy professional people. It's extremely difficult to get onto the property ladder but the FTBI makes buying a home affordable for ordinary people. I never expected to own a property like this with a really high specification."
Melanie Latham

Left: Existing buildings at Park Hill, Sheffield.
Right: Melanie Latham in her new FTBI home in Feltham, west London.

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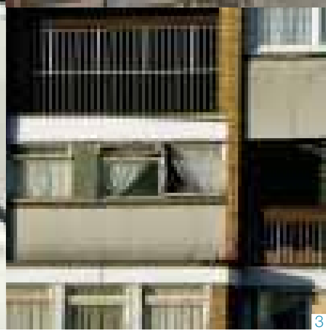

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In Basildon we are playing a key role in helping to create a £200m funding package that will bring about the renewal of the Craylands estate and the redevelopment of the former Fryerns school. Our partner Swan Housing Group will oversee the programme, which will result in 695 new homes and a further 613 homes being rebuilt.

Across our programmes we continue to help government to address many significant challenges, two of which – environmental sustainability and house-price affordability – attracted increasing public and media awareness throughout the year.

As well as working ever more closely with Regional Assemblies, Housing Boards and local authorities to ensure a significant proportion of our new homes meet local needs, we have also prioritised assistance for key workers and first-time buyers.

The first homes in our London-Wide Initiative will be completed in autumn 2007 at Adelaide Wharf in Hackney. The Initiative was established to address the need for affordable homes in the capital, especially for key workers. Our portfolio of 16 brownfield sites is on target to deliver 4,500 homes, of which 1,500 will be affordable for key workers. Work is underway on a further two sites and plans for another six schemes have been submitted for approval.

All the schemes will combine high-quality design and environmental sustainability standards with the Heart of East Greenwich and Gallions 2 striving to meet additional targets for low carbon development.

Our First Time Buyers' Initiative (FTBI) helps aspiring homeowners get a foot on the property ladder by contributing up to 50 per cent of the purchase price of a newly built home. Initially, the buyer needs only to be able to afford a mortgage for a minimum of 50 per cent and can increase their share to take them into full ownership, at any time in the future, when their financial circumstances allow.

This year – the first full year of operation for FTBI – we announced up to £100m funding and the availability of the FTBI on 37 sites across six government regions, amounting to a total of 1,200 homes started on site.

The Initiative has proved popular with our first 24 buyers helped into home ownership to date, and Melanie Latham, our very first resident, moved into her new home in January (see case study opposite).

Above: 1 Infrastructure works at Telford Millennium Community, East Ketley. 2 Construction underway at Adelaide Wharf, Hackney, part of the London-Wide Initiative. 3 Existing homes on the Craylands Estate, Basildon.

Supporting the Urban Renaissance

Urban Regeneration Companies: key facts

There are 20 URCs in operation across England.

The first three URCs were launched in 1999 in Liverpool, Sheffield and Manchester.

Total funding package of nearly £40m in 2006/2007.


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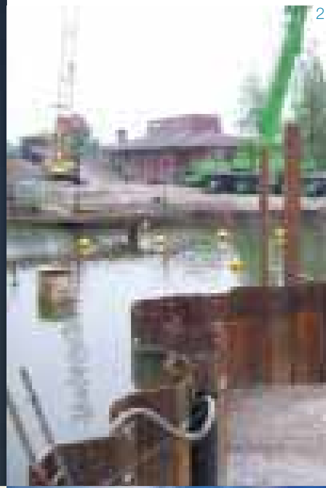
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Reviving towns and cities and improving the quality of life for those who live in them has been a key priority for us this year.


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Reviving towns and cities and improving the quality of life for those who live in them has been a key priority for us this year. As part of this role, the Millennium Communities Programme continues to lead the way in delivering innovative and quality design, alongside high environmental standards to create sustainable communities. The seven exemplar schemes are in Allerton Bywater (near Leeds), Greenwich Millennium Village (London), Hastings (East Sussex), New Islington (East Manchester), Oakgrove (Milton Keynes), South Lynn (King's Lynn) and Telford (East Ketley).

With increased momentum, it is anticipated that by 2014 the Programme will deliver over 9,000 'Excellent' rated EcoHomes, to inspire both the development industry and the house-buying public. Momentum has significantly increased this year with 955 homes completed at the end of 2006 and a further 895 under construction. This initiative has continued to raise the bar across the whole industry in terms of sustainable place making and created strong foundations for our Carbon Challenge initiative to build upon.

English Partnerships has also continued to invest in the work of Urban Regeneration Companies (URCs), with a total funding package of nearly £40m in 2006/2007, delivering real change through our partnerships with the 20 URCs across England.

Great progress has been made in the Sunniside area, within the Sunderland arc URC area, where, in a joint venture with Sunderland Housing Group, 135 family homes and apartments will be provided along with commercial floorspace. The properties being converted to meet this new demand are largely historic listed buildings including the old Post Office, former Mowbray Park Hotel, former Water Board building and the Georgian terrace at Foyle Street. The old Post Office, which had lain empty for 17 years, has now been converted into 32 luxury apartments in the heart of the city, bringing it back into productive use for local people.

In Cornwall, English Partnerships and CPR Regeneration URC continue to work together to bring prosperity back to Camborne, Pool and Redruth, a five-mile corridor of urban development once renowned for its mining and engineering industries.

Midas Homes was chosen as the preferred developer for the former CompAir Holman site in the Dolcoath area of Camborne in May 2006. A £90m investment programme for the site will deliver a mixture of housing, employment space, improved transport links and around 250 new jobs.

Gloucester Heritage URC (GHURC) aims to bring life back to the many historic areas of Gloucester and to create a new and prosperous city. The 'Gloucester Prospectus', launched in October 2006, sets out GHURC's regeneration programme aimed at attracting £1bn of new investment into the city over the next 10 years. It also highlights the major sites that will drive forward the transformation of the city centre.

Opposite: Sunniside Gardens and the old Post Office at Sunniside, Sunderland.
Above: 1 Design for Manufacture site under construction at Allerton Bywater Millennium Community, near Leeds. 2 St Ann Way Bridge Link under construction, Gloucester. 3 New homes at Yours South Lynn Millennium Community, near King's Lynn.

Case studies

Seafaring town gets a facelift
Nene Waterfront, Wisbech, Cambridgeshire

Wisbech was once a thriving port with a strong tradition of boat building and repair, but the growth of coastal container ports has led to a major decline in fortune for the Fenland town with large areas of the waterfront laying derelict for the past 20 years.

The £47m Nene Waterfront Regeneration Project demonstrates significant investment, with the aim of not only dramatically transforming Wisbech, but reviving the whole Fenland area.

More than 8 ha of disused land alongside the River Nene will be developed into a vibrant residential, retail and business community. Included in the scheme is ‘The Boathouse’, a landmark building designed to act as a focal point for the development. The Boathouse will be home to a yacht club, Post Office, conference facilities and space for 31 business units. Much-needed new jobs and homes – including affordable units – will be a feature of the project.

Community involvement is key to Nene Waterfront and a range of initiatives are in place to encourage public ownership of this new quarter of Wisbech.

For example, local schools have created an open-air gallery producing murals depicting the town and an oral history project has gathered personal histories to create a heritage trail.

We will be working with preferred developer Taylor Woodrow, Fenland District Council, the East of England Development Agency, the European Regeneration Development Fund (administered by Go-East) and Cambridgeshire County Council over the next three years to deliver this stunning development.

Gateways to the city
Liverpool

Opening up Liverpool to increase the flow of trade, commerce and tourism has been a key priority for English Partnerships, with the focus of this work being Lime Street Station and Edge Lane.

At Lime Street Station we are collaborating with Liverpool Vision URC and other partners to remove the ugly 1960s Concourse Tower and shops that currently hide the listed Victorian station entrance. In their place a new, high-quality public space will provide a welcome worthy of this location, opposite the listed St George’s Hall and the Walker Art Gallery. There will also be a mixed-use landmark building of the finest contemporary design which will open out onto the new public realm.

To the east of Liverpool, off the M62, we are working with the Liverpool Land Development Company to transform the length of Edge Lane into a new, sweeping, tree-lined boulevard approach to the city. We are using our compulsory purchase powers to acquire the land needed for the western part of the Edge Lane Project, to transform an area blighted by derelict properties and severe deprivation.

The result will be an area-wide, mixed-use scheme that will include high-quality public realm, new housing and employment floorspace with better facilities for the local community. The existing single carriageway road will be widened to a dual carriageway urban boulevard, improving safety and traffic flow for motorists and pedestrians, allowing easier access to the city from this critical gateway.

Left: Plans for the proposed development at Nene Waterfront, Wisbech.
Right: A vision of how the proposed scheme at Lime Street Gateway could look.

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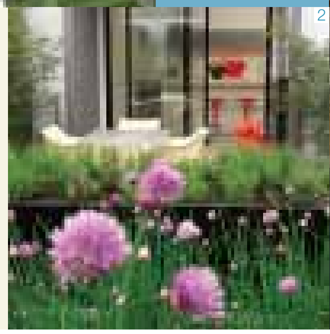

We are investing £5m in the creation of a landmark bridge that will join up major canal side regeneration areas in Gloucester, opening up business and leisure opportunities. The St Ann Way Bridge Link has been designed, procured and managed by English Partnerships, supported by the South West Regional Development Agency. Built from steel and white concrete, the bridge's futuristic design is set to become an iconic structure in its own right and is scheduled for completion in spring 2008.

We have also been working with Pathfinder Housing Market Renewal (HMR) teams to create prosperity and sustainable solutions that drive up demand, reinstate quality and improve urban design in these areas. One leading example of this work is at Chimney Pot Park within the Manchester and Salford HMR Pathfinder area. Here, members of the existing community in the Seedley and Langworthy Partnership Area (95 streets surrounding the new development) were given the opportunity to buy one of the eye-catching properties before they went on general sale.

The traditional two-up, two-down terraces are being turned 'upside down' as part of a £40m programme to revitalise an area of vacancy and low demand. The scheme, which started in 2005, will result in 349 remodelled terraces with bedrooms on the ground floor, leaving room for living and dining space on the top floor. Ninety one of the properties will be targeted at first-time buyers.

Outside of the URC programme, we have been focusing on the revival of town centres, as part of our commitment to the Urban Renaissance, bringing back a sense of community and delivering high-quality public space.

In Wakefield, a contribution of £5.1m towards infrastructure works has been committed to unlock an important gateway scheme around Westgate Station. The mixed-use regeneration scheme led by English Cities Fund will also create 350 new homes and 17,000 sq m of commercial floorspace and attract private sector investment in excess of £90m.

In Harlow we are working closely with partners to deliver comprehensive regeneration of the northern part of the town centre that will bring about a step-change in the quality and quantity of retail, leisure and housing.

Above: 1&2 Innovative new homes behind the original Victorian façade at Chimney Pot Park, Langworthy, Salford. 3 Harlow Civic Centre at the heart of town centre regeneration.

Best Practice: setting the standards

Code for Sustainable Homes: key facts

Launched by CLG in December 2006.

The single national standard to guide the housebuilding industry in the design and construction of sustainable homes.

All English Partnerships developments must achieve Level 3 of the Code (as of April 2007).

Carbon Challenge homes set out to achieve Code Level 6, i.e., zero carbon homes.

English Partnerships to move to Code Level 4 in 2010 and Level 6 in 2013.

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Two of our sites will be the first in England to deliver large-scale developments of zero carbon homes, and we expect to announce a minimum of three further sites by late 2007.

Our land portfolio, the size, scope and variety of our activities, and our position as a link between government and the private sector means English Partnerships is uniquely placed to champion new environmentally friendly approaches to regeneration.

This year we have continued to set ourselves and the industry tough targets, especially as environmental issues loom ever larger. The long-awaited *Stern Report*, published on behalf of government in October 2006, showed that climate change is the biggest threat facing the planet and that concerted global action is necessary now to avoid economic as well as environmental catastrophe.

We have acted quickly to help speed up the industry's response to this threat and in early 2007, the Secretary of State for Communities and Local Government, the Rt Hon Ruth Kelly MP, launched the Carbon Challenge. As its name suggests, the Carbon Challenge aims to raise the 'environmental bar' for housebuilders and other landowners in a bid to reduce the impact caused by development through the creation of exemplar zero carbon communities.

Two of our sites – Hanham Hall in Bristol and Glebe Road near Peterborough – will be the first in England to deliver large-scale developments of zero carbon homes, and we expect to announce a minimum of three further sites by late 2007.

The results will be closely analysed and widely disseminated, as the Challenge's exemplar schemes will demonstrate that zero carbon communities can be achieved on a commercially replicable scale, in advance of 2016 when all new developments will need to meet zero carbon standards. So far we have been encouraged by the positive response from industry and we look forward to working in partnership to develop this exciting test-bed for future development.

The Carbon Challenge will build on the standards set by our successful Design for Manufacture Competition (DfM) and the lessons learnt from our Millennium Communities Programme (see page 33), which celebrates its 10th anniversary this year.

The quality standards piloted as part of DfM – to build high-quality and environmentally sustainable homes for a construction target of £60,000 – are now in evidence as the first schemes emerge in Milton Keynes. Many of the standards are now being adopted as mainstream on all of our developments and are influencing the way other public and private sector organisations approach construction.

This year has also seen the launch of the government's *Code for Sustainable Homes* – the new standard by which all newly built housing will be judged. Level 3 of the Code achieves a 25 per cent reduction in CO_2 emissions and 21 litres less water usage per person per day, relative to the current best practice standard of EcoHomes 'Very Good'. From April 2007 we have adopted Level 3 of the Code as a minimum standard on all our newly commissioned developments, three years ahead of the construction industry.

Opposite: John Lewis, English Partnerships' Regional Director, Eastern England and Milton Keynes, Ian Sutcliffe, Managing Director, George Wimpey UK and Sir Richard Rogers, Richard Rogers Partnership visit the Design for Manufacture site at Oxley Woods, Milton Keynes.
Above: 1 Former hospital at Hanham Hall, Bristol, the first Carbon Challenge site to be brought to the market. 2 Community consultation at the Heart of East Greenwich, London. 3 The Glebe Road site in Peterborough, part of the Carbon Challenge initiative.

Case studies

Riverside revival
Thames Gateway

Leading the way for innovative regeneration projects in the Thames Gateway area is Barking Riverside. The planned scheme of 10,800 new homes, one of the largest in the Thames Gateway, has now been given a resolution to grant planning consent by the London Borough of Barking and Dagenham. This means that work can begin in 2008.

In planning for the new community, we have been working with project partners, Bellway, to develop proposals for the introduction of a multi-utility services company (MUSCo).

This would provide all necessary utilities for residents and businesses at Barking Riverside including a high-quality communications network, whilst delivering a sustainable solution to the challenge of large-scale utility provision.

Income from the MUSCo would be used to enable the Barking Riverside Community Development Trust to invest in the new community, for example through public realm maintenance or social enterprise funds.

In preparation for the forthcoming works on the site, a new recycling facility has been created to sort and process building materials to be reused for new infrastructure works. The 5 ha facility has the potential to process materials from other local regeneration schemes in addition to the one at Barking Riverside.

Pumping new life into the community
Heart of East Greenwich

Working with the community as a key partner has been crucial to the Heart of East Greenwich regeneration scheme right from the outset. Consultation on the demolition of the hospital established a close working relationship with residents living nearby, and young people from a local community project were commissioned to paint a mural on the site hoardings to ensure that the spirit of the community was etched into the project early on. It also made an attractive focal feature for the local area, and generated much discussion.

Local residents have been involved in consultation events and design workshops to help guide the emerging masterplan for the site.

This principle will be sustained as the scheme progresses to ensure the community can continue to input, working alongside English Partnerships, the developers First Base and other partners.

Proposals for the Heart of East Greenwich will see the site regain its prominence within the local community. In addition to providing new and affordable homes under the London-Wide Initiative, there will be public services, including a leisure centre, library, health facilities and shops.

As potential future residents of the Heart of East Greenwich, with full access to the facilities, the local community has been fully involved in the regeneration process. Even at this stage, we are beginning to see a real sense of community ownership of this innovative development.

Left: Artist's impression of Barking Riverside, a project that promises to become one of the most important and inspiring new communities in east London.

Right: Local residents having their say at a Heart of East Greenwich community consultation event, London.

Our research into the cost of achieving the varying levels of the Code – produced in March 2007 jointly with the Housing Corporation – concluded that the average additional cost of achieving Level 3 would be around three per cent, giving further encouragement to the housebuilding industry that the step change called for by government could be achieved.

We have responded to a range of government consultations this year including Planning Gain Supplement, the newly identified 'Growth Points', the Respect Agenda for the regeneration sector, and the Housing and Regeneration Review – which ultimately led to proposals for the new agency, Communities England. We believe we provide a valuable bridge between the regeneration industry and central government and are able to shape pragmatic policies that translate effectively into the construction industry.

Through our own research and in-house expertise we have produced a range of materials aimed at assisting our partners in creating better communities that are more 'liveable'. In May we launched our guide *Car Parking: what works where*, demonstrating how the inclusion of car parking spaces can have a major impact on the public realm and the lives of people.

Elsewhere, our *Brownfield Guide* – a 'how to' toolkit for local authorities – was published in December 2006, following a stringent consultation process, and we presented our policy recommendations on the reuse of brownfield land to government in June 2007.

Our *Design for Manufacture Lessons Learnt* publication, launched last June, covered the initial competition period and is due to be followed up in early 2008 with a second volume covering the construction process. Our forthcoming *Design for Manufacture Toolkit* will enable local authorities and other landowners to run a DfM-style competition themselves; further helping to deliver more new homes and push the environmental agenda.

Later in 2007 we expect to publish the follow up to our highly successful *Urban Design Compendium*, which will look at the most effective ways of delivering good, well-designed communities.

Above: 1 Brownfield experts discuss the issues raised in the *Brownfield Guide – A practitioner's guide to land reuse in England*. 2 The Building for Life silver award-winning project at Butts Green, Warrington, where well thought-out parking solutions have been incorporated.

Building Capacity: developing skills

Developing skills: key facts

146 English Partnerships regeneration staff have attended a specially designed development and learning programme in 2006/2007.

23 graduates have been accepted onto the English Partnerships Graduate Development Programme, with a third intake ready to start in September 2007.

Women into Management programme was launched.

All English Partnerships staff were given the opportunity to help identify and develop the five values considered most important to our staff.

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As part of our remit to build capacity and develop skills, we take our advisory role seriously and demand for English Partnerships' expertise has grown significantly in the past year.

We have been working extremely hard this year on not only attracting talent into the organisation, but also on continuing to develop the skills of those already working in English Partnerships. All senior managers have now completed the 'Excellence in Leadership' course, an English Partnerships programme developed in collaboration with the Cranfield School of Management. A fourth group completed the programme late last year, along with five staff from CLG.

The learning and development needs of regeneration specialists delivering projects were identified as a key priority during 2006. As a result, a programme designed to meet this need was launched at two large events in June 2006. So far, 146 staff have attended the programme where they have had the opportunity to discuss issues such as sustainability, project delivery and partnership working, as well as taking advantage of networking and knowledge-sharing opportunities.

We are committed to developing groups that are under-represented in the agency, in line with our corporate Equality and Diversity Strategy and action plan, which is available on our website. Implementing the action plan is progressing well – for example, workshops for staff have been rolled out to help us learn more about valuing diversity and demonstrating the principles of our Equality and Diversity Strategy through our actions and behaviours.

To help address the issue of gender equality in the sector, English Partnerships has developed the 'Women into Management' programme. We have received extremely positive reviews from the first group of delegates who are continuing to experience the benefits of the programme with regular meetings of their learning groups.

Our Graduate Development Programme continues to be extremely popular in bringing new talent into the organisation by developing a wide-ranging set of skills to help individuals pursue their careers in regeneration. The programme – one of English Partnerships' responses to the growing skills shortage in the regeneration sector – is clearly a success with an ever-growing range of organisations keen to work with our trainees and offer placements.

The first trainees to join us are nearing the completion of their programme and are well on the way to becoming valued and knowledgeable regeneration specialists. Our second intake joined us in September 2006 and recruitment for the third intake, which will start in September 2007, is now complete.

Opposite: The St Ann Way Bridge Link in Gloucester will unite major canal side regeneration areas and improve transport links.
Above: 1 Upton, Northamptonshire. 2 Community consultation at the Heart of East Greenwich, London.

Apprenticeship gateway to HR career
Jen Farrow, HR Assistant

Having studied 'A' Levels in Information Technology and Health and Social Care at sixth form, Jen Farrow decided to undertake the Advanced Apprenticeship scheme offered by Access Training, which allowed her to gain valuable experience working as an HR Assistant in English Partnerships' Gateshead office, while working towards gaining professionally recognised qualifications.

Jen achieved an NVQ Level 3 in Business Administration last year and in March 2007 she completed an NVQ Level 3 in Customer Service, combining the practical application of workplace skills development with formal learning.

As a result, Jen was awarded the title of 'Apprentice of the Year' in 2006 by Access Training, having completed her Advanced Apprenticeship in only six months – nearly one and a half years ahead of schedule.

"I really enjoy my job and felt that the apprenticeship helped me understand what business administration is all about. I have had some fantastic support from colleagues and am now embarking on an exciting career with the agency."
Jen Farrow

Jen is one of two employees who have joined English Partnerships on an apprenticeship. We believe that helping individuals develop the skills required to progress their careers and support the agency in achieving its aims is crucial to sustaining a talented, motivated workforce.

Sharing skills and knowledge – inside the National Consultancy Unit
Fiona Piercy

When Fiona Piercy joined English Partnerships in 2005 as Senior Regeneration Manager in the West Midlands team, she was responsible for investment strategies and regeneration projects in some of the most deprived areas of England.

Working with a diverse range of stakeholders, including developers and the private sector requires analytical skills and creativity in problem-solving alongside an understanding of what is driving local decision-making. These skills have been crucial in Fiona's new role as Head of National Consultancy, which commenced in April 2007.

"Working in the North West/West Midlands directorate gave me an understanding of the difficulties faced by area teams in managing complex regeneration activity, whilst ensuring that challenging delivery targets are met within a finite budget. This experience of the customer base and the way it operates has helped me ensure that the expertise of the national consultancy team is targeted effectively and responds to the changing needs of the organisation."
Fiona Piercy

The skills and knowledge Fiona has gained through previous employment in the private sector and her work at English Partnerships have enabled her to develop the service provided by the National Consultancy Unit, whose dual role is to help increase the speed, quantity and quality of projects by providing consultancy advice, and to develop and disseminate best practice nationally.

Left: Jen Farrow, HR Assistant.
Right: Fiona Piercy, Head of National Consultancy Unit.

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During 2006, staff throughout English Partnerships took part in a series of organisational values focus groups. From this process, five values were identified as most important to our staff. These values are: collaborative, delivery, enterprising, integrity and professional. These assist in defining how we do things. They set out the behaviours expected from staff and are a central part of our aspiration to become an employer of choice. We will be assessing how we apply them to our work and how they impact on the design and content of the learning services we deliver.

As part of our remit to build capacity and develop skills, we take our advisory role seriously and demand for English Partnerships' expertise has grown significantly in the past year. ATLAS, a service provided by English Partnerships as part of the government's Planning Advisory Service (PAS), plays an important role in supporting the government's objectives for sustainable communities. It works closely with local authorities faced with complex planning issues relating to the delivery of sustainable housing growth.

The *Barker Review of Land Use Planning* (December 2006) recommended that the role of ATLAS be expanded to remove bottlenecks in the delivery of commercial development as well as housing, and to extend its current range beyond its focus on southern regions, which is now being done. The team has just completed an expansion programme to widen its skills set with the appointment of 11 specialists in transportation, engineering, environmental sustainability, urban design and socio-economics, together with dedicated staff to progress its research and dissemination activities.

This takes the team to 14 from a pilot group of just four personnel in 2005, illustrating the demand for ATLAS' services. The geographical remit has also grown to include four Government Office regions – East of England, London, South East and the South West. All of this demonstrates a real commitment to adding significant value in a range of areas including improved project management and the quality of outcomes for local authorities.

Elsewhere, our National Consultancy Unit (NCU) has also extended its reach this year to assist the organisation in delivering increasingly complex regeneration schemes. Expanding the knowledge and skills within the NCU is crucial to building this expertise into the programmes and projects we drive forward (see case study opposite).

Above: 1&2 Delegates at the English Partnerships National Consultancy Unit Technical Panel's Open Day in Birmingham, April 2007.

Business performance and monitoring

Monitoring Business Performance: key facts

Introduction on the corporate intranet of a real-time business performance ‘Dashboard’.

Implementation of an award-winning online risk register and reporting system.

Completion of the first stage of development of a new framework of corporate performance indicators.

Completion of health and safety inspections on 97 per cent of English Partnerships sites.

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We have continued to improve our management information systems in order to manage our business more effectively and efficiently.

Our core output performance measures continue to reflect the aims that were set out in the ODPM's (now CLG) *Sustainable Communities Plan, Homes for All* and the government's Public Service Agreement (PSA) targets. These cover:

- brownfield land reclaimed;
- housing units – starts on site commissioned;
- housing units – completed;
- employment floorspace created; and
- private sector investment attracted.

In May 2006 we published a set of quality standards to be applied to all our projects and these are reported under the table overleaf insofar as they relate to our output achievements over the past two years.

The total outputs include those relating to the NCP delivered through close co-operation with the relevant Regional Development Agencies. In 2006/2007 the outputs delivered on these former colliery sites amounted to 217 ha of brownfield land reclaimed, 274 housing starts on site commissioned, 398 housing units completed, 77,982 sq m of employment floorspace created and £182m of private sector investment attracted.

In addition, as a result of our collaboration with the Housing Corporation through The Housing Partnership (THP), 166 housing starts on site were commissioned and 520 housing units were completed.

We have improved the key processes and procedures to better determine those projects we support in order to ensure that an appropriate degree of management control is exercised, whilst maintaining appropriate flexibility so as to avoid unnecessary bureaucracy. We have enhanced our Project Gateway Process by improving the clarity of purpose for each 'Gateway' and simplifying the operation of the process. We have also revised the structure of our project submissions at each of the key decision 'Gateways' in order to improve our appraisal arrangements and decisions.

To complement these improvements, we have completed an extensive programme of work to refresh the design and content of our Project Guidance notes. This will enable our staff to have a single reference source regarding English Partnerships' strategy, business plans and priorities, in order to assist project sponsors to understand our new Project Gateway Process.

Opposite: Award winning architecture at Greenwich Millennium Village, London.
Above: 1 Plans for the new John Lewis department store distribution centre at Magna Park, Milton Keynes.
2 A THP scheme at Cherrydown, Basildon.

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Outputs from all approved projects[1]

	2004/2005		2005/2006			2006/2007		
	Target[2]	Outturn[3]	Lower Target[2]	Upper Target[2]	Outturn[3]	Lower Target[2]	Upper Target[2]	Outturn
Brownfield land reclaimed (ha)	260	299	230	240	243	270	310	328
Housing units facilitated (starts on site commissioned)	3,100	4,977	5,040	6,070	7,615	8,490	9,560	9,403
Housing units facilitated (completions)	2,500	2,596	2,460	2,520	3,222[4]	3,990	4,490	4,248[5]
Employment floorspace created ('000 sq m)	150	194	250	270	419[6]	260	300	326[7]
Private sector investment (£m)	400	505[8]	480	500	677[9]	870	980	1,022[10]

We have continued to improve our management information systems in order to manage our business more effectively and efficiently. In particular, we have introduced a performance 'Dashboard', available to all staff through our corporate intranet, which presents cumulative achievements against our performance targets in graphs and charts.

The Agency has also made substantial progress in developing an integrated framework of corporate and programme/project performance indicators to better measure our impact. This work will be finalised in the coming year and will identify a suite of outcome indicators to complement our output measures. This new framework of key performance indicators will seek to highlight our staff's enabling and influencing role – through the provision of advice and facilitation in supporting regeneration and growth in many parts of the country and, in particular, will provide a measure of the benefits or outcomes for local communities.

We have extended the risk management framework across our project and programme management procedures, principally through the introduction of an online risk register and reporting facility within our Project Control System. This innovative approach received a Highly Commended award by ALARM – the National Forum for Risk Management in the UK Public Sector.

Health and safety remains a top priority and further progress has been made during 2006/2007. Site inspections have continued with over 97 per cent of scheduled sites inspected. General risk assessments were completed for all departments and fire risk assessments undertaken for all our offices. We introduced a new online tailored safety training course for inducting new starters and 50 employees successfully completed the new Institute of Occupational Safety and Health Working Safely course. Other highlights include the successful tendering and appointment of a new term health and safety consultant, and the adoption of Contractor Health and Safety Assessment Scheme for assessing our contractors' health and safety competence.

1 The figures in the table reflect English Partnerships' activity and exclude any outputs which have been attributed to our partners through joint working arrangements.

2 Targets were set internally and approved by CLG (formerly ODPM).

3 Outputs achieved in previous years are reviewed for validation purposes. This has highlighted increased performance in 2004/2005 and 2005/2006 from that reported in previous Annual Reports. The figures have been restated above and reflect additional outputs over the two years as follows – brownfield land reclaimed (6 ha), housing starts on site commissioned (764 units), housing completions (118 units), employment floorspace (18,000 sq m) and private sector investment (£38m).

4 Includes 1,849 units (57 per cent) built in 2005/2006 to EcoHomes 'Very Good' standards or above.

5 Includes 1,778 units (42 per cent) built in 2006/2007 to EcoHomes 'Very Good' standards or above.

6 Includes 304,703 sq m (73 per cent) built in 2005/2006 to BREEAM 'Very Good' standards or above.

7 Includes 106,540 sq m (33 per cent) built in 2006/2007 to BREEAM 'Very Good' standards or above.

8 Some 12 per cent of the private sector investment is based on a formula to assess the end value to the developer in 2004/2005.

9 Some 30 per cent of the private sector investment is based on a formula to assess the end value to the developer in 2005/2006.

10 Some 16 per cent of the private sector investment is based on a formula to assess the end value to the developer in 2006/2007.

Above: 1 The now-occupied Summit House™ on site at Allerton Bywater Millennium Community, near Leeds.
2 Construction underway at Telford Millennium Community, East Ketley.

Financial Statements
Board Members' Report

The Board Members are pleased to present their report on the affairs of the Commission for the New Towns and the Urban Regeneration Agency, along with the audited Financial Statements and the auditors' reports for the year ended 31 March 2007.

Statutory background

Commission for the New Towns

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

Urban Regeneration Agency

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

The Agency, jointly with the Commission, carries out its activities under the name of English Partnerships.

Principal activities

Commission for the New Towns

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

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

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

- the convenience and welfare of persons residing, working or carrying on business in the area; and
- until disposal, the maintenance and enhancement of the value of the land held and the return obtained from it.

Urban Regeneration Agency

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

Format of the Financial Statements

Commission for the New Towns

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

Urban Regeneration Agency

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

With effect from 1 April 2006, the Government Financial Reporting Manual (FReM) requires that non-departmental public bodies regard grants in aid received for revenue and capital purposes as a financing flow and no longer income. Grant in aid should therefore be credited to an income and expenditure account reserve and not released to the Income and Expenditure Account.

This change in treatment is a change in accounting policy, and has been effected by way of a prior period adjustment. The resulting deficit for the current and prior period is the result of grant in aid not being released to the Income and Expenditure Account, and represents the level of investment made by our Sponsor Department.

The effect of this change is illustrated in Note 1(b) of the Agency's Financial Statements.

Pension arrangements

The accounting policy on pensions is disclosed in Note 1 of each of the Commission's and Agency's Notes to the Financial Statements. Information on Board Members' and Key Managers' pension entitlements is disclosed in the Remuneration Report which starts on page 62.

Review of activities

Further details of English Partnerships' performance during the year and expected future developments are contained in the Management Commentary, which starts on page 56. The main activities and achievements in the year to 31 March 2007 are detailed in the Annual Report, but some key achievements are noted below:

Commission for the New Towns

- Sale of sites at Kings Waterfront, Liverpool to develop apartments and two hotels.
- Investment via the Milton Keynes Partnership in infrastructure projects, helping delivery of Milton Keynes 'growth targets' of over 3,000 housing starts per annum.

Urban Regeneration Agency

- Acquisition of the remaining hospital sites as part of the portfolio of redundant sites being transferred from the Department of Health.
- Sale of three redundant hospital sites in Epsom to create an estimated 710 dwellings.
- The launch of the First Time Buyers' Initiative, providing low-cost home ownership.

Future activities

We will be working to lay the foundations for successful delivery of affordable homes and mixed communities through the process of creating Communities England. The new body will combine roles of the Housing Corporation, English Partnerships and some of the housing and regeneration delivery function from the Department for Communities and Local Government (CLG). It promises to be the largest agency of its kind in Europe with an expected budget of over £4bn per year.

Commission for the New Towns

The Commission will continue to work with Central and Local Government, the Regional Development Agencies, the Housing Corporation, the private sector and other partners to bring about sustainable economic regeneration and development in New Town, Urban Development and Housing Action Trust areas.

Urban Regeneration Agency

The Agency will continue to work with Central and Local Government, the Regional Development Agencies, the Housing Corporation, the private sector and other partners to bring about sustainable economic regeneration and development in the English regions.

Results and transfer to reserves

Commission for the New Towns

The Commission's results for the year ended 31 March 2007 are set out in the Financial Statements on pages 74 to 95. The operating surplus for the year amounted to £41.2m (2006: £87.5m). After charging interest payable and crediting interest receivable, the surplus for the year on ordinary activities before taxation was £66.1m (2006: £109.6m).

A taxation charge of £14.9m (2006: £35.0m) has arisen during the year, therefore, the overall retained surplus for the year was £51.2m (2006: £74.6m). Further entries recognised through the Statement of Total Recognised Gains and Losses relating to actuarial gains resulted in £45.7m (2006: £82.9m) to be transferred to reserves.

Urban Regeneration Agency

The Agency's results for the year ended 31 March 2007 are set out in the Financial Statements on pages 102 to 125. A change in accounting policy in the year requires non-departmental public bodies to account for grants in aid as financing because they are regarded as contributions from a controlling party which give rise to a financial interest in the Agency. As a result grant in aid is no longer released to the Income and Expenditure Account to cover expenditure. Any deficit in the year is transferred from the Income and Expenditure Account to the grant reserve in the respective period. The comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The retained deficit in the year is £249.4m (2006: restated deficit of £189.9m) and represents the level of investment made by our Sponsor Department. The effect of this change on the certified Financial Statements for the year ended 31 March 2006 and the impact of the change on the results of the current year is shown in Note 1(b) of the Agency's Financial Statements.

Better payment practice code

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

- settle the terms of payments with suppliers when agreeing the terms of each transaction and pay bills in accordance with contract;
- ensure that the suppliers are made aware of the terms of payment;
- abide by the payment terms of individual suppliers; and
- deal reasonably with complaints and disputes and advise suppliers without delay when invoices or parts of invoices, are contested.

During the 2007 financial year English Partnerships paid, on average, 90 per cent of all invoices within 30 days of receipt (2006: 90 per cent) and is committed to maintaining this high standard of performance as it sees prompt payment as a factor in achieving regeneration.

Valuation of land and buildings

In accordance with the Accounts Directions, the Commission and the Agency have estimated the value of property assets as at 31 March 2007. This valuation was carried out by both internal and external qualified valuers, with independent external valuers appointed to value complex properties. In all cases, the valuations were in accordance with the *Statement of Asset Valuation and Guidance Notes (5th Edition)* published by the Royal Institution of Chartered Surveyors.

Commission for the New Towns

The value, excluding property interests with a negative valuation, is in the region of £808m (2006: £940m). Note 16(c) to the Financial Statements gives details of the bases of valuation of the various categories of the Commission's property assets. The valuation method used in 2007 reflects a recognised industry standard of measuring market value. The future liabilities associated with property interests with a negative valuation have been prudently provided for in provisions for liabilities and charges (Note 21 to the Financial Statements) in accordance with modified valuations that take into account contractual, legal or constructive obligations.

Financial Statements
Board Members' Report (continued)

Urban Regeneration Agency

The valuation has indicated that the gross open market value of these property holdings is in the region of £969m (2006: £900m).

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

Euro compliance

English Partnerships believes it has taken all reasonable steps to mitigate potential problems which may arise as a result of the impact of Euro compliance and will continue to monitor systems. The current systems are multi-currency and there has not been, nor is it anticipated that there will be, any material additional costs in relation to this specific issue.

Employment of disabled persons

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

Employee relations

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

We have been developing a strategy in relation to diversity to ensure that we become an employer of choice from all sections of the community. In connection with delivery of the programme, we are developing proposals which will allow us to consider the views of a wide cross section of the community.

Open Government and Freedom of Information

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

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

Auditors

Commission for the New Towns

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

Urban Regeneration Agency

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

The cost of work performed by the auditors for the Commission and the Agency, in respect of the year ended 31 March 2007, is as follows:

	£'000
Audit Fee – Commission for the New Towns	80
Audit Fee – Urban Regeneration Agency	80

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

Corporate governance report

Following the publication of the Hampel Committee report on corporate governance and after consideration of the previously published Cadbury and Greenbury Committees' reports, the London Stock Exchange published the *Combined Code* in June 1998.

The *Combined Code* sets out best practice corporate governance principles and details provisions which apply to listed companies. As non-departmental public bodies (NDPBs) the Commission and Agency are required to comply with the *Combined Code* so far as it is applicable to such bodies.

With regard to the *Combined Code,* NDPBs differ from listed companies in two principal areas, namely the nomination and appointment of Board Members and the determination of their remuneration. These are matters which are determined by the Secretary of State. Accordingly those provisions of the *Combined Code* which deal with these areas are not considered to be applicable.

Save for the above areas and that the Board has not nominated any non-executive Board Member as senior independent director, the Commission and Agency have complied with the provisions of the *Combined Code* throughout the year.

Financial Statements
Board Members' Report (continued)

In respect of the *Combined Code* the Board Members are aware of their responsibilities with regard to the principles of good governance and the need for effective internal control. In particular the Board has formally appointed an Audit Committee and a Remuneration Committee. The Board recognises that it has overall responsibility for the system of internal control detailed in the Statement on Internal Control.

The *Combined Code* has raised the profile of business risk management. To assist organisations to respond, the *Turnbull Committee* has published guidance, the Turnbull Report. As a public sector body there is a requirement to comply with the Turnbull recommendations under Treasury guidance and a formal Statement on Internal Control is included on pages 67 to 71.

Board membership

Brief particulars of Board Members are listed in the Annual Report. Further details of the Board composition are contained in the Remuneration Report which also includes details of membership of the Executive Management Board.

A Register of Interests held by Board Members is maintained by the Agency. The Register is open to the public and access may be obtained at the premises of English Partnerships. Access may also be obtained via the English Partnerships' website.

Board members' responsibilities

The Chairman and Board Members have overall responsibility for the conduct of the business of English Partnerships, both for ensuring that they meet their statutory responsibilities and for the quality of their management. This includes responsibility for the stewardship of public funds so as to ensure the highest standard of regularity, propriety and value for money for all financial transactions. Members are responsible, subject only to the directions of the Secretary of State and the advice of the Accounting Officer, for determining English Partnerships' strategy and for developing its policies and programmes.

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

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

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

In preparing the Financial Statements the Board is required to:
- observe the Directions on the Annual Accounts issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- advise as to whether the going concern basis for the preparation of the Financial Statements is appropriate;
- make judgements and estimates on a reasonable and prudent basis; and

- state whether applicable United Kingdom law and accounting standards have been followed, and disclose and explain any material departures in the Financial Statements.

The Board confirms that the Financial Statements of the Commission and the Agency comply with the above requirements and that they should continue to be prepared on the going concern basis.

Committees of the Board

English Partnerships has formally appointed a Board Projects Committee, an Audit Committee, a Remuneration Committee and a Committee for the Milton Keynes Partnership.

Board Projects Committee

The Board Projects Committee, is chaired by The Baroness Ford, and is attended by all Board members.

Audit Committee

Robert Napier chairs the Agency's Audit Committee and the other members during the year were Dr John Belcher, Dr Pauleen Lane, Dr Anne Wright and John Parker.

Remuneration Committee

The Remuneration Committee is chaired by Dr Anne Wright and attended by The Baroness Ford, Dr Pauleen Lane and Dr John Belcher.

The Head of Human Resources acts as the Secretary to the Committee and the Chief Executive may attend meetings at the invitation of the Remuneration Committee.

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

The Committee monitors and approves:

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

The remit of the Committee has been expanded to address the potential issue of recruitment and retention of key staff posts as part of the transition to Communities England.

Milton Keynes Partnership Committee

The Milton Keynes Partnership Committee, chaired by Sir Robert Reid, co-ordinates and implements the delivery of future growth in Milton Keynes and plays a key role in ensuring that infrastructure and community facilities are provided to support growth. Board Members on the Committee were Dr Pauleen Lane and the previous Chief Executive, John Callcutt who joined the committee in May 2006 and remained a member until 2 January 2007, when he was succeeded by John Walker.

Financial Statements
Management Commentary

Introduction

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

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

Nature, objectives and strategies

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

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

The Commission and the Agency are sponsored by CLG which in turn is governed by HM Treasury. There is regular liaison between CLG and English Partnerships to ensure that Departmental Expenditure Limits are met and to ensure that accounting treatment is consistent with HM Treasury guidance.

Objectives and Business Strategy

We have five core business areas and deliver our objectives through:

- developing our own portfolio of strategic projects;
- acting as the Government's specialist advisor on brownfield land;
- ensuring that public sector land is used to support wider Government objectives, especially the implementation of the *Sustainable Communities Plan;*
- helping to create communities where people can afford to live and want to live; and
- supporting the Urban Renaissance by improving the quality of our towns and cities.

Financial Statements
Current Development and Performance

Business development and performance

Significant features of the businesses in the financial year are contained within the Financial Performance section on page 60.

Trends and factors underlying performance and position

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

Resources, risks and relationships

Resources

Knowledge base

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

People

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

Environment

English Partnerships is committed to the innovative use of its sites to promote new standards of sustainable development and advance best practice as well as the highest standards of design, environmental sustainability and construction. We recognise that although our activities have environmental benefits through our regeneration development programme, they also have significant impacts on the environment.

Through our Environmental Policy statement, we will strive to:

- demonstrate continual environmental improvement by developing an Environmental Management System, which sets targets and monitors against them;
- meet the requirements of all relevant environmental legislation;
- respond to relevant government policies and initiatives;
- monitor progress and report on environmental performance;
- use energy efficiently, including meeting an agreed target for reducing energy consumption at our offices;
- manage and minimise transport related impacts through the introduction of project-specific 'green travel' plans;
- continue to support and promote innovation and carbon reduction on exemplar projects across the country;
- ensure employees report any environmental accidents in which they are involved or become aware of; and
- promote awareness of this environmental policy and environmental issues generally amongst all staff.

Financial Statements
Current Development and Performance (continued)

The Commission and the Agency will take into account sustainability as an issue when considering a location for any proposed new office sites.

During the period English Partnerships has:

- achieved an approximate 30 per cent reduction in Energy Consumption for the four main office locations and is the result of the installation of new boilers, power switches and new air conditioning plants which have greatly improved energy efficiency;
- launched the Carbon Challenge initiative, the key objective of which is to raise the environmental performance of new communities whilst still delivering high standards of design; and
- announced the winners of the Design for Manufacture Competition. The winning designs set new standards and demonstrate how homes can be better-constructed, built more economically and designed to dramatically reduce energy bills.

Ongoing commitments include use of energy-saving office equipment in our offices, recycling and increasing general awareness, promoting the turning-off of lights and computers, etc. We adopted the *Code for Sustainable Homes* Level 3 in April 2007 which has been developed to enable a step change in sustainable building practice for new homes by measuring sustainability of a home against certain design categories.

Details of the Environmental Policy Statement and other environmental commitments can be found on English Partnerships' website.

Risks and uncertainties

To deliver our remit, we are required to manage the risks involved in day to day operations as well as business opportunity risk. English Partnerships has developed an operating framework to support the on-going management of risk. The development of this risk management framework is designed to address risks associated with achieving the objectives of our business.

Good risk management allows English Partnerships to:
- have increased confidence in achieving its desired outcomes;
- effectively constrain threats to acceptable levels; and
- take informed decisions about exploiting opportunities.

Risk assessment and management features as an integral part of English Partnerships' core management processes, in particular the corporate/business planning, project appraisal and performance management processes. This is achieved by having:
- a business planning process that requires explicit assessment and identification of the key business and programme risks, together with robust plans to monitor, mitigate and manage these risks;
- an integrated performance and risk management process and supporting management information that ensures the key risks are regularly reviewed and appropriate mitigation or contingent actions taken; and
- continuous investment in the coaching and development of risk management skills at multiple levels within English Partnerships.

English Partnerships currently records risks in several locations, depending on category, to enable identification, assessment, control and review of all relevant risks:

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

The principal risk issue facing English Partnerships is failure to deliver its objectives in helping the Government to support high-quality sustainable growth in England through its five core business areas. This principal risk encompasses a variety of categories of risk including: political, economic, commercial, technological, legal/regulatory, environmental, project delivery, governance, resilience, PSA targets, change, resources and reputation. We are aware of the range of potential risks that may arise to threaten the delivery of our programme.

Relationships

Sponsor bodies, partners and suppliers

English Partnerships has good working relationships with its Sponsor Department and other bodies such as Regional Development Agencies, local authorities, the Housing Corporation and HM Treasury.

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

Employees

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

As part of our ongoing commitment to bring new people into the industry we continue to look for exceptional graduates to work with us on our Graduate Development Programme. The first trainees to join us are nearing the completion of their programme. Our second intake joined us in September 2006 and recruitment for the third intake, to start in September 2007, is complete.

The 'Women into Management' programme has been developed to help address the issue of gender equality in the sector.

Financial Statements
Financial Review – current and future

Financial performance

Commission for the New Towns

The major disposals in the year included:
- Clarence Docks, Merseyside;
- Sites at Kings Waterfront, Liverpool to develop apartments and two hotels; and
- Ongoing sales of sites at Milton Keynes and Northampton

Urban Regeneration Agency

The most significant movements within the Agency included
- an increase in project costs due to initial funding for the First Time Buyers' Initiative; and
- the disposal of a number of hospitals including:
  - three sites in Epsom
  - St Margaret's Hospital in Epping
  - Turner Village in Colchester

Accounting policies

The Financial Statements for the Commission and the Agency have been prepared in accordance with the Directions on the Annual Accounts issued on 27 March 2007 by the Secretary of State.

Details of Accounting Policies, which include details of a change in accounting policy for the Agency, are provided in Note 1 of the respective Financial Statements.

Capital structure

English Partnerships generates significant resources, primarily through property disposals. The Agency also receives grant in aid from CLG as its activities are not fully self-funded. Note 19 to the Agency's Financial Statements summarises the grant utilisation.

Treasury policies and objectives

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

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

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

Full details of cash balances are provided in Notes 18 and 19 to the Commission's Financial Statements and on the Balance Sheet for the Agency, respectively.

Cash flows and liquidity

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

Pensions

Employees of the Agency and the Commission are able to participate in contributory pension arrangements afforded by either the English Partnerships' Pension Fund or a statutory Local Government Scheme administered by West Sussex County Council. These pension schemes have broadly comparable benefits and provide benefits based on final pensionable remuneration. The disclosures required by *FRS 17, Retirement benefits* are contained in Note 25 to the Financial Statements for the Commission and Note 23 for the Agency.

Financial Key Performance Indicators

Financial Targets

The Secretary of State sets Departmental Expenditure Limits for Resource Consumption and Resource Capital. These limits are set for the Commission and the Agency, but surpluses in one entity can be used to offset deficits in the other. The combined limits for English Partnerships and performance against these limits were:

	Limit £m	Actual £m
Resource Consumption – Near-cash	38	33
Resource Consumption – Non-cash	(38)	(52)
Capital	298	298
Total	298	279

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

Financial Statements
Remuneration Report

Unaudited information

Constitution of the Remuneration Committee

The constitution of the Remuneration Committee is set out on page 55.

Remuneration policy

In setting the remuneration policy, the Remuneration Committee has regard, within the constraints of being a non-departmental public body, to the following considerations:
- To provide rewards which will attract high-calibre management necessary to enable English Partnerships to fulfil its responsibilities; and
- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

The overall policy approach is not expected to change in the coming year.

Service contracts

John Walker was appointed Chief Executive on 2 January 2007 for a fixed term to April 2009, subject to the acceleration or delay in Communities England.

The previous Chief Executive, John Callcutt, was originally appointed on 2 May 2006 for a fixed term of three years. During the year Mr Callcutt was asked to head up a Review of Housing Supply at the request of Ministers. At this point he stepped down from his post as Chief Executive to undertake the Review which is funded by English Partnerships and his role commenced on 2 January 2007.

The Secretary of State appoints non-executive Board Members, with the exception of Jon Rouse, for periods of up to three years and also sets the level of their emoluments. Their appointments require three months notice of termination.

Jon Rouse is the Chief Executive of the Housing Corporation and is appointed as a non-remunerated Board Member while he holds that position. There is a reciprocal arrangement and the Chief Executive of English Partnerships sits on the Board of the Housing Corporation.

Mr Rouse resigns as Chief Executive of the Housing Corporation on 30 June 2007 to take up a new post as Chief Executive of the London Borough of Croydon.

The present Board membership includes local authority, Regional Development Agency, Housing Corporation and private sector representatives and all of the current non-executive Board appointments are due to be reviewed by 31 December 2008.

Eileen Scott was the Agency's Secretary from 20 July 2006. Prior to this, the Agency Secretary was Trevor Beattie.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chairman, Board Members and members of the Executive Management Board.

Audited information

Board Members' emoluments

	2007 £'000	2006 £'000
Chairman		
The Baroness Ford	104	89
Current Board Members		
Non-Executive		
Dr Pauleen Lane, CBE (Deputy Chairman)	36	23
Dr John Belcher, CBE	12	12
Aman Dalvi, OBE	12	12
Margaret Fay, OBE	12	12
Richard Harrold (appointed 1 January 2006)	12	3
Robert Napier	12	12
John Parker (appointed 1 January 2006)	12	3
Dr Anne Wright, CBE	12	12
Geoffrey Wright (appointed 1 July 2006)	9	–
Jon Rouse	–	–
Executive		
John Walker, Chief Executive and Accounting Officer	154	137
Former Board Members		
Non-Executive		
James Tuckey (to 23 July 2006)	–	26
Executive		
John Callcutt, CBE Chief Executive and Accounting Officer (from 2 May 2006 to 2 January 2007)	126	–
David Higgins, Chief Executive and Accounting Officer (to 2 January 2006)	–	139

Chief Executive's emoluments

	Salary £'000	Taxable benefits £'000	Employer's contribution to pension fund £'000	Total 2007 £'000	Total 2006 £'000
John Walker (from 2 January 2007)	148	6	28	182	152
John Callcutt, CBE (from 2 May 2006 to 2 January 2007)	117	9	–	126	–
David Higgins (to 2 January 2006)	–	–	–	–	156

John Walker assumed full executive responsibility for the Agency and was appointed Chief Executive and Accounting Officer on 2 January 2007. During the period 1 April to 1 May 2006 when no Chief Executive was in post, The Baroness Ford took the role of Executive Chairman and John Walker, who was then Finance and Commercial Director, took the responsibility of Accounting Officer. His disclosed emoluments and those of David Hughes, who was appointed Regional Director for North East, Yorkshire and East Midlands on 6 November 2006, represent their total remuneration covering any changes in responsibilities during the period and not just in their capacity as Chief Executive and Regional Director, respectively.

Remuneration Report (continued)

Key Managers' emoluments

	Salary £'000	Performance related pay £'000	Taxable benefits £'000	Employer's contribution to pension fund £'000	Total 2007 £'000	Total 2006 £'000
Trevor Beattie Regional Director, Southern England	129	16	5	28	178	152
David Hughes Regional Director, North East, Yorkshire and East Midlands (from 6 November 2006)	91	4	3	20	118	–
Duncan Innes Regional Director, London and Thames Gateway	118	2	7	28	155	130
John Lewis Regional Director, Eastern England and Milton Keynes	109	6	4	27	146	122
Charlie Parker Director of Investment and Performance (from 5 March 2007)	13	–	1	1	15	–
Eileen Scott Director, Organisational Development	118	13	4	28	163	114
Paul Spooner Regional Director, North West and West Midlands	108	6	5	26	145	128

Secondment

Charlie Parker, Director of Investment and Performance joined English Partnerships on secondment from 5 March 2007.

Salary

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

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

All non-executive Board Members commit three days per month to English Partnerships except the Chairman and Deputy Chairman. The Chairman committed four days per week, reducing to two days per week from January 2007. The Deputy Chairman increased her commitment to three days per week from November 2006.

John Walker was the highest paid employee.

Performance related pay

Board Members and Key Managers benefit from a Performance Related Pay scheme whereby any bonuses are determined with reference to performance against agreed objectives.

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

The post of Chief Executive is entitled to a bonus payment related to performance measured annually against objectives agreed by the Board. John Walker's salary above includes performance related pay of £6,366 relating to the appraisal period ended 30 June 2006.

No non-executive Board Members are eligible for performance related pay or other taxable benefits as a result of their appointment to the Agency.

Benefits in kind

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

Pension benefits

Board Members

	Accrued pension at 31 March 2007	Accrued pension at 31 March 2006 (as adjusted by inflation)	Real increase in accrued pension	CETV 31 March 2007	CETV 31 March 2006 Restated	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
The Baroness Ford	20	17	3	304	256	42
John Walker	59	53	6	1,483	1,314	164

Key Managers

	Accrued pension at 31 March 2007	Accrued pension at 31 March 2006 (as adjusted by inflation)	Real increase in accrued pension	CETV 31 March 2007	CETV 31 March 2006 Restated	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
Trevor Beattie	41	38	3	649	595	47
David Hughes	20	18	2	251	213	33
Duncan Innes	7	5	2	111	76	28
John Lewis	13	10	3	159	128	24
Eileen Scott	6	4	2	151	96	48
Paul Spooner	47	46	1	844	813	24

John Callcutt and Charlie Parker are not members of the English Partnerships' Pension Scheme.

Chairman's pension

The Chairman is entitled, on retirement, to an annual post retirement benefit. She is not a member of the English Partnerships' Pension Scheme but her benefit on retirement is calculated in accordance with that Scheme's rules and amounts equivalent to the normal employee's pension contributions are deducted from her salary each month. Her accumulated entitlement is £19,708 per annum.

Financial Statements
Remuneration Report (continued)

Non-executive Board Members

There were no pension contributions made on behalf of non-executive Board Members.

The Chief Executive and Key Managers are eligible to participate in the English Partnerships' Pension Scheme, which is a multi-employer defined benefit scheme.

Accrued pension at 31 March 2007

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2007. There were no transfers into the Scheme from previous employment during the year.

Real increase in accrued pension

The increase in accrued pension during the year looks at the movement in accrued pension benefits by comparing the accrued pension at the end of the year with the accrued pension at the beginning of the year (as adjusted by inflation of 3.6 per cent).

Cash Equivalent Transfer Value (CETV) 31 March 2007

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

CETV 31 March 2006

The CETV as at 31 March 2006 has been recalculated using 2007 pension factors so that it is calculated on the same basis as the CETV figure for March 2007.

Real increase in CETV

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

Margaret Ford

The Baroness Ford
Chairman
27 June 2007

J Walker

John Walker
Chief Executive and Accounting Officer
27 June 2007

Financial Statements
Statements by the Accounting Officer

Responsibilities of the Accounting Officer

The Accounting Officer for the Department for Communities and Local Government (CLG) designated the Chief Executive as the Accounting Officer for English Partnerships. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for signing the Commission's and Agency's Financial Statements, for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper accounting and other records and systems, are set out in the Financial Memorandum issued to English Partnerships by the Secretary of State.

Statement on internal control

Scope of responsibility

As Chief Executive and Accounting Officer of English Partnerships I have responsibility for maintaining a sound system of internal control that supports the achievements of agreed policies, aims and objectives, whilst safeguarding public funds and assets in accordance with the responsibilities assigned to me in Government Accounting.

Accountability arrangements

English Partnerships is a non-departmental public body that was sponsored throughout 2006/2007 by CLG.

Arrangements for securing accountability between English Partnerships and CLG are set out principally in the Appointment as Accounting Officer letter, and the Management Statement and Financial Memorandum issued on 1 March 2004. For the period of this statement there have been two Accounting Officers. For the period from 1 May 2006 to 1 January 2007 the Accounting Officer was John Callcutt; for the period 1 April 2006 to 1 May 2006, and then again from 2 January 2007 I was appointed Chief Executive and Accounting Officer. An ongoing dialogue is maintained at both a political and officer level and a series of 11 formal CLG round up meetings were held to discuss general business and a number of other meetings regarding the Corporate Plan, and other topics were held. In addition attendance when required, on average every two weeks, at the Central Projects Review Group where the details of specific English Partnerships projects are discussed.

The purpose of the system of internal control

The purpose of the system of internal control is to facilitate the successful achievement of English Partnerships' aims and objectives.

The system of internal control is based on:

- an ongoing process designed to identify the principal risks to the achievement of the Agency aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically; and
- a set of governance arrangements designed to:
  - ensure that all decisions taken by the Agency conform to the freedoms and constraints allowed to it by its Sponsor Department;
  - ensure accountability of staff and managers through internal structures and networks of delegated powers;
  - encourage staff and managers to act in the desired manner without requiring continual detailed intervention; and
  - a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review.

Statements by the Accounting Officer (continued)

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control has been in place in English Partnerships for the year ended 31 March 2007 and up to the date of approval of the Financial Statements, and accords with Treasury guidance.

Capacity to handle risk

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

Central to the strategy is a framework of accountabilities and reporting which flows down from the Board through the Accounting Officer and Risk Sponsor to the Executive Management Board, Executive Directors and risk owners. Following on from the identification, analysis and management of the key strategic risks to the Agency, the Risk Manager has extended this work into the operational areas of the Agency by means of interviews and workshops with key members of staff resulting in the ongoing compilation of operational risk registers. This work has been further extended by creating an online risk register facility in the Project Control System software to capture individual project risks and then report to senior management on the accumulated exposure. In addition a risk workshop was held with the Board in March 2007. Advice is provided to staff based on good practice identified in various government publications on risk and from information from relevant professional institutes e.g. Institute of Risk Management.

The organisation of the delivery of these interviews/workshops/advice notes has taken into account the Treasury publication *Management of Risk – Principles and Concepts.*

The risk and control framework

English Partnerships has in place a number of structures and processes that are designed to identify, evaluate and manage the risks to the achievement of objectives.

Structures

- A formally constituted Board which comprises 11 non-executive directors, and one executive director (the Chief Executive), appointed by the Secretary of State. The recruitment process for non-executive directors is run by CLG in accordance with the Code of Practice for Public Appointments Procedures issued by the Commissioner for Public Appointments. Non-executive directors are appointed initially for periods of up to three years, and the level of their emoluments are set by the Secretary of State.

The Board's responsibilities include:
- ensuring that English Partnerships complies with all relevant statutory or administrative requirements for the use of public funds;
- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State;
- ensuring that high standards of corporate governance are observed at all times;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets set out in the Corporate Plan;
- ensuring that, in reaching decisions, the Board has taken into account guidance issued by CLG including the Secretary of State's Guidelines, the Financial Memorandum and Management Statement;

- ensuring that the Board operates within the limits of its statutory authority, within the limits of the Board's delegated authority agreed with CLG and in accordance with the Financial Memorandum; and
- ensuring that the Agency operates sound environmental policies and practices.

Board Members are subject to a Code of Practice which is consistent with *Guidance on Codes of Practice for Board Members of Public Bodies* published by the Cabinet Office in February 2000 and updated in October 2004.

The Board met on five occasions during 2006/2007 to consider strategic issues, and a further six times as Board Projects to consider project decisions that require their authority. The composition of the Board, and Board Projects is identical.

- The Milton Keynes Partnership Committee (MKPC) is a sub committee of the main English Partnerships Board, but is a partnership between English Partnerships, Milton Keynes Council, Local Strategic Partnership, representatives from the health, community and business sectors and independent representation. Its remit is to co-ordinate and implement the delivery of future growth in Milton Keynes and it plays a key role in ensuring that infrastructure and community facilities are provided to support growth. The committee held five meetings in 2006/2007. The Committee has been granted development control powers to determine major planning applications within a defined Urban Development Area (UDA) and has formally established a Planning Sub Committee to exercise these planning authority powers. The Sub Committee met on 12 occasions during the year. On 20 March 2006 the MKPC resolved to establish the existing joint arrangement known as the Central Milton Keynes (CMK) Board as a formal Sub Committee. This was endorsed by the main English Partnerships Board on 26 April 2006. The CMK Board has overall responsibility for the development of the central area of Milton Keynes and met on four occasions in the year.
- An Executive Management Board (EMB) that considers current issues, future plans, and puts into operation the strategic direction of the organisation agreed by the Board within the policy and resources framework agreed with the Secretary of State. EMB is responsible for the identification and evaluation of strategic risks and the development and execution of strategies to manage those risks. EMB currently comprises the Chief Executive plus seven Executive Directors, one of which is a secondee to English Partnerships. One further post is being recruited but being covered until the appointee takes up post. There have been several changes in EMB appointments throughout the year and a number of realignments of managerial responsibilities and accountabilities in order to ensure continued management control. Each Executive Director provides an Accountability Report to the Chief Executive that sets out their achievements for the year relative to their objectives set out in business plans and provides a statement regarding the maintenance of the system of internal control in their respective areas of responsibility. For 2006/2007 the reports have been provided based on current appointments and accountabilities.
- Regular meetings of Executive and Non-Executive Committees to consider and make decisions on the whole range of issues affecting English Partnerships within a framework of freedoms and constraints issued by CLG and others, and the system of internal delegated authorities approved by the Board. Current formally constituted Committees of the Board with appropriate non-executive member representation are; Audit Committee (five meetings in 2006/2007) and Remuneration Committee (one meeting in 2006/2007). In addition Executive Committees in each of the organisations' Directorates meet regularly (at varying frequencies) to discuss key business issues and make decisions in accordance with their delegated authority. Each Committee has a defined Terms of Reference which sets out both its role and remit, and the conduct, scope and authority of its operation.

Statements by the Accounting Officer (continued)

- Arrangements for the appraisal and approval of projects have been in place throughout the year in the form of the Projects Executive. The role of this group is to review all projects above the delegation of Regional Director and requiring either Chief Executive or Board Projects approval. Projects Executive meets on a monthly basis. Projects within Regional Director delegation are subject to scrutiny at a local level following defined standard Agency procedures. Regional Directors are required to state in their Accountability Reports that these procedures have been followed. A sample of such projects are independently reviewed during the year by Corporate Assurance to, among other things, determine if the required procedures are being followed.
- Four formal meetings were held with staff representatives through the Joint Staff Council to discuss a range of staffing issues during the year.
- Three meetings of all the organisation's senior managers in the Leaders for Change forum focusing on key business issues.
- On 17 January 2007 Ruth Kelly, Secretary of State for Communities and Local Government announced the Government's intention to create a new agency – Communities England. The proposed Agency will bring together the functions of English Partnerships, the Housing Corporation, and a range of work carried out by CLG, including delivery in the areas of decent homes, housing market renewal, housing PFI, housing growth and urban regeneration. The aim of Communities England will be to create and sustain attractive and prosperous places where all kinds of people want to live and can afford to live. This will be achieved through the creative use of assets, finance and professional skills, and by accessing the capacity of other sectors. CLG has established a Departmental Programme Board to oversee the Transition Programme. Reporting to the Programme Board is the Transition Team, led by the Baroness Ford and Departmental client side Communities England Team, the Client Team, led by Cath Shaw. The Transition Team and Client Team have specific tasks to fulfil and are working closely, both with each other and the Programme Board, to create Communities England.

Processes

In the Agency the key elements of the processes to identify, evaluate and control risk are as follows:

- a process for the identification, evaluation and management of key strategic risks involving members of EMB, the Audit Committee and other non-executive Board Members recorded in a strategic risk register;
- a process for the identification, evaluation and management of key operational risks involving senior members of staff and recorded in operational risk registers;
- the Business Planning process incorporates integral identification and evaluation of key business risks as part of the Strategic Agenda together with a management plan and contingent actions for identified risks;
- the requirement to identify and consider risks within the Agency's Gateway project decision making process;
- the requirement to identify capture and record risks related to all English Partnerships projects in the Project Control System;
- induction for new staff and Board members including a session on Risk Management;
- the operation of Corporate Assurance providing an independent and objective opinion to the Accounting Officer and the Audit Committee on risk, control and governance issues; and
- the concept of risk appetite is key to achieving effective risk management. It looks at the level of exposure considered tolerable by the Agency and is expressed as a series of boundaries that provides clear guidance on the limits of risk that can be taken. Scores are measured in terms of impact and likelihood according to pre-determined criteria to assist uniformity of decision. The current risk appetite was endorsed in the Risk Management Policy.

Current risk priorities relate to the successful delivery of projects and programmes that help to support high-quality sustainable growth in England, and the potential distraction caused by the transition process to Communities England.

Significant Control Issues

During the year it was judged that the quality of project data maintained within English Partnerships' Project Control System (PCS) was in need of improvement. The data in PCS is fundamental to the conduct of business and is used to inform planning and decision making at both an operational and strategic level. As a result improvements have been made to systems and management processes to provide greater focus on, and transparency of, the quality of basic project level PCS data to hold those whose jobs it is to maintain the data accountable for its integrity. These improvements are now an embedded part of the system of internal control within English Partnerships and will be subject to regular review and update if it is judged that further improvements are needed.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review informed by the work of the Audit Committee supported by Corporate Assurance, executive managers, and comments made by the National Audit Office in their role as external auditors in their management letter and other reports. The results of the review of effectiveness have been reported to me and to the Board and plans are in place to ensure the continuing effective operation of the system of internal control, and to ensure its continuous improvement.

Particular plans for 2007/2008 include:

- implementation of a more formal corporate risk review and reporting system to build on developments in project risk management;
- further development of management information on project risk data;
- a number of systems improvements and provision of guidance to make project risk data capture more efficient;
- consideration of the Risk Management Assessment Framework scores from EMB and Leaders for Change; and
- raise awareness of Anti Money Laundering requirements for delivery teams.

John Walker
Chief Executive and Accounting Officer
27 June 2007

Commission for the New Towns
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and to the Board of the Commission for the New Towns

I certify that I have audited the Financial Statements of the Commission for the New Towns for the year ended 31 March 2007 under the *New Towns Act 1981* as amended by the *Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.* These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These Financial Statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission for the New Towns, Chief Executive/Accounting Officer and auditor

The Commission for the New Towns and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with the *New Towns Act 1981* and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the Financial Statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *New Towns Act 1981* and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Board Members' Report, Management Commentary and Remuneration Report, is consistent with the Financial Statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission for the New Towns has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission for the New Towns' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission for the New Towns' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Financial Statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the Financial Statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission for the New Towns and Accounting Officer in the preparation of the Financial Statements, and of whether the accounting policies are most appropriate to the Commission for the New Towns' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the Financial Statements give a true and fair view, in accordance with the New Towns Act 1981 and directions made thereunder by the Secretary of State, of the state of the Commission for the New Towns affairs as at 31 March 2007 and of its surplus for the year then ended;
- the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *New Towns Act 1981* as amended by the *Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003* and the Secretary of State's directions made thereunder; and
- information given within the Annual Report, which comprises the Board Members' Report, Management Commentary and Remuneration Report, is consistent with the Financial Statements.

Audit opinion on regularity

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

Report

I have no observations to make on these Financial Statements.

John Bourn

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP
2 July 2007

Commission for the New Towns
Income and Expenditure Account

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Income			
Proceeds from disposal of property assets	2	141,276	213,602
Rent and other property income	3	4,155	4,186
Other operating income	4	36,168	31,840
		181,599	249,628
Expenditure			
Cost of property disposals	2	38,856	48,151
Administration and management		18,172	15,103
Repairs and maintenance		5,186	5,307
Rent of lease back properties		2,284	2,217
Project costs	5	50,157	29,062
Increase in provision for losses on development assets	16	13,186	37,311
Provision for other liabilities and charges	21	(2,112)	16,885
Provision for pension liabilities	22	(752)	(569)
Depreciation on tangible fixed assets	13	174	174
Other operating costs	6	15,241	8,470
		140,392	162,111
Operating surplus	7	41,207	87,517
Interest receivable	9	25,620	22,782
Interest payable	10	(755)	(699)
Surplus on ordinary activities before taxation		66,072	109,600
Taxation	11	14,919	34,956
Surplus for the year		51,153	74,644
Retained surplus for the year		51,153	74,644

All activities above derive from continuing operations.

Statement of Total Recognised Gains and Losses

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Surplus for the year		51,153	74,644
Actuarial (loss)/gain from West Sussex Pension Fund	22	(5,468)	8,295
Total gains recognised since last Financial Statements		45,685	82,939

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

Commission for the New Towns
Balance Sheet

As at 31 March 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible fixed assets	13	5,540	5,714
Loans and mortgages			
Water companies	14	31,208	31,376
Other loans and mortgages	15	2,963	3,116
		39,711	40,206
Current assets			
Property assets	16	264,136	246,161
Debtors due after one year	17	90,178	76,853
Debtors due within one year	17	26,312	21,128
Cash at bank and in hand	18	75,874	47,604
Investments	19	292,000	332,500
		748,500	724,246
Creditors: amounts falling due within one year	20	(29,954)	(46,328)
Net current assets		718,546	677,918
Total assets less current liabilities		758,257	718,124
Provisions for liabilities and charges	21	(30,667)	(41,348)
Provisions for pensions	22	(19,414)	(14,285)
		708,176	662,491
Reserves			
Capital reserve	24	–	6,556
Income and Expenditure Account	24	708,176	655,935
		708,176	662,491

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

Approved by the Board on 27 June 2007 and signed on their behalf by:

The Baroness Ford
Chairman

John Walker
Chief Executive and Accounting Officer

Commission for the New Towns
Cash Flow Statement

Year ended 31 March 2007

	2007 £'000	2006 £'000
Net cash flow from operating activities		
Disposal proceeds received	129,678	134,759
Rent and other property income received	4,758	4,534
Other cash received	28,895	51,104
Cash paid on property assets	(60,340)	(87,831)
Other cash paid to suppliers and employees	(107,492)	(72,671)
Net cash (outflow)/inflow from operating activities	(4,501)	29,895
Returns on investments and servicing of finance		
Interest received	25,640	23,740
Interest paid	(134)	(24)
Net cash inflow from returns on investments and servicing of finance	25,506	23,716
Taxation		
Income tax recovered	–	1
Corporation tax paid	(33,557)	(25,275)
Net cash outflow from taxation	(33,557)	(25,274)
Capital expenditure and financial investment		
Loans repaid to Commission: annual repayments	322	554
Net cash inflow from capital expenditure and financial investment	322	554
Net cash (outflow)/inflow before use of liquid resources and financing	(12,230)	28,891
Management of liquid resources		
Decrease/(Increase) in cash invested on short-term deposits	40,500	(17,000)
Net cash inflow/(outflow) from management of liquid resources	40,500	(17,000)
Increase in cash	28,270	11,891

The Commission includes as liquid resources term deposits of less than a year.

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

Commission for the New Towns
Notes to the Cash Flow Statement

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities			
Operating surplus		41,207	87,517
Surplus on disposal of property assets	2	(102,420)	(165,451)
Provisions for disposal of property assets	16	13,186	37,311
Provisions for liabilities and charges	21	(2,112)	16,885
Provision for pensions	22	(752)	(569)
Depreciation on tangible fixed assets	13	174	174
Expenditure on property assets	16	(57,274)	(89,635)
Disposal proceeds	2	141,276	213,602
Direct sales expenses and allocated admin costs	2	(12,743)	(16,939)
Expenditure charged against provisions	21, 22	(8,777)	(5,419)
		11,765	77,476
Increase in debtors due after one year		(13,325)	(76,853)
(Increase)/Decrease in debtors due within one year		(5,205)	17,030
Increase in creditors		2,264	12,242
Net cash (outflow)/inflow from operating activities		(4,501)	29,895
Reconciliation of net cash flow to movement in net funds			
Increase in cash		28,270	11,891
Cash (inflow)/outflow of liquid resources		(40,500)	17,000
Movement in net funds in the period		(12,230)	28,891
Net funds at 1 April		380,104	351,213
Net funds at 31 March		367,874	380,104

	1 April 2006 £'000	Cash flow £'000	31 March 2007 £'000
Analysis of changes in net funds			
Cash in bank and in hand	47,604	28,270	75,874
Short-term deposits	332,500	(40,500)	292,000
	380,104	(12,230)	367,874

Commission for the New Towns
Notes to the Financial Statements

Year ended 31 March 2007

1 Statement of accounting policies

(a) Statutory basis

The Financial Statements of the Commission for the New Towns (the Commission) are governed by the provisions of the *New Towns Act 1981,* as amended by the *New Towns and Urban Development Corporations Act 1985,* and by the Direction on the Annual Accounts given by the Secretary of State, with approval of HM Treasury, under the Act. The Direction issued on 27 March 2007 reflects Government policy that the Financial Statements should, insofar as appropriate, conform to the accounting and disclosure requirements contained in Government Accounting and in the HM Treasury guidance, *Financial Reporting Manual.* This guidance aims to ensure that Financial Statements are prepared in accordance with applicable accounting standards, are produced on a commercial accounting basis and comply with generally accepted accounting practice in the UK. A copy of the Direction on the Annual Accounts issued by the Secretary of State on 27 March 2007 is shown on pages 96 to 99.

(b) Basis of accounting

The Financial Statements are prepared under the historical cost convention as set out in the Accounts Direction, modified to include the revaluation of tangible fixed assets as set out in the HM Treasury guidance, *Financial Reporting Manual.*

(c) Tangible fixed assets and depreciation

Tangible fixed assets are included in the accounts on a modified historical cost basis, by which they are valued at the lower of replacement cost and recoverable amount. An assessment is carried out at each year end and the current values compared with the carrying values and accounting adjustments made unless the differences are so insignificant so as not to have a material effect on the results for the year or the financial position at the year end.

Land is not depreciated. Buildings are depreciated on a straight-line basis over 50 years and are assumed to have a 15 per cent residual value. Fixtures and fittings are depreciated on a straight-line basis over 15 years and are assumed to have no residual value.

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

(d) Property disposals

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

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

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

(e) Taxation

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

(f) Administration costs

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

(g) Operating leases

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

(h) Pension costs

The Commission accounts for pension costs in accordance with *FRS 17, Retirement Benefits.* During 2006/2007 Commission employees were able to participate in the English Partnerships' Pension Scheme, or the Local Government Pension Scheme, which are both multi-employer defined benefit schemes as described in paragraph 9 of *FRS 17.* In the case of the English Partnerships' Pension Scheme, contributions are affected by a surplus or deficit in the scheme, but the Commission is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The actuaries in the West Sussex Scheme, however, are able to estimate the Commission's share of underlying assets and liabilities on a consistent and reasonable basis. The Commission's share of assets and liabilities is included in the accounts. The Commission provides for liabilities relating to unfunded benefits within provisions for pensions. These are independently assessed by the funds' actuaries.

(i) Provisions in respect of community related assets

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

(j) Property and civic assets

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

2 Disposal of property assets

	2007 £'000	2006 £'000
Proceeds from disposals	141,276	213,602
Cost of property disposal:		
Direct sales expenses and allocated administration costs	(12,743)	(16,939)
Book value of property disposals	(31,063)	(45,713)
Provisions utilised on disposals	4,950	14,501
	(38,856)	(48,151)
Surplus on disposal	102,420	165,451

3 Rent and other property income

	2007 £'000	2006 £'000
Building rents	1,849	2,264
Ground rents	738	669
Leaseback rents	1,219	942
Service charges	209	173
Miscellaneous	140	138
	4,155	4,186

4 Other operating income

	2007 £'000	2006 £'000
Housing Action Trusts	11,736	9,035
Contributions	284	28
Car Park Income	2,283	1,664
Release of restrictive covenants and other income	21,865	21,113
	36,168	31,840

5 Project costs

	2007 £'000	2006 £'000
Asset Transfer	302	712
Urban Renaissance	34,116	6,849
Brownfield Regeneration	116	76
Sustainable Communities	15,623	21,425
	50,157	29,062

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

6 Other operating costs

	2007 £'000	2006 £'000
Housing Action Trusts	11,961	6,189
Property Operating Costs	2,401	1,912
Movement in bad debt provision	201	(887)
Redundancy and Restructuring	272	309
Early Retirement Pension Costs	286	773
Miscellaneous	120	174
	15,241	8,470

7 Operating surplus

	2007 £'000	2006 £'000
Operating surplus has been arrived at after charging/(crediting) the following:		
Auditor's remuneration – audit fee	80	80
Operating lease rentals	3,495	3,382
Redundancy and restructuring	272	309
Bad debts written off/movement in bad debt provision	201	(887)
Contributions from local authorities	(139)	(28)

8 Staff costs

(a) Total staff costs

	2007 £'000	2006 £'000
Salaries and wages	6,249	6,617
Social security costs	569	610
Other pension costs	1,693	1,107
	8,511	8,334
Staff expenses reimbursed	366	264
Temporary Staff	503	761
	9,380	9,359

There were no staff costs capitalised in 2007 (2006: nil). All new employees to English Partnerships are employed by the Urban Regeneration Agency. Any work that staff perform for the Commission for the New Towns is recovered via a recharge.

8 Staff costs (continued)

(b) Average number of staff employed by the Commission

	2007 Total Number	2006 Total Number
Management	29	33
Professional/Technical	83	92
Administrative	43	44
Temporary staff	9	16
	164	185

9 Interest receivable

	2007 £'000	2006 £'000
Short term deposits	18,529	18,531
Water companies – annual payments	3,654	3,685
Unwinding of discount for disposals receivable via instalments	2,758	–
Local authorities	203	209
Disposal of property assets	64	87
Housing mortgages	5	8
Interest arising on refund of tax	–	244
Miscellaneous interest	407	18
	25,620	22,782

Interest receivable from local authorities relates to interest due on loans in respect of assets transferred from the Commission or from New Town Development Corporations prior to their wind-up (Note 15).

10 Interest payable

	2007 £'000	2006 £'000
Loan interest payable to lenders	–	24
Notional interest on provisions	621	675
Interest on overdue tax	134	–
	755	699

11 Taxation

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

	2007	2006
	£'000	£'000
Corporation tax on the results for the year at 30 per cent	14,919	34,455
Corporation tax underprovided in prior years	–	501
	14,919	34,956

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

(b) Factors that may affect future tax charge

Deferred tax assets have not been recognised in respect of timing differences relating to provisions and funded and unfunded pension liabilities as there is insufficient evidence that the assets will be recovered. The amounts of the assets not recognised are £9m, £3m and £2m respectively.

In addition, a deferred tax asset has not been recognised in respect of ring-fenced losses, which can only be used against surpluses relating to certain towns. It is unlikely that all of these losses will be utilised in the future. The amount of the asset not recognised is £54m.

(c) Reconciliation of taxation charge

	2007	2006
	£'000	£'000
Surplus on Ordinary activities before taxation	66,072	109,600
Taxation on surplus at 30 per cent	19,822	32,880
Effects of:		
UDC asset disposal adjustments	(852)	(79)
Purchase of plant/equipment	28	12
Depreciation	52	52
Capital allowances on plant and machinery	(102)	(127)
Industrial/Agricultural building allowances	(1)	(1)
Net (decrease)/increase in provisions	(3,306)	3,472
Losses used in period	(722)	(1,754)
Adjustment for underpayments in prior years	–	501
Taxation charge for period	14,919	34,956

12 Surplus funds

Under Section 65 of the New Towns Act 1981, the Secretary of State is entitled to direct that the whole or part of any surplus funds shall be paid into the Exchequer. During 2006/2007 none was repaid (2005/2006: Nil).

13 Tangible fixed assets

	Land	Freehold Buildings	Furniture & fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2006 and 31 March 2007	552	4,833	1,372	6,757
Depreciation				
At 1 April 2006	–	493	550	1,043
Provided during year	–	82	92	174
At 31 March 2007	–	575	642	1,217
Net Book Value				
At 1 April 2006	552	4,340	822	5,714
At 31 March 2007	552	4,258	730	5,540

Tangible fixed assets above comprise the Commission's offices at Arpley House, Warrington. GVA Grimley carried out an independent valuation at 31 March 2005 which showed the value to be £6.4m. As there is no significant difference between the carrying value and the current value, no accounting adjustments have been made. To calculate the carrying value, land is not depreciated. Buildings are depreciated on a straight-line basis over 50 years and are assumed to have a 15 per cent residual value. Furniture and fittings are depreciated on a straight-line basis over 15 years and are assumed to have no residual value.

14 Water companies

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

	2007	2006
	£'000	£'000
Loans outstanding at 1 April	31,376	31,764
Repayment of loans – annual repayments	(168)	(388)
Loans outstanding at 31 March	31,208	31,376

15 Other loans and mortgages

	2007 £'000	2006 £'000
Local authorities	2,629	2,729
Mortgages on housing property	334	387
Loans outstanding at 31 March	2,963	3,116

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

The number of outstanding mortgages on housing property reduced from 46 at 1 April 2006 to 33 at 31 March 2007.

16 Property and civic assets

	Built assets £'000	Land £'000	Total £'000
Balance at 1 April 2006			
At cost	21,008	382,059	403,067
Provisions	(10,044)	(146,862)	(156,906)
Net total	10,964	235,197	246,161
Movement in the year			
Capital expenditure	355	56,919	57,274
Costs of property assets disposed	(2,090)	(28,973)	(31,063)
Increase in provision for losses on development assets	(1,013)	(12,173)	(13,186)
Provisions utilised on disposals	1,971	2,979	4,950
Net total	(777)	18,752	17,975
Closing balance at 31 March 2007			
At cost	19,273	410,005	429,278
Provisions	(9,086)	(156,056)	(165,142)
Net total	10,187	253,949	264,136
Market valuation (Note 16(c))	28,000	780,000	808,000

16 Property and civic assets (continued)

(a) Property assets

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

(b) Movement in the year

(i) Capital expenditure

Capital expenditure to acquire and improve property assets, construct and improve civic assets or to disengage from community related assets amounted to £57.2m after crediting £18.2m of contributions including £1.8m of contributions from local authorities. Expenditure to construct or improve civic assets, which are anticipated to realise no value on the ultimate transfer, disposal or adoption of the asset, is included in capital expenditure. In accordance with the Accounts Direction these assets are held on the Balance Sheet at the lower of cost or estimated market value. As civic assets have no value any expenditure is fully provided for and results in a charge to the Income and Expenditure Account on the creation of the provision.

(ii) Costs of property assets disposed

The cost of property assets, including community related assets, which were disposed of during the year amounted to £31.1m (2005/2006: £45.7m) and this amount is offset against disposal proceeds received.

(iii) Provision re-evaluation and Provision utilised on disposals

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

(c) Valuation

(i) General

The majority of valuations have been carried out by independent external valuers holding a relevant professional qualification, in accordance with the *Statement of Asset Valuation and Guidance Notes (5th Edition)* published by the Royal Institution of Chartered Surveyors.

(ii) Built assets

Residual built asset valuations are primarily on the basis of market value and exclude any subsequent marriage values, which may accrue from the disposal of the property to the existing lessee.

(iii) Land

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

(iv) Property interests with negative value

The market valuation excludes property interests with a negative value. The future liabilities associated with these property interests are fully provided for in provisions for liabilities and charges (Note 21). Such provisions are prudently made based on modified valuation data that takes into account any contractual, legal or constructive obligations.

17 Debtors

	2007 £'000	Reclassified 2006 £'000
(a) Amounts falling due after more than one year:		
Disposal of property assets	90,178	76,853
(b) Amounts falling due within one year:		
Disposal of property assets	9,195	11,922
Interest on short-term deposits	4,118	4,138
Rents	249	852
Other taxation	450	451
Prepayments	937	900
Other debtors	11,363	2,865
	26,312	21,128

(c) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Balances with other central government bodies	290	10	–	–
Balances with local authorities	3,109	391	–	–
Intra-Government balances	3,399	401	–	–
Balances with bodies external to government	22,913	20,727	90,178	76,853
	26,312	21,128	90,178	76,853

18 Cash at bank and in hand

	2007 £'000	2006 £'000
Cash at bank and in hand (see Note 23)	75,874	47,604
	75,874	47,604

19 Current investments

	2007	2006
	£'000	£'000
Cash on sterling deposit (see Note 23)	292,000	332,500
	292,000	332,500

20 Creditors

(a) amounts falling due within one year

	2007	2006
	£'000	£'000
Deposits for property assets	–	1,000
Miscellaneous deposits	256	258
Works contracts	3,143	6,208
Corporation Tax	2,142	20,780
Urban Regeneration Agency	5,316	8,478
Trade and other creditors and accruals	8,061	4,971
Housing Action Trusts deferred income	10,410	2,882
VAT	626	1,751
	29,954	46,328

(b) Intra-Government Balances

	2007	2006
	£'000	£'000
Balances with other central government bodies	8,084	31,009
Balances with bodies external to government	21,870	15,319
	29,954	46,328

21 Provisions for liabilities and charges

	CRA Transfers	Property interests with negative value	Other liabilities	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2006	24,160	14,756	2,432	41,348
Charge/(Credit) to Income and Expenditure Account	4,100	(8,671)	2,459	(2,112)
Expenditure against provisions	(8,302)	–	(267)	(8,569)
Balance at 31 March 2007	19,958	6,085	4,624	30,667

(a) CRA transfers

The Commission's policy is to transfer community related assets to local authorities and other appropriate organisations. To the extent that the activities of the Commission have raised a reasonable expectation with third parties that these transactions will proceed, a provision has been made in the Financial Statements.

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

(b) Property interests with negative value

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

(c) Other

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

22 Provision for pensions

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

	Unfunded	Funded	Total
	£'000	£'000	£'000
Balance at 1 April 2006	7,763	6,522	14,285
Credit to Income and Expenditure Account	(752)	–	(752)
Notional interest	621	–	621
Expenditure against provisions	(208)	–	(208)
Actuarial loss debited to Statement of Total Recognised Gains and Losses	623	4,845	5,468
Balance at 31 March 2007	8,047	11,367	19,414

The unfunded pension provision represents the Commission's estimated liabilities for the Housing Trust Orders and West Sussex County Council. The liability to West Sussex County Council is in respect of enhanced benefits payable to former employees which are not met from the assets of the West Sussex County Council Pension fund. Details are set out in Note 25(b).

The funded pension provision represents the share of scheme liabilities as estimated by the actuaries for West Sussex County Council Pension Fund. The details of the scheme are set out in Note 25(b).

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

	West Sussex Pension funds	
	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	(781)	5,816
Experience Gains and Losses arising on the Scheme Liabilities	2	(6)
Changes in Financial Assumptions Underlying the Present Value of the Scheme's Liabilities		
– current year	(4,689)	(4,454)
– prior years	–	6,939
Actuarial (Loss)/Gain	(5,468)	8,295

The actuarial loss is recognised in the Statement of Total Recognised Gains and Losses for 2006/2007.

23 Financial instruments

The Commission's Treasury management policy is reviewed and approved by the Board on an annual basis. The criteria of accepted best practice are adhered to, including compliance with all statutory and relevant regulatory codes.

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

Deposits are all short-term sterling deposits which do not exceed six months. The Commission does not engage in speculative activity and its policy does not allow the use of more complex financial instruments, such as derivatives. The main financial risk faced by the Commission is that of fluctuation in interest rates.

The numerical disclosures in this Note deal with financial assets and liabilities as defined by *FRS 13, Derivatives And Other Financial Instruments.* As permitted by *FRS 13,* short-term debtors and creditors have been excluded from these disclosures.

The Commission's financial assets are as follows:

	2007 Total £'000	Floating Rate £'000	Fixed Rate £'000	2006 Total £'000	Floating Rate £'000	Fixed Rate £'000
Water Company loans	31,208	–	31,208	31,376	–	31,376
Other loans and mortgages	2,963	334	2,629	3,116	386	2,730
Cash on sterling deposit:						
– Cash at bank (Note 18)	75,874	25,594	50,280	47,604	11,834	35,770
– Current Investments (Note 19)	292,000	–	292,000	332,500	–	332,500
	402,045	25,928	376,117	414,596	12,220	402,376

The Water Company loans are long-term loans with final redemption dates between March 2030 and March 2053. Other loans and mortgages are also long term with final redemption dates between March 2017 and March 2033.

The average interest rates earned over the year on financial assets were as follows:

	2007	2006
Water Company loans	11.7%	11.3%
Other loans and mortgages	6.8%	6.8%
Cash on sterling deposit	4.8%	4.6%

Cash on sterling deposits comprises deposits placed on money market on call and on term deposits up to six months duration. The profile of maturity is as follows:

	2007 £'000	2006 £'000
Within one month		
– cash at bank	75,874	47,604
– current investments	28,000	90,000
One to three months – current investments	115,000	127,500
Three to six months – current investments	149,000	115,000
	367,874	380,104

The Commission has no financial liabilities other than short-term creditors. There is no material difference between the book and fair value of the Commission's financial assets and liabilities at 31 March 2007.

Notes to the Financial Statements (continued)

Year ended 31 March 2007

24 Reserves

	Capital reserve	Income & expenditure account	Total
	£'000	£'000	£'000
Balance at 1 April 2006	6,556	655,935	662,491
Realisation of UDC assets	(6,556)	6,556	–
Retained surplus for the year	–	51,153	51,153
Actuarial Loss from West Sussex Pension Fund	–	(5,468)	(5,468)
Balance at 31 March 2007	–	708,176	708,176

25 Pension arrangements

During 2007 Commission employees were able to participate in contributory pension arrangements afforded by either the English Partnerships' Pension Fund or a statutory Local Government Scheme administered by West Sussex County Council. These pension schemes have broadly comparable benefits.

(a) English Partnerships' Pension Scheme

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

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

The rate of employers' contributions is the same for all contributing entities in the scheme based on the needs of the scheme in total. This rate is reviewed on a periodic basis, normally three yearly, with additional reviews as necessary and is adjusted in order to ensure that the full liabilities of the scheme will be met. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the Scheme.

A valuation of the Scheme's total assets and liabilities at 31 March 2007 in accordance with *FRS 17* has been prepared and the results together with the key assumptions used are noted below:

Actuarial value of the liability	£145.9m
Market value of assets	£132.0m
Net pension liability	£13.9m
Salary increase rate	5.05 per cent
Pension increase rate	3.05 per cent
Discount rate	5.40 per cent
Price inflation	3.05 per cent

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

(b) West Sussex County Council Pension Fund

This is also a multi-employer defined benefit scheme as described in paragraph 9 of *FRS 17, Retirement Benefits.* The Commission's contributions are affected by a surplus or deficit in the scheme. The scheme's actuaries have estimated its share of net liabilities as disclosed in Note 22 to the Financial Statements.

A valuation of the Commission's total assets and liabilities at 31 March 2007 in accordance with *FRS 17* has been prepared and the results together with the key assumptions used are noted below:

Actuarial value of the liability	£60.4m
Market value of assets	£41.2m
Net pension liability	£19.2m
Salary increase rate	4.7 per cent
Pension increase rate	3.2 per cent
Discount rate	5.4 per cent
Price inflation	3.2 per cent

(c) Other Unfunded pension liabilities

In respect of pensions to ex-employees of the Commission and the former development corporations, the Commission is obligated to meet the annual unfunded costs arising from the implementation of the Pension Increase Acts and enhanced benefits awarded to former employees. For 2006/2007 these costs were £0.2m (2005/2006: £0.2m) and related to annual payments. A provision of £8.0m (2005/2006: £7.7m) is included within provisions for pensions, this being the estimated capital value of future liabilities relating to unfunded benefits in payment (Note 22).

26 Capital expenditure commitments

Capital expenditure contracted for, but not provided for, amounted to approximately £188m at 31 March 2007 (31 March 2006: £212m).

27 Operating leases

At 31 March 2007 the Commission had annual commitments under operating leases as follows:

	2007 Land and buildings £'000	2007 Others £'000	2006 Land and buildings £'000	2006 Others £'000
Leases expiring				
– within one year	999	120	–	58
– between one and five years	17	245	1,101	278
– in over five years	1,772	–	1,964	–
	2,788	365	3,065	336

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

28 Contingent assets and liabilities

Contingent assets

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

Contingent liabilities

(a) Home Housing Association

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

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

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

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

(b) Sunderland City Council

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

(c) Other Contingent Liabilities

The Commission also has the following contingent liabilities:

	2007	2006
	£'000	£'000
Indemnities to building societies with regard to housing mortgages	5,463	5,463

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

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

29 Related party transactions

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

The Commission has a close working relationship with the Urban Regeneration Agency. Where certain functions, costs or staffing related to both organisations, but for efficiency were controlled by one, appropriate recharges of costs have been made. Recharges in the year totalled £5m (2005/2006: £5m).

The Commission paid £7.9m to Land Restoration Trust (2005/2006: nil) as an endowment for a Community Related Asset in Warrington.

30 Losses and special payments

In accordance with the provisions of the Accounts Direction, the Commission must summarise all losses and special payments made during the year, being transactions of a type, which Parliament cannot be supposed to have contemplated. During the course of the financial year the Commission made no losses or special payments requiring disclosure.

31 Post Balance Sheet events

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

The authorised date for issue is 4 July 2007.

Commission for the New Towns

Accounts Direction given by the Secretary of State with the consent of the Treasury, in accordance with section 9(a) of the New Towns and Urban Development Corporations Act 1985

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

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

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

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

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

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

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

4 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

A.Rudd.

Andy Rudd
An officer in the Department for
Communities and Local Government
27 March 2007

Schedule 1

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

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

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

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

Schedule 2

Additional disclosure requirements

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

1 The income and expenditure account, or the Notes thereto

(a) the following income:
- (i) European Regional Development Fund grants
- (ii) proceeds on the disposal of properties
- (iii) rents and maintenance charges receivable
- (iv) contributions from local authorities

(b) the following expenditure:
- (i) book value of properties sold
- (ii) movements in provisions for losses on properties
- (iii) repairs and maintenance of property
- (iv) contributions to water companies
- (v) debts written off and movements in provisions for bad and doubtful debts.

2 The Notes to the annual accounts

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

Commission for the New Towns
Accounts Direction given by the Secretary of State with the consent of the Treasury, in accordance with section 9(a) of the New Towns and Urban Development Corporations Act 1985 (continued)

(iii) employee costs during the year, showing separately:
   (1) wages and salaries
   (2) early retirement costs
   (3) social security costs
   (4) contributions to pension schemes
   (5) payments for unfunded pensions
   (6) other pension costs
   (7) amounts recoverable for employees on secondment or loan to other organisations;

(The above analysis shall be given separately for the following categories:
   I. employed directly by the Commission
   II. on secondment or loan to the Commission
   III. agency or temporary staff
   IV. employee costs that have been capitalised);

(b) an analysis of interest receivable;

(c) an analysis of interest payable;

(d) an analysis of fixed asset loans and mortgages between:
   (i) the assumed loan debt to local authorities
   (ii) loans to water companies
   (iii) mortgages on housing property
   (iv) mortgages on industrial and commercial property
   (v) and other loans and mortgages;

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

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

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

(h) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Commission's operations;
   *(i) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Commission), between the Commission and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
   (i) transactions and balances of £5,000 and below are not material
   (ii) parties related to board members and key managers are as notified to the Commission by each individual board member or key manager.

(iii) the following are related parties:
   (1) subsidiary and associate companies of the Commission
   (2) pensions funds for the benefit of employees of the Commission or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)
   (3) board members and key managers of the Commission
   (4) members of the close family of board members and key managers
   (5) companies in which a board member or a key manager is a director
   (6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer
   (7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member
   (8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest
   (9) settlements in which a board member or a key manager is a settlor or beneficiary
   (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest
   (11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager is a partner or venturer
   (12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary
   (13) the Department for Communities and Local Government, as the Sponsor Department for the Commission.

For the purposes of this sub-paragraph:

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

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

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

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

Urban Regeneration Agency
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and to the Board of the Urban Regeneration Agency

I certify that I have audited the Financial Statements of the Urban Regeneration Agency for the year ended 31 March 2007 under the *Leasehold Reform, Housing and Urban Development Act 1993* as amended by the *Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.* These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These Financial Statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Urban Regeneration Agency, Chief Executive/Accounting Officer and auditor

The Urban Regeneration Agency and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with the *Leasehold Reform, Housing and Urban Development Act 1993* and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the Financial Statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *Leasehold Reform, Housing and Urban Development Act 1993* and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Board Members' Report, Management Commentary and Remuneration Report, is consistent with the Financial Statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Urban Regeneration Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Urban Regeneration Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Urban Regeneration Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Financial Statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the Financial Statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Urban Regeneration Agency and Accounting Officer in the preparation of the Financial Statements, and of whether the accounting policies are most appropriate to the Urban Regeneration Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the Financial Statements give a true and fair view, in accordance with the *Leasehold Reform, Housing and Urban Development Act 1993* and directions made thereunder by the Secretary of State, of the state of the Urban Regeneration Agency's affairs as at 31 March 2007 and of its results for the year then ended;
- the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *Leasehold Reform, Housing and Urban Development Act 1993* as amended by the *Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003* and the Secretary of State's directions made thereunder; and
- information given within the Annual Report, which comprises the Board Members' Report, Management Commentary and Remuneration Report, is consistent with the Financial Statements.

Audit opinion on regularity

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

Report

I have no observations to make on these Financial Statements.

John Bourn

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP
2 July 2007

Urban Regeneration Agency
Group Income and Expenditure Account

Year ended 31 March 2007

	Note	2007 £'000	Restated 2006 £'000
Income			
Clawback of grants and contributions		4,909	3,491
Rents and maintenance charges		4,429	4,394
Other operating income		5,549	5,538
Contributions from partners		10,595	4,508
Proceeds from disposal of development assets	3	190,465	150,311
		215,947	168,242
Expenditure			
Administration and management		24,773	22,127
Promotion and publicity costs		1,833	1,297
Estate management costs		10,787	9,738
Project costs	4	297,148	159,131
Grant clawback returnable to HM Treasury		1,970	2,504
Depreciation on tangible fixed assets	10	276	351
Other operating costs		5,607	6,356
Amounts written off development assets	12	17,577	19,487
Amounts written off other assets		–	216
Book value of development assets sold	3	113,936	142,264
Provision for bad debts		76	120
Notional cost of capital	6	32,550	23,949
		506,533	387,540
Group operating deficit	7	(290,586)	(219,298)
Share of operating profits in associates	11	4,889	4,337
Deficit on ordinary activities before interest		(285,697)	(214,961)
Interest receivable	8	7,677	2,909
Interest payable		(2,893)	(1,057)
Deficit on ordinary activities before taxation		(280,913)	(213,109)
Taxation	9	(993)	(719)
Deficit after taxation		(281,906)	(213,828)
Notional cost of capital	6	32,550	23,949
Net expenditure for the year		(249,356)	(189,879)

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

Urban Regeneration Agency
Group Statement of Recognised Gains and Losses

Year ended 31 March 2007

	Note	2007 £'000	Restated 2006 £'000
Group share of unrealised (deficit)/surplus on revaluation of tangible fixed assets	20	(1,912)	6,295
(Losses)/gains recognised since last Financial Statements		(1,912)	6,295

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

Group Balance Sheet

As at 31 March 2007

	Note	2007 £'000	Restated 2006 £'000
Fixed assets			
Tangible fixed assets	10	2,166	2,139
Investment in associated undertakings	11	75,000	68,732
		77,166	70,871
Current assets			
Development assets	12	714,748	759,111
Debtors			
– due after more than one year	13(a)	66,236	62,616
– due within one year	13(b)	73,155	69,989
Cash at bank and in hand		100,816	4,072
		954,955	895,788
Creditors: Amounts falling due within one year	14	(42,218)	(19,438)
Net current assets		912,737	876,350
Total assets less current liabilities		989,903	947,221
Creditors: Amounts falling due after more than one year	15	(13,404)	(26,519)
Provision for liabilities and charges	17	(2,386)	(2,181)
		974,113	918,521
Reserves			
Income and Expenditure Account	19	967,861	910,357
Revaluation reserve	20	6,252	8,164
		974,113	918,521

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

Approved by the Board on 27 June 2007 and signed on their behalf by:

The Baroness Ford
Chairman

John Walker
Chief Executive and Accounting Officer

Urban Regeneration Agency
Balance Sheet

As at 31 March 2007

	Note	2007 £'000	Restated 2006 £'000
Fixed assets			
Tangible fixed assets	10	2,166	2,139
Investment in subsidiary undertakings	11	25,000	21,179
Investment in associated undertakings	11	36,685	34,907
		63,851	58,225
Current assets			
Development assets	12	714,748	759,111
Debtors			
– due after more than one year	13(a)	66,236	62,616
– due within one year	13(b)	73,155	69,989
Cash at bank and in hand		100,816	4,072
		954,955	895,788
Creditors: Amounts falling due within one year	14	(45,560)	(22,780)
Net current assets		909,395	873,008
Total assets less current liabilities		973,246	931,233
Creditors: Amounts falling due after more than one year	15	(13,404)	(26,519)
Provision for liabilities and charges	17	(2,386)	(2,181)
		957,456	902,533
Reserves			
Income and Expenditure Account	19	957,456	902,533
		957,456	902,533

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

Approved by the Board on 27 June 2007 and signed on their behalf by:

The Baroness Ford
Chairman

John Walker
Chief Executive and Accounting Officer

Urban Regeneration Agency
Group Cash Flow Statement

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Operating activities			
Grant in aid received	19	306,860	627,443
Clawback of grants and contributions		5,041	3,915
Grants and contributions paid		(244,992)	(123,466)
Administration and revenue payments		(45,458)	(55,876)
Other cash payments		(103,126)	(497,595)
Clawback of grant returned to HM Treasury		(1,970)	(2,504)
Other operating income		180,833	54,716
Net cash inflow from operating activities		97,188	6,633
Dividends received from associates		1,960	1,960
Returns on investments and servicing of finance			
Interest received		3,222	2,538
Interest paid		–	(9)
Net cash inflow from returns on investments and servicing of finance		3,222	2,529
Taxation			
Corporation tax received		127	–
Net cash inflow from taxation		127	–
Capital expenditure and financial investment			
Purchase of fixed assets		(153)	(212)
Capital injection in associate	11	(3,821)	(7,439)
Purchase of loan stock in associate	11	(1,779)	(4,913)
Net cash outflow from capital expenditure and financial investment		(5,753)	(12,564)
Net cash inflow/(outflow) before financing		96,744	(1,442)
Increase/(decrease) in cash		96,744	(1,442)

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

Urban Regeneration Agency
Group Cash Flow Statement

Year ended 31 March 2007

Reconciliation of operating deficit to net cash flow from operating activities

	Note	2007	Restated 2006
		£'000	£'000
Operating deficit		(285,697)	(214,961)
Provisions for liabilities and charges	17	205	2,181
Bad debt provision movement		76	120
Notional cost of capital		32,550	23,949
Grant in aid received	19	306,860	627,443
Depreciation of tangible fixed assets	10	276	351
Share of operating profits in associated undertakings	11	(4,889)	(4,337)
Decrease/(increase) in development assets		44,363	(289,864)
		93,744	144,882
Increase in debtors		(6,786)	(123,001)
Add increase/(less decrease) in non-operating debtors		259	(114)
		(6,527)	(123,115)
Increase/(decrease) in creditors		9,665	(15,514)
Add decrease in non-operating creditors		306	380
		9,971	(15,134)
Net cash inflow from operating activities		97,188	6,633

Analysis of changes in net funds during the year

	2007	2006
	£'000	£'000
Cash at bank and in hand at 1 April	4,072	5,514
Net cash inflow/(outflow)	96,744	(1,442)
Cash at bank and in hand at 31 March	100,816	4,072

Urban Regeneration Agency
Notes to the Financial Statements

Year ended 31 March 2007

1 Statement of accounting policies

(a) Statutory basis

The Financial Statements of the Agency are governed by the provisions of the *Leasehold Reform, Housing and Urban Development Act 1993* ("the Act"), and by the Direction on the Annual Accounts given by the Secretary of State, with the approval of HM Treasury, under the Act. A copy of the Direction on the Annual Accounts issued by the Secretary of State on 27 March 2007 is shown on pages 126 to 129. The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, without limiting the information given, meet the accounting and disclosure requirements of the Companies Act 1985. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(b) Change in accounting policy

With effect from 1 April 2006, the Government Financial Reporting Manual (FReM) requires non-departmental public bodies to account for grants in aid as financing because they are regarded as contributions from a controlling party which give rise to a financial interest in the Agency. This is a change in accounting policy from earlier periods when such items were recorded as income. As a result the comparative figures for the preceding period have been restated in the primary Financial Statements and related notes. The effect of this change on the certified Financial Statements for the year ended 31 March 2006 and the impact of the change on the results of the current year is shown below.

	At 31 March 2006 (as previously stated)	Impact of adopting new policy	At 31 March 2006 (restated)
	£'000	£'000	£'000
Grant in aid released	189,879	(189,879)	–
Result for the year	–	(189,879)	(189,879)

(c) Basis of accounting and consolidation

The Financial Statements are prepared on the modified historical cost basis as set out in Treasury guidance. The retained deficit after taxation for the Group was £249m (2005/2006: restated deficit of £190m). The consolidated Financial Statements incorporate those of the Agency and its active subsidiary undertaking, English Partnerships (LP) Limited. No Income and Expenditure Account is presented for the Agency as permitted by section 230 of the Companies Act 1985.

The Group's associated undertakings are all undertakings in which the Group has 20 per cent or more of the equity voting rights held as a long-term investment and over which it exerts significant influence. In the Group Financial Statements, investments in associates are accounted for using the equity method. The consolidated Income and Expenditure Account includes the Group's share of associates' profits less losses while its share of net assets of associates is shown in the Group Balance Sheet. Goodwill arising on the acquisition or consolidation of associates is accounted for in accordance with the policy set out below. Any unamortised balance is included in the carrying value of the investments in associates.

The share of net asset and profit information is based on unaudited Financial Statements to 31 March 2007 except for Priority Sites Limited where audited Financial Statements to 31 December 2006 have been used.

1 Statement of accounting policies (continued)

(d) Goodwill

Goodwill arising on the acquisition or consolidation of subsidiary or associated undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its estimated economic life, which is 20 years. Provision is made for any impairment.

(e) Tangible Fixed Assets

Tangible fixed assets are included in the accounts at the lower of cost or valuation, net of depreciation and any provision for impairment. An assessment is carried out at each year end and the current values compared with the carrying values and accounting adjustments made unless the differences are so insignificant so as not to have a material effect on the results for the year or the financial position at the year end.

Depreciation is provided to write off the modified cost of tangible fixed assets, except land, over their anticipated useful lives on a straight-line basis at the following annual rates:

Freehold and long leasehold property	50 years
Leasehold buildings with less than 25 years to run	Period of lease
Office furniture and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Land is not depreciated.

(f) Development assets

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

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

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

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

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

(g) Funding

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

(h) Investments

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

(i) Operating leases

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

(j) Pension costs and other post retirement benefits

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

(k) Taxation

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

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

2 Fees and charges

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

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

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

	2007	2006
	£'000	£'000
IT and systems support	134	112
Administrative support	5,000	5,000
	5,134	5,112

3 Disposal of property assets

	Note	2007	2006
		£'000	£'000
Proceeds from disposals		190,465	150,311
Cost of property disposal:			
– Book value of property disposals	12	(113,936)	(142,264)
Surplus on disposal		76,529	8,047

4 Project costs

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

	2007	2006
	£'000	£'000
Brownfield Regeneration	59,788	68,169
Sustainable Communities	181,839	51,827
Urban Renaissance	55,521	39,112
Other	–	23
	297,148	159,131

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

Included within Project Costs are:

- £87.5m (2005/2006: nil) worth of grants for the First Time Buyers' Initiative. There is the possibility of future clawback but this is currently unable to be quantified and therefore has not been accounted for; and
- £17.3m (2005/2006: nil) for the deemed value of assets transferred under the London-Wide Initiative. The value of the assets is effectively exchanged for a potential asset in the form of an equity interest in key worker units once constructed.

Commitments in respect of future claims for approved grants are included in Note 22. Any such commitments will be covered by future grant in aid claims.

5 Staff costs

(a) Total staff costs

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

	2007 £'000	2006 £'000
Salaries and wages	14,584	13,156
Social security costs	1,368	1,245
Other pension costs	2,946	1,599
	18,898	16,000
Cost of temporary staff	733	749
Cost of seconded staff	182	131
Total excluding Board Members	19,813	16,880
Staff expenses reimbursed	1,398	1,265
Non-executive Board Member expenses reimbursed	59	50
	1,457	1,315

There were no staff costs capitalised in 2007 (2006: nil). All new employees to English Partnerships are employed by the Urban Regeration Agency. Any work that staff perform for the Commission for the New Towns is recovered via a recharge.

(b) Average number of staff employed by the Agency

	2007 Total Number	2006 Total Number
Management	85	84
Professional/Technical	172	155
Administrative	102	100
Temporary staff	14	13
	373	352

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

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

6 Notional cost of capital

The Financial Reporting Manual requires that as part of operating costs, to the extent that there is no real charge for it, the notional cost of capital be calculated. To this end the notional cost of capital has been calculated at 3.5 per cent (2005/2006: 3.5 per cent) of the average of total assets less total liabilities. An entry reversing this amount after the deficit after taxation has also been made in accordance with the Manual.

7 Group operating deficit

	2007 £'000	2006 £'000
Operating deficit has been arrived at after charging the following:		
Auditors' remuneration – audit fee	80	80
Operating lease rentals – hire of plant and machinery	716	650
– other	1,354	1,285
Redundancy and restructuring	10	38
Early Retirement Pension Costs	–	385

8 Interest receivable

	2007 £'000	2006 £'000
Unwinding of discount for disposals receivable via instalments	3,746	–
Bank deposits	1,745	1,585
Loan interest	821	821
Other interest	671	132
Share of interest receivable in associated undertakings	694	371
	7,677	2,909

9 Taxation

(a) The group taxation charge in the Income and Expenditure Account comprises:

	2007	2006
	£'000	£'000
Share of taxation charge in associated companies	993	719
	993	719

(b) Factors that may affect tax charge

At 31 March 2007 the Agency had estimated tax losses to carry forward of approximately £86m (31 March 2006: £86m). There is, therefore, an unrecognised deferred tax asset of approximately £26m (31 March 2006: £26m). This has not been recognised because of the uncertainty over future trading profits, which would enable such losses to be utilised.

(c) Reconciliation of group taxation charge

	2007	Restated 2006
	£'000	£'000
Group deficit on ordinary activities before taxation	(280,913)	(213,109)
Taxation on deficit @ 30 per cent	(84,274)	(63,932)
Effects of:		
Non-taxable grant income	(4,651)	(2,400)
Expenditure not deductible for taxation, including grant payments	80,013	38,679
Notional cost of capital	9,764	7,184
Grant clawback	591	751
Losses not utilised	(272)	20,437
Adjustments in respect of prior periods	(178)	–
	993	719

Urban Regeneration Agency
Notes to the Financial Statements (continued)

Year ended 31 March 2007

10 Tangible fixed assets

Group and Agency

	Long leasehold land & buildings	Short leasehold buildings	Furniture & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2006	1,571	1,059	1,010	3,640
Additions	–	157	146	303
Disposals	–	–	(319)	(319)
At 31 March 2007	1,571	1,216	837	3,624
Depreciation				
At 1 April 2006	33	560	908	1,501
Charge in year	11	172	93	276
Disposals	–	–	(319)	(319)
At 31 March 2007	44	732	682	1,458
Net Book Value				
At 1 April 2006	1,538	499	102	2,139
At 31 March 2007	1,527	484	155	2,166

The Net Book Value of tangible fixed assets does not differ materially from the depreciated replacement cost of the assets.

The land and long leasehold buildings comprise the Agency's offices at St. George's House, Gateshead. An independent professional valuation was carried out by Lamb & Edge at 31 March 2005 which showed the value to be £1.5m. As there is no significant difference between the carrying value and the current value, no accounting adjustments have been made.

Land is not depreciated. Buildings are depreciated on a straight-line basis over 50 years.

11 Investments

Subsidiary undertakings

Agency

Cost or Valuation

	2007	2006
	£'000	£'000
At 1 April 2006	21,179	13,741
Additions in year	3,821	7,438
At 31 March 2007	25,000	21,179

The Agency has a subsidiary, English Partnerships (Limited Partner) Limited (English Partnerships (LP) Limited), in which it holds 25,000,000 ordinary shares of £1 (2005/2006: 21,178,768 ordinary shares of £1), representing 100 per cent of the issued share capital. The company commenced trading during 2003 and the nature of its business is investment in property related projects.

The additions in the year represent an increase in the Agency's shareholding in English Partnerships (LP) Limited to fund the investment made by English Partnerships (LP) Limited in English Cities Fund, an associated undertaking.

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

All subsidiary undertakings are registered in England.

Associated undertakings

Group

The Group's share of operating profits in associates included in the Income & Expenditure Account is as follows:

	Group	
	2007	2006
	£'000	£'000
Share of operating profits in associates	4,889	4,337

11 Investments (continued)

Associated undertakings

Group (continued)

	Group			
	Shares	Loans	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2006	14,861	32,057	21,814	68,732
Additions	–	1,779	3,821	5,600
Share of profits/(losses) retained by associated undertakings	3,475	–	(895)	2,580
Share of revaluation reserve	2,281	–	(4,193)	(1,912)
As at 31 March 2007	20,617	33,836	20,547	75,000

The additions in loans represent additional funding made to Barking Riverside Limited of £1,607,500 and additional loan funding of £171,455 introduced into Blueprint East Midlands Regeneration Partnership.

The additions in other investments represent the additional investment by English Partnerships (LP) Limited, in English Cities Fund.

The movement in the revaluation reserve relates to a reduction in the value of an associate's land portfolio. The reduction is considered to be temporary.

Agency

	Agency		
	Shares	Loans	Total
	£'000	£'000	£'000
Cost			
At 1 April 2006	10,349	32,058	42,407
Additions	–	1,778	1,778
As at 31 March 2007	10,349	33,836	44,185
Provision for impairment			
At 1 April 2006 and 31 March 2007	(7,500)	–	(7,500)
Net Book Value			
At 31 March 2007	2,849	33,836	36,685
At 1 April 2006	2,849	32,058	34,907

Name of undertaking	Interest	Nature of business
Priority Sites Limited	49 per cent 'B' Ordinary	Property rental & development
Network Space Limited	49 per cent 'A' Ordinary 100 per cent 'C' Deferred, non-voting	Development of workspace
English Cities Fund (General Partner) Limited	33⅓ per cent 'A' Ordinary	Property development
Land Restoration Trust	1/2 membership	Land development
English Cities Fund	Limited partnership	Property development
Blueprint East Midlands Regeneration Partnership	25 per cent	Property rental and development
Sheffield One	Company limited by guarantee 1/3 membership	Regeneration of Sheffield
Liverpool Vision	Company limited by guarantee 1/3 membership	Regeneration of Liverpool
New East Manchester	Company limited by guarantee 1/3 membership	Regeneration of East Manchester
Tees Valley Regeneration	Company limited by guarantee 1/3 membership	Regeneration of Tees Valley
Leicester Regeneration	Company limited by guarantee 1/3 membership	Regeneration of Leicester
Sunderland arc	Company limited by guarantee 1/3 membership	Regeneration of Sunderland
Meden Valley Making Places Ltd	Company limited by guarantee 1/4 membership	Regeneration of Meden Valley
Barking Riverside Ltd	49 per cent Ordinary Shares	Development of land
English Environment Fund	Company limited by guarantee 1/3 membership	Promotion of Environmental projects
Liverpool Land Development Company	Company limited by guarantee 1/3 membership	Regeneration of Liverpool
Derby Cityscape	Company limited by guarantee 1/3 membership	Regeneration of Derby
Gloucester Heritage	Company limited by guarantee 1/4 membership	Regeneration of Gloucester
Regenco (Sandwell)	Company limited by guarantee 1/3 membership	Regeneration of West Bromwich
Walsall Regeneration Company	Company limited by guarantee 1/3 membership	Regeneration of Walsall
Delivery 2031	Company limited by guarantee 1/5 membership	Regeneration of Aylesbury
CL:AIRE	Company limited by guarantee 1/5 membership	Research
Central Salford	Company limited by guarantee 1/3 membership	Regeneration of Central Salford
Opportunity Peterborough	Company limited by guarantee 1/3 membership	Regeneration of Peterborough
Camborne Pool Redruth	Company limited by guarantee 1/4 membership	Regeneration of Camborne, Pool and Redruth
Renaissance Southend	Company limited by guarantee 1/5 membership	Regeneration of Southend-on-Sea
Hull Citybuild	Company limited by guarantee 1/3 membership	Regeneration of Hull
The New Swindon Company	Company limited by guarantee 1/3 membership	Regeneration of Swindon

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

12 Development assets

	Group and Agency	
	2007	2006
	£'000	£'000
Net Book Value at 1 April	759,111	469,247
Additions in year	87,150	451,615
	846,261	920,862
Disposals	(113,936)	(142,264)
Amounts written off	(17,577)	(19,487)
Net Book Value at 31 March	714,748	759,111

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

13 Debtors

(a) Amounts falling due after more than one year

	Group and Agency	
	2007	2006
	£'000	£'000
Due from disposal of development assets	66,236	62,616
	66,236	62,616

(b) Amounts falling due within one year

	2007	2006
	£'000	£'000
Due from disposal of development assets	66,003	49,516
Dividend receivable from associate	–	1,960
Prepayments	631	685
Commission for the New Towns	5,316	8,478
Payments on account	–	3,235
Other debtors	1,192	1,424
Value Added Tax	–	4,550
Loans to employees	13	14
Corporation Tax	–	127
	73,155	69,989

(c) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Balances with other central government bodies	5,410	13,127	–	–
Balances with local authorities	943	1,156	–	–
Balances with public corporations and trading funds	64	–	–	–
Intra-Government balances	6,417	14,283	–	–
Balances with bodies external to government	66,738	55,706	66,236	62,616
	73,155	69,989	66,236	62,616

14 Creditors: amounts falling due within one year

	Group 2007	Group 2006	Agency 2007	Agency 2006
	£'000	£'000	£'000	£'000
Trade creditors	15,819	13,785	15,819	13,785
Taxation and social security	15,814	458	15,814	458
Other creditors	40	38	40	38
Accruals	10,545	5,157	10,545	5,157
Amount due to subsidiary undertaking	–	–	3,342	3,342
	42,218	19,438	45,560	22,780

15 Creditors: amounts falling due after more than one year

	Group 2007	Group 2006	Agency 2007	Agency 2006
	£'000	£'000	£'000	£'000
Other central government bodies	13,404	26,519	13,404	26,519

A development asset which cost £96m (discounted to £94.2m) was acquired in a prior year from a central government body with the purchase price payable in annual instalments, of which £68m has been paid to date.

The remaining balance of £28m has been discounted at 2.2 per cent to reflect the time value of money. £14m (discounted to £13.7m: Note 14) is due within one year and £14m (discounted to £13.4m) is due after more than one year.

16 Creditors: Intra-Government Balances

Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007	**2006**	**2007**	**2006**
	£'000	£'000	£'000	£'000
Balances with other central government bodies	13,699	13,700	13,404	26,519
Balances with local authorities	13	–	–	–
Intra-Government balances	13,712	13,700	13,404	26,519
Balances with bodies external to government	28,506	5,738	–	–
Total creditors to 31 March	42,218	19,438	13,404	26,519

Agency

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007	**2006**	**2007**	**2006**
	£'000	£'000	£'000	£'000
Balances with other central government bodies	29,014	13,700	13,404	26,519
Balances with local authorities	13	–	–	–
Intra-Government balances	29,027	13,700	13,404	26,519
Balances with bodies external to government	16,533	9,080	–	–
Total creditors to 31 March	45,560	22,780	13,404	26,519

17 Provision for liabilities and charges

Group and Agency

	Property interests with negative values
	£'000
Balance at 1 April 2006	2,181
Liabilities acquired	205
Balance at 31 March 2007	2,386

The above provision relates to assets acquired with negative values. They represent an estimate of the liabilities arising in respect of disengagement from specific property interests.

18 Financial instruments

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

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

Deposits are all short-term sterling deposits, which do not exceed 14 days. The Agency does not engage in speculative activity and its policy does not allow for use of more complex financial instruments, such as derivatives. The main financial risk faced by the Agency is that of fluctuation in interest rates.

The numerical disclosures in this note deal with financial assets and liabilities as defined by *FRS 13, Derivatives And Other Financial Instruments.* Certain financial assets such as investments in subsidiary and associated undertakings are excluded from the scope of these disclosures. As permitted by *FRS 13,* short-term debtors and creditors have been excluded from these disclosures.

The Agency's financial assets relate to sterling cash deposits of £100.8m (31 March 2006: £4.1m), short-term debtors and debtors due after more than one year. The deposits comprise deposits placed on money market at call, or overnight rates. The debtors due after more than one year relate to sales made on a deferred receipt basis and these have been discounted by the Agency's cost of capital rate of 3.5 per cent to reflect the time value of monies due. The Agency has no financial liabilities other than short-term creditors and one development asset creditor (Note 15). There is no material difference between the book and fair value of the Agency's financial assets and liabilities.

19 Income and Expenditure Account

	Group 2007 £'000	Group Restated 2006 £'000	Agency 2007 £'000	Agency Restated 2006 £'000
Balance at 1 April	910,357	472,793	902,533	465,954
Grant in aid received during the period	306,860	627,443	306,860	627,443
Net expenditure for the period	(249,356)	(189,879)	(251,937)	(190,864)
Balance at 31 March	967,861	910,357	957,456	902,533

Grant received in the year to 31 March 2007 was utilised as follows:

	Group £'000	Agency £'000
Depreciation of tangible fixed assets	276	276
Book value of development assets sold	113,935	113,935
Amounts written off development assets	17,577	17,577
Project costs	297,148	297,148
Other operational expenditure	35,269	45,046
Total expenditure	464,205	473,982
Clawback of grants and contributions	(4,909)	(4,909)
Other income	(20,573)	(20,573)
Proceeds on disposal of development assets	(190,465)	(190,465)
	248,258	258,035
Share of profits in associated undertakings	4,889	–
Interest receivable	(7,677)	(6,983)
Interest payable	2,893	885
Taxation	993	–
Deficit for the period	249,356	251,937
Surplus of grant in aid received over deficit for the period	57,504	54,923
Total received in year	306,860	306,860

20 Revaluation reserve

	Group 2007 £'000	Group 2006 £'000	Agency 2007 £'000	Agency 2006 £'000
Balance at 1 April	8,164	1,869	–	–
Group share of surplus on revaluation of investments	(1,912)	6,295	–	–
Balance at 31 March	6,252	8,164	–	–

21 Operating leases

As at 31 March the Agency had annual commitments under operating leases as follows:

	2007		2006	
	Land & buildings £'000	Others £'000	Land & buildings £'000	Others £'000
Leases expiring:				
– within one year	222	266	21	56
– between one and five years	1,007	436	925	581
– in over five years	170	–	170	–
	1,399	702	1,116	637

22 Commitments

	2007 £'000	2006 £'000
Expenditure that has been authorised by the Agency at 31 March amounts to	568,051	592,618

23 Pension scheme

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

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

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

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

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

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

A valuation of the Scheme's total assets and liabilities at 31 March 2007 in accordance with *FRS 17* has been prepared and the results together with the key assumptions used are noted below:

Actuarial value of the liability	£145.9m
Market value of assets	£132.0m
Net pension liability	£13.9m
Salary increase rate	5.05 per cent
Pension increase rate	3.05 per cent
Discount rate	5.40 per cent
Price inflation	3.05 per cent

24 Related party transactions

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

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

In addition, the Agency has had a number of material transactions with other government departments and other central government bodies, including various local authorities, Regional Development Agencies and the Department of Trade and Industry. The Agency has also had a number of material transactions with its associated undertakings including:

- Priority Sites (PSL), a joint venture with the Royal Bank of Scotland plc in which the Agency has a 49 per cent interest:
  - the provision of grant funding totalling £11m (2005/2006: £8m)
  - the receipt of a dividend of nil (2005/2006: £2m)
- Urban Regeneration Companies, in most of which the Agency is a 1/3 member:
  - contributions to the operating costs, research and studies of these companies totalling £7m (2005/2006: £8m)
- Land Restoration Trust in which the Agency has a 50 per cent holding £1m (2005/2006:nil)
- Meden Valley Making Places, a joint venture with East Midlands Development Agency, Bolsover District Council and Mansfield District Council:
  - Grant funding totalling £0.2m (2005/2006: £6m)
- Blueprint, a joint venture with Igloo plc and East Midlands Development Agency formed during 2005:
  - Investment by way of loan stock and shares in the form of cash and property £0.2m (2005/2006: £6m).

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

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

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

25 Post Balance Sheet events

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

The authorised date for issue is 4 July 2007.

Urban Regeneration Agency

Accounts Direction given by the Secretary of State with the consent of the Treasury, in accordance with paragraph 9, schedule 18 of the Leasehold Reform, Housing and Urban Development Act 1993

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

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

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

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

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

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

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

4 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

A.Rudd.

Andy Rudd
An officer in the Department for
Communities and Local Government
27 March 2007

Schedule 1

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

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

Schedule 2

Additional disclosure requirements

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

1 The income and expenditure account or the notes thereto

(a) the following income:
- (i) proceeds on the disposal of development properties
- (ii) proceeds on the disposal of fixed assets
- (iii) rents and maintenance charges receivable
- (iv) joint venture profits

(b) the following expenditure:
- (i) book value of development properties sold
- (ii) movements in provisions for losses on development properties
- (iii) joint venture losses
- (iv) debts written off and movements in provisions for bad and doubtful debts.

2 The notes to the annual accounts

(a) an analysis of grants from:
- (i) government departments
- (ii) European Community funds
- (iii) other sources, identified as to each source;

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

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

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

Urban Regeneration Agency
Accounts Direction given by the Secretary of State with the consent of the Treasury, in accordance with paragraph 9, schedule 18 of the Leasehold Reform, Housing and Urban Development Act 1993 (continued)

(iii) employee costs during the year, showing separately:
  (1) wages and salaries
  (2) early retirement costs
  (3) social security costs
  (4) contributions to pension schemes
  (5) payments for unfunded pensions
  (6) other pension costs
  (7) amounts recoverable for employees on secondment or loan to other organisations

(The above analysis shall be given separately for the following categories:
  I employed directly by the Agency
  II on secondment or loan to the Agency
  III agency or temporary staff
  IV employee costs that have been capitalised);

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

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

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

*(h) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Agency), between the Agency and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
(i) transactions and balances of £5,000 and below are not material
(ii) parties related to board members and key managers are as notified to the Agency by each individual board member or key manager
(iii) the following are related parties:
  (1) subsidiary and associate companies of the Agency
  (2) pension funds for the benefit of employees of the Agency or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)
  (3) board members and key managers of the Agency
  (4) members of the close family of board members and key managers
  (5) companies in which a board member or a key manager is a director
  (6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer
  (7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member

(8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest
(9) settlements in which a board member or a key manager is a settlor or beneficiary
(10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest
(11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager is a partner or venturer
(12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary
(13) the Department for Communities and Local Government, as the Sponsor Department for the Agency.

For the purposes of this sub-paragraph:

(i) A key manager means a member of the Agency's management board.
(ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
(iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30 per cent or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

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

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