

Annual report and accounts

2008-09

THE NATIONAL AFFORDABLE HOMES AGENCY



Housing Corporation Annual report and accounts 2008-09

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Accounting officer's annual
review for the Housing
Corporation's final year of
operation, ended 31 March
2009

1 History and statutory background

The Housing Corporation, a non departmental public body sponsored by the Department for Communities and Local Government (CLG), ceased operation after 44 successful years and transferred its functions to two new agencies on 1 December 2008.

The Housing and Regeneration Act 2008 led to the creation of the Homes and Communities Agency (HCA), which combines roles of the Housing Corporation's investment function, English Partnerships and some of the housing and regeneration delivery functions from CLG; and the Tenant Services Authority (TSA) which is the new regulator for all affordable housing providers in England.

The Housing Corporation's 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 (HAs). 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 had been by payment of social housing grants. The Housing Act 2004 extended its powers to pay grant to un-registered bodies for the provision of social housing.

The Corporation's constitution was contained in Schedule 6 to the Housing Associations Act 1985. Statutory powers were contained in that Act and in the Housing Acts of 1988, 1996 and 2004 and in the Local Government and Housing Act 1989.

After 44 years of investing in affordable housing and regulating the housing association sector, this is the Housing Corporation's last Annual Report. The accounts have been prepared under the Accounts Direction given by the Secretary of State and dated 30 March 2007. This was issued with the consent of the Treasury under Section 97(1) of the Housing Associations Act 1985.

2 44 years of success and achievements

The Housing Corporation used its investment funds and regulatory powers to transform communities and improve people's lives from 1964 to 2008. Some of the Housing Corporation's major achievements over the past 44 years were:

- 1.27 million new homes funded
- 415,000 specialist homes provided for older or vulnerable people
- 1.16 million homes transferred from local authorities to RSLs
- £30.9 billion in private investment raised
- Over 250,000 homes brought up to the Decent Home standard (DHS) since 2003 and 99% of all housing association homes will meet the DHS by 2010
- 198,224 households helped to buy a home over the last 20 years
- 98.5% of associations have tenant board representatives
- 18,077 homes sold to key workers since 2004
- New build environmental standards saved over 140,000 tonnes of CO2 a year

These are just some of the successful numbers illustrating the many lives that our work has helped transform.

3 Change - new ambitions for social housing

In January 2007, following the Housing and Regeneration Review, the government announced the creation of a new national housing and regeneration agency, combining the roles of the Housing Corporation, English Partnerships and some of the housing and regeneration delivery functions from CLG.

In February 2007, John Hills published his report on the future roles of social housing in England. This comprehensive report identified a number of key directions in which housing policy could evolve, notably increasing the attention given to existing stock and tenants, supporting mixed incomes within existing communities, supporting livelihoods and examining a more varied menu of housing options for both prospective and existing tenants. At the heart of John Hills's work was a stronger emphasis on increasing the voice of tenants.

In June 2007, CLG published *Every Tenant Matters: A Review of Social Housing Regulation*, by Professor Martin Cave. This report recommended that the regulation of

social housing be the responsibility of an independent standalone regulator.

The outcomes and recommendations of these independent reviews were reflected in the government's ambitions for the future of the social housing sector which led to the creation of the two new agencies.

4 The transition year (2008)

During the transition year the Corporation continued to fulfil its investment and regulatory roles, delivered successfully on its core objectives, prepared for the effective and smooth transfer of its functions and made sure that solid foundations were laid for the two successor agencies.

The Housing and Regeneration Bill received Royal Assent in Parliament on 22 July 2008, which confirmed the creation of the new Homes and Communities Agency (HCA) and the Tenant Services Authority (TSA). This led to the Corporation working in close partnership with CLG, the teams tasked with setting up the HCA and the TSA, English Partnerships, the Audit Commission and other stakeholders towards the formation of

these new agencies on 1 December 2008. The Corporation's commitment and contribution to the transition process helped to achieve the target vesting date and assured stakeholders that there would be business continuity on 1 December.

As a result of the Act, the Housing Corporation ceased operation on 30 November 2008 and transferred its investment function to the HCA and its regulatory function to the TSA. Accordingly, the property, rights and liabilities of the Housing Corporation were transferred by the Secretary of State under a Transfer Scheme in exercise of the powers conferred by sections 51 and 65 of and Schedule 6 to the Housing and Regeneration Act 2008 to the new bodies. The Corporation continued to exist until 31 March 2009 as a residuary body with no operational activity.

After 44 years of achievements there can be little doubt that the Housing Corporation has left a strong foundation and the legacy that gives both HCA and TSA the best possible start to achieve the challenging targets set by CLG in the future.

The TSA will act as a new watchdog for social tenants. The TSA, led by

the Chief Executive Peter Marsh, will regulate social housing landlords, setting high standards of management across housing associations and, at a later date, local authority social homes. As well as continuing to deliver the high standards of financial regulation and governance, it will listen to tenants' concerns and use its powers to make sure tenants are getting a good service. Empowering people is the cornerstone of the government's recent White Paper, Communities in Control and the TSA is just one way in which tenants will have a greater say in the running of their communities. The TSA will also have powers to cut red tape for high performing registered social landlords and the ability to take action where tenants are not getting a fair deal.

The HCA will bring together responsibility for both the land and the money to deliver new housing, community facilities and infrastructure. From 1 December 2008, the HCA, headed by Chief Executive, Sir Bob Kerslake, will ensure that homes are built in an economically, socially and environmentally sustainable way, as well as promoting good design, building on the successes of the Housing Corporation and English Partnerships. The HCA also has a key role to play in regenerating

communities. It will base its regeneration approach on the government's regeneration framework - Transforming Places; Changing Lives. This will ensure decisions on regeneration are made as locally as possible, and that access to jobs is a key decider in the location of new social housing.

5 Delivering our core objectives in the eight months to 30 November 2008

The main challenge in the final eight months of operation was to continue to deliver a high-quality service whilst contributing to the shape and functions of the emerging agencies.

The Housing Corporation's last ever Corporate Plan 2008-09, agreed by CLG, set out how the organisation would deliver on its four objectives: providing more quality homes, improving landlord performance, making best use of its expertise and developing its can-do culture, while ensuring the smooth transition to its successor agencies, the HCA and the TSA. The Corporate Plan targets for each core objective were set for the whole year, and

as the Corporation ceased operation after eight months in November 2008, the HCA and TSA inherited the responsibility for ensuring that the annual targets were met by 31 March 2009.

The Corporation had three principal roles which were to finance, regulate and influence the proper performance of RSLs in England. The Corporation had a team of over 500 staff based in nine offices across England. In the eight months to 30 November the Corporation spent £39 million on running the organisation (including revenue grants to third parties), £833 million on its Capital Investment programme and £1.8 million on its Capital Administration programme.

Investor

The Housing Corporation helped to develop and implement regional and national housing strategies, using public subsidy to procure affordable housing which provides quality homes in the places where help was most needed across the country. In 2008 the Housing Corporation supported over 3,000 housing developments which have provided around 20,000 homes up to 30 November 2008 for individuals and families who would otherwise be unable

to access new high-quality housing. The Corporation helped to create and sustain affordable homes in strong communities.

Regulator

The Housing Corporation was the statutory regulator for housing associations. It continued to drive improvements in housing associations' efficiency and performance and helped to ensure that associations continued 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 benefited from a stable sector, focused on meeting their needs and those of their communities.

Influencer

The Housing Corporation helped shape housing, community and regeneration policy nationally, regionally and locally. With its extensive network of regional offices and close relations with housing associations and regional and local government, the Corporation were able to bring high quality market information and

unrivalled delivery expertise to bear on national policy development.

four key corporate objectives set out in our 2008-09 Corporate Plan - are set out below.

The targets for 2008-09 were agreed by the Board and the Secretary of State at the start of the year as part of our 2008-09 Corporate Plan. Achievements against the Corporate Plan Targets (CPT) together with a summary of activities and key issues for the period to 30 November 2008 - using the

6 More quality homes

Since its establishment, the Housing Corporation funded more than a million and a quarter new homes for those who need them most. It had consistently sought

Performance in the eight months to 30 November 2008 against the Corporate Plan targets set for 2008-09 (12 months)

Target (12 months)	Performance to end of November (eight months)
Deliver 26,150 completions of new social rent homes	10,414 rent units were completed, and it is expected that HCA will meet the annual target by 31 March 2009
Deliver 21,600 new low-cost home ownership completions	9,499 LCHO units were completed, and it is expected that HCA will meet the annual target by 31 March 2009
Deliver 30,000 start-on-sites for rent and 14,000 for new build LCHO	8,722 rent units and 3,300 LCHO units had started on site, and the annual performance will be reported in the HCA's 2008-09 Annual Report
Deliver 2,800 rural homes nationally in settlements of less than 3,000 homes	933 rural units were completed, and the annual performance will be reported in the HCA's 2008-09 Annual Report
Deliver 30% of the new social rent homes as larger family houses	2,868 larger homes for rent had completed, and it is expected that HCA will meet the annual target by 31 March 2009
Report at six months and at the end of the year on progress towards delivering agreed CSR efficiencies of £734 million by 2010-11	The first report on efficiencies achieved in the programme so far will be completed later in October 2008

to secure the right homes, at the right price and promote the highest standards of design and environmental performance.

Aiming to support the ambitions of the 2007 Housing Green Paper, the Comprehensive Spending Review provided £8.4 billion for 2008-11 National Affordable Housing Programme – the largest ever allocation of funds – to provide new high-quality affordable homes. Across the 2008-11 period as a whole, the National Affordable Housing Programme will support 99,500 homes for social rent and 60,100 for low-cost home ownership (LCHO).

In 2008, the Housing Corporation expanded its annual investment programmes to deliver in the first year of 2008-11 an unprecedented level of public investment. This helped more people than ever access new affordable homes. To increase the pace of delivery, funding was made available through a new fast-track bidding process of regular market engagement, with the best-performing partners having greater flexibility through Partnership Plus status. In addition, we raised the first grant tranche payment from 50% to 60% in order to increase the number of starts on site,

ensuring that the completion targets set for future years could be met.

In order to assist in the current market the Housing Corporation spent £200 million in 2008-09 on funding partners to purchase new build stock from developers, either for social rent, or for sale to first-time buyers through our HomeBuy low-cost home ownership scheme.

The next table confirms that the Housing Corporation had delivered outputs ahead of its targets at the end of November thus leaving the TSA and HCA on a sound footing to continue to deliver the remaining programme targets to March 2009. When compared to previous years the position is much better in relation to achievements to November. To November 2007 social rented outputs were marginally below the target at 97% and for low-cost home ownership they were marginally ahead of target at 103%.

7 Improving landlord performance

Across the country, some five million residents have benefited from a stable housing association sector that is focused

Performance in the eight months to 30 November 2008 against the Corporate Plan annual regional targets

Region	Affordable rent (AR)					Low-cost home ownership (LCHO)				
	Target for the year	Target to 30 Nov	Actual to 30 Nov	Actual as a % of Nov target	Actual as % of annual target	Target for the year	Target to 30 Nov	Actual to 30 Nov	Actual as a % of Nov target	Actual as % of annual target
London	7,561	1,882	2,082	110.62%	27.54%	6,482	2,241	2,660	118.70%	41.04%
South East	5,017	963	1,980	205.61%	39.47%	4,735	1,117	2,177	194.89%	45.98%
East of England	3,638	1,336	1,390	104.04%	38.21%	3,317	1,051	1,279	121.69%	38.56%
South West	3,369	1,057	1,493	141.25%	44.32%	2,043	534	1,005	188.20%	49.19%
North West	1,222	378	622	164.55%	50.90%	1,146	370	467	126.21%	40.75%
West Midlands	1,673	649	814	125.42%	48.66%	1,200	355	781	220.00%	65.08%
East Midlands	1,281	320	881	275.31%	68.77%	1,035	184	680	369.57%	65.70%
Yorkshire and the Humber	1,580	674	644	95.54%	40.76%	933	316	361	114.24%	38.69%
North East	809	496	508	102.41%	62.79%	216	83	89	107.23%	41.20%
New build shared equity (residual)*						493		--		--
Total for the year	26,150	7,775	10,414	133.94%	39.82%	21,600	6,251	9,499	151.96%	43.98%

Larger homes (rent completions)

Region	Milestone for year	Actual to 30 November	Actual as % of annual milestone
London	2,751	565	20.5%
South East	1,444	405	28.0%
East of England	1,055	397	37.6%
South West	979	431	44.0%
North West	420	221	52.6%
West Midlands	472	211	44.7%
East Midlands	361	259	71.7%
Yorkshire and the Humber	420	193	46.0%
North East	250	186	74.4%
Total for year	8,152	2,868	35.2%

on meeting their needs and those of their communities. As the statutory regulator for housing associations we fostered and challenged housing associations, promoting the provision of excellent services to tenants and encouraging efficiency and innovation.

During the year, we continued to regulate in proportion to risk, rewarding sustained good performance with less intrusive regulation. We used our registration and regulation powers to ensure all housing

association homes continued to be on track to meet, or exceed, the Decent Home Standard by 2010. We focused on the environmental performance of existing homes, working with the government and our partners to ensure that the sector continued to lead the way. We ensured that we, and our partners, placed the views of tenants at the heart of their processes and were responsive to their needs, including providing support for tenants in the local authority sector through the Tenant Empowerment Programme.

Where necessary, we used our intervention and supervision powers to ensure that poor performance was addressed and that the interests of tenants, taxpayers and lenders were protected.

We ensured that the new social housing regulator, TSA, inherited a thriving, successful and well-governed sector. The Housing Corporation led the development of the TSA under the chairmanship of Kate Barker (from December 2007 to May 2008) and following this with the Chair, Anthony Mayer and the new Chief Executive of the TSA to manage a successful transition of our regulatory role.

Registrations

During the period 1 April 2008 to 30 November 2008 nine new housing associations were registered. The new registrations comprised five large scale whole or partial stock transfers from local authorities, two new parent bodies of a group structure, one amalgamation and one other general registration.

Profile of the Sector

The Housing Corporation had a statutory duty to maintain a register of the associations it regulated. On 30 November 2008 there were 1,861 housing associations operating in England listed on our register, a net decrease of 18 since the previous year end.

An analysis of the sector by stock size as at the end of the previous year ie 31 March 2008 is shown on page 15.

Stock transfer registrations

The five stock transfer registrations resulted in a further 27,000 local authority homes becoming part of the regulated sector. The registrations of Berwick Borough Housing, Gedling Homes and Three Oaks Homes enabled whole stock transfers to take place from Berwick-upon-Tweed Borough Council, Gedling Borough Council and Blaby District Council. The registrations of City South Manchester Housing Trust and City West Housing Trust enabled partial stock transfers to take place from Manchester City Council and Salford City Council.

Performance in the eight months to 30 November 2008 against the Corporate Plan targets

Target (12 months)	Performance to 30 November
Ensure that 95% of RSLs (that own more than 1,000 homes) have resident representation on the boards with service delivery responsibility by end of 2008-09	98.4% (249) of larger associations are compliant with our requirements
Maintain up-to-date Housing Corporation Assessments (HCAs) / TSA Regulatory Judgments for all larger RSLs; 100 HCAs produced in the calendar year ending December 2008	In the calendar year to end September 2008, 126 HCAs have been published in accordance with the revised programme criteria
Update all Annual Viability Reviews (AVRs) in accordance with the to-be-agreed programme by March 2009	The 2008 AVR programme was agreed and the QA panel meetings had started to receive funding
Undertake reviews of all supervision cases on a three-monthly basis and produce action plans with milestones including monthly update on progress	All supervision cases are being reviewed to the required timescales
All HAs with more than 1,000 homes on track at year end to meet the 2010 Decent Homes Standard target of 95% compliance	Initial analysis of 2008 RSR data indicates that all housing associations with at least 1,000 units, excluding stock for which extensions have been granted either by the HC or by CLG, are on track to achieve the DHS by December 2010

HA's regulated by the Housing Corporation at 30 November 2008

Industrial & Provident Act societies (charitable rules - 680/non-charitable rules-433)	1,113
Registered charities only	391
Registered companies only	75
Registered as both a company and a charity	282
Total	1,861

Distribution of housing associations by Housing Corporation field and type as at 30 November 2008

Registry type	London	South East	South West	Central	North	RASA	National
Almshouses	1	7	0	1	2	350	361
Abbeyfield	4	11	3	14	15	157	204
YMCA/YWCA	0	0	0	1	0	35	36
Co-operatives	6	1	0	1	2	235	245
Co-ownerships	0	0	0	0	0	22	22
Letting	81	53	33	114	125	227	633
Letting/hostel	57	34	28	49	49	71	288
Hostels	11	0	1	1	4	25	42
Sale or lease	12	4	0	3	8	3	30
Field totals	172	110	65	184	205	1,125	1,861

Registrations as part of a group structure

Two group structure registrations were completed of non stock owning “parent” associations of which seven were formed to take in a new stock transfer RSL as a subsidiary. Two non stock owning parent associations were registered to create group structures, with newly registered stock transfer associations as subsidiaries. Two of the five stock transfer associations were independent (not part of a group

structure), and one became a subsidiary of an existing RSL group.

De-registrations and removals

During the period 1 April 2008 to 30 November 2008, 11 RSLs were de-registered and 24 were removed from the register.

Analysis of the sector by stock size

Number of properties	Number of housing associations	Percentage of housing associations
0 – 249	1,329	71.4%
250 – 2,499	246	13.2%
2,500 – 4,999	138	7.4%
5,000 – 7,499	74	4.0%
7,500 – 9,999	26	1.4%
10,000 – 12,499	18	1.0%
12,500 – 14,999	10	0.5%
15,000 – 17,499	5	0.3%
17,500 – 19,999	2	0.1%
20,000 +	13	0.7%
	1,861	100%

Consents

During the period 1 April 2008 to 30 November 2008 the Corporation issued 1,909 sealed statutory consents to RSLs. This comprised 128 constitutional consents of which 80 were to amend or update RSL governing instruments. One consent for a Deed of Postponement, two consents to RSL dissolutions and eight Transfer of Engagement consents were issued.

The Consents Section issued 1,770 Section 9 consents during the year, of which 498 were for private finance secured against RSL properties. 1,272 Section 9 consents were for RSL disposals or transfer of properties between RSLs.

Submission of annual accounts

RSL accounts logged during this period 1,126

These figures refer to accounts for financial periods ending October 2007 to May 2008 for which the required date for submission fell between 1 April 2008 and 30 November 2008.

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

From April 2008 to November 2008 the Housing Corporation issued 27 special determinations for exemptions from Paragraph 2(1), Part 1 of Schedule 1 of the above Act. 78 were issued in the previous year.

Where we intervened

Where it was found that housing associations did not comply with the Regulatory Code in a significant way we intervened to deal with the underlying concerns. In the most serious cases of under-performance we placed associations under supervision. The number of housing associations under supervision reduced to six cases as at 30 November 2008, which compares to a total of 51 cases five years earlier (see statistics table below). Over the five years, 32 new cases were identified

and 77 cases were resolved. There were only two new cases added since 1 April 2008.

The trend towards fewer supervision cases reflected the impact of the principles of the Regulatory Code and of risk-based regulation. We aimed to tailor our approach so that it was appropriate and proportionate to the risks which associations faced. We have moved away from dealing with concerns about process, which previously accounted for a high proportion of cases. Supervision casework handled the most difficult and complex problems, with high levels of risk and impact.

We continued to emphasise the importance of governance and management performance in our regulatory assessments. In many of the most serious cases of under-performance we used our power to make statutory appointments to the governing bodies of housing associations. This brought in additional skills and expertise to help to resolve the problems as quickly as possible. During the year we made or renewed appointments to the boards of ten associations (fifteen in 2007-08).

Statistics

Section 1: Supervision cases summary						
Number of cases as at 1 April 2008						8
New cases added						2
Cases resolved						(4)
Number of cases as at 30 November 2008						6
Section 2: Five-year trend						
	2008-09	2007-08	2006-07	2005-06	2004-05	
Number of cases brought forward	8	17	23	42	51	
New cases	2	4	3	8	15	
Cases resolved	(4)	(13)	(9)	(27)	(24)	
Number of cases carried forward	6	8	17	23	42	

At 30 November 2008, six associations had statutory appointees on their boards. These were:

- Black Roof Community Housing Association
- Clays Lane Housing Co-operative
- Home for Aged Jews (Liverpool and District)
- Leeds Federated Housing Association
- Presentation Housing Association
- Novas Scarman Group

Following the outcome of a statutory inquiry, the Housing 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 ASRA Greater London Housing Association. The Secretary of State gave the necessary consent to the transfer in March 2008, and the transfer was completed in June 2008.

In October 2008 we instigated a statutory inquiry into the affairs of Novas Scarman Group using the power contained in

paragraph 20 of Schedule 1 to the Housing Act 1996. We appointed two senior partners from accountancy firm BDO Stoy Hayward to conduct the inquiry. The final report of the inquirers will, in accordance with the legislation, be considered by the board of the Tenant Services Authority during the early part of 2009-10.

During 2008 we undertook a new initiative which aimed to expand the pool of expert persons who were available to act as statutory appointees to housing association governing bodies. Following a successful recruitment drive we had a pool of around 90 potential statutory appointees, with a reasonable spread in terms of coverage around the country.

Financial health of the sector

Associations with 1,000 or more homes, representing 96% of the sector's total, provided information on their annual financial performance, derived from their financial statements. This information was analysed to provide sector wide and sub-sector level trends in key figures and ratios.

The financial performance for the period to March 2008 demonstrated that the sector in aggregate was in sound financial

health with solid rates of growth across key financial figures. Housing properties grew by 10% and turnover by 10.7% over 2007 levels, reflecting new stock transfer associations entering the sector and new build development. Highlights of the sector's financial statements include:

- the gross cost/valuation of housing properties was £85.2 billion
- the sector balance sheet remained relatively lowly geared. Using adjusted net leverage, gearing stands at 40.8% up slightly from last year's figure of 39.5%
- external debt increased to £34.9 billion of which £22.3 billion was attributable to traditional associations, up 12.3% on the previous year
- turnover exceeded £10 billion for the first time – up almost £1 billion on 2007 levels
- levels of voids and bad debts reported by associations remained at historic lows, suggesting continued strong demand for their properties, together with good performance on rent collection. Overall void levels were 2.1% (slightly below the previous year) and bad debts stayed constant at 1.0%
- the operating surplus, at almost £1.6 billion increased by 11.2% on the previous year's level

- pre-tax surplus was £0.3 billion up 24% on the previous year

In the period since the accounts were struck, associations have been affected to varying degrees by the declining housing market and the ongoing problems within the international credit markets. As a consequence, the sector is facing its most challenging time.

Although in a difficult environment, the sector is remarkably resilient as demand for affordable homes for rental, the core business of the majority of associations, is strong and increasing. Whilst the sector overall and the majority of associations are well placed to withstand the impact of the economic environment, some organisations are more exposed than others.

Those associations that have diversified in recent years to deliver a broader range of homes for sale in addition to rental and that rely on sales income to subsidise development are finding their cashflows and opportunity for development constrained.

In the year to March 2008, the sector benefited from profit on sales of properties

of £577 million, of which £439 million is attributable to traditional associations. These disposals reflect, in the main, sales of rental homes within the sector both to other housing associations and to tenants in the form of Right to Buy and Right to Acquire sales and the sale to tenants of shares in their homes. Although the rate of increase slowed from the previous three years' levels, indicating the impact of the slow down in the housing market, the income from these sales is fundamental to the development plans of some associations.

The impact of the financial market disruption means that new funding is more difficult to obtain at the attractive price available in recent history. However, the sector has some buffer to this with a reported £15 billion of available facilities.

In summary, the financial health of the sector and the majority of associations within it suggests it is well placed to adapt and withstand the economic challenges that materialised during 2008. Whilst some associations are more vulnerable than others, the strength of the core business and the provision and demand for affordable homes for rental will enable

the sector to endure and contribute to the government's housing programme.

8 Making best use of our expertise

Since its establishment, the Housing Corporation had funded more than a million and a quarter new homes for those who need them most. We consistently sought to secure the right homes, at the right price and promote the highest standards of design and environmental performance.

Innovation, good practice and research

For more than 40 years the Housing Corporation helped shape housing, community and regeneration policy nationally, regionally and locally. With the extensive network of regional offices and close relations with housing associations and regional and local government, the Corporation was renowned for bringing high-quality market information and unrivalled delivery expertise to bear on national policy development.

Most recently we produced strategies on homelessness, vulnerable people and neighbourhoods and communities which have helped set the agenda for the affordable housing sector. Over the last ten years, we invested some £80 million in promoting high-quality research and good practice. Whilst we did not publish any new regulatory guidance, strategies or policies in advance of the establishment of the new regulator, throughout 2008 we continued to commission and disseminate high-quality research and use our business intelligence to focus on critical aspects of the housing agenda and add value to the development and implementation of housing policy across both the public and private sectors.

The Housing Corporation to 30 November 2008 continued to invest significantly in high quality research, data collection and analysis, innovation and best practice to inform our delivery roles and the development of the TSA. This information will play a vital role in the development of future approaches to the management and regulation of affordable homes.

During 2008 the Corporation invested a total of £2.7 million in research, data collection and analysis, innovation and

best practice and prioritised its investment in projects relevant to:

- meeting the housing needs of vulnerable people and diverse communities
- ensuring we were 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
- better understanding the extent to which current approaches are meeting the needs of Black Minority and Ethnic (BME) communities

During 2008, the following key projects were supported:

- a major study of the demographic, economic and spatial drivers of future affordable housing demand, and the

likely aspirations of future residents of affordable housing was completed and widely distributed in eight parts to c19,000 CIH members with Inside Housing magazine, it proved one of the most popular research projects ever completed by the Housing Corporation

- the second-phase of work on 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
- six completed surveys from the Residents Consultation Panel, which includes some 1,400 housing association and 1,000 local authority and arms-length management organisation (ALMO) residents
- four research pieces to inform policy covering income differentials, economic development, social fragmentation, and the impact of environmental and technological trends on housing and housing services
- four Homeless Link projects that will analyse the links between homelessness and multiple social exclusion via a variety of methodological approaches including qualitative longitudinal evaluation of service users, statistical surveying and service workforce evaluation

- the Existing Tenants Survey, a domain-wide survey of tenants including 20,000 home interviews, successfully concluded and transferred to the TSA

During 2008 a total of 55 projects received funding under our Innovation and Good Practice Grant, 22 of which were commenced during that period. New projects focused in particular on the following areas:

- tackling worklessness
- promoting community cohesion
- tackling climate change in existing stock
- efficiency in housing management
- transforming estates

The Gold Award for Excellence, launched in 2005, continued to challenge and inform the sector. The final round was launched in September 2007 and the winners were announced in a ceremony in May 2008. There were a total of nine winners covering three themes: building cohesive communities, delivering joined-up development and tackling worklessness.

The most far-reaching intensive knowledge sharing programme to date took place and included events such as conferences, open

days, seminars, policy breakfasts and the CD toolkit.

The winners were:

Building cohesive communities

- Ashram,
- Old Ford
- The Papworth Trust

Delivering joined-up development

- Great Places
- Newlon
- Nomad E5

Tackling worklessness

- Accent
- Places for People
- Derwent and Solway

Each year the Housing Corporation collected 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 supported the Housing Corporation's regulatory system, the provision of housing association performance indicators and the work of the Audit Commission's Housing Inspectorate.

Information was collected through the Regulatory and Statistical Return (RSR) which provided 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 (c300,000 per year) and sales (c17,000 per year) by housing associations and local authorities, including key household characteristics 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 was collected in electronic form, validated, analysed and published to ensure that the resulting information was sufficiently fit for purpose. Outputs included summaries for each individual RSL through to national reports, as well as on line 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 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 was used to calculate key performance indicators. Also the data was used extensively in research, and Innovation and Good Practice projects commissioned by the Corporation and a range of stakeholders.

The Corporation worked closely with CLG on the development of the National Register of Social Housing (NROSH) and the TSA will continue this work. The initiative is creating a single, national and consistent social housing database, providing key information on each of the four million social housing properties provided by housing associations and local authorities in England. Not only does this allow powerful analysis at all geographical levels, but information is also provided by landlords more efficiently. NROSH is planned to supersede most of the RSR and some CLG data collection surveys.

The Corporation continued in its determination to ensure that our investment in research and good practice

Performance in the eight months to 30 November 2008 against the Corporate Plan annual targets

Target (12 months)	Performance to 30 November
Publish six briefings on the state of the social housing sector, in partnership with CIH	Eight briefings were published
Continue successful roll-out of National Register of Social Housing (NROSH) by working with CLG to plan the migration of their NROSH functions to the TSA	The NROSH project is being delivered in partnership with CLG
Effectively disseminate Gold Award round three, exceeding exposure achieved for round two (RSLs reached, attendance at events)	This target has been achieved
Commission and effectively analyse and disseminate triennial Existing Tenants Survey (ETS), extending the ETS to cover local authority and ALMO tenants	The reports on the surveys will be available from April 2009
Carry out at least four surveys of our joint Tenants Panel	Three surveys have been completed and the final one is underway
Successfully commission new round of IGP proposals, concluding all contracts by July 2008	Contracts issued to target. Close liaison with transition and legacy teams with all contracts approved and logged. Planned transfer of projects arrangements for future management post-transition: will entail some retained responsibility by staff transferring to HCA for oversight with full admin service provided by TSA
Hold two meetings of the Rural Housing Advisory Group before October 2008	<p>Successful meeting held 3 April 2008 attended by Jonathan Shaw MP</p> <p>Successful meeting held 10 July 2008 attended by Sir Bob Kerslake</p> <p>Further meeting held on 7 October 2008 and Rural Conference held on 8 October 2008</p>

is as accessible and useful as possible. To this end it published a wealth of research, good practice and analysis material to 30 November 2008. This included 22 Innovation and Good Practice reports with In Brief summaries, two Sector Studies, three Insights research bulletins, and numerous other miscellaneous research and analysis pieces. In addition it delivered an internal learning programme in order that staff benefited from the best information available.

We continued to support tenant empowerment through our administration of the Tenant Empowerment Programme (TEP). We worked effectively with Communities and Local Government to deliver the improvements to the TEP announced in 2007, including its housing association sector.

We focused our investment in research, data analysis, innovation and good practice to ensure that the work of the new HCA and TSA is informed by high-quality, forward-looking research and intelligence and that the Housing Corporation's commitment to supporting and promoting innovation and best practice is carried forward into the new agencies.

9 Developing our can-do culture

The Housing Corporation continued to improve and deliver its business processes as part of its Corporate objective of developing its can-do culture despite the demands placed upon it during the transition process to the new agencies.

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 invited to become involved.

Much of the final eight months of the Corporation's existence to November 2008 was spent preparing for the transition to the two new agencies: the TSA and the HCA. This was successfully achieved on 1 December 2008 with around 250 staff transferring to each of the new employers. Unlike those working within investment and regulation who had an obvious destination, individuals from the support functions were invited to state a preference for either organisation; in all cases these preferences were met. Five staff, including

the Chief Executive and three Directors, for whom there was no ongoing role in either organisation, accepted voluntary redundancy.

The successful transfer was largely the result of an effective employee relations and engagement strategy during the transition period. A variety of communication channels: staff briefings, the intranet, conferences and dedicated news letters and magazines ensured that staff were kept aware of the main issues.

Just over half the Corporation's workforce were members of one of the recognised trade unions and meetings with the elected representatives continued to take place on a regular basis throughout the transition period. At the beginning of the year we negotiated a new recognition agreement which is clearer about the arrangements for time off and tightens up the disputes resolution process. The Housing Corporation also widened the scope of employee relations to encompass the whole staff body.

We reviewed and updated our main people related policies to ensure legal compliance ahead of transfer in addition to the equality impact assessments that had previously been completed.

During the year the Housing Corporation continued to develop its new pay and grading arrangements to ensure salaries were both fair and reasonable in relation to colleagues and also competitive within the external labour market. We believed it was in everyone's interest that pay was awarded fairly and equitably as it is one of the key factors affecting morale and relationships at work. We recognised 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.

The Housing Corporation continued to invest significantly in the learning and development of its staff post transfer with key work undertaken in the following areas:

- support for staff through change and transition to new agencies included all staff and manager change workshops, career development and personal impact courses, and capacity building for future
- senior managers given additional support through 360 degree feedback and coaching
- Investors in People (IiP) successfully achieved in July 2008 with very positive

feedback (accreditation transferred to TSA)

- fourth annual mentoring conference held, celebrating individual and organisation of benefits of mentoring and transfer of the mentoring scheme to the new agencies

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

In meeting our corporate objectives the Housing Corporation valued the views of its staff and believed that the learning environment created could only be maintained through listening to one another. Employee forums enabled the Corporation to shape its approach to disabled people, women and men and

the BME communities. Much work was done during the year in developing our single equality scheme which sought to consolidate our three separate schemes and the broader approach to equality into one coherent document. This formed 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) became an integral part of the Housing Corporation since it was launched four years ago. Its purpose was to enhance the participation made by BME staff within the Corporation. It achieved this by working with senior management through a number of subgroups focusing on human resources, learning and development, and policy and communications. Sir Bob Kerslake, as the Chief Executive designate of the Homes and Communities Agency, stated that he wanted to use the FRESH model to build on its success going forward in the new agency.

The People with a Disability Group provided an opportunity for disabled people to engage directly with the Housing Corporation to ensure that improvements were continuous and

sustainable. The Corporation believed that the disadvantage experienced by many disabled people stems from attitudinal and environmental barriers. Through the Disability Policy and Strategy and by supporting staff with a disability we were committed to achieving disability

equality by working to dismantle these barriers wherever possible. Any employee who became disabled received support to ensure, wherever possible, that they were able to continue in their role.

Performance in the final eight months against the Corporate Plan annual targets

Target (12 months)	Performance to 30 November
Ensure the benefits of the new ICT contract continue to be delivered	The upgrade of desktop and laptop PCs in all offices was completed
	The introduction of regional file servers in all offices was completed to enable staff to access information locally rather than through the one single server at the data centre.
Deliver regulation core systems replacement	Phase 1 of this project has been completed and gone live The other phases are under development. User testing commences in January 2009
Deliver improvements to IMS to support 2008-11 programme including regular market engagement, partnership plus and the new Open Market HomeBuy products	Phase 1 of IMS improvements (so called IMS Next Steps) has gone live Phase 2 of IMS improvements (so called IMS Enhancements) are under development and have been passed to HCA for completion.
Ensure that there is a complete set of contracts, records and other knowledge to facilitate effective transfer to HCA and TSA	This target has been achieved
Effectively retain staff and skills to enable transfer of 'going concern' to new agencies	This target has been achieved

In 2008 we continued to roll out new core systems, ensuring that they were fit for purpose ahead of transition to the new agencies. Our three principal challenges through 2008 were to ensure that our people and systems were both able to deliver the challenging targets contained in this plan and were ready to take forward the work of the new agencies, and that we were able to work effectively with the new agencies in managing the transition process.

There were no personal data incidents in the period to 30 November 2008.

There was 5.7 average days sickness absence per employee for the year ended 30 September 2008.

10 General financial matters: pensions, payments, audit, loans, financial instruments and post balance sheet events

The Corporation was an admitted body to the City of Westminster Pension Fund. The deficit in the scheme had increased by £10.33 million to £41.87 million. In addition an actuarial loss of £9.39 million has been

debited to the General Reserve and is disclosed in the Statement of Recognised Gains and Losses. The employers' contribution rate for the year was 17%. A full disclosure of the pension scheme performance is contained in Note 11 to the Financial Statements.

The CLG paid grant in aid based on the estimates the Corporation made for its immediate requirements. Grant in aid was 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 (NAO). This is 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 managed a small portfolio of loans. They were funded by a similar borrowing from the National Loans Fund. All loans were secured on property and, except in a 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 16 and 21 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, Peter Marsh, 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 acted within transparent and accountable processes and that we had delivered our business within our statutory framework has been provided to them.

11 Better Payment Practice Code

The Corporation fully supported the Confederation of Business Industry (CBI) Better Payment Practice Code and aimed to pay all undisputed invoices within 30 days of receipt and at least 90 per cent 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 had a policy to pay these either on scheduled dates or within ten working days of receiving a valid grant claim. It was 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 were made aware of the terms of payment
- abide by the payment terms of individual suppliers
- deal reasonably with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices, were contested

12 Changes in fixed assets

The Corporation invested £1.849 million in tangible and intangible assets. Of this £224,000 was spent on developing software for our investment systems and £831,000 on our regulation systems. This had increased the value of intangible assets within the balance sheet at 30 November

2008. These development costs were capitalised under FRS10.

Refurbishments in a number of our offices totaled £114,000 and the purchase of office equipment and hardware totaled £632,000. The value of fixed assets held by the Corporation is disclosed in Notes 13 and 14 to the Financial Statements.

13 Freedom of information

The Housing Corporation was a public authority subject to the right of access under the Freedom of Information Act 2000 (the Act). In accordance with the Act, the Corporation proactively and routinely published information to meet its publication scheme requirements. The Executive Management Team and Audit and Risk Committee reviewed the nature and source of requests to monitor ongoing compliance.

The Housing Corporation received 91 requests from 1 April 2008 to 30 November 2008. In 64 cases we disclosed the information in full, in 12 cases the information was partially withheld, in three cases the information was not disclosed and in 11 cases the information

was not held. One case was transferred to HCA on 1 December 2008. During this period there were two cases for an internal review. The Housing Corporation had one case waiting for review by the Information Commissioner's Office.

14 Policy on energy conservation and environmental issues

As a key trend setter for the construction industry, the Housing Corporation drove for higher environmental standards in the homes it funded and worked to embed sustainability throughout its areas of business.

In the 2008-11 bid round the Housing Corporation achieved a significant step forward. The Housing Corporations Design and Quality standards indicated that all new build homes schemes funded in the programme needed to be compliant with the Code for Sustainable Homes level 3. 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 indicated that in 2008-11,

93% of these homes will meet Code level 3 with seven per cent achieving an improvement over this.

These foundations will be built upon by the Homes and Communities Agency through the new organisation's adoption of the commitments set out by the Housing Corporation for the future of the National Affordable Housing Programme (NAHP), namely Code level 4 for the 2011-14 bid round and zero carbon development by 2015, subject to the technology becoming available in a cost effective manner.

Building on the publication of EcoHomes XB for eXisting Buildings, the Housing Corporation actively promoted the methodology to our investment partners through publication of guidance and through dissemination events. Using experience from the Gold Award environmental performance theme, authoritative guidance for social landlords on retrofitting measures to assist them in appraising and installing measures to improve environmental performance of existing stock was produced. The Housing Corporation also worked with CLG to develop a framework to stimulate the retrofit of existing investment partner stock. Environmental performance of

existing stock was also a key theme of our Innovation and Good Practice scheme. In June 2008 the Housing Corporation published the well received Fit for the Future: The Green Homes Retrofit Manual and worked hard promoting this in the final months of the organisation.

Demonstrating its commitment to the environment, the Housing Corporation was awarded the internationally recognised ISO14001 certificate.

Like all businesses, we recognised our office and administration activities had an impact on the environment. We passed on our work in reducing adverse effects on the environment to the TSA and HCA, thus ensuring the good example we set to other stakeholders in the social housing sector is maintained.

The Housing Corporation was committed to continually improving its environmental performance by complying with relevant legislation and ensuring that prevention of pollution remained an integral part of its working practices. As part of the Housing Corporation's commitment to maintaining this standard it continued to:

- ensure all employees were aware of its environmental policy and fully understood 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 BS8555 or ISO14001
- 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)
- encourage greater use of public transport where possible

The Housing Corporation continued to develop its environmental policy by the setting of demanding objectives and targets, which were regularly monitored and annually reviewed.

15 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 met three times in the period to 30 November and was chaired by Peter Dixon. The Board members who, together with the Chair, formed the committee were: Shaukat Moledina, Sandi O'Neill, Donald Hoodless OBE, Sir Duncan Michael and Steven Douglas.

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

Individual remuneration for the period ended 30 November 2008

	Salary		Bonus		Additional responsibility payment (a)		Taxable benefits (b)		Employer's pension fund contributions		Total	
	30 Nov 2008	2008	30 Nov 2008	2008	30 Nov 2008	2008	30 Nov 2008	2008	30 Nov 2008	2008	30 Nov 2008	2008
	£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive and Deputy Chief Executive												
Steven Douglas, Chief Executive	89,455	137,135	33,572	17,587	8,945	9,831	4,357	6,741	20,915	13,861	157,244	185,155
Peter Marsh (c) Deputy Chief Executive	98,833	121,975	20,357	1,150	4,440	13,012	2,733	-	19,747	11,426	146,110	147,563
Director Members of the Executive Team												
Matthew Leach' Director, Policy and Communications	60,479	86,352	14,578	1,765	5,857	10,419	-	-	9,958	8,459	90,872	106,995
Clare Miller Director, Regulation	67,347	95,715	16,159	1,765	5,675	11,549	1,505	3,124	11,418	9,358	102,104	121,511
Richard Hill Director, Investment	77,155	99,876	16,862	1,650	7,578	15,815			13,116	9,746	114,711	127,087
Margaret Allen Field Director, Central	64,926	95,715	15,177	1,765	9,739	10,511	3,773	5,512	11,037	9,358	104,652	122,861

John Carleton (c) Field Director, North	60,701	93,586	15,108	1,765	6,070	6,720	2,733	-	10,319	8,760	94,931	110,831
Fiona Cruickshank Field Director, South East	55,999	82,554	12,278	1,765	2,820	-	2,590	3,827	9,520	8,095	83,207	96,241
Rona Nicholson Field Director, London	69,160	101,957	15,676	1,765	10,374	11,486	-	-	11,757	9,957	106,967	125,165
Andrew Wiles Field Director, South West	55,999	82,554	12,278	1,765	8,400	9,279	2,508	3,515	9,520	8,095	88,705	105,208

- (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 was 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 had 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.
- (c) The salary figures for Peter Marsh and John Carleton include a cash allowance in lieu of a Corporation car.
- (d) An interim Director of HR was employed through an agency for the period 1 April 2008 to 30 November 2008 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 30 November 2008 amount to £70,300 including vat.
- (e) During the period of account the Chief Executive designate for the HCA was an employee of the Corporation. Although attending Corporation Board meetings he was not involved within the decision making process of the Corporation, but acted as an observer. Details of his emoluments for the year can be found in the remuneration report included within the Homes and Community accounts. His remuneration is included in staff costs at Note 4 to these accounts.

Executive's bonus and it decided 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 had open-ended service contracts which did not contain any predetermined compensation on termination of office.

Individual remuneration for the period ended 30 November

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

All Senior Managers consented to the following disclosures relating to their

emoluments and accrued pension entitlement.

Bonus payments

The posts of Chief Executive and Deputy Chief Executive carried an entitlement to a performance related bonus of up to 15%. The level of bonus was determined by the Remuneration Committee and in the case of the Chief Executive required the endorsement of the Permanent Secretary, CLG. The bonus payments to Steven Douglas and other Directors disclosed in the above table include amounts due in respect of achievements in the period ended 30 November 2008. Peter Marsh, Deputy Chief Executive during the period under review, received the standard bonus payment referred to below. He was also entitled to a bonus for achievements for the eight months to 30 November, but declined to receive the bonus due as he was appointed Chief Executive of TSA from 1 July 2008. He therefore only received a bonus entitlement to 30 June 2008. The performance related bonus entitlement in respect of the year ended 31 March 2008 for Steven Douglas, Peter Marsh and Directors were approved by the Remuneration Committee on the 10 June 2008 were paid

in 2008 and are therefore included in the above table.

Key managers' pension entitlements

The Chief Executive, Deputy Chief Executive and the Directors were ordinary members of the staff pension scheme which had HM Revenue & Customs approval and was a statutory scheme (see Note 11 to the accounts). Employer contributions were at the rate recommended by actuaries and applicable for all members. The Corporation did not have a scheme that provided an additional pension. Individual Directors could 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 CETV shown below related to the benefits that the Directors had 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 included the value of any pension benefit from another scheme which the Director had 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 30 November 2008	Total accrued related lump sum 30 November 2008	Cash equivalent transfer value at 31 March 2008	Cash equivalent transfer value at 30 November 2008	Real increase in CETV after adjustment for inflation, market condition & employee contributions
	£	£	£	£	£	£	£
Steven Douglas	3,337.72	4,435.33	15,860.94	42,005.00	142,371.46	205,889.43	51,133.13
Margaret Allen	1,160.25	81.26	21,219.14	60,257.93	297,367.94	376,534.74	64,220.50
John Carleton	451.80	-548.98	5,899.31	15,793.53	70,633.25	104,188.12	26,456.18
Fiona Cruickshank	28.89	-2,726.10	26,557.92	76,860.98	403,284.15	520,128.28	99,207.16
Richard Hill	2,430.89	3,427.07	14,696.37	40,223.49	133,497.01	193,478.32	49,800.31
Matthew Leach	1,005.33	-21.88	4,631.77	10,857.95	37,822.39	53,944.72	10,319.24
Peter Marsh	5,843.42	12,606.51	28,221.44	79,740.58	236,460.35	362,817.05	111,177.02
Clare Miller	1,100.75	-73.99	20,718.11	58,778.07	258,798.74	322,708.21	50,261.52
Rona Nicholson	546.42	-1,897.91	21,328.24	60,447.07	309,121.60	418,503.28	93,739.58
Andrew Wiles	464.55	-766.84	24,105.26	70,155.27	398,396.40	560,817.64	144,844.84

A rate of inflation of 3.33% (2008: 3.9%) has been applied in calculating the annual increase of accrued pension and CETV. The Corporation's pension liabilities are disclosed in detail at Note 11 to the financial statements. The deficit on the fund amounted to £37.7 million at 30 November 2008.

Board members' appointments and remuneration

Board members were appointed by the Secretary of State in accordance with Schedule 6 to the Housing Associations Act 1985. Appointments were 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 were determined by the Secretary of State and, during the year under review, were paid directly by CLG.

The CLG's Permanent Secretary determined 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 28 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.

Throughout the period ended 30 November 2008 the number of Board members, including Steven Douglas, remained at 13.

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 was appointed to both Boards. The appointment was for the duration of their appointment as Chief Executive. Neither the Chief Executive of the Corporation nor the Chief Executive of English Partnerships received remuneration for these additional responsibilities. In addition, from April 2008, the Chief Executive designate of the Homes and Communities Agency was appointed to both Boards for which he received no additional remuneration.

Any significant interests held by Board members were available for viewing via the Register of Interests which was open to the public on the Corporation website www.housingcorp.gov.uk during the period to 30 November.

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 was four to five days a month. The agreed time commitment of other Board members was two to three days a month. The post of Chief Executive was full-time.

Chairman's pension entitlements

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 period ended 30 November 2008. The pension scheme is similar to the Local Government Pension Scheme, however, there are no employer contributions.

The costs of pensions paid to ex-chairs are paid by CLG and therefore no costs appear in the Corporation's accounts.

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 six per cent of gross salary. Pensions are currently in pay for three ex-chairmen.

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

Arrangements for compensation for redundancy or premature loss of office

Board members' appointments were made by the Secretary of State under Schedule 6 to the Housing Association's Act 1985 and were subject to those provisions. The Secretary of State could either terminate the appointment without notice in the specific circumstances outlined in the statute or upon giving three months' notice

in writing. There were no compensation arrangements for Board members for premature loss of office.

The Chief Executive's contract specified the circumstances under which termination could occur without payment of compensation. Redundancy or premature loss of office for non-specified reasons required compensation to be determined between the Corporation's Chairman and CLG's Permanent Secretary.

Board member's emoluments

	Date of first appointment	Date of re-appointment	Appointment lapses/lapsed	30 November 2008	2008
				£	£
Peter Dixon, Chairman	1 October 2003	1 October 2006	30 November 2008	55,289	82,933
Shaukat Moledina, Deputy Chairman	1 December 2002	1 October 2005	30 November 2008	18,450	27,675
Candy Atherton	1 October 2005		30 November 2008	8,414	12,621
Kate Barker	1 October 2005		30 November 2008	9,245	14,023
Julie Fawcett MBE	1 December 2002	1 October 2005	30 June 2009	8,414	12,621
Chris Holmes	1 October 2004		30 November 2008	8,414	12,621
Donald Hoodless OBE	1 October 2005		30 June 2009	10,204	15,306
Kevin Lavery	1 October 2004		30 November 2008	8,414	12,621
Sir Duncan Michael	1 October 2000	1 October 2004	30 November 2008	10,408	15,306
Sandi O'Neill	1 December 2002	1 October 2005	30 November 2008	8,582	12,621
Peter Rogers	1 October 2004		30 November 2008	8,414	12,621
Sheila Drew Smith OBE	1 December 2002	1 October 2005	30 June 2009	10,204	15,306
John Walker, Chief Executive of English Partnerships	2 January 2007				-
Total remuneration				164,452	246,275
Social security costs				14,547	22,383

(a) All Board Members had their appointments renewed until 30 November except Donald Hoodless OBE, Sheila Drew Smith OBE and Julie Fawcett MBE who remained Board members to oversee the closure of the Corporation as a corporate entity on 31 March 2009 and to approve the final set of accounts for the Corporation on 30 June 2009 when their appointments ceased.

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

	30 November 2008	2008	2007
Rate of inflation	2.75%	2.75%	2.75%
Rate of increase in salaries	4.29%	4.30%	4.30%
Rate of increase for pensions in payment and deferred pensions	2.50%	2.75%	2.75%
Discount rate for scheme liabilities	5.32%	5.30%	4.60%

Movement in the FRS 17 liability during the year

	30 November 2008	2008
	£,000	£,000
1 April, present value of scheme liabilities	(215)	(194)
1 April, increase in liabilities arising from revised real investment return	-	-
Current service cost net of employee contributions	(15)	(20)
Employee contributions to pension fund	(4)	(5)
The interest cost	(8)	(9)
Benefits paid	5	8
Actuarial loss (2008 gain) - effect of changes in demographic and financial assumptions	(2)	5
31 March, present value of scheme liabilities	(239)	(215)
Actuarial gains and losses during year		
Experience gain	(2)	(2)
Effect of changes in demographic and financial assumptions	-	(3)
Percentage of the present value of scheme liabilities	0.8%	2.4%

16 Corporate governance report

This report refers to the period 1 April 2008 to 30 November 2008. The Housing and Regeneration Act 2008 created two new agencies: the Homes and Communities Agency (HCA) and the Tenant Services Authority (TSA), and brought to an end the operations of the Corporation. A residuary body, comprising three Corporation Board Members (who are also members of the Board of the TSA) – Julie Fawcett MBE, Donald Hoodless OBE and Sheila Drew Smith OBE – was created from 1 December 2008 to oversee the closure of the Corporation as a corporate entity on 31 March 2009. The TSA is responsible for all residuary Corporation affairs.

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

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

- As Board appointments were made by the Secretary of State, the Corporation did not have a Nomination Committee
- As all Board members, except the Chief Executive Officer, were non-executive the Board did not appoint a senior independent director
- Board members, other than the Chief Executive Officer, did not receive performance-related payments

(b) The Corporation and its Board

The Housing Corporation was an executive non departmental public body accountable to the Secretary of State for CLG. The Corporation had 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 was a public body corporate with its constitution set out in Schedule 6 to the Housing Associations Act 1985. Its functions were 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 were described in the Management Statement and Financial Memorandum issued by CLG.

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

Board vacancies were advertised nationally and members were 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 comprised a Chairman, a Deputy Chairman and up to 12 non-executive members and the Chief Executive who, with the Secretary of State's approval, was appointed by the Board. The Chief Executive, who was also the Accounting Officer, assisted by the Deputy Chief Executive and the Executive Team, was responsible for the day-to-day running of the Corporation. The Corporation published a Code of Best Practice for its Board Members, drawing on the Cabinet Office Guidance on Codes of Practice for Board Members of Public Bodies, which

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 did business are disclosed in Note 28 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 was appointed to both Boards. The appointment was for the duration of their appointment as Chief Executive. Neither received remuneration for these additional responsibilities. In addition, from March 2008, the Chief Executive designate of the Homes and Communities Agency was appointed to both Boards.

Ordinary meetings of the full Board were held at least six times a year. Agendas for discussion included 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 held policy day meetings to discuss strategic items. The Board had corporate responsibility for ensuring that the Corporation fulfilled 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 established the overall strategic direction of the Corporation within the policy and resources framework determined by the Secretary of State. It ensured that the Secretary of State was kept informed of any changes which were likely to impact on the strategic direction of the Corporation or the attainability of its targets, and determined the steps needed to deal with such changes.

The Board responsibilities included:

- ensuring that the Corporation complied 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 were 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 had 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
- ensuring that it operated within the limits of its statutory and delegated authority agreed with CLG and in accordance with the Management Statement and Financial Memorandum

Board members were 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 appointed four committees consisting of Board members and advised by the Executive, Directors and senior officers. The minutes of each Committee were reported formally in writing to the

Board after each meeting. Since June 2006 all Committees took 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 to 30 November 2008 (Chair, Donald Hoodless OBE)

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

The Audit and Risk Committee (ARC) was responsible for ensuring proper arrangements existed for internal audit, risk management, internal control, monitoring performance against corporate objectives and organisational development and that assurances were reported relating to the Corporation's corporate governance requirements. It carried 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 considered and advised the Board on included:

- 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
- 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) had free and confidential access to the Chair of the ARC. All internal audit reports were addressed to the ARC.

Investment Committee: six meetings to 30 November 2008 (Chair, Sir Duncan Michael)

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

The Investment Committee formulated and advised 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 oversaw the planning and implementation of the Corporation's capital investment programmes.

Registration and Regulation Committee - five meetings to 30 November 2008 (Chair, Sheila Drew Smith OBE)

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

The Registration and Regulation Committee advised on policy for registration and approval and the criteria for registering RSLs and approving landlords. It determined individual registration and approved applications, removals and revocations as well as individual applications for rule changes from RSLs arising from mergers which exceed a 10,000 homes threshold. It also advised 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 oversaw the supervision and control of individual problem cases where enforcement action is involved and advised

the Board on the use of the Corporation's statutory powers in such cases.

Remuneration Committee – four meetings to 30 November 2008 (Chair, Peter Dixon)

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

The Remuneration Committee advised the Chief Executive on the remuneration, contractual and Corporation pension scheme arrangements for the Executive, Directors and senior staff. The Committee provided an independent perspective of the market pressures governing pay, specific recruitment and retention sensitivities. It considered and reviewed, 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 acknowledged 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 were developed and implemented. As a result, Board members led or took part in other groups, which provided a means of consulting or reviewing aspects of policy.

Transition governance

CLG took the lead on the establishment of the HCA and TSA created by the Housing and Regeneration Act 2008 as successor bodies to the Housing Corporation.

The Chief Executive, Donald Hoodless OBE, Kate Barker and the Deputy Chief Executive were members of the overall Programme Board. Kate Barker chaired the OFTENANT Project Board from its inception until 2008 (prior to the change of name to the Tenant Services Authority). The Corporation's Board monitored progress of the transition at each meeting and established a Transition / Legacy Project Board, which included Sandi O'Neill, and was charged with overseeing the work of the Corporation in relation to the transfer of its staff, functions, assets and liabilities to the successor bodies.

17 Going concern

The balance sheet at 31 March 2009 shows all assets and liabilities with a value of zero as all assets and liabilities were transferred to the TSA and HCA at 1 December (2008: £358.2m). The value of net liabilities transferred at 1 December was £36.95m.

Grant in aid for the year ending 31 March 2010, taking into account the amounts required to fund the Corporation's liabilities transferring to the new agencies, 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 ceased to exist under the Regeneration and Housing Act 2008 as the functions it undertook were transferred in their entirety to the TSA and HCA on 1 December 2008 under the machinery of government. There were no principal risks or uncertainties facing the successor bodies, as there is agreed funding until March 2011, and the latest housing

programme, NAHP, has deliverables through to 2014.

This report was approved by the Board on 30 June 2009.

Sheila Drew Smith	Peter Marsh
Chair	Accounting Officer

Statement of the Corporation's and accounting officer's responsibilities

Under Section 97(1) of the Housing Associations Act 1985 the Corporation was 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 were prepared on an accruals basis and 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 Accounting Officer were 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 had been followed and disclosed and explained any material departures in the accounts

- prepare the accounts on the going concern basis

The Corporation and Accounting Officer confirm that the accounts comply with the above requirements.

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
for the period 1 April 2008 to
31 March 2009

1 Background

Steven Douglas was Chief Executive until 30 November 2008 when the Corporation ceased operations. Peter Marsh, who was the Deputy Chief Executive of the Housing Corporation until 30 November 2008, was appointed the Chief Executive of TSA on 1 July 2008 and combined both roles until 30 November 2008. He was subsequently appointed Accounting Officer for the period 1 December until the Corporation ceased to exist as a corporate entity on 31 March 2009.

2 Scope of responsibility

As Accounting Officer of the Housing Corporation, I had 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. With the Housing Corporation's functions

transferring to both the Tenant Services Authority (TSA) and Homes and Communities Agency (HCA) from 1 December 2008 I am required to produce a statement based on the assurances given in the statement of internal control signed by Steven Douglas, the Housing Corporation's Chief Executive and Accounting Officer to 30 November 2008. The signing of that statement gave assurance to the Accounting Officers of the new agencies that the internal controls operated by the Housing Corporation had been sound and no serious internal control issues have arisen.

3 Accountability arrangements

The Housing Corporation was 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 letters issued to Steven Douglas by the CLG Accounting Officer in May 2007, to me in December 2008 and the Management Statement and Financial Memorandum issued on 1 April 2005. An ongoing dialogue was maintained

at both a political and officer level. A series of scheduled formal CLG round up meetings were held throughout the period covered by this report with officers from the CLG, members of the Housing Corporation's Executive team and myself to discuss specific and general business issues as well as the transition processes in place to ensure a smooth handover to HCA and TSA. The transition process involved many workstreams which were attended by officers of the Corporation and a Programme Board which was been attended by me to ensure that the workstreams delivered what was needed from a Corporation perspective. A monthly Finance and Investment Programme Review meeting took place during this period 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, the adverse financial crisis and other topics were held with officers and Ministers.

4 The purpose of the system of internal control

The purpose of the system of internal control was to facilitate the successful achievement of the Corporation's aims and objectives. The system of internal control was 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
- 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
- a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review

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

The system of internal control was based on the operation of 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 was in place within the Corporation for the period ended 30 November 2008 when operations ceased and continued until the Corporation ceased to exist as a corporate entity. At all times the system of internal control was in accord with Treasury guidance.

5 Capacity to handle risk

The Corporation's updated Risk Management Strategy was published in February 2008. The organisation had continued to evolve its risk management

processes and develop its risk management capability in line with the Strategy.

This not only reflected the evolution of risk management processes within the organisation, but also reflected the significant new risks that were identified in the year. The most significant being those risks associated with the formation of the HCA and TSA and the much more adverse financial climate which has severely impacted on the borrowing and lending regime operated by the financial institutions that had given concern over delivery of the Corporation's 2008-09 targets and much more importantly the building blocks for the stretching targets for 2009-10 and onwards.

Throughout the transition period it was very important to ensure that control activities remained embedded in staff behaviours and that the delivery culture of the organisation was not adversely affected by the process of organisational change so that the Corporation has fulfilled its overall purpose and achieved its intended outcomes successfully.

The Risk Management Strategy was available to all staff and the public on our website throughout the period.

The Board set internal policy on risk and internal control as well as having responsibility for determining our strategic direction and providing oversight of risk management. During the period in question I ensured that:

- a system of risk management was maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets
- the Corporation maintained a Risk Register in accordance with the Treasury's 'Orange Book'
- the corporate risk profile, which included transition risks within the body of the register, were 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 was maintained
- the Corporation's new Information Systems (IS) strategy, approved by the Board, was aligned to the overall business strategy
- all public funds made available to the Corporation, including any approved income or other receipts, were 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 were maintained by the Corporation, including effective measures against fraud and theft
- the Corporation reviewed its system of internal delegated authorities which were notified to all staff, together with a system for regularly reviewing compliance with these delegations
- effective human resource policies and employee relations were maintained

The ARC considered and advised 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 had the effect of focusing attention and the appropriate resources to the effective management of risk. All Committee and Board papers had a compulsory section on risk management which ensured risks were highlighted and considered at an early stage.

In addition to the above I also instigated the following to support and oversee the transition process:

- an Organisational Change Programme Board
- appointed workstream leaders to lead on specific areas of work
- appointed a Senior Responsible Officer and Project Director to oversee the transition process
- appointed an overall transition legacy project manager to ensure the a successful decommissioning of the Corporation
- regular risk review meetings
- put in place work on a Memorandum of Understanding to ensure the two new agencies have a protocol to support each other as they move forward

As Accounting Officer I received assurance that the responsibilities in relation to risk management were properly discharged. These were as follows:

- providing leadership and direction over the risk management process
- setting and communicating the risk management strategy
- regularly reviewing the risk profile

- conducting an annual review of the effectiveness of the system of internal control

6 The risk and control framework

The Housing Corporation had in place a number of structures and processes that were designed to both identify, evaluate and manage the risks to the achievement of objectives. The Corporation's principal risks related to the successful delivery of its business that helped to support the provision of quality affordable homes in England.

The Risk Management Strategy outlined in detail the arrangements by which we identified, categorised, assessed and addressed risks. Risk appetite was 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 considered the management of all risks scoring 12 and above and required active management, wherever possible, of all risks with a score of 16 and above. All

risks on the corporate risk profile had a designated owner who was a member of the Executive Management Team.

Risks were reviewed and reported regularly through the maintenance of a rolling risk profile document which was reviewed at least quarterly by the Executive Management Team, Audit and Risk Committee and Board. The Investment and Registration and Regulation Committees considered risk arising within their own terms of reference. Staff and Board members were encouraged to notify the team responsible for maintaining the risk profile at any stage of potential changes to the profile. As part of the transition process the risk register was split between those that in the Corporation's view were likely to be the responsibility of TSA and those that were likely to be the responsibility of HCA as well as identifying and putting processes in place to mitigate transition risks.

During the period under review the Corporation positively responded to Cabinet Office guidance on the management of information risks. We therefore continued to review our Information Security Policy which aimed to ensure the confidentiality and integrity

of information held by the Corporation, balancing this with our legal obligation of openness and the business need for readily available information. It applied to all information held, regardless of the format, equipment used or employment status of the user. Further improvements were made such as encrypting all laptops. However, some further work remained to be completed but the key requirements had largely been addressed. This outstanding work was transferred to the new agencies.

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

7 Structures

The Board was been formally constituted and comprised 13 non-executive directors and one executive director, appointed by the Secretary of State. The recruitment process for non-executive directors was run by the CLG in accordance with the

Code of Practice for Public Appointments issued by the Commissioner for Public Appointments. Non-executive directors were appointed initially for periods of up to three years, and the level of their emoluments was set by the Secretary of State.

8 Review of effectiveness

As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers within the Corporation who had 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 final meeting of the Corporation's ARC meeting took place 21 November 2008 and considered a suite of reports integral to the pre vesting assurances provided by the former Housing Corporation's Accounting Officer to the CLG Accounting Officer. My review was also informed by the work of the executive managers within the Agency who had responsibility for the development and

maintenance of the internal control framework.

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2008-09 included:

- 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 enabled 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 were provided to each Committee meeting on progress and findings
- the Head of Internal Audit's part year 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 were also provided to the CLG and the National Audit Office. An Audit Review Group (Audit Clinic), chaired by myself, met regularly to ensure that agreed recommendations contained in the audit reports were 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 were in place and had been operated during the year
- the delegation of resource budgets down to cost centre level
- quarterly review of estimates to ensure managers were taking responsibility for delivering the business objectives within budget
- rolling forecasts of expenditure for the remaining life of the Corporation were

reported to the Board to determine future affordability

- identifying all liabilities that each new agency will inherit
- ensuring all Corporation's assets and liabilities were included on the appropriate transfer schedule for transfer to the respective agency
- ensuring all staff were allocated to each agency wherever possible
- ensuring all procedures and processes that needed to be in place to enable the two agencies to function from 1 December were in place

The Head of Internal Audit gave an opinion that there was an adequate and effective system of risk management, control and governance that provided 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, informed the Board and me of the strength of the Corporation's internal controls.

Since 1 December 2008 the arrangements for the preparation of the final Housing

Corporation's accounts have been reviewed and audited by the National Audit Office. The results of the review have been reported to the Residuary Board of which I am a member.

9 Significant internal control issues

No serious internal control issues have arisen since the signing of the 2007-08 accounts in June 2008. I, Peter Marsh, have based my sign off of this statement on the assurance given to me by Steve Douglas whose contract ceased on 30 November on the basis that no serious internal control issues have come to light since that date.

Peter Marsh
Accounting Officer
30 June 2009

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 2009 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, which contains 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 hereunder. I report to you whether, in my opinion, the information, which comprises 'Delivering Our Core Objectives', 'More Quality Homes', 'Improving Landlord Performance', 'Making the Best Use of Our Expertise', 'Developing Our Can-Do Culture', 'General Financial Matters', 'Better Payment Practice Code', 'Changes in Fixed Assets', 'Policy on Energy Conservation and Environmental Issues', and 'Going Concern', 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 'History and Statutory

Background', '44 Years of Success and Achievements', 'Change – New Ambitions for Social Housing', 'The Transition Year', 'Freedom of Information', 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 hereunder 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 hereunder
- information, which comprises 'Delivering Our Core Objectives', 'More Quality Homes', 'Improving Landlord Performance', 'Making the Best Use of Our Expertise', 'Developing Our Can-Do Culture', 'General Financial Matters', 'Better Payment Practice Code', 'Changes in Fixed Assets', 'Policy on Energy Conservation and Environmental Issues', and 'Going Concern', 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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Annual accounts 2008-09

Operating cost statement for the year ended 31 March 2009

Expenditure	Notes	2009 £'000	2008 £'000
Capital Investment Grants	2	(852,762)	(2,063,503)
Revenue grants	3	(4,905)	(8,169)
Staff costs	4	(21,197)	(30,103)
Administration expenditure	5	(13,201)	(17,278)
Interest payable	8	0	(1)
Total		(892,065)	(2,119,054)
Income			
Capital Investment Grants recovered	2	19,953	58,887
Interest receivable	7	1,865	2,857
Other income	9	492	586
(Increase) / decrease in provision for doubtful debts	6	-	(4)
Total		22,310	62,326
Net expenditure before tax, finance and notional costs		(869,755)	(2,056,723)
Finance costs	8	(1,339)	(779)
Finance income	7	115	211
Notional cost of capital (credit)		1,075	1,167
Net operating cost of ordinary activities before tax		(869,904)	(2,056,129)
Taxation	12	(12)	(7)
Net operating cost of ordinary activities after tax		(869,916)	(2,056,136)
Reversal of notional cost of capital (debit)		(1,075)	(1,167)
Net expenditure for the financial period		(870,991)	(2,057,303)

The Corporation's grant payments and operating costs were funded by grant in aid voted by Parliament. Grant in aid received was credited direct to General Reserve, Note 22.

The Corporation continued all operations until 30 November, and transferred its staff, assets and liabilities to the successor bodies on 1 December 2008.

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

All activities above for the current year arose in the EIGHT months to 30 November 2008.

From 1 December 2008 the Corporation ceased to trade and the principal activities were transferred to the Tenant Services Authority and the Homes and Communities Agency.

Statement of recognised gains and losses for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Actuarial loss (2008:gain) from staff pension fund	11	(9,391)	14,427
Total recognised losses since last Financial Statements		(9,391)	14,427

Balance sheet as at 31 March 2009

Fixed assets	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Intangible assets	13	-		4,032	
Tangible assets	14	-		3,519	
Total					7,551
Investments					
Share in The Housing Finance Corporation Ltd.	15	-		-	
Loans and Receivables	16	-		1,558	
				-	1,558
Total fixed assets			-		9,109
Current assets					
Debtors	17	-		17,024	
Cash at bank and in hand	18	-		1,758	
Total		-		18,782	
Creditors: amounts falling due within one year	19	-		(353,200)	
Other financial liabilities				-	(334,418)
Total current liabilities less assets				-	(325,309)
Advances from the National Loans Fund	21			-	(1,400)
Provision for unfunded pensions liability	11			-	(4,391)
Net liabilities excluding funded pension liability				-	(331,100)
Pension scheme liability	11			-	(27,149)
Net liabilities				-	(358,249)
Reserves					
General Reserve	22				(328,516)
Pension Reserve	22				(31,540)
Specific reserve	22				1,807
					(358,249)

The Housing Corporation ceased operation on 30 November 2008 and remained as a residuary body until 31 March 2009.

The notes to the accounts disclose balances at 30 November 2008 and their transfers to the successor bodies on 1 December 2008. The transfer of balances to the successor bodies is summarised in Note 10.

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

The financial statements on pages to were approved by the Board on 30 June 2009 and were signed on its behalf by:

Sheila Drew Smith Chair

Peter Marsh Accounting Officer

Cash flow statement for the year ended 31 March 2009

Cash flow	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Net cash outflow from operating activities	ii		(998,390)		(2,015,485)
Returns on investments and servicing of finance					
Interest received on loans		60		84	
Interest received on deposit of specific reserve		55		83	
Interest paid on loan from National Loans Fund		(49)		(78)	
			66		89
Taxation					
Corporation tax paid			-		(23)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(1,223)		(1,666)	
Purchase of tangible fixed assets		(514)		(1,573)	
Sale of tangible fixed assets		0		12	
Loan repayments		677		324	
Loan advances		(2)		(78)	
			(1,062)		(2,981)
Financing					
Grant in aid	iv	1,201,685		1,889,005	
Transfer to TSA and HCA		(3,744)			
Advances from the NLF		1,400		2,800	
Repayments to the NLF		(2,800)		(2,800)	
			1,196,541		1,889,005
Increase (2008:decrease) in cash			197,155		(129,395)

i Reconciliation of net cash flow to movement in net funds	2009 £'000	2008 £'000
Increase in cash	197,155	(129,395)
Cash outflow from decrease in NLF loan	1,400	-
Net funds at 1 April	(198,555)	(69,160)
Net funds at 31 March	0	(198,555)

ii Reconciliation of operating cost to net cash flow from operating activities	Notes	2009 £'000	2008 £'000
Net operating cost before tax and finance cost		(869,755)	(2,056,728)
Adjustments for non-cash transactions:			
Adjustment for FRS 17 Pension costs	4	2,110	4,830
Depreciation and amortisation	5	1,781	1,713
Loss on disposal of fixed assets	5	73	1,011
Increase in provisions for doubtful debts	6	-	4
Decrease in provisions for liabilities and charges	20	-	(112)
Increase (2008:decrease) in debtors	17	12,310	(12,514)
Decrease (2008:Increase) in creditors	19	(142,448)	51,214
Adjustments for cash transactions:			
Employer's contributions to pension fund	11	(2,247)	(4,594)
Unfunded pensions paid to retired employees	11	(214)	(309)
Net cash outflow		(998,390)	(2,015,485)

The cash flows above are in relation to the Corporation's trading activities in the eight months to 30 November 2008.

iii Analysis of changes in net funds	1 April 2008 £'000	Cash flows £'000	31 March 2009 £'000
Cash at bank and in hand	1,758	(1,758)	-
Bank overdraft	(198,913)	198,913	-
	(197,155)	197,155	-
NLF debt due within one year	(1,400)	1,400	-
Total	(198,555)	198,555	

iv Analysis of financing	Cash flows £'000	31 March 2009 £'000
Grant in aid received from CLG	1,201,685	1,889,005
Applied towards:		
Purchase of fixed assets	(1,737)	(3,239)
Capital grants	(1,224,356)	(1,807,551)
Revenue grants	(5,994)	(7,511)
Administration costs net of other cash flows	(29,920)	(41,980)
Decrease in bank balance	60,321	(28,724)
	(1,201,686)	(1,889,005)

Notes to the financial
statements for the year
ended 31 March 2009

1 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 (FRM), 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 were funded by grant in aid provided by CLG. All grant in aid and grant received used to finance activities and expenditure which supported 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 a resource (accruals) basis. Payments of Capital Investment Grant were paid in two installments, a start on site tranche and a completion tranche. Both tranches represented 50% of the value of the grant. However, in order to give as much support to the housing market as we could we increased the start on site tranche payment to 60% with effect from 1 September 2008. Revenue grant payments were based on the achievement of milestones.

Grant recoveries

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

funds available to recycle within the three year period is referred to in Note 2 to the accounts.

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 was 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 was 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. 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
Furniture, fixtures and fittings	4 years
Motor cars	5 years
Set up costs of future grant programmes	5 years

Financial instruments

The Housing Corporation has adopted the UK accounting standards relating to financial instruments from 1 April 2008.

These standards are:

- FRS 25 Financial Instruments: Disclosure and Presentation
- FRS 26 Financial Instruments: Measurements, Recognition and Derecognition
- FRS 29 Financial Instruments: Disclosures

According to the Financial Reporting Manual (FRM) applicable to 2008-09, the reporting entities adopting these standards from 1 April 2008 are exempt from the requirement to restate comparative information for FRS 25, FRS 26 and FRS 29.

Financial assets and liabilities are recognised on the Housing Corporation's balance sheet when the Corporation becomes a party to the contractual provisions of the instrument (contract).

The Housing Corporation has various financial assets such as loans, short term trade debtors, cash and short term deposits which arise directly from its operations. Its principal financial liabilities in recent years have been borrowings from the NLF, bank

overdrafts and short term trade and other creditors.

Financial assets

Loans - the Housing Corporation's loans to RSLs, unregistered societies and private mortgages are classified under 'Loans and receivables' category of financial assets. Based on FRS 26, financial assets under this category are initially recognised at fair value and subsequently are measured at amortised cost using the Effective Interest Rate method.

Trade and other debtors - trade and other debtors are short term and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Housing Corporation will not be able to recover balances in full, with the charge being recognised in administrative expenses in the income statement. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents - cash and cash equivalents for cash flow purposes includes cash-in-hand, cash-at-bank and bank overdrafts (2007-08). Bank deposits have an original maturity of three months. In the balance sheet, 2007-08 bank

overdrafts are presented within current liabilities.

Financial liabilities

Trade and other creditors - trade and other creditors are short term and are stated at cost.

The Housing Corporation's indemnities to four building societies against losses that might arise from loan advances they made under a scheme to promote home ownership (the Open Door scheme) are treated as financial guarantee contracts.

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 was 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 accounted 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.

Format of disclosure notes

On 1 December 2008 the Tenant Services Authority (TSA) and the Homes and Communities Agency (HCA) were created by the Housing and Regeneration Act 2008. On this date all assets and liabilities of the Corporation were transferred to either the TSA or the HCA and the Corporation ceased to trade. However to enable a fuller understanding of balances transferred, the notes disclose balances pre-transfer as at 30 November 2008 and the subsequent transfer to TSA and HCA. The accounting policies referred to above were applicable prior to the cessation of trade.

2 Capital investment grants

The Corporation's powers to pay grants for social housing to RSLs and other bodies were conferred by Sections 18, 20, 21 and 27A of the Housing Act 1996. The power

to recover grant was conferred by Section 52 of the Housing Act 1988 and Section 27 of the Housing Act 1996. This function transferred in its entirety to HCA.

Social Housing Grant payments					
	Social rent £'000	Low cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	2009 total £'000
London	207,825	92,560	8,570	388	309,343
South East	91,697	56,050	1,651	57	149,455
East of England	58,452	29,687	137	27	88,303
South West	46,051	18,467	2,489	-	67,007
North West	41,412	11,616	3,501	621	57,150
West Midlands	57,055	18,382	278	72	75,787
East Midlands	34,534	10,728	1,250	-	46,512
Yorkshire and Humberside	24,443	8,114	506	-	33,063
North East	24,456	1,623		63	26,142
	585,925	247,227	18,382	1,228	852,762

In the normal course of its business the Corporation recovered grant payments paid in previous years where schemes were terminated, subject to a change of use or have a cost overrun. Also included here is the debtor for Recycled Capital Grant at £1 million from three year old funds retained by RSLs which were unable to be recycled.

	Social rent £'000	Low cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	2009 total £'000
London	(8,057)	(2,477)	(32)	-	(10,566)
South East	(165)	(729)	-	-	(894)
East of England	(912)	(727)	(1)	-	(1,640)
South West	(599)	-	-	-	(599)
North West	(89)	-	-	-	(89)
West Midlands	-	-	-	-	-
East Midlands	-	-	-	-	-
Yorkshire and Humberside	-	-	-	-	-
North East	-	-	-	-	-
	(9,822)	(3,933)	(33)	-	(13,788)
Grant recoveries from old schemes	(6,165)				(6,165)
	(15,987)	(3,933)	(33)	-	(19,953)

Grant payments net of receipts					
	Social rent £'000	Low cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	2009 Total £'000
London	199,768	90,083	8,538	388	298,777
South East	91,532	55,321	1,651	57	148,561
East of England	57,540	28,960	136	27	86,663
South West	45,452	18,467	2,489	-	66,408
North West	41,323	11,616	3,501	621	57,061
West Midlands	57,055	18,382	278	72	75,787
East Midlands	34,534	10,728	1,250	-	46,512
Yorkshire and Humberside	24,443	8,114	506	-	33,063
North East	24,456	1,623	-	63	26,142
	576,103	243,294	18,349	1,228	838,974
Grant recoveries from old schemes	(6,165)				(6,165)
	569,938	243,294	18,349	1,228	832,809

Grant payments net of receipts					
	Social rent £'000	Low cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	2008 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 Humberside	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)	-	-	-	(20,322)
	1,528,467	432,448	41,789	1,912	2,004,616

3 Revenue grants

The Corporation's powers to pay revenue grants to RSLs were 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 were 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. This function transferred to TSA.

Advice on how they could become involved in the management of their homes and estates are covered under Section 27A to the Housing Act 1996 as extended by

Statutory Instrument SI 2006 No. 583. This function transferred to TSA.

The Open Market Home Buy (OMHB) purchase assistance scheme was introduced to encourage first-time buyers to take up low-cost home ownership, who received grants up to £1,500 for incidental expenses. This programme transferred to HCA.

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 became compulsory for social housing in October 2008.

	2009 £'000	2008 £'000
Innovation and Good Practice grants	1,710	4,155
Tenant Empowerment grants	1,246	2,228
OMHB-Purchase Assistance Scheme	1,949	-
Energy Performance Certificate grant	-	1,786
	4,905	8,169

4 Staff costs

	2009 £'000	2008 £'000
Staff salaries	13,976	19,821
Social security costs	1,219	1,754
Pension costs	2,110	4,830
Temporary and contract staff	1,634	2,121
Staff on inward secondment	231	325
Travel and subsistence	568	855
Other costs	1,459	397
	21,197	30,103
Staff on outward secondment, shown in Note 9 to the Financial Statements	(53)	(86)

No staff costs were capitalised in year (2008: nil)

During the year the Corporation incurred costs in connection with the separation of its functions into the two new agencies from 1 December 2008. Transition costs included in the table above amount to £807,743 (2008: £366,823).

Average number of persons employed analysed by category of employment					
	Investment and regeneration	Regulation and best value teams	Administra- tion and IT	2009 total	2008 total
Staff	203	147	184	534	518
Temporary, agency and contract staff	1	2	27	30	32
Staff on inward secondment	3	1	-	4	5
Staff on outward secondment	(1)	(1)	-	(2)	(3)
	206	149	211	566	552
Average number of persons expressed as full-time equivalent	188	139	177	504	524

5 Administration expenditure

	2009 £'000	2008 £'000
Accommodation costs	2,362	3,450
Office running costs	1,166	1,703
Professional fees	4,551	5,002
Recruitment, training and publicity	2,283	2,583
Research and housing projects	985	1,846
Provision for liabilities and charges	-	(30)
Depreciation and amortisation	1,781	1,713
PIMS development costs written off	-	901
Loss on disposal of fixed assets	73	110
	13,201	17,278

The above analysis of administration expenditure includes the following charges (inclusive of any VAT):

	2009 £'000	2008 £'000
Rental in respect of leased offices	1,235	1,852
Rental of office equipment	80	101
Auditors' remuneration, audit fees	80	100

CLG make 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 incurred costs in connection with the separation of its functions into the two new agencies from 1 December 2008. Transition costs included in the table above amount to £804,623 (2008: £119,913).

6 Provisions for doubtful debts

	2009 £'000	2008 £'000
At 1 April	17	359
New provisions	-	5
	17	364
Reductions in provisions	-	(1)
Bad debts written off	-	(346)
	-	(347)
At 30 November 2008	17	
At 31 March 2008	-	17
Transfer to TSA and HCA on 1 December	(17)	
At 31 March 2009	-	

7 Interest receivable

From operating activities	2009 £'000	2008 £'000
Interest on grant recoveries from RSLs	1,865	2,854
Other interest	-	3
	1,865	2,857

From investments	2009 £'000	2008 £'000
Loans - schemes under development	14	37
Loans - completed schemes	37	67
Loans - private mortgages	9	17
Short term deposits of specific reserve	55	90
	115	211

8 Interest payable

On operating activities	2009 £'000	2008 £'000
Other interest	0	1

On servicing of finance and pension commitments	2009 £'000	2008 £'000
Borrowings from the National Loans Fund	49	79
Pension commitments (Note 11)	1,290	700
	1,339	779

9 Other income

Other income excludes Social Housing Grant recovery which is disclosed in Note 2.

	2009 £'000	2008 £'000
Research and housing project receipts	327	491
Staff on secondment	53	86
Other	112	9
	492	586

10 Transfer of assets and liabilities to the Tenant Services Authority and the Homes and Communities Agency

On 30 November 2008 the Corporation ceased to trade and on 1 December 2008 the assets and liabilities transferred to the Tenant Services Authority and the Homes

and Communities Agency. The notes to the account disclose balances and their transfer to the Tenant Services Authority and the Homes and Communities Agency.

	Note	As at 30 November	Transfer to TSA and HCA	As at 1 December 2008 and 31 March 2009
		£'000	£'000	£'000
Fixed assets				
Intangible fixed assets	13	4,143	(4,143)	
Tangible fixed assets	14	3,406	(3,406)	
Loans and mortgages	16	883	(883)	
		8,432	(8,432)	
Current Assets				
Debtors	17	4,716	(4,716)	
Cash and bank	18	3,744	(3,744)	
		8,460	(8,460)	
Creditors: amounts falling due within one year				
Creditors	19	11,967	(11,967)	
Net current liabilities		(3,507)	3,507	
Total current liabilities less assets		4,925	4,925	
Provision for unfunded pensions liability	11	(4,177)	4,177	
Net liabilities excluding funded pension liability		748	(748)	
Pension scheme liability	11	(37,693)	37,693	
		36,945	(36,945)	

	Note	As at 30 November	Transfer to TSA and HCA	As at 1 December 2008 and 31 March 2009
		£'000	£'000	£'000
Reserves				
General	22	(3,080)	3,080	
Pension	22	41,870	(41,870)	
Specific	22	(1,845)	1,845	
		36,945	(36,945)	

11 Superannuation

The Corporation was 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 period to 30 November 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 period ended 30 November 2008 was based on the recommendation contained in the valuation report of the fund as 31 March 2004.

The Corporation also paid pensions direct to ex-employees who were awarded additional benefits under the Corporation's early retirement scheme. These pension costs were 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 were:

	2009	2008	2007
Rate of Inflation	3.0%	3.7%	3.2%
Rate of general long-term increase in salaries	4.5%	5.2%	4.7%
Rate of increase for pensions in payment and deferred pensions	3.0%	3.7%	3.2%
Discount rate for scheme liabilities	6.8%	6.3%	5.3%

The assets of the Fund and the expected rate of return were:

	Expected long-term rate of return	2009 £'000	Expected long-term rate of return	2008 £'000	Expected long-term rate of return	2007 £'000
Equities	7.4%	59,078	7.7%	79,604	7.3%	79,253
Government bonds	4.4%	6,603	4.7%	13,530	4.3%	20,856
Corporate bonds	6.2%	18,332	6.8%	11,537	5.3%	-
Other assets	3.8%	2,867	5.6%	210	4.6%	4,171
Total market value of assets		86,880		104,881		104,280

Present value of scheme liabilities:

	Expected long-term rate of return £'000	2009 £'000	Expected long-term rate of return £'000	2008 £'000	Expected long-term rate of return £'000	2007 £'000
Funded	(124,573)		(132,280)		(145,250)	
Unfunded	(4,177)		(4,390)		(4,580)	
		(128,750)		(136,670)		(149,830)
Deficit in the scheme		(41,870)		(31,789)		(45,550)

Analysis of amount shown as staff costs						
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
Current service cost		1,690	1,690		3,840	3,840
Past service cost	-	420	420	-	990	990
Total operating charge	-	2,110	2,110	-	4,830	4,830

Analysis of the amount debited to finance costs						
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
Expected return on pension scheme assets	-	4,870	4,870	-	7,290	7,290
Interest on pension scheme liabilities	(190)	(5,970)	(6,160)	(240)	(7,750)	(7,990)
Net return	(190)	(1,100)	(1,290)	(240)	(460)	(700)

Analysis of amount in the statement of recognised gains and losses						
	Unfunded pensions	Funded pensions	Total	Unfunded pensions	Funded pensions	Total
		£'000		£'000		£'000
Actual return less expected return on pension scheme assets	-	(24,600)	(24,600)	-	(9,460)	(9,460)
Experience gain/(loss) arising on the scheme liabilities	190	-	190	120	(2,040)	(1,920)
Actuarial loss	-	15,019	15,019	-	25,807	25,807
	190	(9,581)	(9,391)	120	14,307	14,427

Movement in the FRS 17 liability during the year						
	Unfunded pensions	Funded pensions	Total	Unfunded pensions	Funded pensions	Total
		£'000		£'000		£'000
1 April, deficit in schemes	(4,391)	(27,149)	(31,540)	(4,580)	(40,760)	(45,340)
Current service cost	-	(1,690)	(1,690)	-	(3,840)	(3,840)
Employer's contributions to pension fund	-	2,247	2,247	-	4,594	4,594
Unfunded pensions paid to retired employees	214	-	214	310	-	310
Past service costs	-	(420)	(420)	-	(990)	(990)
Other finance costs	(190)	(1,100)	(1,290)	(241)	(460)	(701)
Actuarial loss (2008:gain)	190	(9,581)	(9,391)	120	14,307	14,427
30 November 2008, Deficit in schemes	(4,177)	(37,693)	(41,870)			
31 March 2008, Deficit in schemes	-	-	-	(4,391)	(27,149)	(31,540)
Transfer to TSA on 1 December	4,177	-	4,177			
Transfer to TSA and HCA on 1 December	-	37,693	37,693			
At 31 March 2009	-	-	-			

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 FRS17 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 30 November 2008. During the period the deficit for both the funded and unfunded parts of the scheme increased by £10.3m (2008: Increase of £13.8m).

The employer contribution rate of 17% was used throughout the period ended 30

November 2008. During the year valuation revisions to financial assumptions and the investment returns relating to the funding targets to arrive at the share of the fair value of the assets have been the most significant factors contributing to the increase in the deficit in the funded scheme.

Using similar assumptions to arrive at the current valuation, the actuaries have calculated for the period ending 30 November 2008 current service costs of £1.69 million and a net charge to finance costs of £0.99 million.

History of experience gains and losses in the funded part of the scheme			
	2009	2008	2007
Difference between expected and actual return on scheme assets:			
amount (£000)	(24,600)	(9,460)	(1,510)
percentage of scheme assets	28.60%	9.00%	1.40%
Experience gain arising on scheme liabilities:			
amount (£000)		(1,920)	(250)
percentage of the present value of scheme liabilities		14.00%	2.00%
Changes in assumptions underlying the present value of the scheme liabilities:			
amount (£000)	14,800	25,807	1,350
percentage of the present value of scheme liabilities	11.9%	18.9%	9.00%
Total amount recognised in the statement of recognised gains and losses			
amount (£000)	(9,861)	14,427	(410)
percentage of the present value of scheme liabilities	7.8%	10.5%	3.00%

12 Taxation

	2009 £'000	2008 £'000
Corporation tax at 21% on taxable transactions	12	5
Adjustment to Corporation Tax provision for the year ended 31 March 2008	-	2
	12	7

13 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.

	Software £'000	Other intangible assets £'000	2009 Total £'000	2008 Total £'000
Cost				
At 1 April	1,887	4,888	6,775	6,463
Reclassification	-	-	-	(1)
Additions	46	1,055	1,101	1,727
Disposals	(377)	-	(377)	(1,414)
At 31 March 2008				6,775
At 30 November 2008	1,556	5,943	7,499	

	Software	Other intangible assets	2009 total	2008 total
Amortisation	£'000	£'000	£'000	£'000
At 1 April	(1,151)	(1,592)	(2,743)	(2,441)
Amortisation - charge for the year	(240)	(749)	(989)	(708)
Disposals	376	-	376	406
At 30 November 2008	(1,015)	(2,341)	(3,356)	(2,743)
At 1 April, Net book value	736	3,296	4,032	4,022
At 30 November 2008, Net book value	541	3,602	4,143	
At 31 March 2008 Net book value	-	-	-	4,032
Transfer to TSA and HCA on 1 December	(541)	(3,602)	(4,143)	
At 31 March 2009	-	-	-	

14 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.

	Cars	Office equipment	Information technology	Furniture and fittings	2009 total	2008 total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	117	548	4,078	3,330	8,073	6,709
Reclassification	-	-	-	-	-	1
Additions	-	2	632	114	748	1,820
Disposals	-	(78)	(1,176)	(1,006)	(2,260)	(456)
At 31 March 2008						8,074
At 30 November 2008	117	472	3,534	2,438	6,561	

	Cars	Office equipment	Information technology	Furniture and fittings	2009 Total	2008 Total
Depreciation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	(67)	(450)	(1,979)	(2,059)	(4,555)	(3,990)
Depreciation - charge for the year	(19)	(39)	(419)	(311)	(788)	(1,006)
Disposals	-	77	1,104	1,007	2,188	441
At 30 November 2008	(86)	(412)	(1,294)	(1,363)	(3,155)	(4,555)
At 1 April, Net book value	50	98	2,099	1,271	3,518	2,719
At 30 November 2008, Net book value	31	60	2,240	1,075	3,406	-
At 31 March 2008 Net book value	-	-	-	-	-	3,518
Transfer to TSA and HCA on 1 December	(31)	(60)	(2,240)	(1,075)	(3,406)	
At 31 March 2009	-	-	-	-	-	-

15 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

	2009	2008
£1 ordinary share, fully paid	£1	£1
Transfer to TSA and HCA on 1 December	(1)	
At 31 March 2009	-	

16 Loans and receivables

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, enabled the Corporation to make loans to certain

individuals in respect of service charges payable to RSLs.

These loans are classified under 'Loans and receivables' category of financial assets. Based on FRS 26, financial assets under this category should initially be recognised at fair value and subsequently be measured at amortised cost using Effective Interest Rate method. However in the case of these loans, the carrying value stated below will not be impacted by any cumulative

amortisation using the effective interest method because the rates charged on the loans are variable and the effective interest is equal to the contractual, variable interest rate charged.

The average interest rate applied to schemes under development during the year was 6.05% (2008: 6.88%). The Interest rate applied during the year to all other loans was 7.14% (2008: 7.14%).

	Schemes under development		Completed schemes	Private mortgages	2009 total £'000	2008 total £'000
	Principal	Interest	Principal	Principal		
	£'000	£'000	£'000	£'000		
At 1 April	546	37	782	211	1,575	2,130
Loans advanced	-	-	-	2	2	78
Interest	0	-	-	-	-	37
	546	37	782	213	1,577	2,245
Repayments	(546)	(37)	(62)	(33)	(677)	(324)
Bad debts written off	-	-	-	-	-	(346)
At 30 November	0	0	720	180	900	1,575
Provision for doubtful debts	-	-	-	(17)	(17)	(17)
At 30 November 2008, loans net of provision for doubtful debts	0	0	720	163	883	-
At 31 March 2008	-	-	-	-	-	1,558
Transfer to TSA on 1 December			(720)	-	(720)	
Transfer to HCA on 1 December			-	(163)	(163)	
At 31 March 2009			-	-	-	

17 Debtors

	2009 £'000	2008 £'000
Trade debtors	4,061	15,832
Prepayments	543	1,063
Other debtors	112	129
At 30 November 2008	4,716	-
At 31 March 2008	-	17,024
Transfer to TSA and HCA on 1 December	(4,716)	
At 31 March 2009	-	

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 £237,097 (2008: £7,092); local authorities £99 (2008: £5,122). Trade debtors includes an

estimated amount of £1 million (2008: £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.

18 Cash at bank and in hand

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

	2009 £'000	2008 £'000
Cash at bank	3,743	1,756
Cash in hand	1	2
At 30 November 2008	3,744	-
At 31 March 2008	-	1,758
Transfer to TSA and HCA on 1 December	(3,744)	
At 31 March 2009	-	

19 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Taxation and social security	45	674
Bank overdraft	-	198,913
Accruals	11,866	12,275
Other creditors	56	141,338
At 30 November 2008	11,967	-
At 31 March 2008	-	353,200
Transfer to TSA and HCA on 1 December	(11,967)	
At 31 March 2009	-	

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 at 31 March 2008. Funding from the CLG was received on 2 April 2008 and the Corporation's bank account remained in credit throughout the period.

20 Provision for liabilities and charges

	2009 £'000	2008 £'000
At 1 April	-	112
Provision utilised	-	(82)
Reduction in provision	-	(30)
At 30 November 2008	-	-
At 31 March 2008	-	-

21 Advances from the National Loans Fund

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

The HC's original borrowing from the National Loans Fund (NLF) was to fund the loan portfolio which was mainly sold off in 1997. A small loan balance was retained to fund the remainder of the loan portfolio comprising right to buy loans and loans to co-ownership societies. With the advent of TSA and HCA the responsibility for the remaining loan portfolio was split between them with the right to buy loans going to HCA and the co-ownership loans going to TSA. Rather than pass a loan liability

to both organisations on 1 December the remaining £1.4 million borrowing from the NLF was repaid on 28 November. This enabled both new agencies to determine their own borrowing requirements.

The HC's borrowing from the NLF was a three month rolling loan subject to a variable interest rate. The loan was classified under 'other financial liabilities', which based on FRS 26 should be stated at amortised cost using the Effective Interest Rate method. However, because of the terms of the loan, the carrying value stated below will not be impacted by using Effective Interest Rate method. The weighted average rate of interest for the year was 5.25% (2008: 5.66%)

	2009	2008
	£'000	£'000
At 1 April	1,400	1,400
Advances made during the year	1,400	2,800
	2,800	4,200
Repayments on maturity	(2,800)	(2,800)
At 30 November 2008	-	-
At 31 March 2008	-	1,400

22 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.

	General reserve	Pension reserve	2009 Specific reserve
	£'000	£'000	£'000
1 April 2008	328,516	31,540	(1,807)
Net operating costs	870,991	-	-
Actuarial loss from staff pension fund	9,391	-	-
Grant in aid received from CLG	(1,201,686)	-	-
Transfer to reflect pension fund transactions	(10,330)	10,330	-
Transfer of interest net of costs	38	-	(38)
At 30 November 2008	(3,080)	41,870	(1,845)
Transfer to TSA and HCA on 1 December	3,080	(41,870)	-
Transfer to TSA on 1 December	-	-	1,845
At 31 March 2009	-	-	-

	General reserve	Pension reserve	2008 Specific reserve
	£'000	£'000	£'000
1 April 2007	160,838	45,340	(1,800)
Net operating costs	2,057,303	-	-
Actuarial loss 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)

23 Financial instruments and risk management

Overview

Like all large organisations the Corporation was exposed to financial risks in its business. The main financial risks it faced related to funding, liquidity and, to a lesser extent, interest rates. It mitigated these risks by adhering to the policies and procedures summarised below. These were in operation throughout the period under review and to the date of approval of the annual accounts.

Assets and liabilities

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 were funded by grant in aid voted annually by Parliament. The Corporation operated 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 were designed to ensure that funding was available to meet obligations as they fell due and that annually voted provisions were not exceeded. Capital and revenue grants were paid to RSLs to fund development schemes that met government targets and published criteria for development.

Financial information is contained in Notes 2, 3, 4 and 5 to the financial statements.

Loans and receivables

The Corporation's loans, which could only be advanced where permitted by statute, are disclosed in Note 16 to the financial Statements. They were financed by short-term fixed interest rate borrowings from the NLF and the Corporation's reserves. All loans were secured and subject to variable interest rates which were set by reference to either current market rates or the Standard National Rate or the NLF rate applicable to our borrowing.

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

The net book value of the loans after provision for doubtful loans at 30 November 2008 was £0.89 million (2008: £1.56 million). The carrying value stated will not be impacted by any cumulative amortisation using the effective interest method because the rates charged on the loans were variable and the effective interest was equal to the contractual, variable interest rate charged. The interest rate profile for the Corporation's loans:

Loan classification	Average interest bearing balance	Interest	Average interest rate
	£'000	£'000	
Schemes under development	239	14	6.05%
Completed schemes	770	37	7.14%
Private mortgages	185	9	7.14%

Cash

The Office of the Paymaster General (OPG) provided 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 was handled by OPG

for the direct benefit of the Treasury. The Corporation adhered to the principle of not drawing cash from CLG in advance of need but there was no limit to the cash that could be held at the OPG.

The Corporation held 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 £'000	Interest £'000	Average interest rate
1,828	55	4.49%

Liabilities

The Corporation could only borrow from the NLF and then only with the permission of the Secretary of State. The Corporation's single short-term loan of £1.4 million from NLF was repaid on 28 November 2008. Details are disclosed in Note 21 to the financial statements.

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.

24 Contingent liabilities

Under Section 84 of the Housing Associations Act 1985 the Corporation was 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).

By adopting the Financial Instruments Accounting Standards (UK GAAP) from

1 April 2008, these indemnities are now treated as financial guarantee contracts, but with a fair value of zero for the liability. At inception the fair value of the liability was zero as no compensation was received by the societies. This was because it was not probable that any payments would need to be paid to the societies under the indemnification agreement. Subsequently, there have been no payments to the societies since the inception of the agreement, and current housing values are

expected to exceed any remaining balances on the loans. As such, the fair value of the liability would still be zero as it is not probable to pay out any amounts to the societies.

However, should the circumstances relating to these loans have changed where it became probable that the Corporation

would have needed to make payments to cover the losses of the societies, the recognition of the liability amount would have had to be reassessed. Therefore, the Corporation continued to disclose the maximum liability that might arise in the event of a call being made under the agreements.

	2009 £'000	2008 £'000
Contingent liabilities at 30 November 2008	92	-
Contingent liabilities at 31 March 2008	-	120
Transfer to HCA on 1 December	(92)	
Balance at 31 March 2009	-	

25 Losses and special payments

The Corporation did not incur any material losses or special payments during the year (2008: £1.24 million)

	2009 £'000	2008 £'000
PIMS development costs write off	-	901
Write off of loan	-	337
	-	1,238

26 Commitments under operating leases

The Corporation did not incur any material losses or special payments during the year (2008: £1.24 million)

Leases which expire	Offices	Equip-ment	2009 Total	Offices	Equip-ment	2008 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	-	40	40	-	79	79
Between 1 and 5 years	353	20	373	272	40	312
After 5 years	1,506	-	1,506	1,579	-	1,579
At 31 March				1,851	40	1,891
At 30 November	1,859	60	1,919			
Transfer to TSA and HCA on 1 December	(1,859)	(60)	(1,919)			
Balance at 31 March 2009	-	-	-			

27 Capital commitments

There were no capital commitments as at 30 November (2008: nil).

28 Related party transactions

The Corporation was a non-departmental public body sponsored by the CLG. Its operating activities were funded by grant in aid paid by the CLG. For the eight months ended 30 November 2008, grant in aid received amounted to £1,201.7 million (2008: £1,889.0 million). Further analysis of grant in aid received is disclosed in Note iv to the Cash Flow Statement.

The Corporation inevitably had transactions with other Central Government departments, agencies and local authorities. These transactions were 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 was empowered to appoint a Director to its Board. Throughout the eight months 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 received reimbursement at cost of expenses properly incurred in the performance of Corporation duties.

Related party transactions

The following transactions which took place during the eight month period 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 arms length and in the normal course of conducting the Corporation's business.

Name	RSL or other related body	Appointment	Transaction	Value £'000
A reciprocal agreement existed whereby the Chief Executives of the Corporation and of English Partnerships were also Board members of the other body.			Staff seconded in	19
			Staff seconded out	(32)
Peter Dixon	Office of Public Management	Chair	Purchase of services	38
Board members' interests through a person connected with them:				
Kate Barker	University of Cambridge		Research funded by IGP	197
	Cambridge University Technical Services		Research funded by IGP	15

Employee interests at 30 November 2008

There were a number of employees who are related to persons employed by RSLs or other bodies with which the Corporation had financial dealings. These relationships although between two organisations who had a financial interest did 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. These interests transferred to either TSA or HCA on 1 December 2008.

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

There were seven appointments of Corporation employees made to an RSL Board during the year (2008: seven). At 30 November 2008, these appointments together with three appointments made to another RSL Board in earlier years were still in place (2008: thirteen). The appointments were made to facilitate the orderly running of these RSLs after their assets and liabilities had been transferred. The employees neither received any additional remuneration for their services

nor was any housing grant paid to the RSLs during the year.

Transactions with employees

The Corporation had two loan schemes available for staff. An assisted car purchase loan scheme was 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 offered interest free loans repayable within one year to staff requiring to purchase an annual season ticket to travel to work.

	2009	2008
	£'000	£'000
At 31 March, principal outstanding, included in Debtors	-	129
At 30 November 2008 principal outstanding, included in Debtors	112	
Transfer to TSA and HCA on 1 December	(112)	
Balance at 31 March	-	

Comparative information, year ended 31 March 2008

Related party transactions Name	RSL or other related body	Appointment	Transaction	Value £000's
Board members' interests:				
A reciprocal agreement existed whereby the Chief Executives of the Corporation and of English Partnerships were 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	Westminster City Council	Chief Executive		
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)
			Capital grants paid	4,325
	Peabody Trust	Board Member	Capital grants recovered	(8,264)
			Interest on capital grant recovered	(1,587)

Employee interests

There were a number of employees who are related to persons employed by RSLs or other bodies with which the Corporation had financial dealings. These relationships although between two organisations who had a financial interest did 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.

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.

29 Post balance sheet events

The Corporation's financial statements are laid before the Houses of Parliament by the Secretary of State of Communities and Local Government. FRS21, Events After the Balance Sheet Date requires the Corporation to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Corporation's management to the Secretary of State of Communities and Local Government.

There have been no material post balance sheet date events.

The authorised date for issue is 15 July 2009.

The 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
- 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

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

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
- (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
- (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
 - 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
- * (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
 - (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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