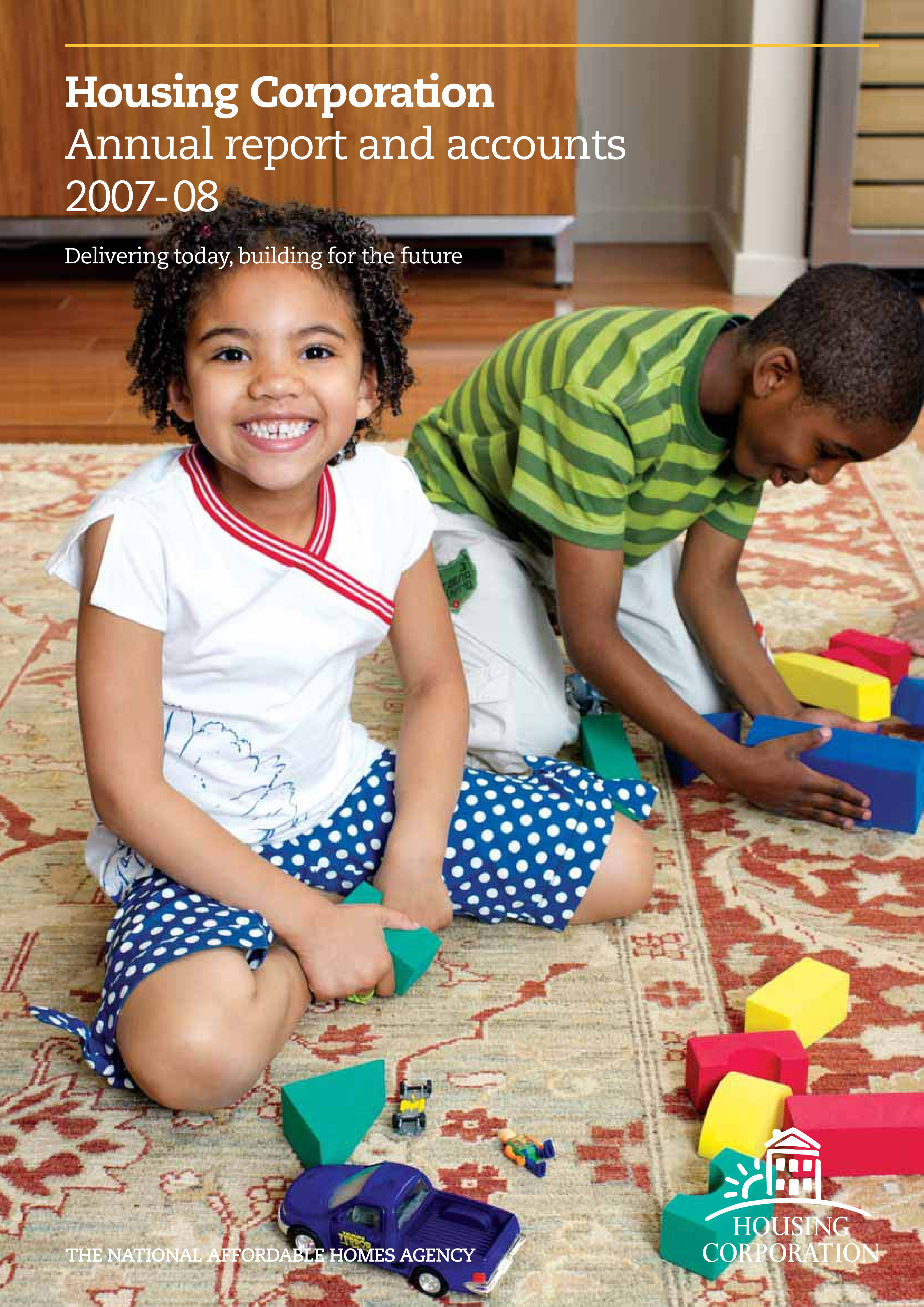
Housing Corporation
Annual report and accounts 2007-08

Delivering today, building for the future



THE NATIONAL AFFORDABLE HOMES AGENCY

HOUSING CORPORATION

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Annual report and accounts 2007-08

Delivering today, building for the future

Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000

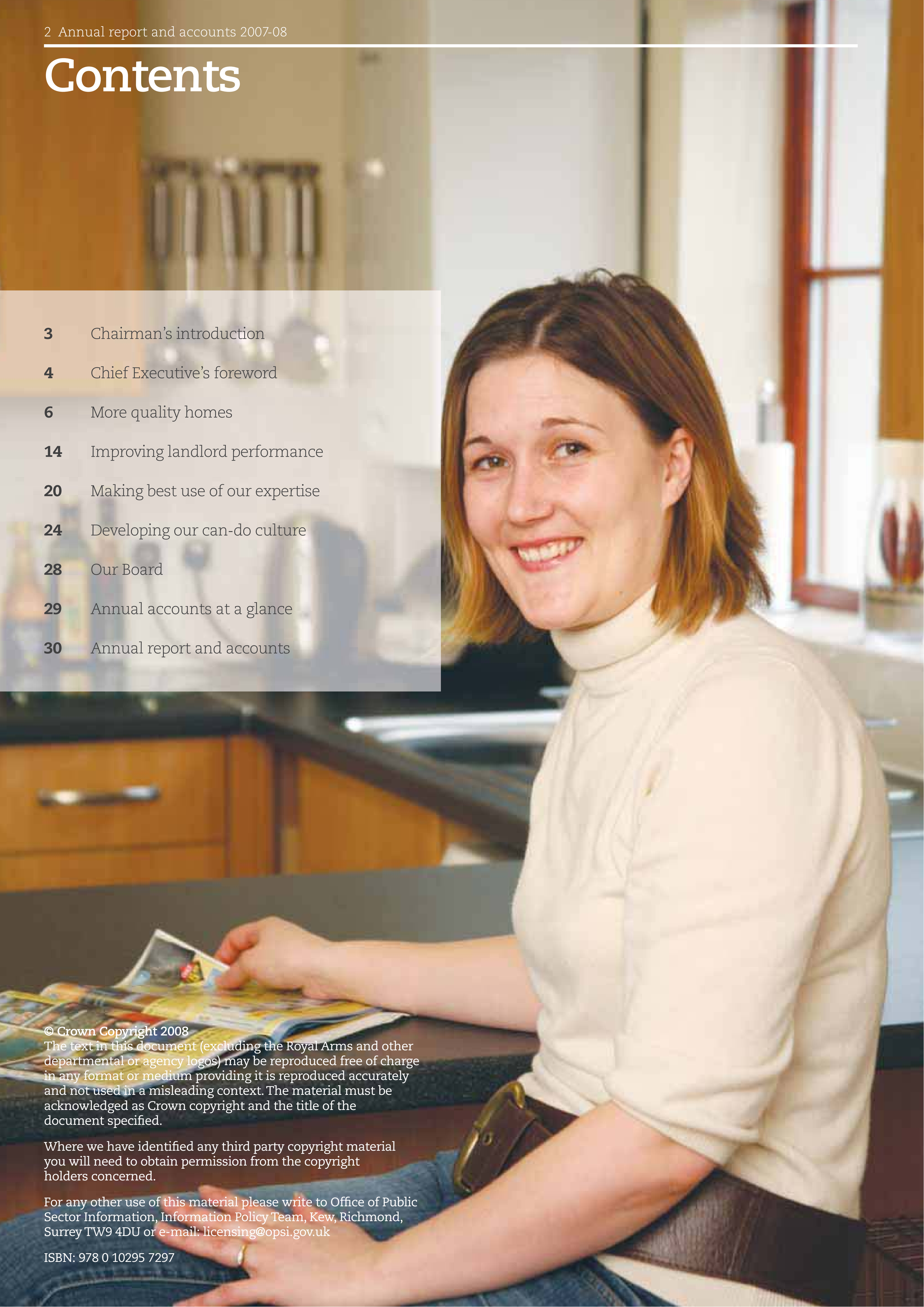
Ordered by the House of Commons to be printed on 17 July 2008

HC 941

London: The Stationery Office

£25.75

Contents



ISBN: 978 0 10295 7297

Chairman's introduction

This annual report gives us the chance to look back at what the Housing Corporation has achieved over the past year – and to look forward to an exciting future.

Peter Dixon
Chairman
Housing Corporation

The past year has been the best ever for the Housing Corporation. We've exceeded our targets for delivering new affordable homes while staying within budget – meaning that we've stretched Government money further to help even more people to find a home.

We've also acted to protect tenants' interests, putting them firmly at the heart of landlords' priorities, and contributed to Government policies that will affect residents and the affordable housing sector positively for years to come.

This year, a record number of homes have met the Decent Home Standard and we're on target to have housing associations meet, or exceed, the standard by the Government's target date of 2010.

And we've helped affordable housing providers significantly cut the costs of building and maintaining housing association homes – but not at the expense of the quality of their work.

We're now working to pass forward our regeneration and investment to the Homes and Communities Agency, and are helping to set up the Tenant Services Authority, which will take forward the work we've been doing to support the rights of residents, the high-quality management of their homes and the viability of their landlords.

This report sets out our achievements over the past year. The successes it outlines – and the stories from residents whose lives have changed for the better – show the strength of the legacy we will pass on to our successor agencies in 2008-09.

Chief Executive's foreword

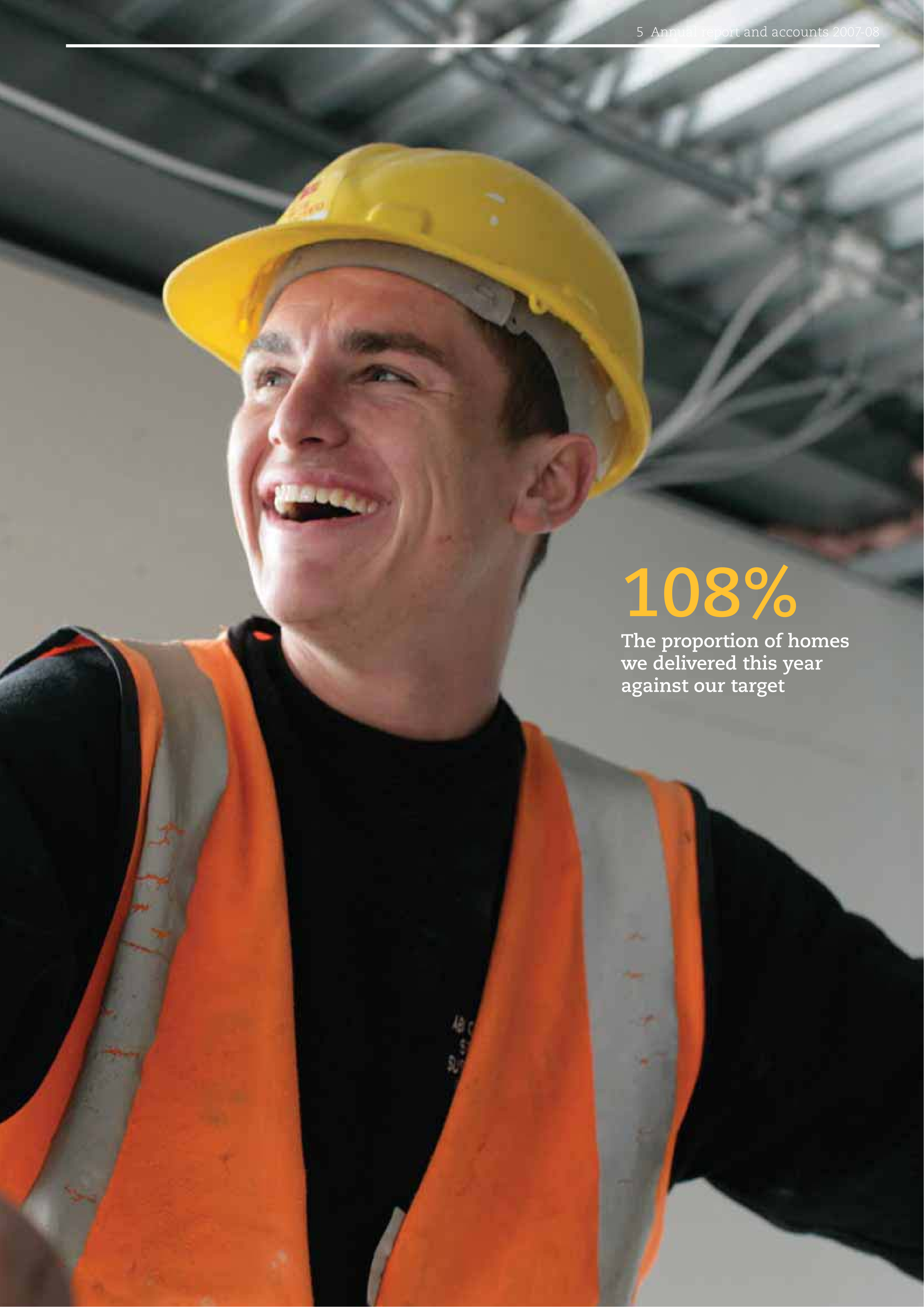
This has been a tremendous year for the Housing Corporation, the Government's national affordable homes agency. I am immensely proud of what we have achieved.

Steve Douglas
Chief Executive
Housing Corporation

Back at the beginning of the year, we set ourselves three main tasks. Firstly, to ensure we delivered business as usual during a time of change – we did it. Right across the organisation. On investment, we delivered more homes than ever before. On regulation, our work has meant housing associations' performance has continued to improve. And on sharing best practice, through our Gold Award, our Innovation and Good Practice programme and our communications activities, we've reached more people than ever before.

Secondly, we wanted to ensure that we contributed to, or helped lead, the Government's social agenda. We did that too – on key issues such as vulnerable people, community cohesion, worklessness and design and quality. We've been at the forefront of thinking and policy development, and praised for our contributions by MPs, regional bodies and local authorities, amongst others.

Thirdly, to prepare for the new agencies that will take forward our work during the coming year. On regulation, we were tasked with leading on the creation of the Tenant Services Authority, working with the Audit Commission and others to help create a new regulator with tenants at the heart of its operation. And on investment, we're working with the transition team, Communities and Local Government and English Partnerships to support the creation of the Homes and Communities Agency. At the end of 2007-08, the Corporation is in great shape to help give both the new agencies a flying start.



108%

The proportion of homes we delivered this year against our target

More quality homes

This year we said we'd help provide 47,263 new homes. We delivered on that promise. By the end of year 51,095 high-quality homes had been built in sustainable communities.

James Jacobs is delighted with Peak Valley Housing Association's work to replace unpopular 1960s blocks with new homes for sale and rent in Hattersley. He now describes the estate as "Utopia".

New homes in Earl Shilton, Leicestershire, have helped regenerate the town. The Local Sustainable Design Forum ensured that the Orbit Housing Association homes are well designed and fit in locally.

Julie Creffeld has been able to get on the property ladder – and run a business from home – in east London, thanks to a shared ownership scheme offered by Dominion Housing Group.

118%

The proportion of family-sized homes we delivered this year against our target

This year the Housing Corporation invested in 51,095 new affordable homes – 3,832 more than our target and nearly 25% more than last year. More people have been able to afford to move into a new high-quality home this year as a result. And more communities have been transformed.

We promised we'd deliver 28,000 new homes for rent this year. We delivered 29,419 – 5% more than the target. And to help more people get on the property ladder, we said we'd deliver 19,263 new homes for low-cost ownership. By the end of the year, we'd delivered 21,413 – 11% more than our target.

Our survey of housing association tenants found that 30% thought their lives would be better if they could afford to buy a home – and among black and minority ethnic communities this figure was almost double, at 57%.

That's why, as well as delivering more homes for low-cost ownership this year, we've also increased people's chances of getting on the property ladder by introducing two new products under the Open Market HomeBuy scheme. Known as MyChoiceHomeBuy and Ownhome, they offer shared equity loans, which enable existing tenants, key workers, first-time buyers and others to buy homes on the open market for up to twice the amount they might otherwise have been able to afford. This is critically important at a time when, despite falling house prices, affordability remains a major concern.

Research shows that the design of homes can underpin whether a neighbourhood succeeds or fails. Well-designed homes make an area more visually attractive and can make them better places to live. They can improve residents' quality of life by cutting the opportunities for crime, improving public health and easing transport issues.

To help deliver successful neighbourhoods, we published a set of design and quality standards this year that affordable housing providers must meet if they want our support. These set minimum quality criteria for things such as size, accessibility, noise levels and efficient energy use.

Our work to deliver more high-quality homes has helped meet local needs identified by regional housing bodies and has worked towards cutting levels of homelessness and overcrowding.

“The best thing about it for me is the stability it provides”

Jamie Hanks

Spending your spare time surfing in Cornwall is an attractive prospect for many, but Jamie Hanks found he spent more time sleeping on friends’ sofas than riding the waves.

Unable to find accommodation he could afford in his home village of Down Ampney in Gloucestershire, Jamie, a qualified fish filleter by trade, moved to Cornwall to help a friend set up a catering business by day, while ‘sofa surfing’ by night.

“I didn’t want to leave Down Ampney in the first place,” says Jamie. “I grew up and went to school in the village and my family and most of my friends are here – but it’s a very expensive place to live.”

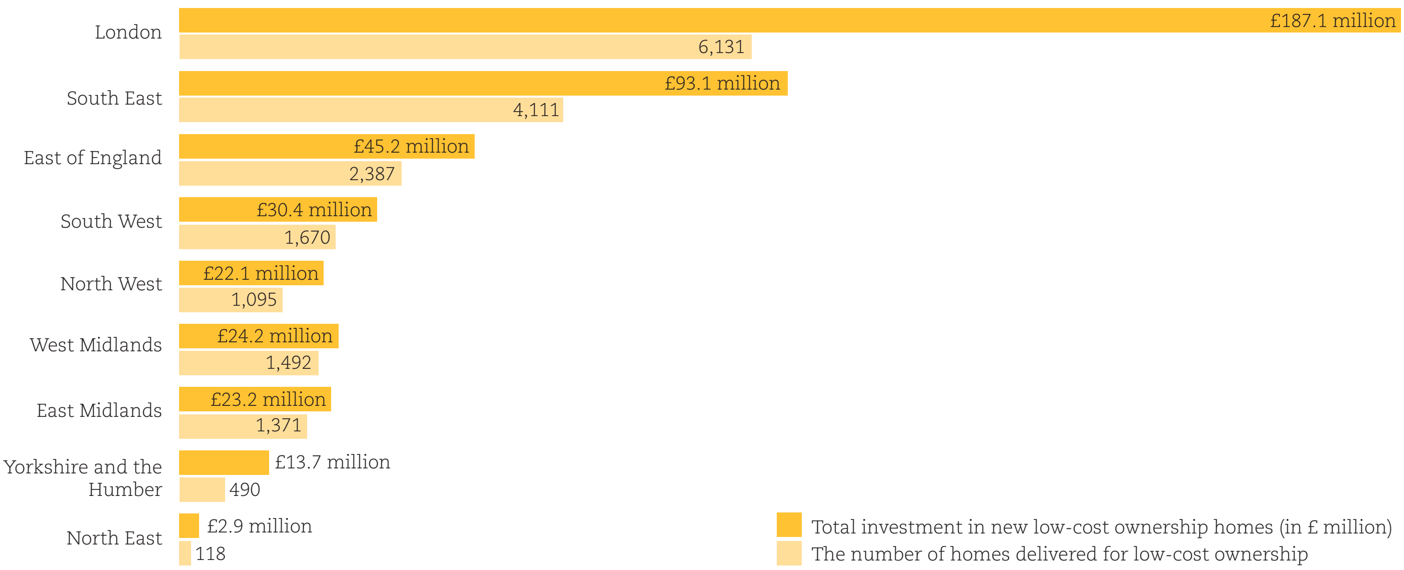
He was only able to move back home recently thanks to Fosseway Housing Association’s Linden Lea scheme, which includes nine new affordable homes for local people in the village. All the homes are built to a high standard, using Cotswold stone walls and slate roofs.

“Now I’ve been able to get a one-bedroom flat here,” Jamie says. “It’s also much easier for work, which is just a short bike ride away.”

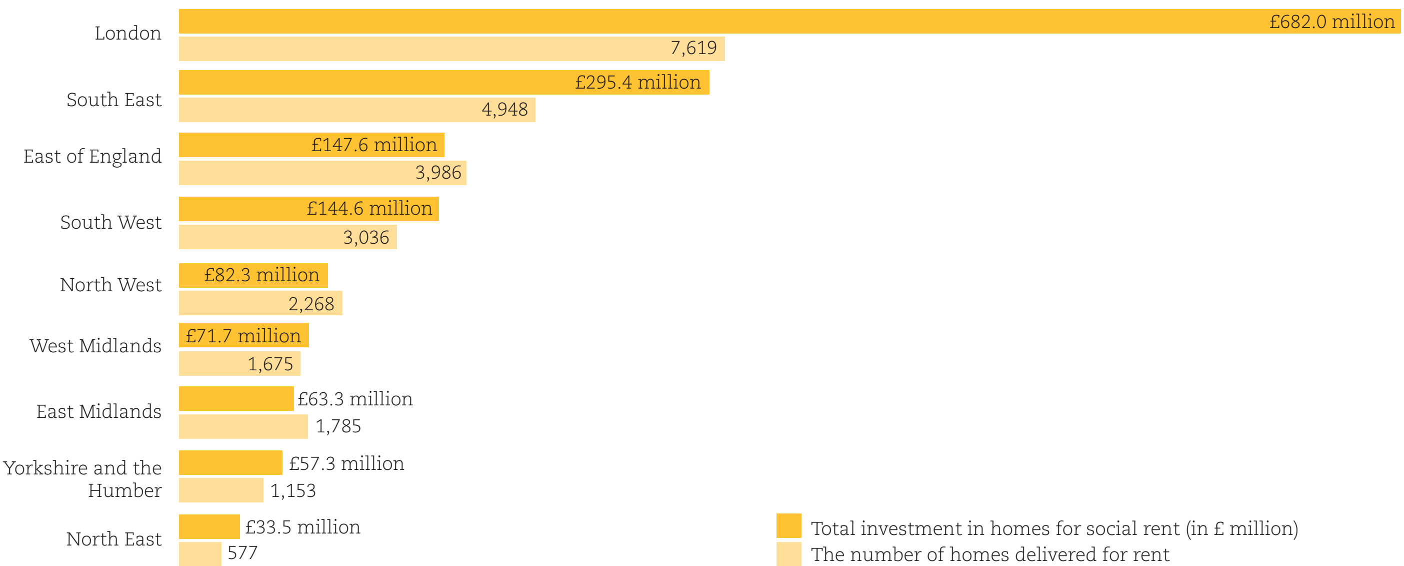
Our investment at a glance

	Number of homes for affordable rent	Number of homes for low-cost ownership	Total
East Midlands	1,785	1,371	**3,156**
East of England	3,986	2,387	**6,373**
London	7,619	6,131	**13,750**
North East	577	118	**695**
North West	2,268	1,095	**3,363**
South East	4,948	4,111	**9,059**
South West	3,036	1,670	**4,706**
West Midlands	1,675	1,492	**3,167**
Yorkshire and the Humber	1,153	490	**1,643**
Brought forward from 2006-07	2,372	2,548	**4,920**
Other	138	125	263
Total	**29,557**	**21,538**	**51,095**

Homes for low-cost ownership: How much we've spent and how many homes we've delivered



Homes for social rent: How much we've spent and how many homes we've delivered



69,005

The number of extra homes that have hit the Decent Home Standard this year – the biggest annual increase ever

Delivering sustainable communities

Our survey of housing association tenants found that one in four feels cut off from people who own their own homes and almost one in three says that mixing privately owned homes with social housing would be better for tenants.

That's why we've continued our work this year to deliver mixed communities that provide for a variety of incomes, tenures and housing types, and varying types of people and households.

As part of this, we've worked to make sure that people won't have to move home as their needs change over time. We've continued to support Lifetime Homes – which can be adapted to suit an occupier's changing needs – and invested in more larger homes than ever before.

Housing association tenants told us that although 74% of them are satisfied with the size of their home, having an extra bedroom is one of the top two things they would like if it were possible.

As a result, we promised we'd invest in more family-sized homes. We set out to support 7,000 larger homes across the country this year and to increase the proportion of larger homes for rent we funded in London from 26.6% two years ago to 34% in 2006-08. We kept our word and, in fact, delivered 8,240 larger homes nationally and increased the proportion of larger rented homes we funded in London to 35.7%.

Of course, housing is only one factor in a successful community. Good schools, transport and health facilities are also important. And people need to feel safe. Housing associations have been working to tackle nuisance behaviour – with our backing – and to help make communities more inclusive.

Our surveys of residents show that those who are happiest with their local neighbourhood perceive a greater degree of cohesion, with almost half agreeing that people do things together and help each other.

This year, we made building community cohesion one of the themes of our annual Gold Award. As a result, three associations would each win £50,000 in 2008-09 to hold events and produce material that would help other affordable housing providers learn from their best practice.

We've also encouraged housing associations to help unemployed residents onto training or education programmes or back into work directly. Our research shows that some 50% of people are not in employment, education or training when they first move into a housing association home.

Over the past five years, housing associations and their partners have invested over £209 million on almost 900 innovative projects to tackle worklessness. Of these projects, 39% address jobs and business and 61% education and skills development, and 8,000 jobs are created each year as a result – and that figure excludes jobs in the construction industry, which would boost the figure considerably.

Tackling worklessness was also made the theme of a second set of our Gold Awards this year.

"This is a much better prospect for the future"

Jason Bertin

Jason Bertin has got more than a home through his housing association – he's gaining new skills. Whether it's getting up to his elbows in a blocked sink or providing perfectly plastered walls, Jason is learning new trades 'on the job', thanks to his landlord, Catalyst Communities Housing Association.

Jason, who lives in Brentford with his mum, used to work in a shoe shop in Brent Cross shopping centre. He was keen to improve his career, however, particularly as he now has a ten-month-old daughter, Kyah, to support.

"I enjoy this much more and get great satisfaction from doing it," Jason says.

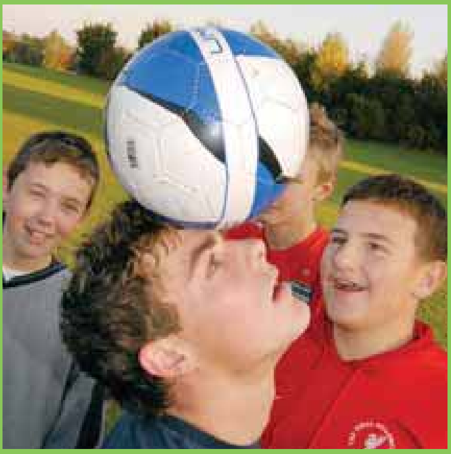
He took the plunge a year ago after hearing about Catalyst's construction training scheme through an open day. He is now a plastering apprentice with the association's property maintenance contractors.

"At the moment, I'm travelling backwards and forwards across London in a van with the technicians, doing jobs in Catalyst homes – it might be plumbing or plastering, whatever needs doing," Jason says. "It takes five to seven years to become a fully qualified plasterer, but at the end of it I will have much better prospects for the future."

Improving landlord performance

We said we'd help housing associations make efficiency gains of £355 million this year. We delivered on that promise. By the end of the year we'd helped them save a massive £1.2 billion to spend on new homes and better services.

Amanda Ahmad worked with Endeavour Housing Association to transform her street in Middlesbrough. Eight years ago, 40% of the homes were empty but now there's a waiting list to move in.



Anti-social behaviour on three Kemble Housing estates in Herefordshire is being tackled head-on with a soccer scheme – more than 70 young people receive free training sessions each week.

Teresa Wesley has seen her fuel bills slashed since Rockingham Forest Housing Association fitted solar panels to the roof of her home in Rushden, Northamptonshire.

66%

The proportion of residents who say their housing association takes their opinions into account

High-quality housing is crucial – and so is access to the best services. Our work involves making sure that housing associations offer services that respond to the needs of residents.

This is all part of our role in regulating the work of associations. More than five million people live in homes owned by the 1,879 housing associations we regulate. So our guidance and advice is important in helping associations learn from best practice within the housing sector.

Our work to support associations means that the number of cases where we have had to step in to provide more intensive support to those that are struggling to meet our requirements is lower than ever. By the end of 2007-08, the total number of associations under supervision was down to just eight – against over 50 four years ago.

Housing associations' reputation for good performance has been recognised in 20 more local authority areas this year. In each, tenants have voted to transfer their homes from local authority to housing association ownership, bringing more than 90,000 extra homes into the sector.

These stock transfers, plus new development supported by capital grant programmes, have helped boost the sector by 10.3% in terms of its total assets and by 8.7% in its turnover this year. Our review of the 2006-07 accounts of larger associations – those owning more than 1,000 homes – found that, overall, the sector is financially sound and continues to grow.

It showed that turnover for the year is £9.1 billion, up £0.8 billion on the previous year. At £1.4 billion, the surplus on operations has increased by 11.7% on the previous year's level, generating an operating margin of 15.5%. Pre-tax surplus is £300 million, up 8.4% on the previous year, and the gross cost/valuation of housing association properties is £77 billion, an increase of 10.1% on 2006. We recognise the potential impact of international economic circumstances on housing associations' businesses and are closely monitoring the impact on business plans.

Our work to help affordable housing providers cut costs has also helped the sector. In line with Gershon efficiency targets, we worked to reduce costs in the supply of new affordable homes and in associations' costs for management and maintenance, capital works and goods and services by £355 million this year. We achieved that target and more – this year they saved £1.2 billion.

But these savings haven't been made at the expense of the quality of services. This year we've worked harder than ever to encourage housing associations to make sure their services meet the needs of their residents. And we know that involving residents in such decisions can improve how services are delivered.

Our survey of tenants found that 97% think that it's important for their housing association to take their opinions into consideration when making decisions. We've continued to work to ensure that residents are represented on 95% of associations' boards with service delivery responsibility by March 2009.

Involving residents in decision making can also give them new skills, increase their confidence and help build sustainable neighbourhoods and communities.

This year, four associations won our Gold Award for excellence in empowering communities. The winners – London and Quadrant Housing Trust, sharing an award with Metropolitan Housing Trust, Poplar HARCA and Willow Park Housing Trust – each received £50,000 to share their best practice with the rest of the sector.

“Our ideas were definitely taken on board – this was a model of consultation”

Mary Huxham

A whole community has moved out of damp and outdated houses in Liverpool’s Welsh Streets district and into new homes in Clevedon Park, just a few hundred yards away.

Keeping long-term neighbours together was of paramount importance to Mary Huxham and her fellow residents who for seven years have been involved in this major housing market renewal scheme.

“We took part in design workshops and ‘vision events’ and were on the panel choosing the developer,” Mary says. “We told them what kind of properties we wanted and especially that we wanted the community to stay together.”

Thanks to the residents’ efforts, and those of CDS, part of the PLUS Group, nearly all the 107 homes built at Clevedon Park are now occupied by Welsh Streets’ former residents.

A mix of house sizes and tenures have been provided, reflecting residents’ aspirations.

Mary, who had lived in the Welsh Streets for nearly 70 years, is delighted with her new home. “All the people on the estate are happy with what they’ve got,” she says. “Someone said to me that it’s like being in the country but in the middle of Liverpool 8.”

Better, greener homes

Our survey of residents shows that 83% say that energy-efficient features would play a 'very' or 'fairly' important role in the home they would choose if they were to move.

That's why we've continued to work towards improving the green credentials of housing association homes this year. We want all of them – new and old – to rise to the challenge presented by climate change.

This year we've encouraged developing associations to build the kinds of homes that help residents to use less energy without having to compromise their lifestyles. The Code for Sustainable Homes ranks new homes according to how well they perform, from one to six, where one is the least friendly to the environment and six the closest to carbon neutral. This year we've worked towards making affordable housing providers meet at least level three of the code from 2008 and incentivised developers to come forward with proposals for homes that perform even better.

And by 2015, zero carbon homes will be the norm for all properties built by affordable housing providers.

This year three housing associations won the Housing Corporation's Gold Award for excellence in environmental sustainability. Drum Housing Association, Greenoak Housing Association and the Places for People Group each received £50,000 in order to share their approaches with other associations so that they too could make changes.

Plus, a new tool, known as EcoHomes XB, which we supported, now allows associations and councils to plan and measure how much benefit potential improvements, such as solar panels, would bring. It's expected to help associations make over two million homes more sustainable.

Having reasonably modern bathrooms and kitchens and heating that works well, for instance, are important too. This year we've continued to work with housing associations to make sure their homes are up to scratch.

Though just one in seven housing association residents is aware of the Government's Decent Home Standard, that doesn't mean they don't expect their homes to be in a good state of repair.

We've been working with associations to make sure their homes meet, or exceed, the standard by 2010. In 2007, the quality of existing homes improved. Just over 250,000 housing association properties nationally (11.8% of total number of homes) didn't meet the Decent Home Standard. That's a cut of over 69,000 from 2006 – the biggest annual reduction since the standard was introduced.

And associations are continuing to invest heavily in their existing homes to ensure they meet the Decent Home Standard in time. Investment in 2007 on planned and major repairs totalled £2.5 billion, an increase of 10% on the previous year.

"It's important that houses are being built to protect the environment for our children"

Emma Hill

Every time Emma Hill switches on a light or turns up the heating in her new Cambridgeshire home she is taking part in an experiment that could influence the way we build homes in the future.

"It felt very strange to move into a house that represents a new era in construction," Emma says.

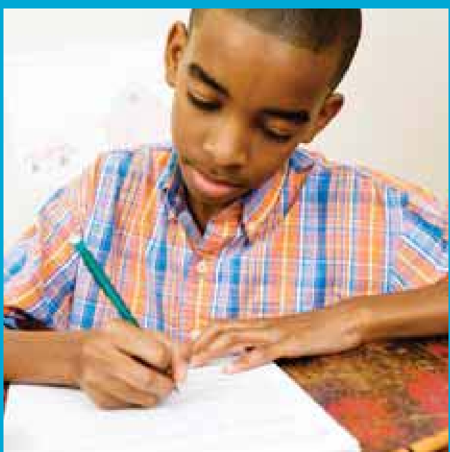
Hers is one of the first of 106 SmartLIFE homes to be built on three sites in March and Chatteris last summer. The project puts a range of modern building techniques under the spotlight. The Building Research Establishment (BRE) and Cambridgeshire County Council are the partners driving SmartLIFE while the Home Group is managing the development.

The work is being monitored almost to the minute by the BRE using advanced technology to see which methods can best alleviate housing shortages and reduce the impact on the environment. Monitoring will continue once residents move in to assess energy-saving features.

"There's a great deal of information on the television about global warming and I'm proud that my home will have a minimal impact on the environment," Emma says.

Making best use of our expertise

We said we'd help housing associations learn from best practice this year. We delivered on that promise. We funded groundbreaking research and leading-edge best practice through our Gold Award and our Innovation and Good Practice programme.



A study funded by us this year showed that living in social housing can affect people's life chances. By delivering more family-sized homes we're giving children more room to do their homework.

In an innovative approach to funding , our Cambridge Challenge appointed a single partnership to provide the affordable homes at key strategic sites within a Government growth area. Cambridgeshire Partnerships is led by bpha.

Tommy and June Skuse in their new home in Newbury, built by Sovereign Housing Association. This year we published a strategy to promote housing that responds to the needs of an ageing society.

64%

The proportion of housing association residents who say they're concerned about the environment – we've responded by upping the green credentials of the homes we invest in

Residents are often the best placed to say what they expect of housing associations. That's why we made more use of our resident consultation panel this year than ever before.

The results of these surveys have helped inform our policies. They revealed, for instance, that people like feeling part of a community. Three quarters of housing association residents say that there is a sense of community where they live.

This year we published a community cohesion strategy, which aims to help housing associations and their partners, such as local authorities and voluntary organisations, support integrated, inclusive communities.

And our strategy for housing in an ageing society, also published this year, aims to help associations work towards being able to support older people in achieving greater independence. We know that people would rather continue to live at home, with support, as they age rather than have to move into a care home.

We've made the 2012 Construction Commitments – a set of standards developed by the industry and the Government for the building of the 2012 Olympics – part of our requirements from all affordable housing providers looking for our backing. They cover client leadership, procurement and integration, design, sustainability, a commitment to people and health and safety.

Our investment in high-quality research, data collection and analysis, and our support for innovation and best practice, is crucial in informing our approaches to the delivery and management of affordable homes.

This year we invested a total of £1.8 million in this work, which is carried out by our Centre for Research and Market Intelligence, or CRMI for short.

We committed ourselves to sharing this information with the sector. Promoting good practice and fresh approaches to problem solving can make a real difference to the way that housing associations operate and the services residents receive.

Our Gold Award is one of most successful means of sharing best practice. This year we gave the award to six associations – three for their work in empowering communities and three for their approaches to environmental sustainability. A knowledge-sharing programme, funded by us, reached over 500 delegates at a range of events – and participants gave the events a satisfaction rating of 92%. Through a supplement in a weekly trade paper, a brochure and a CD toolkit, another 20,000 people learned about the associations' good work.

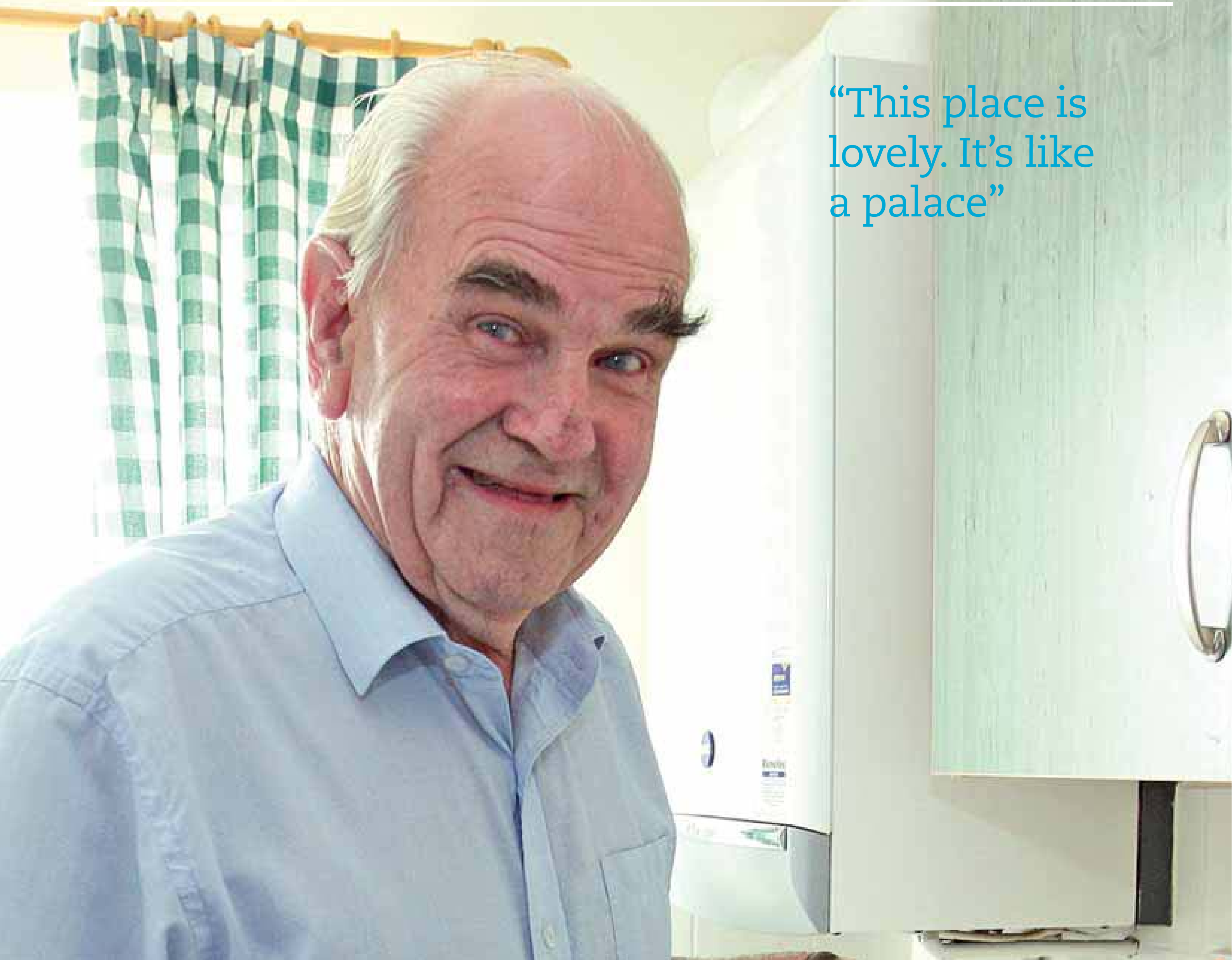
An analysis of the impact of the award found that it has quickly established itself as the most coveted and valued annual housing award in England.

We received 72 applications across three themes for the 2008 Gold Award, from associations representing 900,000 homes.

And we carried this approach of sharing good practice through to our Innovation and Good Practice grant programme. All projects supported by us this year have dissemination plans in place and will carry out impact appraisals. The projects cover barriers to low-cost home ownership, land availability, responding to an ageing population, housing management services in the 21st century and tackling Respect.

Details of all the Housing Corporation's best practice can be found at:

www.housingcorp.gov.uk/crmi



“This place is lovely. It’s like a palace”

Austin King

When Austin King first moved to Greenham Common 53 years ago, the village was largely an army airbase. Now a £17 million regeneration project is changing the area – and people’s lives.

“It was very strange watching the new houses go up so quickly,” Austin says.

He grew up in a farm cottage in the village but when his farmhand father was killed by a bull, he and his mother ended up in a disused Nissen hut in a field across from the airbase. The local council later converted the huts into chalets and replaced them again in the mid-1950s, but the homes didn’t stand the test of time.

Six years after the council’s housing was transferred to Sentinel Housing Association in 1995, the association began working on a major regeneration project with the residents. In early 2008, the first 45 of 148 new homes were completed.

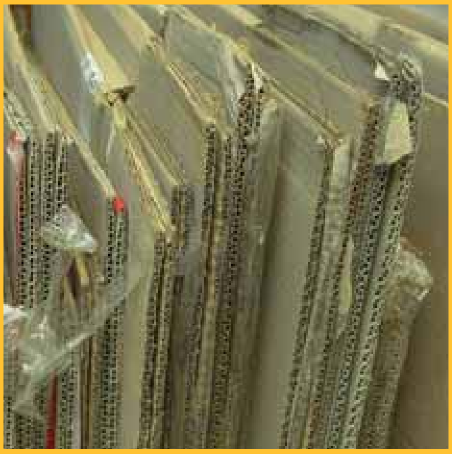
Austin moved into the first one, a two-bedroom house. “When I knew which one I was getting, I was very happy,” he says. “It’s lovely – and the garden’s easy to manage.”

The Housing Corporation contributed £4.2 million towards the project.

Developing our can-do culture

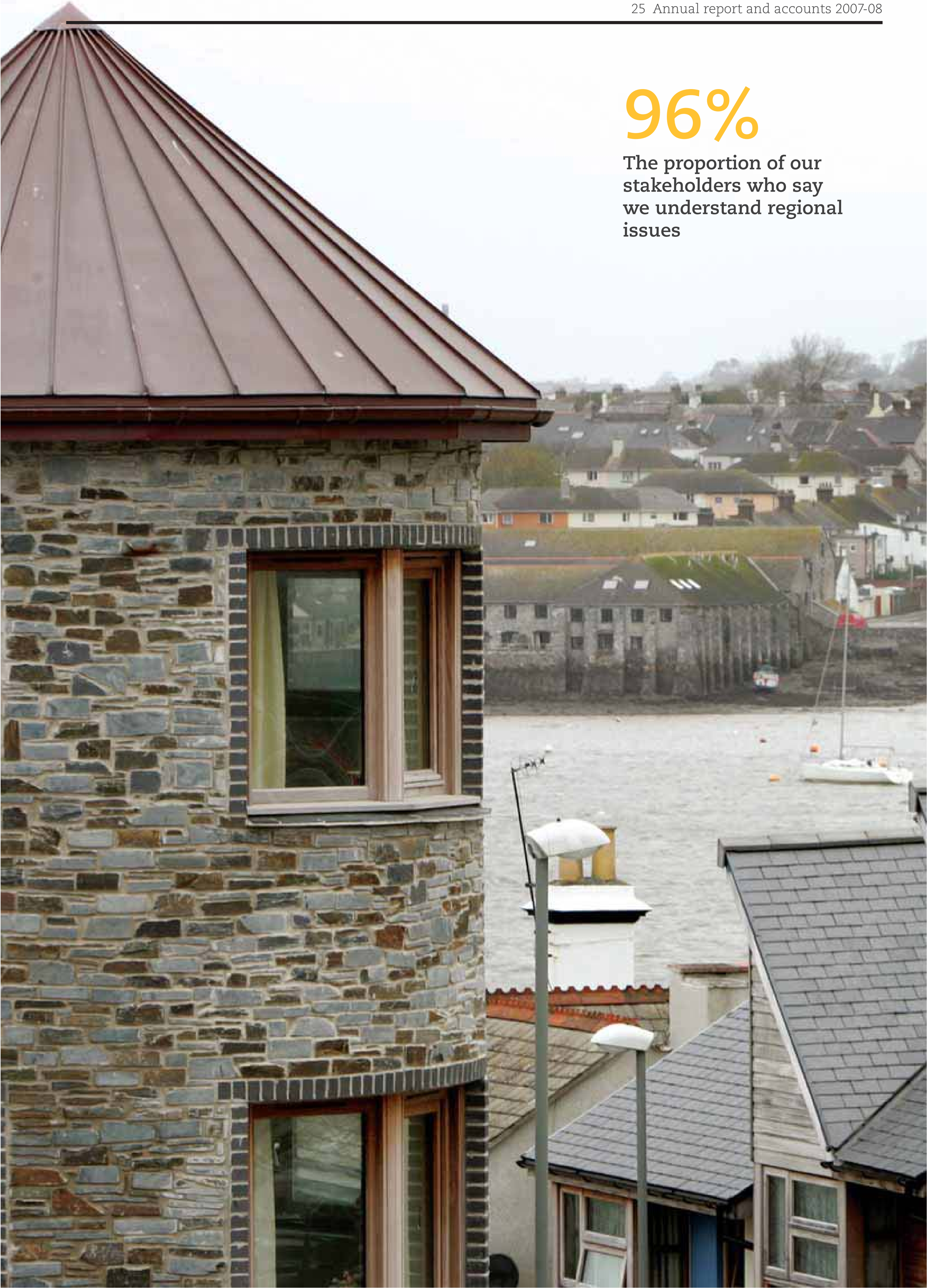
We said we'd make sure we're satisfying our partners' needs this year. We delivered on that promise. An independent survey found that 80% thought we were effective at a regional level.

This year we completed our Leadership Development Programme, and Learning Champions continued to help us deliver locally responsive programmes.



Our commitment to greening the way we work was recognised this year when we were awarded the ISO 14001 accreditation.

A survey of staff found that 90% of our staff say their teams co-operate to get work done and 85% believe the organisation respects individuals' differences.



96%

The proportion of our stakeholders who say we understand regional issues

This year we've not only delivered effectively – we've done it efficiently too. Our investment programme for 2006-08 delivered 33% more homes for just 15% more resources. Our administrative and staff costs for investment this year represent just 1.15% of the amount we spent on delivering new affordable homes – while the comparative cost for our regulatory work represents just 0.03% of the asset value of the sector.

And at 51.3%, our operating costs are among the lowest of any non-departmental public body.

Our staff work hard to deliver efficiently. This year we said that we'd keep up their morale in light of the uncertainty caused by the move towards the two new agencies in 2008-09. A variety of communication channels – staff briefings, the intranet, conferences, newsletters and magazines – were used to make sure that staff were kept informed of progress and issues.

And we saw that these efforts to communicate with and develop staff are paying off. A staff survey, held in February 2008, found that 90% believe their team co-operates well to get work done and 65% believe co-operation between teams is good.

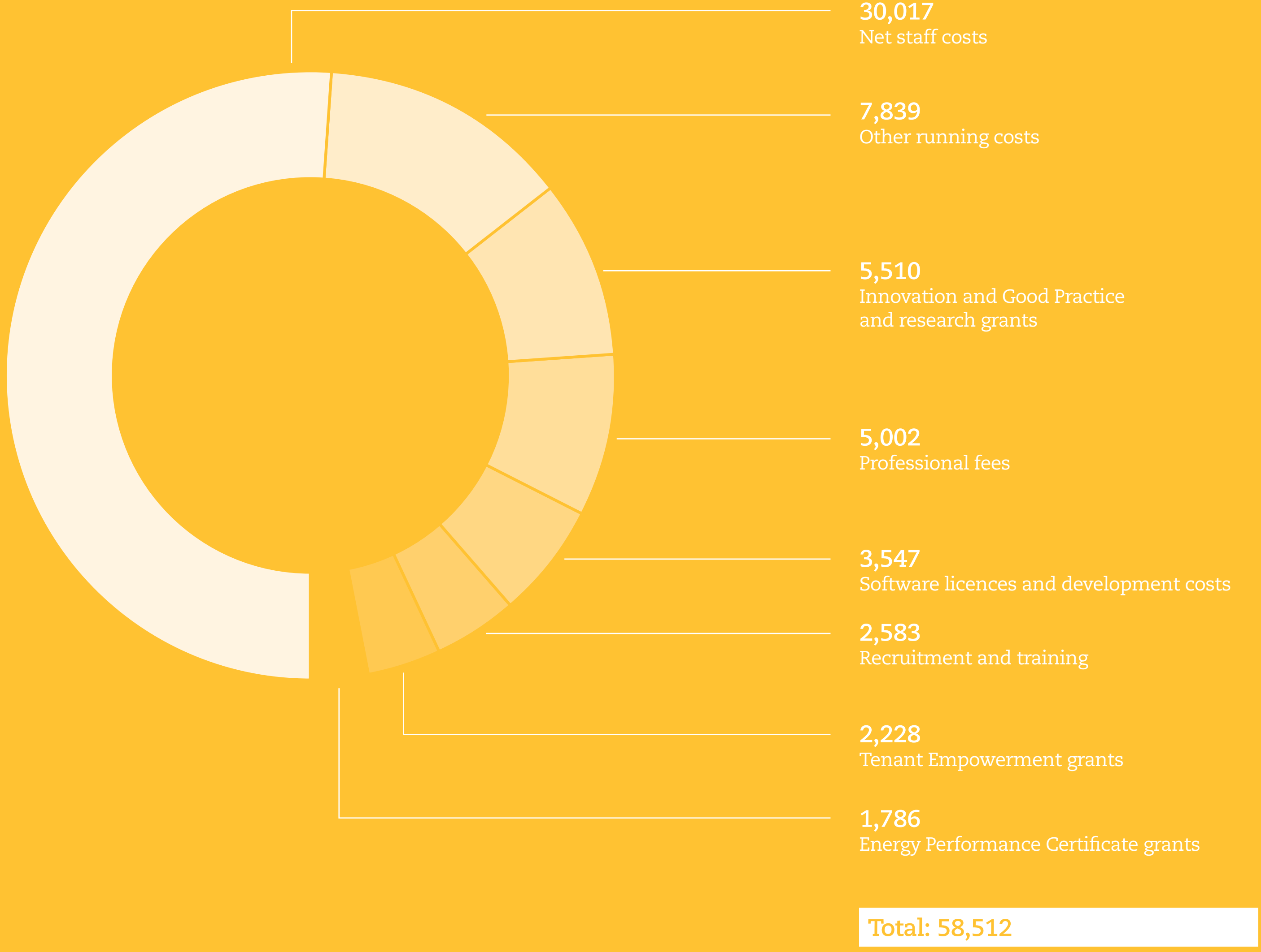
The survey also revealed that 85% of staff believe that the Housing Corporation respects diversity.

Our Forum Representing Ethnic Minority Staff in Housing (FRESH) is one of the ways we ensure we do this. Launched four years ago, FRESH works with senior management on issues such as human resources, learning and development, and policy and communications. Such is its effectiveness that the Chief Executive of the Homes and Communities Agency has said that he wants to use the FRESH model in the new agency.

Of course, we work with external partners too to deliver more affordable homes and drive up standards among housing associations. That's why we promised to check with our stakeholders this year that they were happy with how we're doing. An independent survey found that 80% said we were effective at a regional level and 96% said we understood regional issues.

Housing Corporation expenditure
Expenditure at 31 March 2008

Administration, revenue grant and capital expenditure (£'000)



Our Board

The Board is responsible for ensuring that the Housing Corporation carries out its regulation, funding and promotional tasks effectively.

The chairman and members are appointed by the Secretary of State. A register of Board members' interests is available for inspection at the Corporation's head office and the Board has adopted a code of best practice, which is also available to the public.


Peter Dixon


Shaukat Moledina


Candy Atherton


Kate Barker


Steven Douglas


Sheila Drew Smith


Julie Fawcett


Chris Holmes


Donald Hoodless


Kevin Lavery


Sir Duncan Michael


Sandi O'Neill


Peter Rogers


John Walker

Annual accounts at a glance

Operating cost statement for the year ended 31 March 2008	2008	2007
	£'000	£'000
Expenditure		
Capital and revenue grants (net)	**(2,012,785)**	(1,924,038)
Staffing costs	**(30,103)**	(28,722)
Other running costs	**(17,278)**	(16,547)
Interest	**(80)**	(68)
Total	**(2,060,246)**	(1,969,375)
Income		
Interest	**3,068**	1,400
Other income	**586**	634
Total	**3,654**	2,034
Other revenue transactions		
Pension fund – finance costs	**(700)**	(560)
(Increase)/decrease in provision for bad debts	**(4)**	16
Corporation tax	**(7)**	(20)
Total	**(711)**	(564)
Net operating costs for the financial year	**(2,057,303)**	(1,967,905)
Other gains and losses		
Pension fund – Actuarial gain/(loss)	**14,427**	(410)
Total loss recognised during year	**(2,042,876)**	(1,968,315)

Balance sheet as at 31 March 2008		
Fixed assets and investments	**9,109**	8,510
Current assets	**18,782**	4,506
Creditors and other provisions	**(353,200)**	(170,654)
Advance from the National Loans Fund	**(1,400)**	(1,400)
Provision for pension liabilities	**(31,540)**	(45,340)
Total liabilities less total assets	**(358,249)**	(204,378)
Reserves	**(358,249)**	(204,378)

A change in the accounting policy relating to grant in aid received from Communities and Local Government was adopted with effect from 1 April 2006. From that date grant in aid is credited directly to the Corporation's General Reserve Account.

Grant in aid received	**1,889,005**	1,875,616

These statements summarise our income and expenditure account and balance sheet. A full understanding of the Corporation's financial position can only be obtained from the Financial Statements, which received an unqualified audit report, on pages 77 to 112. Further copies of the Corporation's Annual report and accounts can be obtained from the Financial Accountant, The Housing Corporation, 149 Tottenham Court Road, London W1T 7BN.

The report and accounts is also available on the Housing Corporation's website: www.housingcorp.gov.uk

Financial accounts
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Chief Executive's annual review for the year ended 31 March 2008

01 // History and statutory background

The Housing Corporation is a non-departmental public body sponsored by the Department for Communities and Local Government (CLG). Its first constitution was contained in the Housing Act 1964 and it commenced business in January 1965 to deliver affordable housing schemes in England, Scotland and Wales through housing societies, later housing associations.

With effect from 1 April 1989 the Corporation's responsibilities were restricted to England. Prior to the Housing Act 1988 the majority of its funding of Registered Social Landlords (RSLs) was by way of repayable loans. Since the 1988 Act the majority of its funding of RSLs has been by payment of social housing grants. The Housing Act 2004 extended our powers to pay grant to unregistered bodies for the provision of social housing.

The Corporation's constitution is contained in Schedule 6 of the Housing Associations Act 1985. Statutory powers are contained in that Act and in the Housing Acts of 1988, 1996 and 2004 and in the Local Government and Housing Act 1989. The accounts have been prepared under the Accounts Direction given by the Secretary of State and dated 30 March 2007. This is issued with the consent of the Treasury under Section 97(1) of the Housing Associations Act 1985.

02 // The future

During the current year we put in place the foundations for the most significant investment programme in Housing Corporation's history for the provision of social housing totalling £8.4 billion for the three year period 2008-11. This programme also sees the number of outputs increase significantly both for social rent and low-cost home ownership products, rising to 84,000 homes in 2011-12, an increase of 34,000 over the 2007-08 outputs.

The success of this programme lays solid foundations for the success of the Homes and Communities Agency (HCA), which is being created to combine roles of the Housing Corporation's investment function, English Partnerships and some of the housing and regeneration delivery functions from CLG. It will be the largest agency of its kind in Europe with a budget of over £5 billion a year.

At the same time the regulation function of the Corporation is going to form the basis of the new social housing regulator – the Tenant Services Authority. This will take forward many of the Cave Review's recommendations for regulation. This will build on our current regulatory role which ensures the high-quality delivery of services to some five million people living in housing association homes.

In time it is anticipated that the regulation and inspection of local authority homes will also become the responsibility of the new agency. We will ensure that, as we prepare for the future, our current regulatory regime is maintained and implemented effectively and efficiently to hand over to the Tenant Services Authority.

Both these two new agencies are being created by the Housing and Regeneration Bill which is currently being considered in the House of Lords, with Royal Assent expected in July.

Should the Bill receive Royal Assent, the creation of these two new agencies will see the end of the Housing Corporation and English Partnerships. However, until that time, forecast to be later in 2008-09, we will continue both our investment and regulatory roles to ensure that both agencies commence life in the knowledge that the legacy left by the Corporation gives them the best possible start to achieve the challenging targets set by CLG.

We will continue to assist in the delivery of other government priorities to tackle crime and promote Respect, deliver Decent Homes and cohesive communities, address the climate change impact of new and existing buildings, tackle homelessness, develop social enterprise, champion the tenant voice, regenerate areas suffering from low housing demand and build new sustainable communities. In doing so, we will work closely with our partners in national, regional and local government as well as our future colleagues in English Partnerships.

From 1 April 2009, all government departments must produce their accounts under International Financial Reporting Standards (IFRS). The transition date will therefore be 1 April 2008 as comparative data must be produced. The Tenant Services Authority and HCA must both produce comparative data for 2008-09 under IFRS. The Corporation must restate its opening balance sheet at 1 April 2008 by 30 September 2008 which will help to ensure the correct opening balances are available for the new agencies. The Financial Reporting Manual (FReM) is being replaced by the International FReM.

03 // Our mission, targets and roles

The Corporation has three principal roles – to finance, regulate and influence the proper performance of RSLs in England. The Corporation has a team of over 500 staff based in nine offices across England. In the year the Corporation spent £52.0 million on running the organisation (including revenue grants to third parties), £2 billion on its Capital Investment programme and £3.5 million on its Capital Administration programme.

Investor

We help develop and implement regional and national housing strategies, using public subsidy to procure affordable housing which provides quality homes in the places where our help is most needed across the country. Each year we support over 3,000 housing developments which have provided around 50,000 homes in 2007-08 to individuals and families who would otherwise be unable to access new high-quality housing. The Corporation helps to create and sustain affordable homes in strong communities. In 2005-06 we began the process of expanding our partnership base with the introduction of grants to unregistered bodies. With government funding we provided grants for the development of some 29,400 rented and 21,400 low-cost home ownership homes for people in need in 2007-08. This was the second and final year of the 2006-08 programme.

Regulator

We are the statutory regulator for housing associations. We continue to drive improvements in housing association efficiency and performance and help to ensure that associations continue to attract private finance at very competitive rates to build and improve affordable homes whilst delivering excellent services to their residents and communities. Across the country about five million residents benefit from a stable sector, focused on meeting their needs and those of their communities.

Influence

We help shape housing, community and regeneration policy nationally, regionally and locally. With our extensive network of regional offices and close relations with housing associations and regional and local government, we are able to bring high-quality market information and unrivalled delivery expertise to bear on national policy development.

Our targets for 2007-08 were agreed by the Board and the Secretary of State at the start of the year as part of our 2007-09 Corporate Plan. Our achievements against the Corporate Plan Targets (CPT), together with a summary of our activities and key issues for the 2007-08 period, using the four key corporate objectives set out in our 2007-09 Corporate Plan, are set out below.

The four key corporate objectives for the year were:

More quality homes

We will expand our investment programmes to fund more new high-quality affordable homes and complete our transition from a giver of grant to an investor in physical and social capital. We will develop greater competition in provision through actively encouraging a range of providers. We will drive even greater efficiency in the investment programme and ensure a role for specialist providers within the partnering framework. We will use our registration and regulation powers to ensure all housing association homes meet, or exceed, the Decent Home Standard by 2010.

Improving landlord performance

We will foster and challenge housing associations, and unregistered bodies managing grant-funded homes, to provide excellent services, be efficient and devise innovative housing and community solutions. We will ensure that we, and our partners, place the views of tenants at the heart of their processes.

We will regulate in proportion to risk, rewarding sustained good performance with less intrusive regulation. We will work towards continual improvement in the sector's response to the needs of existing and emerging communities and ensure that our equality duties are incorporated into our work with the sector.

Making best use of our expertise

We will disseminate our research and use our business intelligence to focus on critical aspects of the housing agenda and we will add value to the development and implementation of housing policy access to the public and private sectors.

Developing our can-do culture

We will continue to embrace a culture that is proactive and value adding. In doing so we will unlock the skills and knowledge of our people and harness the relationships we enjoy with our partners and stakeholders to make an even bigger difference to the two million households we serve.

To support these four key objectives we have our core values which define the principles which guide our work and the way in which we aspire to serve the communities of England:

Transforming lives and places

We believe that access to decent homes helps to transform lives and create strong communities.

Innovation and continuous improvement

By sharing knowledge and expertise within the Housing Corporation and across the wider housing and regeneration community we will bring about significant fresh thinking, continuous learning and improvement.

Openness and integrity

We will work collaboratively with all our stakeholders and communities to develop trust and respect through good communication, honesty and transparency.

Delivering excellence

We will foster individual and collective responsibility, supporting people and teams, developing expertise, holding ourselves to account and celebrating success.

04 // More quality homes

Working with RSLs and other partners we contribute to achieving the Government's social housing programme by allocating funding provided by the CLG for the delivery of the Government's sustainable communities agenda. The Minister for Housing and Planning agreed targets with the Housing Corporation for the two year period 2006-08, based on Regional Housing Strategies. 2007-08 saw the second and final year of this two-year investment programme. When compared to the 2004-06 programme we agreed with the CLG some significant increases in both our social rent and low-cost home ownership targets over the two years. The outputs we were tasked to deliver over the two-year period were 49,000 social rented homes and 35,000 low-cost home ownership homes. Within these two-year targets are annual targets which were achieved for both years.

Summary of corporate planning targets

CPT 2, CPT 3 and CPT 4	**Deliver the second and final year of the National Affordable Housing Programme (NAHP) for 2006-08** **Deliver 49,000 completions of new social rented homes from the National Affordable Housing Programme in 2006-08 (28,000 for 2007-08)** **Deliver 35,000 new low-cost home ownership completions through the National Affordable Housing Programme 2006-08 (19,263 for 2007-08)**

	Affordable rent (AR)		Low-cost home ownership (LCHO)		Total affordable homes	
Region	**Target**	**Actual & % achieved**	**Target including KWL Target**	**Actual & % achieved**	**Target**	**Actual & % achieved**
London	8,004	**7,619**	7,874	**6,131**	15,878	**13,750**
		95%		**78%**		**87%**
South East	4,727	**4,948**	3,245	**4,111**	7,972	**9,059**
		105%		**127%**		**114%**
East of England	3,794	**3,986**	2,005	**2,387**	5,799	**6,373**
		105%		**119%**		**110%**
South West	2,781	**3,036**	1,025	**1,670**	3,806	**4,706**
		109%		**163%**		**124%**
North West	1,932	**2,268**	311	**1,095**	2,243	**3,363**
		117%		**352%**		**150%**
West Midlands	1,448	**1,675**	1,018	**1,492**	2,466	**3,167**
		116%		**147%**		**128%**
East Midlands	1,517	**1,785**	1,072	**1,371**	2,589	**3,156**
		118%		**128%**		**122%**
Yorkshire and the Humber	907	**1,153**	108	**490**	1,015	**1,643**
		127%		**454%**		**162%**
North East	518	**577**	57	**118**	575	**695**
		111%		**207%**		**121%**
B/fwd from 2006-07	2,372	**2,372**	2,548	**2,548**	4,920	**4,920**
Unallocated		**138**		**125**		**263**
		100%		**100%**		**100%**
Total	28,000	**29,557**	19,263	**21,538**	47,263	**51,095**
		106%		**112%**		**108%**

CPT = Corporate Planning Target, KWL = Key Worker Living Programme

Completions shown as actual on the 'unallocated' line are those homes funded by the reinvestment of capital grant retained by RSLs from the Recycled Capital Grant Fund (RCGF) or disposal proceeds of a grant-funded property.

Product targets and sub-targets	Affordable rent and low-cost home ownership	
	Target	**Actual**
Number of homes completed for affordable rent, CPT 1	28,000	**29,557**
Number of homes completed for low-cost home ownership, CPT 2	19,253	**21,538**
Number of key worker living homes, CPT 3. It was agreed with CLG that KWL completions would be treated as a two-year target.	4,300	**3,171**

All targets were achieved except the Key Worker Living Target. During 2006-07 it was recognised that the expanded Open Market HomeBuy product was proving much less popular than envisaged. CLG, in recognition of this, agreed to make the key worker target a two-year target and subsequently reduced expectations for delivery of 9,044 homes over the 2006-08 period. An annual target of 4,300 was set for 2007-08, against which completions of 3,171 were achieved. Of the three regions with key worker targets only the East of England achieved its target, with the South East and London achieving 80% and 69% respectively.

All regions hit their main affordable rent and shared ownership targets except London which hit 95% of its affordable rent target and 78% of its LCHO target. The annual national targets for the delivery of all affordable housing, affordable rent and LCHO targets were comfortably met, leading to the over-delivery against the targets for the 2006-08 programme. The number of starts on sites which impact on the 2008-11 programme is ahead of schedule, which bodes well for the delivery of the outputs associated with that programme. As part of building the programme for 2008-11, a significant number of starts on sites were required as part of the delivery outputs of the 2006-08 programme. To ensure a strong performance in this area, the value of the start on site payments was increased from 50% to 60% of the total scheme value during March. The number of starts on sites exceeded our expectations, which is encouraging in terms of our ability to deliver the first-year targets of the 2008-11 programme.

	Target	Result
CPT 5	Increase the percentage of larger properties available for affordable rent provided in London through the National Affordable Housing Programme from 26.6% in 2005-06 to 34% in the 2006-08 allocation. Nationally, exceed 7,000 larger homes completions available for affordable rent in 2007-08.	**Target met:** At the end of March 2008 grant confirmed social rent 3+ bed allocations in London represented 35.7% of total social rent allocations for the year. At the end of March 2008, 8,240 larger homes had been completed.
CPT 6	Monitor and report on the delivery of rural housing informed by the Regional Assemblies.	**Target met:** 3,706 units had been approved under rural housing by March 2008.
CPT 7	Reduce average level of grant required to deliver programme.	

Average level of grant to deliver programme (unadjusted)	2007-08 Target £	2007-08 Actual £	Target met
Average grant per new rented home (Gross)	61,554	59,633	yes
Average grant per person housed in rented homes	16,678	16,269	yes
Average grant per low cost home ownership completion (Includes NBHB, but excludes OMHB)	26,540	21,282	yes

	Target	Result
CPT 8	Number of homes approved in year to be constructed using modern methods of construction (allocations) to be 25%.	**Target met:** Number actually constructed 40%.
CPT 9	Introduce the requirement that a 3 star rating in the Code for Sustainable Homes level 3 becomes the minimum standard for the 2008-11 bidding round.	**Target met:** These requirements were included in NAHP Pre-prospectus and Design and Quality Strategy and Standards (April 2007) and NAHP Prospectus (September 2007). Monitoring arrangements agreed with CLG for post April 2008. The Public Realm Conference held in June 2007 and conferences with Sustainable Homes in September and October 2007 was aimed at supporting bidders to achieve CSH level 3.

CPT 10	To ensure that all registered social landlords with more than 1,000 homes are on track to meet the 2010 Decent Home Standard (DHS).	**Target met:** The Decent Home Standard Extension Panel has approved later delivery dates for 16 RSLs covering 8,946 properties, and 0.47% of eligible stock. These are largely in respect of properties affected by regeneration proposals which are likely to be demolished subject to finalisation of local strategies. In addition, CLG is agreeing later DHS target dates for current stock transfers. Total DHS fails for 2007 are 251,586. The total corrected by deducting new DHS fails imported by stock transfer of 27,035 is 224,551 'net' DHS fails for 2007 and this represents a reduction of 69,005 from 2006. If this rate of reduction continues, and excluding future stock transfers, then 44,571 DHS fails would remain in 2010, representing approximately 2% of the current total stock of 1,979,614; or, all housing association homes would meet the DHS by December 2010.

For 2007-08 our budget for capital investment in new affordable homes was agreed by CLG at £2.1 billion. Due to restrictions in our legal framework we rely solely on CLG for our grant in aid funding. Approximately 62% of capital grant was spent in the high demand areas of London and the South East of England. We continued to deliver affordable housing for key workers through the Key Worker Living (KWL) element of the LCHO programme. The KWL element is restricted to specific geographical areas of high housing demand and a defined client group of public sector employees in essential services where there are difficulties in recruitment and retention of staff. Throughout the year the Corporation continued to develop initiatives which will generate cost savings in the provision of affordable homes. The year under review was the fourth year of our 'partnering' approach, whereby 83 RSLs, or groups of associations, were selected to plan development with more certainty and deliver economies of scale. Financial details of the Corporation's NAHP are disclosed in Note 2 to the Financial Statements.

The Corporation continues to enjoy the confidence of CLG in meeting the Government's social housing targets. Working closely with CLG and stakeholders such as the Regional Assemblies, English Partnerships, the National Housing Federation, the CIH, the Local Government Association and other housing experts, we are confident that we can meet the challenges arising in the year ending March 2009, including the transfer of functions to the new agencies.

05 // Improving landlord performance

The Corporation is committed to better regulation. We believe that embedding the principles of better regulation in all our activities is an effective way to enhance consumer protection and support stakeholder confidence in the sector.

Our regulation reflects objective assessments of risk, to maintain and improve the viability of the sector and the quality of governance and service delivery. Our engagement is tailored, appropriate and proportionate to the risks which providers face.

From 6 April 2008, the Corporation is subject to the statutory Regulators' Compliance Code, issued under section 22 of the Legislative and Regulatory Reform Act 2006. Our overall approach to regulation is risk-based and outcome-focused, strategically aligned with the requirements of the Code.

We use our regulatory system to drive improvements in housing association efficiency and performance, and help to ensure that associations continue to attract private finance at competitive rates to build and improve affordable homes whilst delivering excellent services to their residents and communities.

We want residents to have a greater say in how their housing association is run and in decisions that affect their lives, as this is critical to the effective delivery of housing and housing-related services. This year we published our new requirements of housing associations to ensure that 95% of the larger housing associations have resident representation on all boards with service delivery responsibility by March 2009.

We have continued to maintain integrity and transparency in our regulatory activity by publishing up-to-date Housing Corporation Assessments for the larger associations, and all those in receipt of investment funding. We reviewed our regulatory regime for smaller associations as a further refinement to our proportionate and risk-based approach to regulation.

We are continuing to use our registration and regulation powers to ensure that all housing associations with more than 1,000 homes are on track to meet, or exceed, the Decent Home Standard by 2010.

We have responded to the Cave Review by accepting and implementing the relevant recommendations and by contributing effectively to the successful transition to the new Tenant Services Authority.

Profile of the sector

The Housing Corporation has a statutory duty to maintain a register of the associations we regulate. On 31 March 2008 there were 1,879 housing associations operating in England listed on our register, a net decrease of 45 since the previous year end. These associations comprised:

Industrial & Provident Act Societies (Charitable rules – 681/Non-charitable rules – 413)	1,094
Registered charities only	410
Registered companies only	65
Registered as both a company and a charity	310
Total	**1,879**

Distribution of housing associations by Housing Corporation Field and type

Registry type	London	South East	South West	Central	North	National
Almshouses	63	68	52	113	80	376
Abbeyfield	28	52	53	44	53	230
YMCA/YWCA	9	3	4	14	8	38
Co-operatives	138	6	4	27	68	243
Co-ownerships	6	2	-	10	7	25
Letting	127	104	62	157	156	606
Letting/Hostel	79	52	38	70	52	291
Hostels	15	5	5	12	6	43
Sale or Lease	11	4	1	2	9	27
Field Totals	**476**	**296**	**219**	**449**	**439**	**1,879**

Analysis of the sector by stock size

Number of properties	Number of RSLs	Percentage of RSLs
Less than 250	1,354	72.1%
250 - 2,499	246	13.1%
2,500 - 4,999	137	7.3%
5,000 - 7,499	74	3.8%
7,500 - 9,999	24	1.3%
10,000 - 12,499	15	0.8%
12,500 - 14,999	11	0.6%
15,000 - 17,499	5	0.3%
17,500 - 19,999	3	0.2%
More than 20,000	10	0.5%
	1,879	**100%**

Registrations

During the year we registered 37 new housing associations, compared to 22 in the previous year. The new registrations comprised 20 large-scale whole or partial stock transfers from local authorities; 12 new parent bodies of a group structure; four amalgamations and one other general registration of a small charitable trust.

Stock transfer registrations

The 20 transfer registrations as part of the Government's approved programme of large-scale voluntary transfers resulted in 90,371 local authority homes becoming part of the regulated sector in 2007-08. This is an increase on the previous year of 23,099. This year the majority of transfers once again involved relatively medium-sized Shire, District and Borough Council transfers rather than larger urban metropolitan authorities. However there were three large urban transfer registrations of:

Liverpool Mutual Homes with 15,146 homes from Liverpool City Council; Southway Housing Trust with just under 6,000 homes from Manchester City Council and Phoenix Community Housing Association with 6,344 homes from the London Borough of Lewisham. Where stock transfers involve an increase in size of a group structure the Corporation looks for efficiencies in the proposed running costs of the organisation which will deliver future benefit, to tenants.

Registrations as part of a group structure

We completed 12 group structure registrations of non-stock owning 'parent' associations, of which seven were formed to take in a new stock transfer RSL as a subsidiary.

Group structure activity continues to be an important area of work. A new feature is amalgamations by associations that are Industrial & Provident Societies already in a group structure. During the year we have registered four amalgamated bodies, resulting from two or more associations completing a formal amalgamation to create one continuing body, under the process set out in the Industrial & Provident Society Act and with the Consent of the Financial Services Authority.

Seven of the new transfer registrations were formed as subsidiaries of new RSLs, three as part of an existing RSL Group and ten as new 'independent' associations on the Register of Social Landlords.

De-registrations

During the year 21 RSLs were de-registered and 61 were removed from the register.

Consents

During the year the Corporation issued 3,045 sealed statutory consents to RSLs. This comprised 170 constitutional consents, of which 140 were to amend or update RSL governing instruments. Four consents to RSL amalgamations and 26 Transfer of Engagement consents were issued.

The Consents Section issued 2,875 Section 9 consents during the year, of which 652 were for private finance secured against RSL properties. 2,223 Section 9 consents were for RSL disposals or transfer of properties between RSLs.

Submission of annual accounts

	2007-08
Accounts Due	1,738*
Received from RSLs during year and placed on Register	1,651
RSL Accounts outstanding	87

* Number of accounts due varies with changes of RSLs' financial year end as well as the number of social landlords registered with the Housing Corporation.

Figures exclude RSLs which had yet to submit accounts where the anniversary of the financial year end had not yet fallen.

These figures refer to accounts for financial periods ending October 2006 to September 2007, for which the required date for submission fell between 1 April 2007 and 31 March 2008.

Most of the outstanding annual accounts are for small associations, or where the RSL is merging or transferring their engagements to another RSL.

In all cases regulatory action is taken to ensure that accounts are provided and reasons for any delay are understood.

Determinations issued under Paragraph (2)(2)(f) of Schedule 1 to the Housing Act 1996 (Payments and benefits to officers)

In 2007-08 the Housing Corporation issued 78 special determinations for exemptions from Paragraph 2(1), Part 1 of Schedule 1 of the above Act. 115 were issued in the previous year.

Supervision

Where we have intervened

Where we find that housing associations do not comply with the Regulatory Code in a significant way we intervene to deal with the underlying concerns. In the most serious cases of under-performance we place associations under supervision. The number of housing associations under supervision reduced to eight cases as at 31 March 2008, which compares to a total of 47 cases five years ago (see statistics table below). Over the five years, 55 new cases were identified and 94 cases were resolved. There were four new cases in 2007-08.

The trend towards fewer supervision cases continues to reflect the impact of the principles of the Regulatory Code and of risk-based regulation. The shift in emphasis towards self-assessment and self-regulation, together with more reliance on internal assurance and verification, has led to associations taking greater responsibility for their own compliance with the Code. We have moved away from dealing with concerns about process, which previously accounted for a high proportion of cases. Supervision casework now, by definition, handles the most difficult and complex problems, with high levels of risk and impact.

We continue to emphasise the importance of governance and management performance in our regulatory assessments. In many of the most serious cases of under-performance we use our power to make statutory appointments to the governing bodies of housing associations. These bring in additional skills and expertise to help to resolve the problems as quickly as possible. During the year we made appointments to the boards of five associations (two in 2006-07). These were:

- AmicusHorizon Housing Group;
- Clays Lane Housing Co-operative;
- Leeds Federated Housing Association;
- St. Matthew Housing; and
- Ujima Housing Association.

At 31 March 2008, seven associations had statutory appointees on their boards.

Following the outcome of a statutory inquiry, the Corporation's Board decided to direct the statutory transfer of Black Roof Community Housing Association's land (essentially all of its assets and liabilities) to another registered social landlord. The process of selecting a suitable transferee association was completed and ASRA Greater London Housing Association was chosen as preferred recipient of the land. The Corporation applied to the Secretary of State for the necessary consent to the transfer. That consent was received in March 2008, and the process for completing the transfer was in its final stages at the point these accounts were signed.

In December 2007 and January 2008 the Corporation used its insolvency powers under Sections 39 to 50 of the Housing Act 1996 for the first time. This followed action by lenders to call default, and appoint receivers, in respect of the borrowings of Ujima Housing Association. The Corporation used its powers to impose a moratorium on creditors' action, and thereafter to make proposals for securing the future of Ujima by way of a transfer of engagements to London and Quadrant Housing Trust. The proposals were accepted by the secured creditors, thus avoiding the collapse of Ujima, and the transfer was completed within 28 days in accordance with the requirements of the legislation. In the current year a review of the Ujima case has been commissioned to examine our regulatory approach and ensure lessons are learned as appropriate for the future.

In January 2008 we launched a new initiative which aims to expand the pool of expert persons who are available to act as statutory appointees to housing association governing bodies. Further information about this initiative is available on the supervision pages of the Corporation's website.

Statistics

Section 1: Supervision cases summary	
Number of cases as at 1 April 2007	17
New cases added	4
Cases resolved	(13)
Number of cases as at 31 March 2008	8

Section 2: Five-year trend	2007-08	2006-07	2005-06	2004-05	2003-04
Number of cases brought forward	17	23	42	51	47
New cases	4	3	8	15	25
Cases resolved	(13)	(9)	(27)	(24)	(21)
Number of cases carried forward	**8**	**17**	**23**	**42**	**51**

Section 3: Cases per Field	
Central	1
London	4
North	2
South East	1
South West	-
Total	**8**

Section 4: Cases by size (no. of homes)	>1,000	<1,000	All
Central	-	1	1
London	2	2	4
North	1	1	2
South East	1	-	1
South West	-	-	-
Total	**4**	**4**	**8**

Section 5: Ageing of cases	
Number o/s more than 5 years	3
Number o/s between 4 - 5 years	-
Number o/s between 3 - 4 years	1
Number o/s between 2 - 3 years	-
Number o/s between 1 - 2 years	-
Number o/s less than 1 year	4
Total	**8**

Financial health of the sector

The Global Accounts publication provides aggregated balance sheet and income and expenditure information for those associations with over 1,000 homes in management. In 2007, this represented 383 associations which manage almost 2.2 million homes. The criteria for inclusion have changed from the previous years from associations with 250 homes to those with 1,000 homes. The change was made in light of the Elton review of regulatory burdens, which resulted in a reduction in information requirements from associations with less the 1,000 units. The publication provides sector and sub-sector analysis of financial performance, highlights trends in key ratios, together with commentary of the impact of the external economic environment and key initiatives in operation within the sector.

The results for the year are largely consistent with previous years and demonstrate that, in aggregate, the sector is financially sound and continues to grow. Growth of 10.3% in total assets and 8.7% in turnover is delivered through a combination of local authority stock transfer and new development supported by capital grant programmes.

Highlights of the financial statements include:

- the gross cost/valuation of housing properties is £77 billion, an increase of 10.1% on 2006;
- turnover for the year is £9.1 billion, up £0.8 billion on the previous year;
- surplus on operations, at £1.4 billion has increased by 11.7% on the previous year's level, generating an operating margin of 15.5%; and
- pre-tax surplus is £0.3 billion up 8.4% on the previous year.

The financial position of the sector masks the performance and financial potential of two very distinct segments within it: stock transfers and traditional associations.

The surplus in the sector as a whole is depressed by the deficits suffered in the stock transfer segment, caused mainly by those associations within the first six years of transfer. These associations spend significant sums re-improving the transferred stock and, in general, return losses during that period. In aggregate, stock transfer associations returned a deficit of £108 million and generated an operating margin of only 10.4%, compared to 18.4% for traditional associations. However, as individual stock transfer associations mature, they typically achieve a level of financial performance more akin to traditional associations.

Indicators of the traditional association sector's financial position remain strong. The segment returned an aggregate surplus of £378 million, although, increasingly, this surplus is achieved through the profit on sales of housing assets, mainly through shared ownership products. The average operating margin has continued its marginally decreasing trend of recent years and analysis suggests this is influenced mainly by increasing spend on improvements to the housing stock to ensure the Decent Home Standard is met and as a consequence of the transfer of stock from local authorities to traditional associations.

Whilst average interest cover and gearing ratios are declining, this is to be expected as average grant rates for new supply are reducing and increasingly associations develop without public subsidy. At 118% and 33.5% respectively, however, the ratios for the traditional sector remain reasonable. Analysis of trends in interest cover and operating margin do demonstrate that the sector is exposed to differential inflationary impact of salary and maintenance costs and increasing interest rates. The sector's response to the drive for improving efficiency is a key factor in its financial performance withstanding these pressures.

These results of our Global Accounts indicate a sector that should be well placed to deliver on its social and business objectives into the future. However, they represent the position at March 2007 and pre-date the turmoil seen in the global financial markets since the summer of 2007. Whilst the sector is managing the pressures imposed by rent restructuring and compliance with the Decent Home Standard, it faces challenges in delivering increased levels of development against a backdrop of both a weaker housing market and tightening credit conditions for additional external finance.

Performance against our key Corporate Plan Targets in this area is set out below:

CPT 11	To ensure that the promotion and dissemination of the Homelessness Strategy is delivered through a national programme of activity which will include at least one event in each of the nine English regions.	**Target met:** Dissemination events were held in each of the Housing Corporation and regions between March and May 2007. Events included input from the Homelessness Action Team (HAT). On the whole these were well attended by both local authorities and RSLs. The format of events was driven by Housing Corporation regions to ensure best fit with local issues. A homelessness workshop was held in June 2007 at the CIH conference in Harrogate to present an update on Housing Corporation research and to underpin the implementation of the strategy. This event was very successful and confirmed the high levels of interest in future reports/recommendations for the sector. These reports and recommendations were disseminated during the autumn 2007 round of NHF/CIH conferences as well as events/seminars organised at local and regional levels. The HAT is also rolling out its activities beyond London and a key element of this is dissemination of key actions from the homelessness strategy.
CPT 12	To ensure that 95% of the larger housing associations have resident representation on the board with service delivery responsibility by 2008-09. Performance against this target will be monitored from March 2009.	**Target met:** On target to deliver performance monitoring from March 2009.
CPT 13	Achieve or exceed Gershon efficiency targets for new supply, capital works, management and maintenance, and commodity goods and services.	**Target met:**

Efficiency gains	2007-08 £ million	Actual 2007-08 £ million
New supply	160	825
Capital works	60	133
Management and maintenance	80	189
Commodity goods and services	55	66

CPT 14	Maintain up-to-date Housing Corporation Assessments for the larger associations and all those in receipt of investment funding – with an estimated 200 HCAs produced in the calendar year ending December 2007.	**Target met:** The annual target was delivered and exceeded due to reactive requirements (for mergers, inspections etc) over and above plan – by end December, over 250 HCAs were published. At end March, all HCA revisions were delivered according to revised plans for 2008. Up-to-date Housing Corporation Assessments are available on the website www.housingcorp.gov.uk for all large associations.
CPT 15	We will undertake reviews of all supervision cases on a three, monthly basis and produce action plans with milestones including monthly update on progress by lead officers.	**Target met:** All cases are reviewed by the local project board quarterly and monthly progress reports are produced. All icebergs are reviewed at the local quarterly supervision panel and reported to Board's sub-committee.
CPT 16	We want at least two out of three RSLs to improve performance against the indicators below.	**Target not met:** The 2006-07 performance indicators, based on the March 2007 RSR and accounts return, were published in December 2007. The average performance for each of these PIs across the sector as a whole shows improvement over 2006 figures for four out of five and the remaining PI shows a slight variance downwards of less than 0.1%. For context, the PI national average results are (with 2006 in brackets): • % general needs vacant 2.1% (2.0%); • average relet days 39 days, (42 days); • average SAP 68.6% (68.1%); • % routine repairs 94.0% (93.1%); and • rent arrears 5.2% (5.2%). For many associations it is difficult to improve on results which are at the higher regions of performance. However in 2007-08 we set a stretching Corporate Plan target of improvement by two thirds of all associations. Despite results above we did not observe improvements across two thirds of associations.

	% of RSLs that showed improvement between 2005-06	**% of RSLs that showed improvement between 2006-07**
% of general needs vacant	62.0	66.0
% of average days re-let	64.0	66.0
Average SAP rating	87.4	66.0
% of routine repairs on target	62.3	66.0
% of rent arrears	64.8	66.0

06 // Making best use of our expertise

Innovation, good practice and research

The Housing Corporation has continued to invest significantly in high-quality research, data collection and analysis, and in support of innovation and best practice, informing the Corporation's delivery roles and contributing to the development of future approaches to the delivery and management of affordable homes. During 2007-08, the Corporation invested a total of £1.8 million in research, data collection and analysis, innovation and best practice, prioritising its investment in projects relevant to:

- meeting the housing needs of vulnerable people and diverse communities;
- ensuring we are responding effectively to the challenges of an ageing population;
- addressing climate change by reducing the carbon impact of existing and future affordable homes;
- developing our understanding of future demands on affordable housing, and the likely changes in the range of delivery partners available to us;
- better understanding the tools needed to deliver effective and sustainable estate renewal and promote the development of mixed and cohesive communities; and
- better understanding the extent to which current approaches are meeting the needs of black minority and ethnic (BME) communities.

During 2007-08, the following key projects were supported:

- a major study on the demographic, economic and spatial drivers of future affordable housing demand, and the likely aspirations of future residents of affordable housing;
- a high-profile study on the life chances of social housing residents, tracking cohorts of tenants from the Second World War to the present day;
- the development of the Residents Consultation Panel, which includes some 1,400 housing association and 1,000 local authority and ALMO residents, providing important information on the views and priorities of residents of social housing;
- two projects focusing on understanding the drivers of satisfaction amongst BME tenants and the impact of culturally sensitive services in meeting housing need; and
- a review of housing association activity aimed at tackling worklessness.

During 2007-08, a total of 150 projects received funding under our Innovation and Good Practice grant, 46 of which were commenced during that period. New projects focused in particular on the following areas:

- barriers to LCHO;
- land availability;
- responding to an ageing population;
- housing management services in the 21st century; and
- tackling Respect.

The Gold Award for Excellence, launched in 2005, continues to challenge and inform the sector. The second round of Gold, launched in June 2007, focused on empowering communities and environmental sustainability. An intensive dissemination programme has ensured a high level of participation by the sector in events ranging from conferences, policy breakfasts, seminars and open days as well as materials such as brochures and CD toolkits.

A third round competition was launched, with themes of building cohesive communities, delivering joined up development and tackling worklessness, with winning entries to be announced in early 2008-09.

Each year the Housing Corporation collects key information from all RSLs in order to understand national and local trends in social housing, inform policy development and provide a consistent overview of RSLs at the local level. This information supports the Housing Corporation's regulatory system, the provision of housing association performance indicators and the work of the Audit Commission's Housing Inspectorate.

Information is collected through the Regulatory and Statistical Return (RSR) which provides an annual snapshot of the two million housing association properties, including profile of stock, and key breakdowns including additions and losses, evictions, anti-social behaviour, Decent Homes and low-cost home ownership. The Continuous Recording of Lettings and Sales (CORE), monitors lettings (c. 300,000 per year) and sales (c. 17,000 per year) by housing associations and local authorities, including key household characteristics, such as, age, sex, economic status, occupation, ethnicity and nationality, income and benefits, rent, source of referral and previous accommodation.

Through our external partners all of this data is collected in electronic form, validated, analysed and published to ensure that the resulting information is sufficiently fit for purpose. Outputs include summaries for each individual RSL through to national reports, as well as online analytical tools which have been developed and implemented this year. (See www.rsrsurvey.co.uk, www.core.ac.uk, www.dataspring.co.uk)

During the year, specific and substantive analysis of the data has provided key current insights into, amongst other things, worklessness, homelessness, Decent Homes progress, rent comparisons and trends, and housing for vulnerable people. Data from RSR and CORE is used to calculate key performance indicators. The data is also used extensively in research, and Innovation and Good Practice projects commissioned by the Corporation and a range of stakeholders.

The Corporation has been working closely with CLG on the development of the National Register of Social Housing (NROSH). The initiative is creating a single, national and consistent social housing database, providing key information (c. 40 attributes) on each of the four million social housing properties provided by housing associations and local authorities. Not only does this allow powerful analysis at any geographical level, but information is also extracted from the Housing Management Systems more efficiently. NROSH is planned to supersede most of the RSR and some CLG data collection elements, and already contains some information for 1.3 million properties.

Reflecting the Corporation's determination to ensure that our investment in research and good practice is as accessible and useful as possible, the Corporation has continued to invest in improving the dissemination of our research, IGP and statistical outputs. This has included a new sector-wide bulletin – CRMI Insights – highlighting recent research findings; continued investment in our magazine Open, which highlights best practice and resources on key thematic areas; and seminars and conferences aimed at housing associations and policy makers within government. In addition we have developed an ongoing internal learning programme in order that Corporation staff benefit from the best information on housing issues, in preparation for the forthcoming transition to the Tenant Services Authority and the Homes and Communities Agency.

Performance against key Corporate Plan Targets for the period is summarised below:

CPT 17	To inform our policy development and operations with residents' views and aspirations by means of feeding into our research six surveys of the Resident Consultation Panel.	**Target met:** Four surveys have been conducted, two further surveys are planned for January and March and will also cover local authority tenants. Summaries are available on the CRMI website pages.
CPT 18	Improve dissemination of completed IGP projects through a range of media by ensuring a dissemination plan and impact appraisal is incorporated into every project contract for 2007-08.	**Target met:** All IGP contracts now include requirement for dissemination plans and impact appraisal.
CPT 19	Successfully disseminate good practice of 2007 Gold winners. Successfully launch new round of the Gold Award, generating at least 50 high-quality applications from housing associations.	**Target met:** 2007 – Very successful programme to date, reaching over 500 delegates at Housing Corporation events, satisfaction rating of 92%. Participated in other events, eg CIH national conference, NHF national conference, Green Week Summit, Green Construction Summit, NHF Environment Conference, Northern Housing Summit etc. 20,000 copies of Inside Housing supplement distributed, 6,000 copies of knowledge-sharing brochure and CD toolkit in progress to deliver 37,000 copies. 2008 – 72 applications received across three themes representing 900,000 homes. Applications received from every Field. 18 short listed, from which nine winners are likely.

07 // Developing our can-do culture

During 2007-08 we have demonstrated our ability to deliver our can-do culture through:

- a successful track record in delivering the Government's affordable housing targets, combining expertise of national policy and local knowledge in field offices;
- a strongly shared ethos based on transforming lives and communities through the provision of high quality affordable housing;
- the introduction of a co-ordinated organisational change programme to manage the collective input into the transition to the two new agencies in 2008-09;
- improving our internal communications and performance management processes – creating better linkages between corporate and individual targets;
- implementation of a new IS strategy (approved by the Board in February 2007) which saw a shift from bespoke development to a buy-not-build approach, which has been applied in the development of Investment and Regulation systems over this period;
- the appointment of a new ICT supplier to improve the hosting service of our IT infrastructure during 2008-09;

- the successful completion of our Leadership Development Programme. The integration of this cohort and our Executive Management team has seen much better collaborative working within the Corporation which has ensured we have met the majority of our corporate targets;
- corporate-wide training in risk management, relationship management and project management;
- Learning Champions in all Fields and functions have continued to link effectively with the central learning and development team, delivering locally responsive programmes within a national framework;
- the involvement of our second tier of management in designing the agenda for our Corporate Management Group thus making it more relevant to the staff of the Corporation; and
- confirmation from the IiP assessor that we are ready for the planned assessment in 2008-09 from the evidence seen.

The Government's announcement during the year of the intention to create two new housing agencies was greeted by Corporation staff in different ways. Some, understandably, were unsettled by this major forthcoming change and others were excited about the new challenges ahead. Early on the Corporation recognised the importance of producing an effective employee relations and engagement strategy for the transition period. A number of workstreams were identified specifically in relation to the transition and staff from across the Corporation were invited to become involved.

A variety of communication channels – staff briefings, the intranet, conferences and dedicated newsletters and magazines – ensure that staff are aware and are kept informed of the main issues affecting the Corporation. Just over half the Corporation's workforce are members of one of the recognised trade unions, and meetings with the elected representatives continue to take place on a regular basis. At the beginning of the year we negotiated a new recognition agreement which is clearer about the arrangements for time off and tightens up dispute resolution. We are keen to widen the scope of employee relations to encompass the whole staff body.

During the year we have been developing our new pay and grading arrangements to ensure salaries are both fair and reasonable in relation to colleagues, and also competitive within the external labour market. We believe it is in everyone's interest that pay is awarded fairly and equitably as it is one of the key factors affecting morale and relationships at work. We recognise that our pay systems must be transparent, based on objective criteria and free from bias – a finding that was confirmed by an equal pay audit undertaken during the year. We have also built on our existing voluntary benefits provision by re-launching a tax-free cycle-to-work scheme.

We have reviewed and updated our main people-related policies to ensure legal compliance. Equality impact assessments were completed for all the main HR policies. We also refined our corporate performance management system to establish clearer links between corporate, operational and individual objectives, and risks, which culminated in the production of a single corporate performance calendar. We continued to improve performance through the delivery of people and development strategies. All programmes identified as business critical, as part of the three-year learning and development strategy, were implemented and evaluated – including the leadership and management development programmes, as were other key elements such as personal development through coaching and mentoring. The Housing Corporation places great store in the development of its staff. Formal policies and structures are in place to provide career development and learning opportunities for all.

The Housing Corporation employs a diverse workforce as a consequence of recruiting people from the widest possible talent pool. We are committed to creating an open and inclusive working environment which reflects the communities within which we operate. We recognise that our innovation and creativity is based on the skills and experiences different people bring to the organisation. As an IiP accredited organisation, we are recognised as an employer where all of our people are equipped to achieve both corporate and professional aspirations.

In meeting our corporate objectives we value the views of our staff and believe that the learning environment we have created can only be maintained through listening to one another. Employee forums have enabled us to shape our approach to disabled people, women and the BME communities. Much work was done during the year in developing our single equality scheme, which seeks to consolidate our three separate schemes and the broader approach to equality into one coherent document. This forms part of the action taken to maintain and develop the provision of information to, and consult widely with, employees.

The Forum Representing Ethnic Minority Staff in Housing (FRESH) has become an integral part of the Housing Corporation since it was launched four years ago. Its purpose is to enhance the participation made by BME staff within the Corporation. It achieves this by working with senior management through a number of sub-groups focusing on human resources, learning and development, and policy and communications. Sir Bob Kerslake, the Chief Executive designate of the Homes and Communities Agency, has stated that he wants to use the FRESH model we have adopted and build on our success going forward in the new agency.

The People with a Disability Group provides an opportunity for disabled people to engage directly with the Housing Corporation to ensure that improvements are continuous and sustainable. We believe that the disadvantage experienced by many disabled people stems from attitudinal and environmental barriers. Through our disability policy and strategy and by supporting our staff with a disability we remain committed to achieving disability equality by working to dismantle these barriers wherever possible. Any employee who becomes disabled will receive support to ensure, wherever possible, they are able to continue in their role.

Performance against the key can-do culture Corporate Plan Targets is summarised below:

CPT 19	Achieve 80% satisfaction of key external stakeholders which will be measured by an independent survey of regional stakeholders.	**Target met:** An independent survey among our regional delivery partners and the results were reported to the Executive Management Team and the Corporation's Board. The overall target was achieved with our general effectiveness at a regional level rounding up to 80%. Other results were that 81% of respondents thought that we were effective in contributing to regional housing strategies and 96% said that we understood the regional issues of stakeholders.
CPT 20	Implement environmental management across the Corporation by gaining full recognition of ISO 14001 by autumn 2007.	**Target met:** Implemented environmental management across the Corporation by gaining full recognition of ISO 14001 by autumn 2007.
CPT21a	Deliver a bid data collection system to support the next NAHP bidding round by September 2007.	**Target met:** All phases of this project were completed on time and to budget, ensuring that the NAHP 2008-11 bid round was a success, and also providing a system to support future regular market engagement.
CPT21b	Deliver the Programme Information System (PIMs) by March 2008.	**Target partially met:** Phases A and B of this project were completed. A mid-year strategic review resulted in the final phase C being mothballed and resources diverted to upgrading the current Investment Management System (IMS) for the 2008-11 programme (see narrative below). This upgrade to IMS 2008-11 was completed on time and to budget.
CPT 22	Deliver the successor to current ASP contract by January 2008.	**Target met:** A new ICT contract was awarded to the successful bidder on 16 October 2007 and service commenced on 1 January 2008.

IS-PIMS

The Systems Group (a sub-group of the Executive) spent the early part of 2007-08 reviewing the development approach and deliverability of the new .net Programme Investment Management System. Flowing from this a recommendation was made at a workshop to halt PIMS development as the probability of delivery for April 2008 was not considered strong. There are a number of factors that drove this decision including continued availability of support for the current IMS system (the lack of which was a fundamental driver to the 2004 business case), and the anticipated further changes to systems that will be required post HCA.

The decision to halt PIMS resulted in a rapid reduction in externally bought-in development on PIMS and a period of internally delivered bug fixing, documentation and tidying to ensure the product development effort could be picked up and accelerated if required. Because we cannot predict whether HCA will wish to pursue this development in due course, we have subsequently recommended and actioned the write-off of historic development costs.

During the last two years we have learnt from this experience and developed a revised IS strategy which emphasises the need for robust and clear business cases to be developed and agreed prior to the commencement of development; and sets out a philosophy for systems development based on the buy-before-build approach; and where bespoke development is needed or a preference for fixed price development contracts to be entered into. As a result of applying this revised strategy the new and enhanced IMS 2008-11 system (including bids capture, assessment, transfer, rme and other new requirements) was delivered on time and to budget as a functional system on or before April 2008.

The Corporation is subject to budgetary controls and grant in aid with CLG. Our net running costs, amounting to £46.8 million, revenue grants of £8.2 million and net interest receipts of £3.0 million were managed within a Resource Near Cash Non-Cash budget of £52.8 million. Capital administration expenditure of £3.5 million was managed within a budget of £3.6 million. Details of the Corporation's revenue costs are disclosed in notes 3 to 9 and capital expenditure in notes 12 and 13 to the Financial Statements.

08 // General financial matters – pensions, payments, audit, loans, financial instruments and post-balance sheet events

The Corporation is an admitted body to the City of Westminster Pension Fund. The liabilities of the fund have decreased by £13.8 million to £31.5 million. In addition an actuarial gain of £14.4 million has been credited to the General Reserve and is disclosed in the Statement of Recognised Gains and Losses. The employers' contribution rate for the year was 9.6%. A full disclosure of the pension scheme performance is contained in Note 10 to the Financial Statements.

The CLG pays grant in aid based on the estimates the Corporation makes for its immediate requirements. Grant in aid is transferred from the CLG on a weekly basis to fund the Corporation's daily grant payments to social housing providers and on a monthly basis to fund its administration and capital costs.

The Corporation's accounts and financial transactions are audited by the National Audit Office. This a statutory appointment under the Government and Resources Act 2000 (Audit of Public Bodies) Order 2003 (SI 2003/1326). During the year the NAO undertook no non-audit work for the Corporation.

The Corporation manages a small portfolio of loans. They are funded by a similar borrowing from the National Loans Fund. All loans are secured on property and, except in few minor cases, all annuity repayments were made when they became due. Two debts were written off during the year for which full provision was included in the accounts. Details of our loans and the borrowing from the National Loans Fund are disclosed in Notes 15 and 20 to the Financial Statements.

We have made no disclosures regarding financial instruments other than at Note 22 to the Financial Statements. No significant post Balance Sheet events have occurred.

I, Steven Douglas, being the Corporation's Accounting Officer, can confirm that all information required by our external auditors, in order for them to gain sufficient assurances that the Corporation has acted within transparent and accountable processes and that we have delivered our business within our statutory framework, has been provided to them.

09 // Better Payment Practice Code

The Corporation fully supports the CBI Better Payment Practice Code and aims to pay all undisputed invoices within 30 days of receipt and at least 90% of invoices whether disputed or not within these timescales when paying for goods and services. For the payment of grants to RSLs and other bodies the Corporation has a policy to pay these either on scheduled dates or within ten working days of receiving a valid grant claim.

It is the Corporation's 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 those 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.

10 // Changes in fixed assets

The Corporation invested £3.6 million in tangible and intangible assets. Of this, £998,000 was spent on developing software for our investment systems and £503,000 on our regulation systems. A further £135,000 was spent on developing the framework for the NAHP programme. This has increased the value of intangible assets within the balance sheet. These development costs have been capitalised under FRS13.

During the year a decision was made to write-off the development costs of our .net infrastructure. Of the £998,000 spent on the investment systems, £231,000 was spent on the .net infrastructure. More details can be found at section 7. Due to the engagement of a new supplier to provide the ICT infrastructure we needed to spend £1.6 million to enable the first phase of benefits to occur. A further £100,000 was spent on replacing our wide area network to enable better communications and flow of data traffic.

Refurbishments in a number of our offices and the purchase of office equipment and hardware totalled £250,000. The value of fixed assets held by the Corporation is disclosed in Notes 12 and 13 to the Financial Statements.

11 // Freedom of information

The Housing Corporation is a public authority subject to the right of access under the Freedom of Information Act 2000. In accordance with the Act, the Housing Corporation proactively publishes information, and will be continuing this work over the summer months as the Corporation adopts the Information Commissioner's model publication scheme. The Executive and Board regularly review the nature, source and extent of Freedom of Information (FOI) requests in order to review compliance and our general approach to the publication of information.

The Corporation has received 123 FOI requests from 1 April 2007 to 31 March 2008. Of these requests, 15 have resulted in an internal review – in 12 cases the original decision was upheld and in three cases the information was disclosed. The remaining 108 cases were where we either disclosed the information or where we didn't but they were satisfied with our reasoning and did not appeal our decision.

Since the introduction of FOI in 2005 the Corporation has had only six cases referred to the Information Commissioner's office for external review. Due to the backlog at the Commissioner's office these cases are only just being investigated. Four of the six cases were resolved informally and the information disclosed. One case was subject to a formal decision notice in which the Commissioner upheld the Corporation's original decision and one case is yet to be investigated.

As far as we are aware there have not been any cases referred to the Commissioner's office for review since March 2007.

12 // Policy on energy conservation and environmental issues

As a key trend-setter for the construction industry, the Housing Corporation continues to drive for higher environmental standards in the homes it funds and to embed sustainability throughout our areas of business.

In progressing to the 2008-11 bid round the Housing Corporation has achieved a significant step forward. All new-build rent and LCHO schemes funded in the new programme will be compliant with Code for Sustainable Homes level 3 or better. Code level 3 represents a 25% improvement over building regulations in terms of CO2 emissions, a maximum water consumption of 105 litres per person per day, and a challenging set of other criteria to be met. Current forecasts indicate that in 2008-11, 93% of these homes will meet level 3 of the Code and 7% will meet the higher levels of the Code.

These foundations will be built on in future as we have committed to achieving Code level 4 for the next bid round (2011-14) and to zero carbon development by 2015, subject to the technology becoming cost effectively available.

Building on the publication of EcoHomes XB for existing buildings we are actively promoting the methodology to our investment partners though publication of guidance and though dissemination events. Using experience from the Gold Award environmental performance theme, we have also commissioned authoritative guidance for social landlords on retrofitting measures to assist them in appraising and installing measures to improve environmental performance of existing stock. Furthermore we have developed a framework to stimulate associations to retrofit measures and are liaising with CLG to implement this. Moving forward, environmental performance of existing stock is key a theme in our innovation and good practice grant scheme.

Demonstrating its commitment to the environment, the Housing Corporation has been awarded the internationally recognised ISO 14001 certificate.

Like all businesses, we recognise our office and administration activities have an impact on the environment. We aim to continue our work in reducing adverse effects wherever we can, recognising our obligation in setting a good example to other stakeholders in the social housing sector.

We are committed to continually improving our own environmental performance by complying with relevant legislation, ensuring that prevention of pollution remains an integral part of our working practice. The award during the year of ISO 14001 status was also in respect of improving environmental standards in all our offices. As part of our ongoing commitment to maintaining this standard we will continue to:

- ensure all employees are aware of our environmental policy and fully understand their responsibilities within it;
- reduce office waste (for example, by increasing our use of computers for information storage, editing of documents and printing on both sides of paper when possible);
- use recycled and/or environmentally friendly paper and favour those suppliers of office materials who are committed to environmental good practice, ideally through BS 8555 or ISO 14001;
- recycle, or re-use waste where practicable;
- use energy efficiently throughout our offices;
- minimise fuel consumption by careful planning of journeys and favour the use of environmentally friendly vehicles (during the year we introduced the cycle-to-work scheme); and
- encourage greater use of public transport where possible.

Our environmental policy is being implemented by the setting of objectives and targets, which are regularly monitored and annually reviewed.

13 // Remuneration report

On behalf of the Board I am pleased to present this report on the remuneration of the Executive, Directors and Board members.

The Remuneration Committee meets twice a year and is chaired by Peter Dixon. The Board members who, together with the Chair, form the committee are:

Shaukat Moledina, Sandi O'Neill, Donald Hoodless, Sir Duncan Michael and Steven Douglas.

The Remuneration Committee advises the Chief Executive on the remuneration, contractual and Corporation pension scheme arrangements for the Chief Executive, Deputy Chief Executive and Directors. The Committee provides an independent perspective of the market pressures governing pay, specific recruitment and retention sensitivities. It considers and reviews, when necessary, the Corporation's policy on senior staff remuneration, conditions of service, benefits and compensation commitments on early termination of contracts. It makes recommendations to CLG on the performance criteria in respect of the Chief Executive's bonus and it decides the bonus of the Deputy Chief Executive.

In accordance with Schedule 7A of the Companies Act 1985, as inserted by the Directors' Remuneration Report Regulations 2002, the following sections of the report have been audited: individual remuneration of the Executive team, the emoluments of the Board members and the disclosures and notes relating to Pensions.

Service contracts

The Chief Executive and Deputy Chief Executive and other senior managers have open-ended service contracts which do not contain any predetermined compensation on termination of office.

Individual remuneration for the year ended 31 March

The key managers of the Corporation comprise the Chief Executive, who is also a Board member, the Deputy Chief Executive and Directors.

All senior managers have consented to the following disclosures relating to their emoluments and accrued pension entitlement.

	Salary		Bonus		Additional responsibility payment (a)	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Chief Executive and Deputy Chief Executive						
Steven Douglas (c) Chief Executive	**137,135**	114,497	**17,587**	4,125	**9,831**	-
Peter Marsh (d) (e) Deputy Chief Executive	**121,975**	117,181	**1,150**	1,000	**13,012**	-
Jon Rouse Chief Executive to 1 July 2007	**35,982**	130,688	**17,759**	16,656	**-**	-
Director Members of the Executive Team						
Matthew Leach Director, Policy and Communications	**86,352**	81,685	**1,765**	1,050	**10,419**	-
Clare Miller Director, Regulation	**95,715**	92,869	**1,765**	1,050	**11,549**	-
Richard Hill Director, Investment	**99,876**	97,800	**1,650**	900	**15,815**	-
Margaret Allen Field Director, Central	**95,715**	92,228	**1,765**	1,050	**10,511**	-
John Carleton (e) Field Director, North	**93,586**	91,726	**1,765**	900	**6,720**	-
Fiona Cruickshank Field Director, South East	**82,554**	80,838	**1,765**	1,100	**-**	-
Rona Nicholson Field Director, London	**101,957**	99,838	**1,765**	83	**11,486**	-
Andrew Wiles Field Director, South West	**82,554**	80,838	**1,765**	1,050	**9,279**	-

(a) The Corporation's Remuneration Committee and the Permanent Secretary of CLG agreed a series of retention payments for Directors to mitigate the risks of non-delivery of corporate targets and to ensure business continuity is maintained in the transitional period leading up to the creation of the Homes and Communities Agency and the Tenant Services Authority. The payments reflect the additional workload and responsibilities connected with the transfer of the Corporation's activities to the new agencies and, for Directors who have agreed to do so, an extension of their resignation notice period from three to six months.

(b) Taxable benefits are the value of cars stated at their taxable value net of personal contribution for private use.

Taxable benefits (b)		Employer's pension fund contributions		Total	
2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
6,741	6,332	**13,861**	11,388	**185,155**	136,342
-	-	**11,426**	10,952	**147,563**	129,133
-	-	**4,896**	14,145	**58,637**	161,489
-	-	**8,459**	8,057	**106,995**	90,792
3,124	2,965	**9,358**	9,016	**121,511**	105,900
	-	**9,746**	9,475	**127,087**	108,175
5,512	5,414	**9,358**	8,955	**122,861**	107,647
-	-	**8,760**	8,498	**110,831**	101,124
3,827	3,827	**8,095**	7,866	**96,241**	93,631
-	-	**9,957**	9,592	**125,165**	109,513
3,515	2,798	**8,095**	7,861	**105,208**	92,547

(c) Steven Douglas was Deputy Chief Executive to 2 July 2007 when he was appointed Acting Chief Executive. He was confirmed as Chief Executive on 18 December 2007.

(d) Peter Marsh was Director of Resources to 2 July 2007 when he was appointed Acting Deputy Chief Executive and assumed corporate responsibility for regulation policy and supervision. He was confirmed as Deputy Chief Executive on 18 December 2007.

(e) The salary figures for Peter Marsh and John Carleton include a cash allowance in lieu of a Corporation car.

(f) An interim Director of HR was recruited through an agency on 3 December 2007 to provide senior support during the transition period leading up to the creation of the new agencies. Fees for the Director's services paid to the agency in the period ended 31 March 2008 amount to £82,603, including VAT.

Bonus payments

The posts of Chief Executive and Deputy Chief Executive carry an entitlement to a performance related bonus of up to 15%. The level of bonus is determined by the Remuneration Committee and in the case of the Chief Executive requires the endorsement of the Permanent Secretary, CLG. The bonus payments to Steven Douglas and Jon Rouse disclosed in the above table are in respect of achievements in the year ended 31 March 2007. Peter Marsh, who was appointed Deputy Chief Executive during the year under review, received the standard bonus payment referred to below. The performance related bonus entitlements in respect of the year ended 31 March 2008 for Steven Douglas, Peter Marsh and Directors were approved by the Remuneration Committee on 10 June 2008 and subject to sign off by CLGs Permanent Secretary will be paid in 2008-09.

The bonus payments disclosed above are in respect of achievements in the year ended 31 March 2007 and an interim amount (40%) for targets achieved in the year under review.

Key managers' pension entitlements

The Chief Executive, Deputy Chief Executive and the Directors are ordinary members of the staff pension scheme which has HMRC approval and is a statutory scheme (See note 10 to the accounts). Employer contributions are at the rate recommended by actuaries and applicable for all members. The Corporation does not have a scheme that provides additional pension. Individual Directors may make Additional Voluntary Contributions and these contributions and benefits are excluded from the table below. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service.

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made 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 pension benefits they have accrued in their former scheme. The accrued annual pension and Cash Equivalent Value (CETV) shown below relate to the benefits that the Directors have accrued as a consequence of their total membership of the pension scheme and not just the service in a senior capacity to which disclosure applies. The total accrued annual pension and CETV figures include the value of any pension benefit from another scheme which the Director has transferred to the Corporation's pension scheme.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the Director (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

	Real increase in pension	Real increase in related lump sum	Accrued annual pension at 31 March 2008	Total accrued related lump sum 31 March 2008	Cash equivalent transfer value at 31 March 2007	Cash equivalent transfer value at 31 March 2008	Real increase in CETV after adjustment for inflation, market condition and employee contributions
	£	£	£	£	£	£	£
Steven Douglas	3,319	9,958	12,120	36,359	99,500	142,371	30,328
Margaret Allen	1,327	3,981	19,412	58,237	266,469	297,368	14,658
John Carleton	1,111	3,333	5,272	15,816	53,657	70,633	9,408
Fiona Cruickshank	819	2,457	25,674	77,022	375,393	403,284	8,191
Richard Hill	1,166	3,497	11,870	35,611	115,868	133,497	7,019
Matthew Leach	1,130	3,389	3,510	10,529	24,683	37,822	6,890
Peter Marsh	1,576	4,727	21,657	64,971	179,078	236,460	43,257
Clare Miller	1,200	3,600	18,985	56,955	233,201	258,799	10,654
Rona Nicholson	1,279	3,837	20,112	60,336	277,987	309,122	14,069
Andrew Wiles	860	2,579	22,879	68,637	368,727	398,396	10,230

A rate of inflation of 3.9% (2007: 3.6%) has been applied in calculating the annual increase of accrued pension and CETV. The Corporation's pension liabilities are disclosed in detail at note 10 to the financial statements. The deficit on the funds amounted to £31.5 million at 31 March 2008.

Board members' appointments and remuneration

Board members are appointed by the Secretary of State in accordance with Schedule 6 to the Housing Associations Act 1985. Appointments are generally for periods of three years. The holder of the office of Chief Executive is also a Board member. With the exception of the Chief Executive, Board members' emoluments are determined by the Secretary of State and, during the year under review, were paid directly by CLG.

The CLG's Permanent Secretary determines the Chief Executive's remuneration after discussion with Treasury and the Corporation. Details of Board members' remuneration, other details relating to their appointment are set out below and any related party transactions are disclosed in Note 27 to the financial statements.

Board members' emoluments

The fees of the Board members of the Corporation during the year were as follows. Other than the Chairman's pension entitlement disclosed below, there were no other benefits, special pension arrangements or other remuneration. The conditions for the appointment of Board members are contained in Schedule 6 to the Housing Associations Act 1985. Appointments are generally for periods of three years. The holder of the post of Chief Executive is also a Board member. With the exception of the Chief Executive, Board members are paid directly by CLG. The remuneration of Steven Douglas and Jon Rouse is disclosed above.

	Date of first Appointment	Date of re-appointment	Appointment lapses/lapsed	2008	2007
				£	£
Peter Dixon, Chairman	1 October 2003	1 October 2006	See Note (a)	**82,933**	62,942
Shaukat Moledina, Deputy Chairman	1 December 2002	1 October 2005	30 September 2008	**27,675**	27,494
Candy Atherton	1 October 2005		30 September 2008	**12,621**	12,538
Kate Barker	1 October 2005		30 September 2008	**14,023**	12,538
Julie Fawcett	1 December 2002	1 October 2005	30 September 2008	**12,621**	15,206
Chris Holmes	1 October 2004		See Note (a)	**12,621**	12,538
Donald Hoodless	1 October 2005		30 September 2008	**15,306**	13,872
Kevin Lavery	1 October 2004		See Note (a)	**12,621**	12,538
Sir Duncan Michael	1 October 2000	1 October 2004	See Note (a)	**15,306**	15,206
Sandi O'Neill	1 December 2002	1 October 2005	30 September 2008	**12,621**	12,538
Peter Rogers	1 October 2004		See Note (a)	**12,621**	12,538
Sheila Drew Smith	1 December 2002	1 October 2005	30 September 2008	**15,306**	15,206
Sheila Button	1 October 1997	1 October 2004	30 September 2006	**-**	7,603
John Walker	2 January 2007			**-**	-
Total remuneration				**246,275**	232,757
Social security costs				**22,383**	20,367

(a) Appointment renewed for the life of the Corporation subject to the passage of the Housing and Regeneration Bill through Parliament.

Board members with appointments lapsing on 30 September 2008 have now had their appointments extended for the life of the Corporation.

Throughout the year ended 31 March 2008 the number of Board members, including Steven Douglas, remained at 14.

Under an initiative introduced in 2003 by the then Deputy Prime Minister to foster a closer working relationship between the Corporation and English Partnerships, the Chief Executive of each organisation is appointed to both Boards. The appointment is for the duration of their appointment as Chief Executive. Neither the Chief Executive of the Corporation nor the Chief Executive of English Partnerships receives remuneration for these additional responsibilities. In addition, from April 2008, the Chief Executive designate of the Homes and Communities Agency has been appointed to both Boards for which he receives no additional remuneration.

Any significant interests held by Board members can be viewed via the Register of Interests which is open to the public on our website, www.housingcorp.gov.uk.

Board members' time commitment

The Chairman increased his time commitment from two to three days a week with effect from 1 November 2006. The Deputy Chairman's time commitment is four to five days a month. The agreed time commitment of other Board members is two to three days a month. The post of Chief Executive is full-time.

Chairman's pension entitlements

	Real increase in pension at age 65	Real increase in related lump sum at age 65	Accrued annual pension at 31 March 2008	Total accrued related lump sum 31 March 2008	Cash equivalent transfer value at 31 March 2007	Cash equivalent transfer value at 31 March 2008	Real increase in CETV after adjustment for inflation, market condition and employee contributions
	£	£	£	£	£	£	£
Peter Dixon	**Between £0 and £2,500**	**Between £2,500 and £5,000**	**Between £2,500 and £5,000**	**Between £7,500 and £10,000**	37,000	59,000	16,000

Under the exercise of powers contained in Schedule 6 to the Housing Associations Act 1985 the Secretary of State can, with HMT approval, extend membership of a pension scheme to the Chairman and Deputy Chairman. Mr Moledina was not a member of the pension scheme during the year ended 31 March 2008. The pension scheme is similar to the Local Government Pension Scheme, however, there are no employer contributions.

Capitalised value of accrued pension benefits

The scheme is unfunded, with benefits being paid as they fall due and guaranteed by the employer (CLG) and, therefore, there is no surplus or deficit. Members do, however, make a contribution, at the rate of 6% of gross salary. Pensions are currently in pay for three ex-chairmen.

The main assumptions used for the purposes of FRS 17 are as follows:

	2008	2007	2006
Rate of inflation	**2.75%**	2.75%	2.5%
Rate of increase in salaries	**4.30%**	4.30%	4.0%
Rate of increase for pensions in payment and deferred pensions	**2.75%**	2.75%	2.5%
Discount rate for scheme liabilities	**5.30%**	4.60%	5.4%

Pensions are paid by CLG. Therefore the following movements do not impact on the Operating Cost Statement or the assets and liabilities of the Corporation.

	2008	2007
Movement in the FRS 17 liability during the year:	**£'000**	**£'000**
1 April, Present value of scheme liabilities	**(194)**	(147)
1 April, Increase in liabilities arising from revised real investment return	**-**	-
Current service cost net of employee contributions	**(20)**	(13)
Employee contributions to pension fund	**(5)**	(4)
The interest cost	**(9)**	(8)
Benefits paid	**8**	8
Actuarial gain/(loss) – effect of changes in demographic and financial assumptions	**5**	(30)
31 March, Present value of scheme liabilities	**(215)**	(194)
Actuarial gains and losses during year		
Experience gain/(loss)	**2**	(5)
Effect of changes in demographic and financial assumptions	**3**	(25)
Percentage of the present value of scheme liabilities	**2.4%**	15.4%

Arrangements for compensation for redundancy or premature loss of office

Board members' appointments are made by the Secretary of State under Schedule 6 to the Housing Associations Act 1985 and are subject to those provisions. The Secretary of State may either terminate the appointment without notice in the specific circumstances outlined in the statute or upon giving three months' notice in writing. There are no compensation arrangements for Board members for premature loss of office.

Mr Douglas' contract specifies the circumstances under which termination can occur without payment of compensation. Redundancy or premature loss of office for non-specified reasons requires compensation to be determined between the Corporation's Chairman and CLG's Permanent Secretary.

14 // Corporate Governance report

(a) Statement of compliance with the Code on Corporate Governance Combined

Apart from the following exceptions, the Corporation has complied throughout the year with the provisions set out in Section 1 of the Combined Code published in July 2003:

- As Board appointments are made by the Secretary of State, the Corporation does not have a Nomination Committee;
- As all Board members, except the Chief Executive Officer, are non-executive the Board has not appointed a senior independent director; and,
- Board members, other than the Chief Executive Officer, do not receive performance-related payments.

(b) The Corporation and its Board

The Housing Corporation is an executive Non Departmental Public Body accountable to the Secretary of State for CLG. The Corporation has a range of functions designed principally to finance, regulate and facilitate the proper performance of RSLs in England and pay grants to unregistered bodies. It is a public body corporate with its constitution is set out in Schedule 6 to the Housing Associations Act 1985. Its functions are derived from that Act and the Housing Acts 1964, 1988, 1996 and 2004.

Details of the legislative and accounting framework and the responsibilities and accountabilities of the Corporation are described in the Management Statement and Financial Memorandum issued by CLG. This document is available both on the CLG website and in paper copy from the Corporation.

The Corporation is accountable through CLG to Ministers and to Parliament. The National Audit Office, the Corporation's statutory auditors, has full rights of inspection and the Corporation's Accounting Officer can be called upon to appear before the Public Accounts Committee. The Corporation may be called to give evidence before any of Parliament's Select Committees.

Board vacancies are advertised nationally and members are appointed and remunerated under Schedule 6 to the 1985 Act and in accordance with the Code of Practice issued by the Commissioner for Public Appointments.

The Board comprises a Chairman, a Deputy Chairman and up to twelve non-executive members and the Chief Executive who, with the Secretary of State's approval, is appointed by the Board. The Chief Executive, who is also the Accounting Officer, assisted by the Deputy Chief Executive and the Executive Team, is responsible for the day-to-day running of the Corporation. The Corporation has published a "Code of Best Practice for Board Members of the Housing Corporation", drawing on the Cabinet Office Guidance on Codes of Practice for Board Members of Public Bodies, which now embraces the seven Nolan principles of public life, and on the Corporation's own experience and practices developed over its 44 years of existence.

Details of any related party transactions in respect of other Board members with RSLs or other entities with which the Corporation does business are disclosed in Note 27 to the Financial Statements. Under an initiative introduced in 2003 by the then Deputy Prime Minister to foster a closer working relationship between the Corporation and English Partnerships the Chief Executive of each organisation is appointed to both Boards. The appointment is for the duration of their appointment as Chief Executive. Neither receives remuneration for these additional responsibilities. In addition, from March 2008, the Chief Executive designate of the Homes and Communities Agency has been appointed to both Boards.

Ordinary meetings of the full Board are held at least six times a year. Agendas for discussion includes minutes from all Board Committees, and a report from the Audit and Risk Committee (ARC), performance management reports, and issues of major importance affecting the business of the Corporation requiring the consideration and decision of the full Board. In addition, the Board holds 'Policy Day' meetings to discuss strategic items. The Board has corporate responsibility for ensuring that the Corporation fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the Corporation. To meet this responsibility the Board establishes the overall strategic direction of the Corporation within the policy and resources framework determined by the Secretary of State. It ensures that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the Corporation or the attainability of its targets, and determines the steps needed to deal with such changes.

The Board responsibilities include:

- ensuring that the Corporation 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 then First Secretary of State's guidelines, the Financial Memorandum and Management Statement;
- discharging the Corporation's statutory functions; and
- ensuring that it operates within the limits of its statutory and delegated authority agreed with CLG and in accordance with the Management Statement and Financial Memorandum.

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 and revised from time to time by the Cabinet Office.

The Board has appointed four committees consisting of Board members and advised by the Executive, Directors and senior officers. The minutes of each Committee are reported formally in writing to the Board after each meeting. Since June 2006 all Committees take decisions in their own right subject to the delegated powers within the Management Scheme. A summary of the committees and Board members involved is provided below.

Audit and Risk Committee – four meetings per year (Chair, Donald Hoodless)

Board members: Sheila Drew Smith, Sir Duncan Michael, Sandi O'Neill.

The Audit and Risk Committee (ARC) is responsible for ensuring proper arrangements exist for internal audit, risk management, internal control, monitoring performance against corporate objectives and organisational development and that assurances are reported relating to the Corporation's corporate governance requirements. It carries out a review of the Corporation's annual accounts and the matters raised by the external auditors in their Management Letter.

Other issues which the ARC considers and advises the Board on include:

- the strategic processes and policies for risk control, corporate governance and the content of the Statement on Internal Control;
- assurances relating to the adequacy and effectiveness of risk control and governance processes;
- the promotion, co-ordination and monitoring of risk management activities, including the regular review and input to the corporate risk profile; and,
- the Internal Audit Annual Plan, the Internal Audit reports and the implementation of recommendations.

The Corporation's Head of Internal Audit and the Audit Director of the National Audit Office (the Corporation's external auditors) have free and confidential access to the Chair of the ARC. All Internal Audit reports are addressed to the ARC.

Investment Committee – six meetings per year. (Chair, Sir Duncan Michael)

Board members: Kate Barker, Chris Holmes, Kevin Lavery, Shaukat Moledina, Sheila Drew Smith (John Walker as an observer).

The Investment Committee formulates and advises the Board on strategic policy for the Corporation's capital investment programmes and on wider issues of social housing policy within the Corporation's investment remit. It oversees the planning and implementation of the Corporation's capital investment programmes.

(Chris Holmes and Sheila Drew Smith joined the Committee and Steven Douglas and Sandi O'Neill left the Committee in September 2007.)

Registration and Regulation Committee – six meetings per year (Chair, Sheila Drew Smith)

Board members: Candy Atherton, Julie Fawcett, Sandi O'Neill, Donald Hoodless, Peter Rogers.

The Registration and Regulation Committee was formed in September 2007 by the merger of the former Registration Committee with the Regulation and Supervision Committee. The new Committee advises on policy for registration and approval and the criteria for registering RSLs and approving landlords. It determines individual registration and approves applications, removals and revocations as well as individual applications for rule changes from RSLs arising from mergers which exceed a 10,000-home threshold. It also advises the Board on the Corporation's policy for the regulation of RSLs, including the design and implementation of the Regulatory Code, and associated guidance. It oversees the supervision and control of individual problem cases where enforcement action is involved and advises the Board on the use of the Corporation's statutory powers in such cases.

Members of the former committees were:

Registration Committee – Sheila Drew Smith (Chair), Candy Atherton, Julie Fawcett, Chris Holmes, Donald Hoodless.

Regulation and Supervision Committee – Shaukat Moledina (Chair), Steven Douglas, Julie Fawcett, Chris Holmes, Sandi O'Neill, Peter Rogers.

Remuneration Committee – two meetings per year (Chair, Peter Dixon)

Board members: Sir Duncan Michael, Shaukat Moledina, Sandi O'Neill, Donald Hoodless, Steven Douglas.

The Remuneration Committee advises the Chief Executive on the remuneration, contractual and Corporation pension scheme arrangements for the Executive, Directors and senior staff. The Committee provides an independent perspective of the market pressures governing pay, specific recruitment and retention sensitivities. It considers and reviews, when necessary, the Corporation's policy on senior staff remuneration, conditions of service, benefits and compensation commitments on early termination of contracts.

Various consultation and review groups

The Corporation acknowledges the importance of maintaining effective dialogue and working together with a wide range of organisations in the public, private and voluntary sectors as new policies are developed and implemented. As a result, Board members lead or take part in other groups, which provide a means of consulting or reviewing aspects of policy.

Transition governance

CLG is leading on the establishment of the two new agencies which will be created by the Housing and Regeneration Bill as successor bodies to the Housing Corporation. The Chief Executive, Donald Hoodless, Kate Barker and the Deputy Chief Executive are members of the overall Programme Board. Kate Barker chaired the OFTENANT Project Board from its inception until May 2008 (prior to the change of name to the Tenant Services Authority). The Board has monitored progress of the transition at each meeting and has established a Transition/Legacy Project Board, which includes Sandi O'Neill, and is charged with overseeing the work of the Corporation in relation to the transfer of its staff, functions, assets and liabilities to the successor bodies.

15 // Going concern

The balance sheet at 31 March 2008 shows net liabilities of £358.2 million (2007: £204.4 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Corporation's other sources of income, may only be met by future grants or grant in aid from the Corporation's sponsoring Department, the CLG. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. The increase in liabilities of £153.8 million (2007: £92 million) is mainly due to the creditor for grant payments and an increase in the bank overdraft at 31 March 2008.

Grant in aid for the year ending 31 March 2009, taking into account the amounts required by the Corporation's liabilities falling due in that year, has already been included in the CLG's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the CLG's future sponsorship and future parliamentary approval will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements even though the Corporation is being wound up by the Regeneration and Housing Bill, as the functions it undertakes are being transferred in their entirety to two new agencies during 2008-09 under the machinery of government. There are no principal risks or uncertainties facing the Corporation or its successor bodies as we have agreed funding until March 2011, and our latest housing programme, NAHP, has deliverables through to 2014.

This report was approved by the Board on 24 June 2008.

Peter Dixon
Chair

Steven Douglas
Chief Executive and Accounting Officer

Statement of the Corporation's and Chief Executive's responsibilities

Under Section 97(1) of the Housing Associations Act 1985 the Corporation is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State with the approval of the Treasury. The accounts are prepared on an accruals basis must show a true and fair view of the Corporation's state of affairs at the year end and of its Income and Expenditure and cash flows for that financial year.

In preparing the accounts the Corporation and Chief Executive are required to comply with the requirement of the Government Financial Reporting Manual, and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

The Corporation and Chief Executive confirm that the accounts comply with the above requirements.

The Board member appointed as Chief Executive is also designated the Accounting Officer and the Consolidation Officer for the Corporation. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

Chief Executive and Accounting Officer's statement on internal control

1. Scope of responsibility

As Chief Executive and Accounting Officer of the Housing Corporation, I have responsibility for maintaining a sound system of internal control that supports the achievements of agreed policies, aims and objectives, as set by the then First Secretary of State, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Financial Memorandum, and Accounting Officer and Consolidation Officer letters.

2. Accountability arrangements

The Housing Corporation is a Non-Departmental Public Body sponsored by CLG. Arrangements for securing accountability between the Corporation and CLG are set principally in the Appointment as Accounting Officer letter issued to me by the CLG Accounting Officer in May 2007, and the Management Statement and Financial Memorandum issued on 1 April 2005. An ongoing dialogue is maintained at both a political and officer level. A series of scheduled formal CLG round up meetings were held throughout the year with officers from CLG, members of my Executive team and myself to discuss specific and general business issues. A monthly Finance and Investment Programme Review meeting took place throughout the year at which the Monthly Management Report and Accounts were discussed with officers of CLG and the Corporation. In addition a number of other meetings regarding the Corporate Plan, the National Affordable Housing Programme and other topics were held with officers and Ministers.

3. The purpose of the system of internal control

The purpose of the **system of internal control** is to facilitate the successful achievement of the Corporation's aims and objectives. The system of internal control is based on:

- an ongoing process designed to identify and prioritise the principal **risks** to the achievement of the Corporation's 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 the decisions taken by the Corporation conform to the freedoms and constraints allowed to it by its sponsoring 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.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on the operation ongoing processes designed to identify and prioritise the risks to the achievement of the Corporation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within the Corporation for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

4. Capacity to handle risk

The Corporation's updated Risk Management Strategy was published in January 2008. The organisation has continued to evolve its risk management processes and develop its risk management capability in line with the strategy. This reflects not only the evolution of risk management processes within the organisation, but also the significant new risks that were identified in the year. The most significant being those risks associated with the formation of the Homes and Community Agency and the Tenant Services Authority and the much more difficult borrowing and lending regime operated by the financial institutions (the "credit crunch") that may impact on the delivery of the Corporation's 2008-09 targets. Throughout the transition period it will be important to ensure that control activities remain embedded in staff behaviours and that the delivery culture of the organisation is not adversely affected by the process of organisational change, so that the Corporation continues to fulfil its overall purpose and achieve its intended outcomes successfully.

The Risk Management Strategy is available to all staff and the public on our website.

The Board sets internal policy on risk and internal control as well as having responsibility for determining our strategic direction and providing oversight of risk management. I ensure that:

- a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- the Corporation maintains a Risk Register in accordance with the Treasury's Orange Book;
- the corporate risk profile, which now includes transition risks within the body of the register, was reviewed and updated by EMT on a quarterly basis and reported to the Audit and Risk Committee and the Board;
- an effective system of programme, project and contract management is maintained;
- the Corporation's new Information Systems (IS) strategy, approved by the Board, is aligned to the overall business strategy;
- all public funds made available to the Corporation, including any approved income or other receipts, are used for the purpose intended by Parliament, and that such monies, together with the Corporation's assets, equipment and staff, are used economically, efficiently and effectively;
- adequate internal management and financial controls are maintained by the Corporation, including effective measures against fraud and theft;
- the Corporation reviews its system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- effective human resources policies and employee relations are maintained.

The ARC considers and advises the Board on the strategic processes and policies for risk management, control and governance and gives detailed consideration to the risk profile. Having a separate committee responsible for the overall management of the risk agenda has the effect of focusing attention and the appropriate resources to the effective management of risk.

All Committee and Board papers have a compulsory section on risk management which ensures risks are highlighted and considered at an early stage.

As Chief Executive I discharge my responsibilities in relation to risk management by:

- providing leadership and direction over the risk management process;
- setting and communicating the risk management strategy;
- regularly reviewing the risk profile; and
- conducting an annual review of the effectiveness of the system of internal control.

5. The risk and control framework

The Housing Corporation has in place a number of structures and processes that are designed to both identify, evaluate and manage the risks to the achievement of objectives. Our principal risks relate to the successful delivery of our business that helps to support the provision of quality affordable homes in England.

The Risk Management Strategy outlines in detail the arrangements by which we identify, categorise, assess and address risks. Risk appetite is monitored by the inherent and residual risk assessment figures within our risk profile document, with risks ranked on a score of one to five for both impact and likelihood producing a combined risk score of between one and 25. The Board considers the management of all risks scoring 12 and above and requires active management, wherever possible, of all risks with a score of 16 and above. All risks on the corporate risk profile have a designated owner who is a member of the Executive Management Team.

Risks are reviewed and reported regularly through the maintenance of a rolling risk profile document which is reviewed at least quarterly by the Executive Management Team, Audit and Risk Committee and Board. The Registration and Regulation Committee consider risk arising within their own terms of reference. Staff and Board members are encouraged to notify the team responsible for maintaining the risk profile at any stage of potential changes to the profile.

During the year we fundamentally reviewed our Information Security Policy which now aims to ensure the confidentiality and integrity of information held by the Housing Corporation, balancing this with our legal obligation of openness and the business need for readily available information. It applies to all information held, regardless of the format, equipment used or employment status of the user, and to how we transmit data to outside organisations.

We manage external interdependencies through our regulatory and investment arrangements and contractual arrangements. We also manage external risks through formal frameworks and operational relationships with our sponsor Department, English Partnerships, the Audit Commission and Regional Assemblies.

6. Structures

The Board has been formally constituted and comprises 13 non-executive directors, and one executive director, 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 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 is set by the Secretary of State.

7. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Corporation, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Board and ARC advise me on the implications of the result of my review of plans to address weaknesses and ensure continuous improvement of the system is in place.

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2007-08 include:

- regular meetings of the ARC to consider risk, internal control and the corporate risk profile. The Chair of the ARC reported to the Board on any issues arising;
- the use of comprehensive planning, forecasting and budgeting systems which enable the monthly management report, annual budgets and latest estimates to be reviewed by the Board and Executive Management Team;
- ARC approval of a rolling risk-based programme for Internal Audit in accordance with priorities. Reports are provided to each Committee meeting on progress and findings;
- the Head of Internal Audit's annual report to the ARC including an opinion on the adequacy and effectiveness of the Corporation's risk management, control and governance processes;
- provision of individual internal audit reports to standards defined in the Government Internal Audit Standards including recommendations for improvements to the responsible Corporation senior officer. Copies are also provided to the CLG and the National Audit Office. An Audit Review Group (Audit Clinic), chaired by myself, meets regularly to ensure that agreed recommendations contained in the audit reports are implemented on a timely basis;
- reporting Internal Audit findings to Executive Management Team meetings;
- adequate procedures to control both logical and physical information systems access are in place;
- ARC consideration of the External Audit Management Letter and Regulatory Compliance report;
- annual management assurance statements from my senior staff that proper systems and controls are in place and have been operated during the year;
- the delegation of resource budgets down to cost centre level;

- quarterly review of estimates to ensure managers are taking responsibility for delivering the business objectives within budget; and
- rolling forecasts of expenditure for the remaining life of the Corporation are reported to the Board to determine future affordability.

The Head of Internal Audit has given an opinion that there is an adequate and effective system of risk management, control and governance that provides reasonable assurance over the achievement of objectives.

The reports from both internal and external audit and the procedures outlined above, but in particular the risk framework monitoring reports and the day-to-day advice of my managers, inform the Board and me of the strength of the Corporation's internal controls.

8. Significant internal control issues

No serious internal control issues have arisen since April 2007 to the date at which the accounts are signed.

Steven Douglas
Chief Executive and Accounting Officer

24 June 2008

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and to the Housing Corporation

I certify that I have audited the financial statements of the Housing Corporation for the year ended 31 March 2008 under the Housing Associations Act 1985 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Operating Cost Statement, 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 Housing Corporation, Chief Executive and auditor

The Housing Corporation and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Housing Associations Act 1985 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Corporation's and Chief Executive'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 Housing Associations Act 1985 and Secretary of State directions made thereunder.

I report to you whether, in my opinion, the information, which comprises the Chief Executive's Annual Review and the un-audited parts of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Housing Corporation 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 Housing Corporation'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 Housing Corporation'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. This other information comprises the Chief Executive's Annual Review and the un-audited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Housing Associations Act 1985 and directions made thereunder by the Secretary of State, of the state of the Housing Corporation's affairs as at 31 March 2008 and of its net expenditure 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 Housing Associations Act 1985 and Secretary of State directions made thereunder; and
- information, which comprises the Chief Executive's Annual Review and the un-audited parts of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SWIW 9SS

27 June 2008

Operating cost statement for the year ended 31 March 2008

	Notes	2008	2007
		£'000	£'000
Expenditure			
Capital investment grants	2	**(2,063,503)**	(1,951,264)
Revenue grants	3	**(8,169)**	(6,328)
Staff costs	4	**(30,103)**	(28,722)
Administration expenditure	5	**(17,278)**	(16,547)
Interest payable	8	**(1)**	-
		(2,119,054)	(2,002,861)
Income			
Capital investment grants recovered	2	**58,887**	33,554
Interest receivable	7	**2,857**	1,220
Other income	9	**586**	634
(Increase)/decrease in provision for doubtful debts	6	**(4)**	16
		62,326	35,424
		(2,056,728)	(1,967,437)
Net expenditure before tax, finance and notional costs			
Finance costs	8	**(779)**	(628)
Finance income	7	**211**	180
Notional cost of capital (credit)		**1,167**	1,282
		(2,056,129)	(1,966,603)
Net operating cost of ordinary activities before tax			
Taxation	11	**(7)**	(20)
		(2,056,136)	(1,966,623)
Net operating cost of ordinary activities after tax			
Reversal of notional cost of capital (debit)		**(1,167)**	(1,282)
Net expenditure for the financial year		**(2,057,303)**	(1,967,905)

The Corporation's grant payments and operating costs are funded by grant in aid voted by Parliament. Grant in aid received is credited directly to General Reserve, note 21. The Corporation continued all operations throughout both years and no new operations were acquired. The accompanying notes are an integral part of the Financial Statements.

Statement of recognised gains and losses
for the year ended 31 March 2008

	Notes	2008	2007
		£'000	**£'000**
Actuarial gain (2007: loss) from staff pension fund	10	**14,427**	(410)
Total recognised losses since last Financial Statements		**14,427**	(410)

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

Balance sheet
as at 31 March 2008

	Notes	2008	2008	2007	2007
Fixed assets		**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	12	**4,032**		4,021	
Tangible assets	13	**3,519**		2,718	
			7,551		6,739
Investments					
Share in The Housing Finance Corporation Ltd.	14	**-**		-	
Loans	15	**1,558**		1,771	
			1,558		1,771
Total fixed assets			**9,109**		**8,510**
Current assets					
Debtors	16	**17,024**		4,504	
Cash at bank and in hand	17	**1,758**		2	
		18,782		4,506	
Creditors: amounts falling due within one year	18	**(353,200)**		(170,542)	
Net current liabilities			**(334,418)**		(166,036)
Total current liabilities less assets			**(325,309)**		(157,526)
Provision for liabilities and charges	19		**-**		(112)
Advances from the National Loans Fund	20		**(1,400)**		(1,400)
Provision for unfunded pensions liability	10		**(4,391)**		(4,580)
Net liabilities excluding funded pension liability			**(331,100)**		(163,618)
Pension scheme liability	10		**(27,149)**		(40,760)
Net liabilities			**(358,249)**		(204,378)
Reserves					
General Reserve	21		**(328,516)**		(160,838)
Pension Reserve	21		**(31,540)**		(45,340)
Specific reserve	21		**1,807**		1,800
			(358,249)		(204,378)

The accompanying notes are an integral part of the Financial Statements. The Financial Statements on pages 77 to 112 were approved by the Board on 24 June 2008 and were signed on its behalf by:

Peter Dixon
Chairman
Donald Hoodless
Chair, Audit and Risk Committee
Steven Douglas
Chief Executive and Accounting Officer
Peter Marsh
Deputy Chief Executive

Cash flow statement
for the year ended 31 March 2008

Cash flow			2008		2007
	Notes	£'000	£'000	£'000	£'000
Net cash outflow from operating activities	ii		**(2,015,485)**		(1,872,735)
Returns on investments and servicing of finance					
Interest received on loans		**84**		92	
Interest received on deposit of specific reserve		**83**		81	
Interest paid on loan from National Loans Fund		**(78)**		(64)	
			89		109
Taxation					
Corporation tax paid			**(23)**		(20)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		**(1,666)**		(1,702)	
Purchase of tangible fixed assets		**(1,573)**		(684)	
Sale of tangible fixed assets		**12**		11	
Loan repayments		**324**		254	
Loan advances		**(78)**		(480)	
			(2,981)		(2,601)
Financing					
Grant in aid	iv	**1,889,005**		1,875,616	
Advances from the NLF		**2,800**		2,800	
Repayments to the NLF		**(2,800)**		(2,800)	
			1,889,005		1,875,616
(Decrease)/increase in cash			**(129,395)**		369

Notes to the cash flow statement
for the year ended 31 March 2008

i Reconciliation of net cash flow to movement in net funds	2008	2007
	£'000	£'000
(Decrease)/increase in cash	(129,395)	369
Net funds at 1 april	(69,160)	(69,529)
Net funds at 31 march	(198,555)	(69,160)

ii Reconciliation of operating cost to net cash flow from operating activities	Notes	2008	2007
		£'000	£'000
Net operating cost before tax and finance cost		**(2,056,728)**	(1,967,437)
Adjustments for non-cash transactions:			
Adjustment for FRS 17 pension costs	4	**4,830**	3,644
Depreciation and amortisation	5	**1,713**	1,600
Loss on disposal of fixed assets	5	**1,011**	84
Increase (2007: decrease) in provisions for doubtful debts	6	**4**	(16)
Decrease in provisions for liabilities and charges	19	**(112)**	(763)
Increase (2007: decrease) in debtors		**(12,514)**	2,919
Increase in creditors		**51,214**	90,778
Adjustments for cash transactions:			
Employer's contributions to pension fund	10	**(4,594)**	(3,245)
Unfunded pensions paid to retired employees	10	**(309)**	(299)
Net cash outflow		**(2,015,485)**	(1,872,735)

iii Analysis of changes in net funds	1 April 2007	Cash flows 2008	31 March 2008
	£'000	£'000	£'000
Cash at bank and in hand	2	1,756	1,758
Bank overdraft	(67,762)	(131,151)	(198,913)
	(67,760)	(129,395)	(197,155)
NLF debt due within one year	(1,400)	-	(1,400)
	(69,160)	(129,395)	(198,555)

iv Analysis of financing	2008	2007
	£'000	£'000
Grant in aid received from CLG	1,889,005	1,875,616
Applied towards:		
Purchase of fixed assets	(3,239)	(2,386)
Capital grants	(1,807,551)	(1,819,270)
Revenue grants	(7,511)	(5,849)
Administration costs net of other cash flows	(41,980)	(39,955)
Increase in bank balance	(28,724)	(8,156)
	(1,889,005)	(1,875,616)

Notes to the financial statements for the year ended 31 March 2008

01 Accounting policies

Basis of accounting

The financial statements have been prepared in a form directed by the Secretary of State, with the consent of HM Treasury, in accordance with the Housing Associations Act 1985. The financial statements are prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, and the accounting and disclosure requirements given in Managing Public Money and in the Financial Reporting Manual (FReM), insofar as these are appropriate to the Housing Corporation and are in force for the financial year for which the statements are prepared. The financial statements are prepared on the modified historical cost basis as set out in Treasury guidance.

Government grants receivable

The Corporation's activities are funded by grant in aid provided by CLG. All Grant in Aid and Grant received used to finance activities and expenditure which support the statutory and other objectives of the Housing Corporation are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the Housing Corporation.

Grants payable

Payments of capital and revenue grants to RSLs and other bodies are accounted for on resource (accruals) basis. Payments of Capital Investment Grant are paid in two installments, a start on site tranche and a completion tranche. Both tranches represented 50% of the value of the grant. To ensure 2008-11 programme building was given a sound base we varied the proportion of these tranche payments to 60% for the start on site tranche in March. Since 1 April 2008 we have reverted back to the 50/50 split. The only exception to this is that grants to private developers are paid in one tranche once the scheme is occupied. Revenue grant payments are based on the achievement of milestones.

Grant recoveries

Recoveries of grant are accounted for when the amount due for repayment has been agreed with the RSL and invoiced as determined under the circumstances outlined in the Corporation's Capital Funding Guide. RSLs are able to retain any grant recoverable from sales within their own accounts for recycling, with the funds only becoming due back to the Corporation if unused within three years.

Administration expenditure and interest receivable and payable

Administration expenditure and interest is also stated in the accounts on a resource (accruals) basis.

Cost of capital employed

The Corporation is required to charge a notional cost of capital against the income and expenditure account to ensure that it bears an appropriate charge for the use of capital in the business in the year. The charge is set at a rate of 3.5% of the average net assets. Since 1 January 2004 the Corporation's cash at bank, now held with the Office of the Paymaster General, is excluded from the calculation.

Fixed assets

Tangible fixed assets comprise furniture, fixtures and fittings, Information Technology, office equipment and motor cars. Intangible fixed assets comprise software development and legal costs associated with the Corporation's Core System Rewrite and the costs associated with setting up the appropriate systems to support the necessary changes required to support the National Pilot and subsequent 2006-08 programme in the provision of affordable housing. All assets are valued at cost less depreciation (Net Book value) and are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets over their estimated useful lives. In 2006-07 development costs of the Corporation's Programme Investment Management System (PIMS) were capitalised under SSAP 13, but held as work in progress – where assets were still under construction and no depreciation was charged to the Operating Cost Statement in that year. It was intended that these development costs would contribute to the formation of a new Investment Management System and become an asset in the current year.

However, during 2007-08 it was decided that progress on the development of this asset was insufficient to enable it to be brought into use during the current year and sufficient doubt existed as to whether the Corporation would be able to use the asset before it ceased to exist. A decision was therefore taken under SSAP 13 to write off the development costs associated with PIMS to revenue in the current year. Development costs are capitalised as the asset under construction is anticipated to have a life in excess of a year and, therefore, the costs of developing that asset are chargeable over the same life cycle as the asset. Investments are shown in the Balance Sheet as assets. These are loans made to both individuals and organisations for property purchase or refurbishment where the life of the asset is greater than one year. The relevant depreciation rates applicable to each category of asset are as follows:

Computer equipment	4 years
Computer software	4 years
Office equipment	4 years
Motor cars	4 years
Furniture, fixtures and fittings	5 years
Set up costs of future grant programmes	5 years

Leasing rentals

All leases are considered to be operating leases and are charged to administration expenditure on a straight-line basis over the lease term.

Value Added Tax

The Corporation is registered for VAT but because of partial exemption rules is unable to reclaim the majority of its input tax. Administration expenditure is stated VAT inclusive where appropriate.

Pensions

The Corporation accounts for pension costs in accordance with FRS 17 Retirement Benefits. As a result, the Operating Cost Statement now recognises the movements in the scheme liability during the year analysed between the current service costs, the interest on pension liabilities and the expected return on scheme liabilities.

02 Capital investment grants

The Corporation's powers to pay grants for social housing to RSLs and other bodies are conferred by Sections 18, 20, 21 and 27A of the Housing Act 1996. The power to recover grant is conferred by Section 52 of the Housing Act 1988 and Section 27 of the Housing Act 1996.

Social Housing Grant payments	Social rent £'000	Low-cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	Total £'000
2008					
London	682,029	187,145	25,003	1,064	895,241
South East	295,357	93,051	3,839	271	392,518
East of England	147,561	45,218	675	51	193,505
South West	144,618	30,396	1,565	17	176,596
North West	82,319	22,105	5,290	321	110,035
West Midlands	71,727	24,150	2,475	50	98,402
East Midlands	63,291	23,168	1,028	18	87,505
Yorkshire and the Humber	57,282	13,708	1,884	56	72,930
North East	33,491	2,950	266	64	36,771
	1,577,675	441,891	42,025	1,912	2,063,503

In the normal course of its business the Corporation recovers grant payments paid in previous years where schemes are terminated, subject to a change of use or have a cost underrun.

London	(22,545)	(6,887)	(71)	-	(29,503)
South East	(3,911)	(1,079)	(31)	-	(5,021)
East of England	(432)	(424)	-	-	(856)
South West	(50)	(66)	-	-	(116)
North West	(1,192)	(118)	(134)	-	(1,444)
West Midlands	-	(150)	-	-	(150)
East Midlands	(702)	(719)	-	-	(1,421)
Yorkshire and the Humber	-	-	-	-	-
North East	(54)	-	-	-	(54)
	(28,886)	(9,443)	(236)	-	(38,565)
Grant recoveries from old schemes					(20,322)
	(28,886)	(9,443)	(236)	-	(58,887)

Social Housing Grant payments net of receipts					2008
	Social rent £'000	**Low-cost home ownership £'000**	**Works to RSLs' stock £'000**	**Other £'000**	**Total £'000**
London	**659,484**	**180,258**	**24,932**	**1,064**	**865,738**
South East	**291,446**	**91,972**	**3,808**	**271**	**387,497**
East of England	**147,129**	**44,794**	**675**	**51**	**192,649**
South West	**144,568**	**30,330**	**1,565**	**17**	**176,480**
North West	**81,127**	**21,987**	**5,156**	**321**	**108,591**
West Midlands	**71,727**	**24,000**	**2,475**	**50**	**98,252**
East Midlands	**62,589**	**22,449**	**1,028**	**18**	**86,084**
Yorkshire and the Humber	**57,282**	**13,708**	**1,884**	**56**	**72,930**
North East	**33,437**	**2,950**	**266**	**64**	**36,717**
	1,548,789	**432,448**	**41,789**	**1,912**	**2,024,938**
Grant recoveries from old schemes					**(20,322)**
	1,548,789	**432,448**	**41,789**	**1,912**	**2,004,616**

Social Housing Grant payments net of receipts					2007
	Social rent £'000	**Low-cost home ownership £'000**	**Works to RSLs' stock £'000**	**Other £'000**	**Total £'000**
London	631,268	238,478	20,842	323	890,911
South East	285,778	87,050	4,019	32	376,879
East of England	124,086	29,601	303	93	154,083
South West	94,970	17,026	3,099	-	115,095
North West	84,602	21,994	6,438	48	113,082
West Midlands	75,416	20,779	838	422	97,455
East Midlands	55,454	18,275	674	27	74,430
Yorkshire and the Humber	51,046	10,771	2,729	565	65,111
North East	38,597	2,963	790	320	42,670
	1,441,217	446,937	39,732	1,830	1,929,716
Grant recoveries from old schemes	-	-	-	-	(12,006)
	1,441,217	446,937	39,732	1,830	1,917,710

The Corporation's commitments on schemes approved prior to 31 March 2008 amounted to £1,726.8 million (2007: £1,753.4 million)

03 Revenue grants

The Corporation's powers to pay revenue grants to RSLs are conferred by Section 18 of the Housing Act 1996.

Innovation and Good Practice grants to RSLs and any other persons to facilitate the proper performance of RSLs and co-operative housing associations are paid under Section 87 of the Housing Associations Act 1985 as substituted by Section 183 to the Local Government and Housing Act 1989 and amended by the Housing Acts 1996 and 2004.

Tenant Empowerment grants to tenant groups and advisors enabling council tenants to receive independent advice on how they could become involved in the management of their homes and estates are paid under Section 27A to the Housing Act 1996 as extended by Statutory Instrument SI 2006 No. 583. (These grants were previously administered by CLG.)

A main element of the Government's climate change strategy is the application of minimum standards of energy performance for new and renovated buildings. Eighty-two housing associations took part in the Housing Corporation's pilot of Energy Performance Certificates which are to become compulsory for social housing from October 2008.

	2008	2007
	£'000	**£'000**
Innovation and Good Practice grants	**4,155**	3,831
Tenant Empowerment grants	**2,228**	2,497
Energy Performance Certificate grant	**1,786**	-
	8,169	6,328

04 Staff costs

	2008 £'000	2007 £'000
Staff salaries	**19,821**	19,092
Social security costs	**1,754**	1,707
Pension costs	**4,830**	3,644
Temporary and contract staff	**2,121**	2,388
Staff on inward secondment	**325**	81
Travel and subsistence	**855**	846
Other costs	**397**	964
	30,103	28,722
Staff on outward secondment, shown in Note 9 to the Financial Statements	**(86)**	(135)

No staff costs were capitalised in year (2007: nil)

During the year the Corporation began to incur costs in connection with the separation of its functions into the two new agencies to be set up during 2008-09. Transition costs included in the table above amount to £366,823 (2007: nil).

Average number of persons employed analysed by category of employment	Investment and regeneration	Regulation and best value teams	Administration and IT	2008 Total	2007 Total
Staff	**155**	**147**	**216**	**518**	512
Temporary, agency and contract staff	**3**	**2**	**27**	**32**	39
Staff on inward secondment	**1**	**1**	**3**	**5**	2
Staff on outward secondment	**-**	**(2)**	**(1)**	**(3)**	(2)
	159	**148**	**245**	**552**	551
Average number of persons expressed as full-time equivalent	**147**	**143**	**234**	**524**	516

05 Administration expenditure

Administration expenditure	2008	2007
	£'000	**£'000**
Accommodation costs	**3,450**	4,314
Office running costs	**1,703**	1,590
Professional fees	**5,002**	4,780
Recruitment, training and publicity	**2,583**	2,818
Research and housing projects	**1,846**	1,519
Provision for liabilities and charges	**(30)**	(158)
Depreciation and amortisation	**1,713**	1,600
PIMS development costs written off	**901**	-
Loss on disposal of fixed assets	**110**	84
	17,278	16,547
The above analysis of administration expenditure includes the following charges (inclusive of any VAT):		
Rental in respect of leased offices	**1,852**	2,369
Rental of office equipment	**101**	158
Auditors' remuneration, Audit fees	**100**	100

CLG makes a significant contribution to the Corporation's research into lettings and sales of social housing. The amount is included in note 9, Other Income.

During the year the Corporation began to incur costs in connection with the separation of its functions into the two new agencies to be set up during 2008-09. Transition costs included in the table above amount to £118,913 (2007: nil).

06 Provisions for doubtful debts

	2008	2007
	£'000	£'000
At 1 April	359	375
New provisions	5	1
	364	376
Reductions in provisions	(1)	(17)
Bad debts written off	(346)	-
	(347)	(17)
At 31 March	17	359

07 Interest receivable

	2008	2007
	£'000	£'000
From operating activities		
Interest on grant recoveries from RSLs	2,854	1,216
Other interest	3	4
	2,857	1,220
From investments		
Loans - Schemes under development	37	-
Loans - Completed schemes	67	68
Loans - Private mortgages	17	31
Short-term deposits of specific reserve	90	81
	211	180

08 Interest payable

	2008	2007
	£'000	£'000
On operating activities		
Other interest	1	-
On servicing of finance and pension commitments		
Borrowings from the National Loans Fund	79	68
Pension commitments (Note 10)	700	560
	779	628

09 Other income

Other income excludes Social Housing Grant recovery which is disclosed in Note 2.	2008	2007
	£'000	£'000
Research and housing project receipts	491	488
Staff on secondment	86	135
Other	9	11
	586	634

10 Superannuation

The Corporation is an admitted body to the City of Westminster Pension Fund which operates under the Local Government Pension Scheme Regulations. It is a defined benefit scheme based on final pensionable salary.

The most recent triennial valuation of the Fund as at 31 March 2007 has been updated by independent actuaries to the City of Westminster Pension Fund to take account of the FRS17 disclosure requirements for the year to 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The employer's contribution rate for the year ended 31 March 2008 was based on the recommendation contained in the valuation report of the fund as at 31 March 2004.

The Corporation also pays pensions direct to ex-employees who were awarded additional benefits under the Corporation's early retirement scheme. These pension costs are funded from grant in aid as they are paid.

The pension charge for the period is shown below.

The main assumptions used by the actuary	2008	2007	2006
Rate of Inflation	**3.7%**	3.2%	3.0%
Rate of general long-term increase in salaries	**5.2%**	4.7%	4.5%
Rate of increase for pensions in payment and deferred pensions	**3.7%**	3.2%	3.0%
Discount rate for scheme liabilities	**6.3%**	5.3%	4.9%

The assets of the Fund and the expected rate of return		2008		2007		2006
	Expected long-term rate of return		**Expected long-term rate of return**		**Expected long-term rate of return**	
		£'000		**£'000**		**£'000**
Equities	**7.6%**	**79,880**	7.7%	79,440	7.3%	75,720
Government Bonds	**4.6%**	**13,500**	4.7%	20,820	4.3%	19,650
Corporate Bonds	**6.8%**	**11,590**	-	-	-	-
Other assets	**6.0%**	**160**	5.6%	4,230	4.6%	1,960
Total market value of assets		**105,130**		104,490		97,330
Present value of scheme liabilities:						
Funded	(132,280)		(145,250)		(136,960)	
Unfunded	(4,390)		(4,580)		(4,640)	
		(136,670)		(149,830)		(141,600)
Deficit in the scheme		**(31,540)**		(45,340)		(44,270)

Analysis of amount shown as staff costs	Unfunded pensions	Funded pensions	2008 Total	Unfunded pensions	Funded pensions	2007 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	-	3,840	3,840	-	3,600	3,600
Past service cost	-	990	990	-	44	44
Total operating charge	-	4,830	4,830	-	3,644	3,644
Analysis of the amount debited to finance costs						
Expected return on pension scheme assets	-	7,290	7,290	-	6,430	6,430
Interest on pension scheme liabilities	(240)	(7,750)	(7,990)	(219)	(6,771)	(6,990)
Net return	(240)	(460)	(700)	(219)	(341)	(560)
Analysis of amount in the statement of recognised gains and losses						
Actual return less expected return on pension scheme assets	-	(9,460)	(9,460)	-	(1,510)	(1,510)
Experience gain/(loss) arising on the scheme liabilities	120	(2,040)	(1,920)	(40)	(210)	(250)
Changes in assumptions underlying the present value of the scheme liabilities	-	25,807	25,807	20	1,330	1,350
Total	120	14,307	14,427	(20)	(390)	(410)
Movement in the FRS 17 liability during the year						
1 April, Deficit in schemes	(4,580)	(40,760)	(45,340)	(4,640)	(39,630)	(44,270)
Current service cost	-	(3,840)	(3,840)	-	(3,600)	(3,600)
Employer's contributions to pension fund	-	4,594	4,594	-	3,245	3,245
Unfunded pensions paid to retired employees	309	-	309	299	-	299
Past service costs	-	(990)	(990)	-	(44)	(44)
Other finance costs	(240)	(460)	(700)	(219)	(341)	(560)
Actuarial gain (2007: loss)	120	14,307	14,427	(20)	(390)	(410)
31 March, Deficit in schemes	(4,391)	(27,149)	(31,540)	(4,580)	(40,760)	(45,340)

The date of the last full actuarial valuation of the pension fund was at 31 March 2007. Actuaries, acting for the Corporation, have used assumptions relevant to FRS 17 to arrive at the Corporation's share of the assets of the fund and the Corporation's present value of the funded and unfunded scheme liabilities at 31 March 2008. During the year the deficit for both the funded and unfunded parts of the scheme decreased by £13.8 million (2007: Increase of £1.1 million).

10 Superannuation (continued)

Normal employer contributions to the fund increased by £0.1 million (2007: £0.46 million) compared to the previous year as a result of a general increase in pensionable pay. The payment of £0.5 million into the fund in March 2007 enabled the Corporation to retain the employer contribution rate of 9.6% from the previous year throughout the year ended 31 March 2008. An additional payment of £2.75 million made in March 2008 was a contribution towards reducing the deficit in the fund. The employer contribution rate for the year commencing 1 April 2008 has been set at 17% of pensionable pay.

Since the previous year's valuation revisions to financial assumptions and the investment returns relating to the funding targets to meet the scheme liabilities have been the most significant factors contributing to the reduction of the deficit in the funded scheme.

Using similar assumptions to arrive at the current valuation, the actuaries have forecast for the year ending 31 March 2009 current service costs of £2.45 million and a net charge to finance costs of £1.5 million. Both figures are contingent to the continuation of the Corporation's continued existence throughout the year ended 31 March 2009.

History of experience gains and losses in the funded part of the scheme	2008	2007	2006
	£'000	**£'000**	**£'000**
Difference between expected and actual return on scheme assets			
Amount (£)	**(9,460)**	(1,510)	13,910
Percentage of scheme assets	**(9.0%)**	(1.4%)	14.3%
Experience gain arising on scheme liabilities			
Amount (£)	**(1,920)**	(250)	30
Percentage of the present value of scheme liabilities	**(1.4%)**	(0.2%)	0.0%
Changes in assumptions underlying the present value of the scheme liabilities			
Amount (£)	**25,890**	1,350	(10,580)
Percentage of the present value of scheme liabilities	**18.9%**	0.9%	(7.5%)
Total amount recognised in the statement of recognised gains and losses			
Amount (£)	**14,510**	(410)	3,360
Percentage of the present value of scheme liabilities	**10.6%**	(0.3%)	2.4%

11 Taxation

	2008	2007
	£'000	£'000
Corporation Tax at 20% (2007: 19%) on taxable transactions	5	21
Adjustment to Corporation Tax provision for the year ended 31 March 2007	2	(1)
	7	20

12 Intangible fixed assets

Intangible fixed assets comprise licences to use software developed by third parties. Other intangible assets are the costs of developing the criteria and legal framework for the payment of grants to RSLs and non-registered bodies and the development costs of core systems of the Corporation.

			2008	2007
	Software	Other intangible assets	Total	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April	2,948	3,515	6,463	5,087
Reclassification	3	(4)	(1)	-
Additions	55	1,672	1,727	1,470
Disposals	(1,119)	(295)	(1,414)	(95)
At 31 March	1,887	4,888	6,775	6,462
Amortisation				
At 1 April	(1,461)	(980)	(2,441)	(1,647)
Reclassification	80	(80)	-	-
Amortisation	(176)	(532)	(708)	(808)
Disposals	406	-	406	14
At 31 March	(1,151)	(1,592)	(2,743)	(2,441)
At 1 April, Net book value	1,487	2,535	4,022	3,440
At 31 March, Net book value	736	3,296	4,032	4,021

13 Tangible fixed assets

Tangible fixed assets are shown at cost less depreciation which is not considered to be significantly different from their net current replacement cost.

					2008	2007
	Cars	Office equipment	Information technology	Furniture and fittings	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April	115	524	2,789	3,281	6,709	6,044
Reclassification	-	25	(22)	(2)	1	-
Additions	19	21	1,664	116	1,820	998
Disposals	(17)	(22)	(352)	(65)	(456)	(333)
At 31 March	117	548	4,079	3,330	8,074	6,709
Depreciation						
At 1 April	(50)	(391)	(1,890)	(1,659)	(3,990)	(3,518)
Reclassification	-	-	-	-	-	-
Depreciation	(29)	(81)	(433)	(463)	(1,006)	(792)
Disposals	12	22	343	64	441	319
At 31 March	(67)	(450)	(1,980)	(2,058)	(4,555)	(3,991)
At 1 April, Net book value	65	133	899	1,622	2,719	2,526
At 31 March, Net book value	50	98	2,099	1,272	3,519	2,718

14 Share in the Housing Finance Corporation Ltd

The Housing Finance Corporation Ltd (THFC) was incorporated in 1987 under the Industrial and Provident Societies Act 1965 as the result of a joint initiative by the Corporation and the National Housing Federation to raise funds from private sector sources for investment in the development of social housing by RSLs, unregistered self-build societies and charities having a housing function. THFC only seeks to cover its operating costs with income and the Corporation does not have a controlling influence.

The Rules of THFC prescribe that all share holdings are non-beneficial.

The accounts of THFC are available at: www.thfcorp.com

	2008	2007
£1 ordinary share, fully paid	**£1**	£1

15 Loans

Loans to RSLs and unregistered societies are advanced under Section 79 of the Housing Associations Act 1985. Private mortgages were advanced under Section 132 of the Housing Act 1985 (the Right to Buy legislation). The right to a loan from the Corporation for tenants exercising their Right to Buy was abolished by Section 107 of the Leasehold Reform, Housing and Urban Development Act 1993. Statutory Instrument 1992 No. 1708, enables the Corporation to make loans to certain individuals in respect of service charges payable to RSLs.

The average interest rate applied to schemes under development during the year was 6.88%. The rate at 31 March was 6.7%. There were no schemes under development in the year ended 31 March 2007 that were attracting an interest charge. The interest rate applied during the year to all other loans was 7.14% (2007: 6.53%)

	Schemes under development		Completed schemes	Private mortgages	2008	2007
	Principal	Interest	Principal	Principal	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	715	93	996	326	2,130	1,904
Loans advanced	78	-	-	-	78	480
Interest		37			37	-
	793	130	996	326	2,245	2,384
Repayments	(3)	-	(215)	(106)	(324)	(254)
Bad debts written off	(244)	(93)	-	(9)	(346)	-
At 31 March	546	37	781	211	1,575	2,130
Provision for doubtful debts	-	-	-	(17)	(17)	(359)
At 31 March, loans net of provision for doubtful debts	546	37	781	194	1,558	1,771

The value of schemes under development at 1 April 2008 includes a self-build association which was in liquidation. In accordance with the Corporation's policy, no interest has been charged on this scheme since the winding up order was granted.

16 Debtors

	2008	2007
	£'000	**£'000**
Trade debtors	**15,832**	3,448
Prepayments	**1,063**	903
Other debtors	**129**	153
	17,024	4,504

Trade debtors are amounts owed to the Corporation mainly by RSLs. Amounts in trade debtors owed by public sector entities are as follows: central government £7,092 (2007: nil); local authorities £5,122 (2007: £40,000). Trade debtors includes an estimated amount of £1 million (2007: £1 million) for the recovery by the Corporation of amounts held for more than three years by RSLs in their Recycled Capital Grant Fund account. In addition, an amount of £10.1 million in respect of grants recoverable from RSLs who no longer provide housing under the Key Worker Living initiative has been accrued.

17 Cash at bank and in hand

The Corporation's banking services are provided by the Office of the Paymaster General.

	2008	2007
	£'000	**£'000**
Cash at bank	**1,756**	-
Cash in hand	**2**	2
	1,758	2

The Corporation made payments on the 31 March 2008 which exceeded the cash book balance and were in transit at the year end. The cash book balance is shown as bank overdraft in note 19, Creditors.

Funding from the CLG was was received on 2 April 2008 and the Corporation's bank account remained in credit throughout the period.

18 Creditors: amounts falling due within one year

	2008	2007
	£'000	**£'000**
Taxation and social security	**674**	546
Bank overdraft	**198,913**	67,762
Accruals	**12,275**	16,151
Other creditors	**141,338**	86,083
	353,200	170,542

Accruals includes an amount of £40,000 (2007: £45,974) owing to a central government department.

(2007: Other creditors includes an amount of £30,000 owing to a local authority.)

19 Provision for liabilities and charges

In its response to Sir Michael Lyons' Independent Review of public sector relocation and reform of public services issued in March 2004, the Corporation, commencing during the year ended March 2006, embarked on a programme of relocating posts from London to its offices in the regions. The relocation exercise, which is now complete, enabled the Corporation to vacate its London, Waverley House, office in November 2006 and to relocate staff requiring to remain in or near London to its Maple House and Croydon offices. A full provision was made in the accounts for the year ended 2006 for redundancy costs for staff unable to relocate or to be redeployed and for other costs consequent to relocation issues. All payments of redundancy to staff affected by the relocation were made in the year ended 31 March 2007 and the remaining provision related to other costs arising from the office move and which were settled in the current year.

	2008	2007
	£'000	**£'000**
At 1 April	**112**	875
Provision utilised	**(82)**	(605)
Reduction in provision	**(30)**	(158)
At 31 March	**-**	112

20 Advances from the national loans fund

The Corporation's borrowing powers are conferred by Section 92 of the Housing Associations Act 1985, Section 93, as amended by Statutory Instrument 1990 No. 779, limits the Corporation's borrowing from all sources to £2,300 million.

The balance at 31 March matures for repayment on 3 June 2008.

At 31 March the rate of interest payable on the advance was 5.54% (2007: 5.2%) and the weighted average rate of interest for the year was 5.66% (2007: 4.82%)

	2008	2007
	£'000	**£'000**
At 1 April	**1,400**	1,400
Advances made during the year	**2,800**	2,800
	4,200	4,200
Repayments on maturity	**(2,800)**	(2,800)
At 31 March	**1,400**	1,400

21 Reserves

Specific reserve

Under Paragraph 15 of Schedule 1 to the Housing Act 1996, any property that remains in the ownership of a RSL, after meeting the claims of creditors and any other liability following its dissolution or winding up, is transferable to the Corporation. Use of the funds held under this paragraph is restricted to either managing the controlled dissolution and transfer of engagements of an individual RSL in financial difficulty or ensuring its continued existence, provided that adequate financial controls have been put into place.

			2008
	General reserve	Pension reserve	Specific reserve
	£'000	£'000	£'000
1 April 2007	**160,838**	**45,340**	**(1,800)**
Net operating costs	**2,057,303**	**-**	**-**
Actuarial gain from staff pension fund	**(14,427)**	**-**	**-**
Grant in aid received from CLG	**(1,889,005)**	**-**	**-**
Transfer to reflect Pension Fund transactions	**13,800**	**(13,800)**	**-**
Transfer of interest net of costs	**7**	**-**	**(7)**
31 March 2008	**328,516**	**31,540**	**(1,807)**

			2007
	General reserve	Pension reserve	Specific reserve
	£'000	£'000	£'000
1 April 2006	69,143	44,270	(1,734)
Net operating costs	1,967,905	-	-
Actuarial loss from staff pension fund	410	-	-
Grant in aid received from CLG	(1,875,616)	-	-
Transfer to reflect Pension Fund transactions	(1,070)	1,070	-
Transfer of interest net of costs	66	-	(66)
31 March 2007	160,838	45,340	(1,800)

22 Financial instruments and risk management

Overview

Like all large organisations, the Corporation is exposed to financial risks in its business. The main financial risks it faces relate to funding, liquidity and, to a lesser extent, interest rates. It mitigates these risks by adhering to the policies and procedures summarised below. These have been in operation throughout the period under review and to the date of approval of our annual accounts.

Assets and liabilities

As permitted by FRS 13, debtors and creditors maturing or becoming payable within 12 months of the balance sheet date have been omitted from this note.

Funding

The Corporation's net operating costs are funded by grant in aid voted annually by Parliament. The Corporation operates both within this constraint and within budgets set annually by CLG.

The Corporation's controls over the commitment and payment of capital and revenue grants to RSLs and of administration expenditure are designed to ensure that funding is available to meet obligations as they fall due and that annually voted provisions are not exceeded. Capital and revenue grants are paid to RSLs to fund development schemes that meet Government targets and published criteria for development. Financial information is contained in notes 2, 3, 4 and 5 to the Financial Statements.

Loans

The Corporation's loans, which can only be advanced where permitted by statute, are disclosed in note 15 to the Financial Statements. They are financed by short-term fixed interest rate borrowings from the NLF and the Corporation's reserves. All loans are secured and subject to variable interest rates which are set by reference to either current market rates or the Standard National Rate or the NLF rate applicable to our borrowing.

The Corporation reviews its loans annually and provides for any doubtful debts by a charge to the operating cost statement.

The net book value of the loans after provision for doubtful loans is £1.56 million (2007: £1.77 million) The fair value of the loans after provision is not considered to be materially different from the book value. Interest is not charged in the operating cost statement on loans subject to a judgement debt.

The interest rate profile for the Corporation's loans:

Loan classification	Average interest bearing balance	Interest	Average interest rate
	£'000	£'000	
Schemes under development	525	37	6.88%
Completed schemes	936	67	7.14%
Private mortgages	239	17	7.14%

For the reason stated in note 15, one scheme under development is excluded from the above table.

Cash

The Office of the Paymaster General (OPG) provides the Corporation's banking service. Apart from the investment of the non-exchequer funds referred to below and in note 21, the investment of surplus cash on current account is now handled by OPG for the direct benefit of the Treasury. The Corporation adheres to the principle of not drawing cash from CLG in advance of need but there is no limit to the cash that can be held at the OPG.

The Corporation holds an amount of non-exchequer funds, explained in note 21, which until June 2007 was invested with the National Loans Fund. Since June 2007 the funds have been held in an interest bearing deposit account with the OPG.

Average daily value invested	Interest	Average interest rate
£'000	**£'000**	
1,768	90	5.11%

Liabilities

The Corporation may only borrow from the NLF and then only with the permission of the Secretary of State. At 31 March, the Corporation had a single short-term loan at a fixed rate of interest. Details are disclosed in note 20 to the Financial Statements. The borrowing was repaid on its maturity date of 3 June 2008. The fair value of the borrowing is not considered to be materially different from its book value of £1.4 million.

Other disclosures

The Corporation was not exposed to any risks arising from the use of derivatives or from holding foreign currency assets, liabilities or contracts. Any purchases of goods and services from overseas suppliers are converted from foreign currencies at the market rate at the time of payment.

23 Contingent liabilities

Under section 84 of the Housing Associations Act 1985 the Corporation is empowered to indemnify certain secured lenders in England. During the years 1984 and 1985 the Corporation indemnified four Building Societies against losses that might arise from advances they made under a scheme to promote home ownership (the Open Door scheme).

The amount shown is the maximum liability that might arise in the event of a call being made under the agreements. No calls have been made against the indemnities during the last five years.

	2008	2007
	£'000	£'000
Total	**120**	213

24 Losses and special payments

	2008	2007
	£'000	£'000
PIMS development costs written off	**901**	-
Write off of loan	**337**	-

Expenditure during the three years ended 31 March 2008 relating to the development of a new Programme Investment Management System (PIMS) and classified under SSAP13 (Accounting for Research and Development) as capital expenditure has been written out of capital into revenue. It was intended that PIMS would be ready in time for the 2008-11 investment programme and provide better controls, management information and enhanced front-end user input screens. It became apparent that the development would not be completed within the desired timescale and resources were concentrated on enhancing the Corporation's existing IMS. As explained in the Foreword to the Annual Accounts, the Corporation's investment function will shortly become the responsibility of the Homes and Communities Agency and the decision on whether to build further on the development of PIMS will be the decision of the new agency. The decision to write off to revenue, under SSAP13, the cost of the development work undertaken to date has been taken as there will be no benefit to the Corporation during its remaining existence. The write off is shown as disposal from Software and Other intangible assets in note 12 to the Financial Statements.

A loan was advanced to a self-build association in December 1997 and secured by second mortgage on the development land. The association, which was an unregistered association, had severe cash-flow problems in 2001 which was followed by an unsecured creditor commencing winding-up proceedings. A winding-up order against the association was made in April 2001.

The remaining assets of the association after payment to the bank holding the first mortgage on development land were insufficient to clear the debt owing to the Corporation. This was a complex case as at the time of the winding-up not all the development was complete and the Corporation still held a charge over a small parcel of land not subject to development.

A full provision for the outstanding loan was made in the accounts for the year ended 31 March 2002 and the Corporation endeavoured to recover as much of loan as possible over the ensuing years. The remaining parcel of land over which the Corporation had a charge was sold during the current year and with no prospect of recovering any further sums the decision to write off the loan against the full provision has been made. The write off is shown in note 15 to the Financial Statements.

(2007: The Corporation did not incur any major losses or special payments during the year.)

25 Commitments under operating leases

			2008			2007
	Offices	Equipment	Total	Offices	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Leases which expire						
within 1 year	**-**	**79**	**79**	-	79	79
between 1 and 5 years	**272**	**40**	**312**	68	40	108
after 5 years	**1,579**	**-**	**1,579**	1,778	-	1,778
	1,851	**119**	**1,970**	1,846	119	1,965

26 Capital commitments

There were no capital commitments as at 31 March (2007: nil).

27 Related party transactions

The Corporation is a Non-Departmental Public Body sponsored by the CLG. Its operating activities are funded by grant in aid paid by the CLG. For the year ended 31 March 2008, grant in aid received amounted to £1,889.0 million (2007: £1,875.6 million). Further analysis of grant in aid received is disclosed in Note iv to the Cash Flow Statement.

The Corporation inevitably has transactions with other central government Departments, agencies and local authorities. These transactions are of a minor nature consisting of purchases, recharges and contributions to shared research.

Transactions, arrangements and contracts involving Board members, senior officers and staff

Under the rules of the Housing Finance Corporation Limited (THFC) the Corporation is empowered to appoint a Director to its Board. Throughout the current year the Corporation's Head of Private Finance was the Corporation's appointee. No fee was paid either to the appointee or to the Corporation.

Other than the above and their appointments to the Corporation Board there were no transactions, arrangements, relationships or contracts with Board members. Board members receive reimbursement at cost of expenses properly incurred in the performance of Corporation duties.

Related party transactions

The following transactions which took place during the year with RSLs and other bodies in which a Board member had an interest are disclosed in accordance with the Corporation's Accounts Direction.
All transactions were undertaken at arm's length and in the normal course of conducting the Corporation's business.

Board members' interests Name	RSL or other related body	Appointment	Transaction	Value
				£000's
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. A project relating to Urban Design was commissioned from English Partnerships.			Sale of goods and services	**(1)**
			Staff on outward secondment	**(4)**
Peter Dixon	Office of Public Management	Chair	Purchase of services	**62**
The contract to supply services to the Corporation was in place prior to Peter Dixon's appointment to the OPM.				
Peter Rogers	Pinnacle	Board member		
The Housing Corporation, since its inception, has been an admitted body to the City of Westminster Pension Fund.				
Sheila Drew Smith OBE	Audit Commission	Board member	IGP grant	**30**
			Purchase of goods and services	**24**
Board members' interests through a person connected with them:				
Chris Holmes	Servite Houses	Chair	Capital grants paid	**13,708**
			Capital grants recovered	**(400)**
Chris Holmes	Peabody Trust	Board member	Capital grants paid	**4,325**
			Capital grants recovered	**(8,264)**
			Interest on Capital grant recovered	**(1,587)**

Employee interests

There are a number of employees who are related to persons employed by RSLs or other bodies with which the Corporation has financial dealings. These relationships although between two organisations who have a financial interest do not in themselves involve any personal financial gain by the individuals concerned. No employees had any direct interests with RSLs, other organisations or suppliers in receipt of grants or other payments.

Appointments under paragraphs 6 to 8 of Schedule 1 to the Housing Act 1996

There were seven appointments of Corporation employees to an RSL Board during the year (2007: nil). At 31 March 2008, these appointments, together with six appointments made in earlier years, were still in place (2007: seven). The appointments were made to facilitate the orderly running of an RSL after its assets and liabilities had been transferred. The employees neither received any additional remuneration for their services nor was any housing grant paid to the RSL during the year.

Transactions with employees

The Corporation has two loan schemes available for staff. An assisted car purchase loan scheme is available to employees in posts requiring the use of a car to perform their duties efficiently.
The loans carry a fixed interest charge based on the prevailing government rate for five-year loans and an administration charge. The loans are repayable by monthly installments over a period not exceeding five years commencing with the date of the loan. The Corporation also offers interest-free loans repayable within one year to staff requiring to purchase an annual season ticket to travel to work.

	2008	2007
	£'000	**£'000**
At 31 March, Principal outstanding, included in Debtors	**129**	153

27 Related party transactions (continued)

Comparative information: Year ended 31 March 2007

Related party transaction Name	RSL or other related body	Appointment	Transaction	Value
				£000's
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. Transactions with English Partnerships comprised purchases of goods and services.				
Peter Dixon	Office of Public Management	Chair	IGP grant Purchase of services	50 66
The contract to supply services to the Corporation was in place prior to Peter Dixon's appointment to the OPM.				
Peter Rogers	Westminster City Council	Chief Executive		
The City of Westminster is the rating authority for London Field office of the Housing Corporation. The Housing Corporation is an admitted body to the City of Westminster Pension Fund.				
Sheila Drew Smith OBE	Audit Commission	Board member	IGP grant Purchase of goods and services	70 2
Board members' interests through a person connected with them:				
Chris Holmes	Peabody Trust	Board member	Capital grants	5,346

Employee interests

There are a number of employees who are related to persons employed by RSLs or other bodies with which the Corporation has financial dealings. These relationships although between two organisations who have a financial interest do not in themselves involve any personal financial gain by the individuals concerned. No employees had any direct interests with RSLs, other organisations or suppliers in receipt of grants or other payments.

Appointments under paragraphs 6 to 8 of Schedule 1 to the Housing Act 1996

There were no appointments of Corporation employees to an RSL Board during the year (2006: nine). At 31 March 2007, seven appointments were still in place (2006: seven). The appointments were made to facilitate the orderly running of an RSL after its assets and liabilities had been transferred. The employees neither received any additional remuneration for their services nor was any housing grant paid to the RSL during the year.

Transactions with employees

The Corporation has two loan schemes available for staff. An assisted car purchase loan scheme is available to employees in posts requiring the use of a car to perform their duties efficiently.
The loans carry a fixed interest charge based on the prevailing government rate for five year loans and an administration charge. The loans are repayable by monthly installments over a period not exceeding five years commencing with the date of the loan.
The Corporation also offers interest free loans repayable within one year to staff requiring to purchase an annual season ticket to travel to work.

28 Date of authorisation for issue and post balance sheet events

The Housing Corporation's Financial Statements are laid before the Houses of Parliament by the Secretary of State for CLG. Financial Reporting Standard 21 requires the Corporation to disclose the date on which the accounts were authorised for issue and any material post balance sheet date events not disclosed in the Financial Statements.

The date of authorisation for issue is the date on which the certified accounts are despatched by the Corporation's management to the Secretary of State for CLG.

The authorised date for issue is 27 June 2008.

There have been no material post balance sheet date events.

Housing Corporation

Accounts direction given by the Secretary of State with the consent of the Treasury, in accordance with Section 97(1) of the Housing Associations Act 1985

1. The annual accounts of the Housing Corporation (hereafter in this accounts direction referred to as "the Corporation") 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 2006-07 and subsequent years shall be prepared in accordance with:

(a) the accounting and disclosure requirements given in Government Accounting and in, 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 Corporation and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and with 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

P J Ruback

An officer in the Department for Communities and Local Government

30 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 notes to the annual accounts

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

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

(c) an analysis of grant payments by outcome, also showing the legislation under which the payments were made;

(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 Corporation, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised);

(ii) the total amount of loans to employees;

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

(1) wages and salaries;

(2) early retirement costs;

(3) social security costs;

(4) contributions to pension; schemes

(5) payments for unfunded pensions;

(6) other pension costs; and

(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 Corporation;

II on secondment or loan to the Corporation;

III agency or temporary staff; and

IV employee costs that have been capitalised);

(e) a statement of loans by the Corporation showing the movements during the year, the rate of interest charged and the amount of interest receivable for the year;

(f) an analysis of liquid resources, as defined by accounting standards, identifying any amount for which the use of funds by the Corporation is restricted to specific functions;

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

(h) a statement of advances from the National Loans Fund showing the movements during the year, the rate of interest charged and the amount of interest payable for the year;

(i) 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 Corporation's operations; and

*(j) 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 Corporation), between the Corporation 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 Corporation by each individual board member or key manager;

(iii) the following are related parties:

(1) subsidiary and associate companies of the Corporation;

(2) pensions funds for the benefit of employees of the Corporation 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 Corporation;

(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; and

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

For the purposes of this sub-paragraph:

(i) a key manager means a member of the Corporation'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) an individual has a controlling interest in a company if the individual (or the individual acting jointly with other persons by agreement) is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or 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(j): 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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Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5867336 07/08

Printed on Paper containing 75% recycled fibre content minimum.

For further information about this publication please call 0845 230 7000 or
e-mail enquiries@housingcorp.gsx.gov.uk

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Published by TSO (The Stationery Office)
and available from:

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www.tsoshop.co.uk

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ISBN 978-0-10-295729-7

9 780102 957297