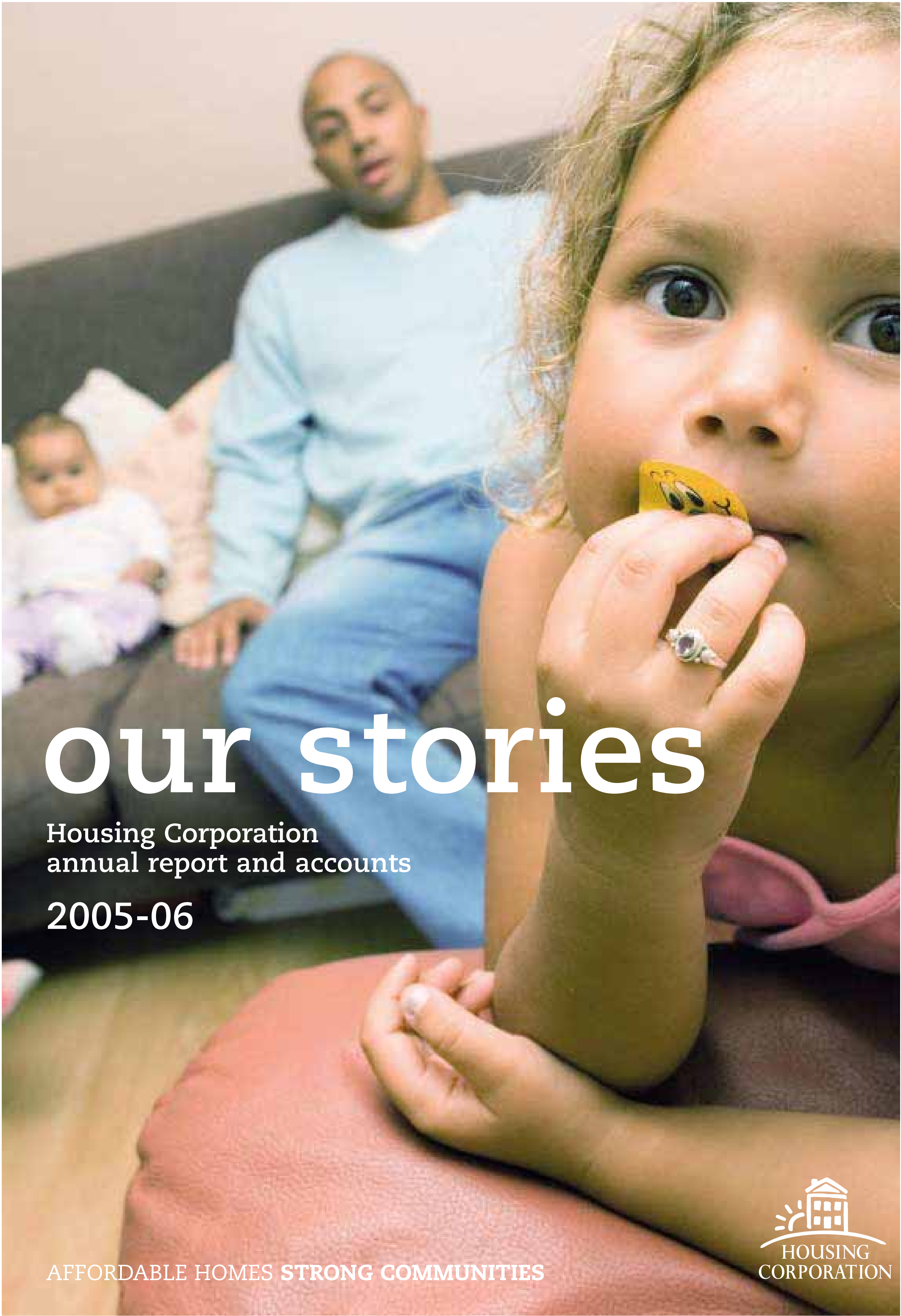

our stories

Housing Corporation annual report and accounts

2005-06

AFFORDABLE HOMES **STRONG COMMUNITIES**

HOUSING CORPORATION

our stories **Housing Corporation** annual report and accounts 2005-06

our stories

This document has been reprinted to correct anomalies in the original text which was ordered to be published on 20th July 2006 and is being issued free of charge to all known recipients.

Housing Corporation annual report and accounts

2005-06

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HOUSING CORPORATION

contents

chairman's introduction

The last year has been an important one for the Housing Corporation. We've launched the biggest single investment programme ever and have opened it up to private sector players. And we've taken part in a review of our future, which promises to improve even further the way we provide homes.

At the same time, we've exceeded our targets while staying within budget, stretching Government money to help even more people to find a home. We've largely achieved our goal of decent homes for all, and we are starting to turn around areas of housing market failure.

But our work is about more than just the number of homes we provide. We've also begun a fundamental reassessment of our approach to managing existing social stock, working with housing associations to deliver decent, sustainable communities that people want to live in – and stay in.

This report sets out our achievements so far. I'm very encouraged by them, and I wanted some of the people who've benefited from our work to tell their stories. I hope you find them as heartening as I do.

Peter Dixon
Chairman
Housing Corporation

about us

The Housing Corporation is the government agency that funds new affordable housing and regulates the work of more than nearly 2,000 housing associations in England. Working with our partners we make sure that more than 2 million homes are well managed.

Our support is also helping young people, particularly first-time buyers, get a foot on the property ladder, by providing new low-cost homes.

With a team of over 500 staff based in ten offices, and support from the Department for Communities and Local Government, we ensure high quality standards in the construction of homes. We drive improvements in housing productivity, performance and governance, and help shape housing, community development and regeneration policy nationally, regionally and locally.

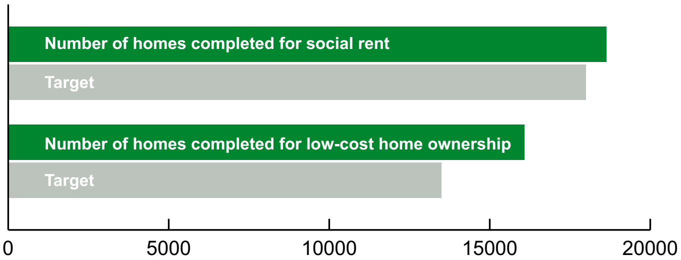
Housing is about more than homes. We're working to deliver decent, sustainable communities that people want to live in and stay in.

more quality homes

The Housing Corporation invested £1.7 billion in new affordable homes this year, as part of a £3.3 billion programme for 2004-06.

A total of 36,386 affordable homes were provided – over 2,000 more than the Government target. That means we've delivered 6% more homes than expected, and that more individuals, couples and families in housing need can find a high-quality home.

Homes provided this year



Number of homes approved in year to be constructed using modern methods — Target 25% — Actual 41%

In future years, we'll be able to deliver even more quality affordable homes for people in England.

For the first time, we've opened up our funding programme beyond registered social landlords, providing backing for projects by commercial developers.

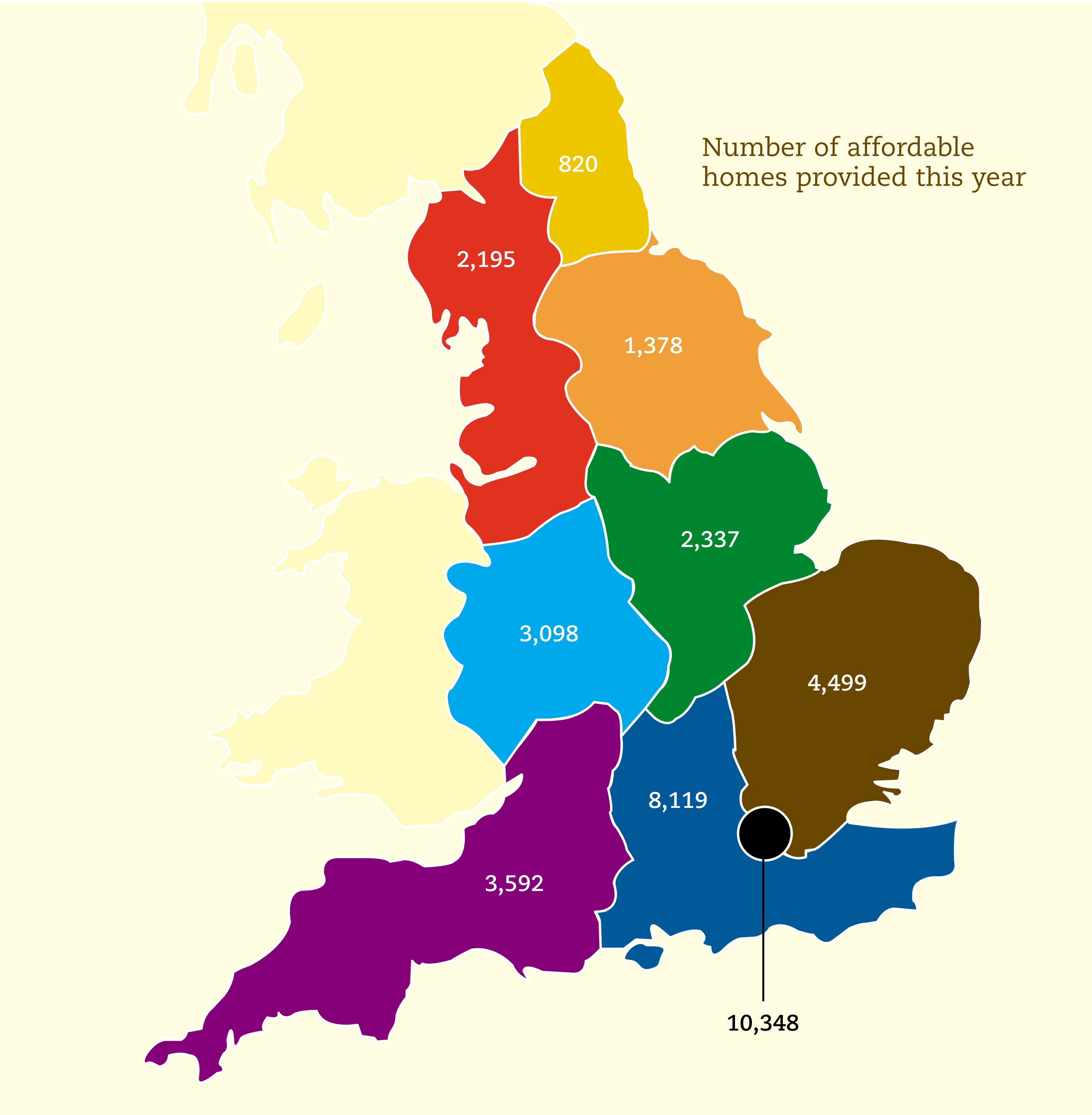
In March 2006, we announced our largest-ever single programme of investment. We'll be providing £3.9 billion towards new schemes in 2006-08.

We expect to fund 84,000 new homes over two years, up 33% on the numbers built in 2004-06 and using increased resources of just 15%.

Success will be viewed on more than the numbers of homes. Instead, schemes will be judged on the number of people housed, floor space, achieving certain environmental standards and on including more larger homes.

We'll be helping people get on the property ladder through three new low-cost home ownership products. New Build HomeBuy allows people to share ownership of their home with a housing association; Open Market HomeBuy enables people to part-buy a property and get a loan from a housing association for the rest; and Social HomeBuy helps housing association and local authority tenants to buy their current home.

We've provided over 2,000 more homes this year than expected.

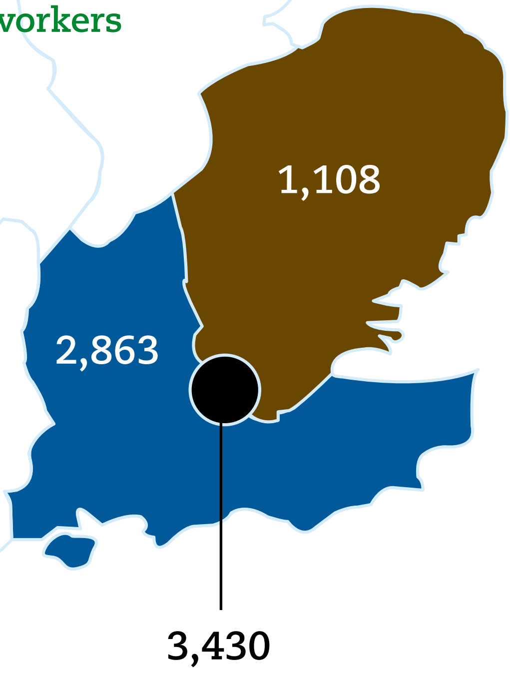


housing key workers

Over 7,400 homes were provided for key workers this year. That's 53% more than last year and 29% more than was expected of us.

Support for key worker homes is available in three regions where there is high demand for housing. It helps certain public sector employees - such as the emergency services and teachers - where a lack of affordable housing is making it difficult to recruit and retain staff.

New homes for key workers



my story
Ben Middleton

"I was at home on annual leave on the day of the London bombings," Ben says. "When I realised London had been attacked, I knew I had to get to work."

Ben runs the heart-lung machine, which temporarily takes over the job of these two vital organs while a patient undergoes surgery. He borrowed a bike from his next-door neighbour and sped off to St Bartholomew's Hospital, where he works.

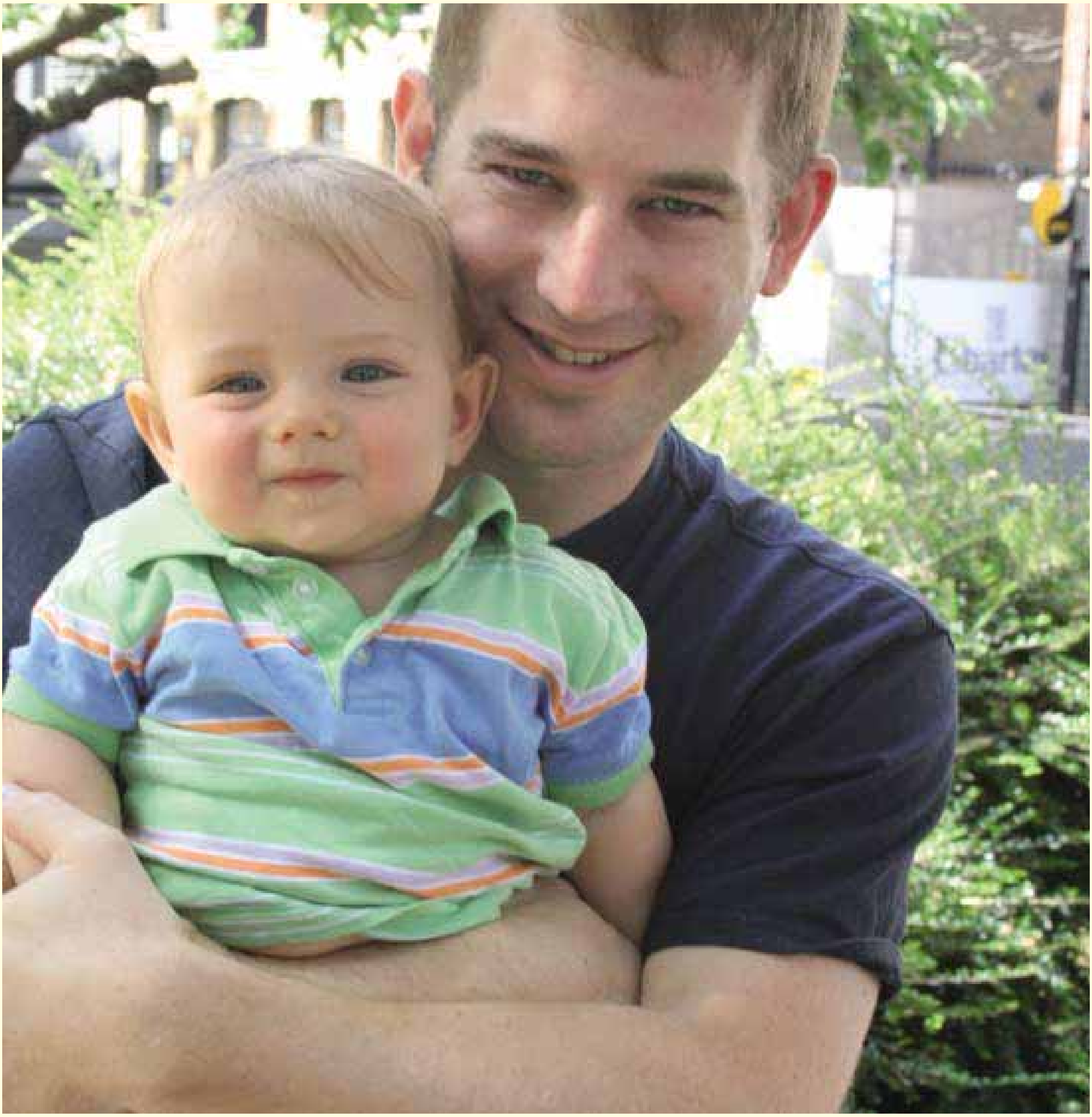
"At least I could get to work," he says. "Many of my colleagues are forced to live miles away because of London property prices. Key workers such as fire fighters, nurses, paramedics and police officers are the capital's backbone in times of crisis yet are excluded from living in it."

Ben and his wife's home is in Hoxton, in central London. "I love it," he says.

Ordinarily, though, the flat would have been beyond his means, he says. "There is only one reason I can live here: shared ownership. I have a mortgage for 35% and my housing association, Notting Hill, owns the remaining 65%. It got me on the property ladder, an otherwise impossible task for a hospital worker."

Three months after the bombings, Ben had to dash to the hospital again. This time, it was under happier circumstances. "My wife gave birth to our first child. By being able to live in the city where I work, nothing could stop me from being there."

In London, we exceeded targets for key worker homes by a massive 67%. That helped give hospital worker Ben Middleton a home and meant he was able to make it to work after the 7 July bombings in London last year.



Around 300 new homes in England will be built by some of Europe's best young architectural talent as the result of a competition to encourage architects to address social and economic changes in towns and cities.

Nearly 80 teams from all over Europe submitted designs for the UK section of Europan8, the biennial housing competition for young architects and architecture students.

They were competing to design housing schemes for three sites in England: Werneth in Oldham, Stonebridge in north west London and Bradwell Common in Milton Keynes.

The winners will deliver sustainable communities – with good links to transport and a range of house types so that people can move within the area as their circumstances change.

The Housing Corporation will work with English Partnerships, the Department for Communities and Local Government and organisers CABE, the Commission for Architecture and the Built Environment, to oversee the construction of the winning designs.

Nineteen countries took part in Europan8 to select designs for 74 sites across Europe.

The winning design for Stonebridge Park in north west London from architects Witherford Watson Mann.

Housing accounts for nearly a third of all carbon dioxide output. We're working to change that.

Our programme for 2006-08 requires all the homes we fund to meet the EcoHomes 'Very Good' standard. This will help save nearly 50,000 tonnes of carbon dioxide a year.

This year we funded a programme to help housing associations learn how to meet the EcoHomes 'Very Good' standard in the most cost-effective way.

The Corporation also commissioned a toolkit to help associations cut the environmental impact of their existing buildings. This will help them make over 2 million homes more sustainable.

We've greened up our own act too. The Corporation has offset the 532 tonnes of carbon dioxide emissions it produced this year by making a payment to Climate Care, a carbon reduction company that invests in projects that reduce emissions in the developing world.

If all new housing met our standards for affordable homes, 120,000 tonnes of carbon dioxide would be saved each year. That's equivalent to taking 12,000 cars off the roads.

Jenny Mann in her home in Seldown Park in Poole, which has been built to high environmental standards, using intelligent design and recyclable materials to minimise waste and emissions.

More rural homes mean people like Philip Bronstein and his family don't have to live in hotel accommodation any more.

To help meet the targets for building new affordable homes, the Housing Corporation has led the way in promoting the use of modern methods of construction, such as steel frames, ready-made floor, ceiling and wall panels, pre-fitted windows and complete bathroom pods.

We wanted to see a quarter of the new homes we funded built using some form of modern method. By the end of the year, 41% of all new homes we invested in were built in this way.

Using modern methods of construction means more homes can be built in the same amount of time it takes using traditional methods and can provide significant cost savings.

More than 900 homes were provided in rural areas, over 8% up on target. That brings the total number of homes provided in settlements of less than 3,000 people to over 3,650 in the 2004-06 funding programme.

We produced a 'rural gazetteer', which gives details of the villages that meet our criteria, based on their size and location. It has helped focus housing associations' attention on the importance of the task.

improved landlord performance

We're responsible for regulating the work of 1,948 housing associations registered in England.

Registered social landlords

Letting	596
Almshouse	390
Abbeyfield	270
Letting/hostel	302
Co-operative	246
Hostel	44
YMCA/YWCA	38
Sale or lease	36
Co-ownerships	26
Total	**1,948**

This year we registered 23 new housing associations, comprising ten large-scale whole or partial stock transfers from local authorities, 11 as new parents or subsidiaries in a group structure (not part of the stock transfer programme) and two others.

Nearly 50,000 local authority homes transferred to housing association control this year. Most were from medium-sized shire, district and borough councils.

The housing association sector continued to grow in 2005-06. Our review of the accounts of the larger associations – those managing more than 250 homes each and almost 2.1 million homes combined – put growth at 7.1% in total assets and 6.6% in turnover.

Associations are spending more than ever – up 11.2% this year – on repairing and maintaining properties. Stock transferred from local authorities in particular generally requires more money to be spent on it in the first six years after being handed over.

my story Don Bennett

Life has turned around for Don Bennett since Manchester Methodist Housing Association took over the management of Blackpool's Winnipeg Place Estate. Crime and anti-social behaviour have been cut dramatically.

"Hell would have been a good description of this place before," he says. "Flats and cars were regularly firebombed and the properties were in a terrible condition."

After the transfer, a block of maisonettes built over bedsits was replaced with 31 new houses for shared ownership and rent. Other residents had new kitchens and bathrooms installed, doors and windows were replaced and central heating fitted.

Wheelchair user Don moved from one of the maisonettes into a bungalow, and outsiders are queuing up to get a home there too.

"Crime is now pretty much at zero," Don says. "The roads and communal gardens are kept clean and there's no graffiti. Everybody feels the same way: we feel safer and proud of our estate."

Don finds it easier to get around in his wheelchair since his estate was transferred to a housing association and he moved from a flat into a bungalow.

We're committed to making sure that the needs of black and minority ethnic communities are met by social housing providers.

Our 2005 Race Equality Scheme offers a template allowing progress to be monitored more easily. Our Black and Minority Ethnic National Advisory Group reviews changes each quarter.

As part of our black and minority ethnic action plan, published this year, we have been working with Regional Housing Boards to ensure that regional housing strategies take account of the specific housing needs of black and minority ethnic communities, as well as those of refugees and gypsies and travellers.

We sponsored a major conference on faith and housing in Kirklees in West Yorkshire in November.

Our research this year found that Muslim families face the highest levels of overcrowding. Muslim households are five times more likely to contain seven or more people than other families in housing association homes, and 42% of Muslim children live in overcrowded conditions.

my story Mohamed Abdullahi-Barre

Mohamed Abdullahi-Barre was desperate to find somewhere new to live. "I'm two years into a part-time degree studying networking telecommunications at Thames Valley University," he says. "I really needed somewhere for my desk and computer."

He is one of 11 residents at a Thames Valley Housing Association scheme in Slough who have duplex flats purpose built for what's called 'flexible living'. An internal balcony overlooking the open plan lounge/kitchen can be used as an office, playroom or extra bedroom.

"It's so much better looking down on the kitchen and living room than having a little box room," Mohamed says.

The flat also has an attractive view through a glass wall to the communal garden.

It's very different from the council depot that used to be on the site. Environmental features have been incorporated into the design, including cedar cladding, bicycle stores, flow restrictors on showers to save water and a 'homezone' through to the main road, giving pedestrians precedence over drivers.

Mohamed appreciates these touches. And as a student, cutting his monthly outgoings was important too. His shared ownership flat offers him better value for money.

"I'm paying just a little bit more now for two bedrooms than I was paying to my private landlord for just a bedsit," he says. "I've bought 40% and every time I save a bit I can buy a bit more of the equity."

Studying of an evening has become much easier for Mohamed Abdullahi-Barre since he moved into his new housing association flat.

The housing association sector

- Gross cost/valuation of housing properties is £67.9 billion, an increase of 7.4% on the previous year;
- Reserves total £11.8 billion, up from £10.8 billion a year earlier;
- Turnover for the year is £8.3 billion, an increase of £518 million in the year; and
- Pre-tax surplus is £444 million, up £168 million on the previous year's figure.

Housing associations have made efficiency savings targets on capital works, commodity goods and management and maintenance.

Savings made in 2005-06	
Capital works	£2 million
Commodity goods	£10 million
Management and maintenance	£35 million

Where necessary we provide more intensive support for housing associations that are struggling to meet all the requirements expected of them. This year, just eight associations entered supervision – the lowest figure ever.

The total number of housing associations under supervision this year was down to 23 cases – against 81 cases five years ago.

This year, for the first time, we assessed all associations under supervision quarterly to check their progress.

Where housing associations are seriously underperforming, we use our regulatory powers to appoint members to their boards. They bring their additional skills and expertise to help to resolve the problems as quickly as possible. At the end of the year, ten associations had statutory appointees on their boards.

In September, we published an action plan arising from a study into the costs and benefits of regulation. Our aim is to reduce the burden on housing associations.

We're also encouraging housing associations to make better use of their resources. This year we set up a framework to make it easier for them to report their assessments of efficiency gains.

We backed this up by publishing a number of efficiency bulletins, offering guidance on how to monitor efficiency and other issues, such as quality, and asking for views on a new framework for performance indicators, which would be more closely linked to efficiency and tenant satisfaction.

We've set ourselves the goal of saving taxpayers £430 million by 2008 through greater efficiency in the supply of new affordable homes.

Our procurement strategy, published in August, looks likely to deliver 8,000 homes that would not otherwise have been built.

We also published an action plan for our procurement strategy, setting out a substantial range of tasks aimed at enhancing efficiency in delivering new homes and other areas of capital works procurement.

Our Gold Award for Excellence, also launched this year, sought to identify and reward good practice in two key areas, one of which covered procurement. A total of 28 housing associations or groups of associations submitted entries. The very best of them will receive a £50,000 prize to spread information about their innovative approaches to public purchasing.

Six Merseyside housing associations and a local authority saved themselves £2.98 million in 2005 by combining their purchasing power.

The Fusion21 partnership – comprising housing associations Riverside, Arena, Plus Housing Group, Knowsley Housing Trust, Maritime Housing, Helena and South Liverpool Housing and Knowsley Metropolitan Borough Council – set out to control spiralling construction costs through its members' combined muscle.

The partnership established a seven-year programme for a £225 million upgrade of homes across Merseyside. The programme initially focused on four key areas: kitchens, bathrooms, boilers and windows.

Other business areas, such as gas maintenance and consultancy frameworks, were introduced following success in delivering the initial work streams.

Having a home is one thing. Having one that's in a reasonable state is another. The Government wants all social housing to be in a decent condition by 2010.

This year, we cut the number of non-decent housing association homes by 35,280, based on last year's stock. That's nearly 18% more than expected of us.

However, transfers from local authorities have pushed up the overall figure for non-decent homes by 11,447. We are now working with the new associations to meet the Government targets.

To be considered decent, a home must:

- **meet the statutory standards for housing;**
- **be in a reasonable state of repair;**
- **have reasonably modern facilities and services; and**
- **provide a reasonable degree of thermal comfort.**

We have worked with the Government on implementing a health and safety ratings system for housing and have published guidance for housing associations on how to make sure it does not burden them too heavily and slow their efforts to achieve the Decent Homes Standard.

my story Jamie Wilson

Seventeen-year-old Jamie Wilson is making a new start after finding himself homeless. He has moved into a one bedroom flat at William Lyons Court, run by Nottingham Community Housing Association.

"I got kicked out of home," he explains. "I was a bit of a rebel – nicking stuff, drinking, getting under-age tattoos and piercings, and so on."

He is one of 12 young people in the home with a history of homelessness who are learning the skills needed to set up home by themselves and map out a career. Staff are on hand 24 hours a day to give advice and support.

Jamie struggled to adapt to life in the home at first.

"I kept breaking the rules and got loads of warnings."

Eventually he settled down. Each of the tenants is encouraged to take up vocational courses at the local college and Jamie is partway through a two-year college course.

He now plans to go on to university.

"I've got myself back into education for another five years," he says.

We made tackling homelessness one of the themes of our Gold Awards for Excellence, which we launched this year. We wanted to find those associations that are going the extra mile to work with homeless people. Three winners will each receive £50,000 to share their good work with others.

The Housing Corporation firmly believes that strong, sustainable communities benefit by including people from all walks of life.

We're backing up our convictions by using our investment and regulatory powers to make sure that homes are provided that respond to the requirements of vulnerable people, particularly in terms of their care, support and self-determination.

This year we published a revised strategy for vulnerable people, which sets out how we will push to increase the amount of schemes we fund for vulnerable people.

What types of people can be seen as vulnerable?

- Older people
- People with alcohol or drug problems
- People with mental heath problems
- People with learning disabilities
- Single homeless with support needs
- Refugees
- Teenage parents
- Women at risk of domestic violence
- People with HIV or Aids
- Young people leaving care
- Young people at risk
- People with physical or sensory disabilities
- Homeless families with support needs
- Rough sleepers

We have input into Government policy on vulnerable people, both in the run up to and after it published its Supporting People review.

We published a strategy on housing for vulnerable people in June 2005. Already we have noticed the impact it has had, with 7.5% of bids for supported housing in our 2006-08 investment round, up from 3.8% in 2004-06.

our story
Harry and Nora Sherratt

Harry Sherratt and his wife Nora are nonagenarians. In September 2005, after a lifetime spent in the West Midlands, they moved to sheltered accommodation in Faversham, Kent.

"For 20 years we'd lived in a two-bedroom house with a garden in Droitwich Spa, near Worcester," says Harry, a former machinist and manager in the metal bearings industry. "But it was becoming too much for us to manage." Using the stairs had become a concern, especially as the toilet was at the top.

Con men had also been circling. "There were three examples where 'people with tales' tried to get into the house," says Harry. "One of them claimed that the house next door was flooded and that he needed to come through ours to turn the water off. I wasn't having any of it."

Early in 2005 the Sherratts decided it was time to move on.

"We wanted to be near quick help, in case of an emergency," says Harry.

Initially they thought about moving within Droitwich. "But then our niece suggested that we move nearer to her."

Today, Harry and Nora occupy one of the 39 self-contained flats at Abbeyfields Court, a new-build facility that bridges the gap between sheltered housing and residential care. From 2004 to summer 2005 the previous 30-year-old building was demolished. The £3 million replacement provides modern accommodation and extra care services for older people – the Housing Corporation's contribution was over £2.5 million.

Their two-bedroom flat is on the first floor. "There's a lift, so we don't have to worry about the stairs, and the views are beautiful," says Harry. "The staff are a great help, and people look in on us at the weekends, just to make sure we're alright."

"Everyone is very friendly here. We always bump into somebody when we're on the way to the lounge or the dining room. There's also a hairdresser and a small shop," says Harry.

sharing our expertise

We're committed to promoting good practice and fresh approaches to tackling problems in the housing association sector. We do this primarily through our Innovation and Good Practice programme, which aims to improve the performance of housing associations by funding research activities, pilot schemes and good practice initiatives.

In one project we funded this year tenants were trained as mystery shoppers, so that they could carry out structured assessments of how housing associations were performing.

In another, the supply of accommodation for ex-prisoners was assessed. The report also looked at the services ex-prisoners need and what can prevent housing associations from providing effective help.

Research into the role of black and minority ethnic housing associations in transfers from local authority-held stock recommended involvement at an early stage, particularly in areas where a third or more of the local population is not white.

These were part of a broad range of publications to help housing associations provide the very best service possible, which also included a review of mixed communities, which looked at communities with mixes of incomes and tenures to understand how mix is being achieved and the effects it can have.

In May 2005, opinion pollsters MORI carried out a telephone survey for us on how people perceived incidents of anti-social behaviour in their neighbourhoods and how landlords were dealing with it. Over 1,000 housing association tenants were interviewed.

It found that:

- **over 70% of respondents rated their quality of life as good;**
- **the majority of respondents did not consider any of the main types of anti-social behaviour – vandalism, drug misuse or dealing, nuisance neighbours and teenagers hanging around – to be a very or fairly big problem in their area; and**
- **most said that they had not personally seen or heard of those types of behaviour near their home in the past year. For those that had, teenagers hanging around and drug misuse or dealing were the biggest problems.**

In February the Housing Corporation hosted a major conference on Respect, at which Housing Minister Yvette Cooper launched the Government consultation paper on the Respect Standard for Housing Management

Building homes is about more than bricks and mortar. We want to create communities that people want to live in - and carry on living in.

Housing associations don’t stop at providing housing. With our support, they’re doing so much more to help the lives of residents.

Last year we encouraged them to look at helping residents who were struggling to raise money - even small amounts – for the things they needed. The doors of Britain’s high street banks and building societies are closed to an estimated one in 12 households – of which 60-70% are housing association or local authority tenants.

One in five of those tenants turns to doorstep lenders to plug the gap.

We calculate that doorstep lenders took £37 million last Christmas in excessive interest payments from some of the poorest families in the country.

We launched the Money Access Programme this year to help housing associations tackle financial exclusion. The scheme highlights good practice, raises awareness of Government funding for combating financial exclusion and is developing a financial inclusion toolkit.

In Hampshire, South Coast Money Line is helping people get out of debt.

The agency is supported by a range of housing associations including Portsmouth, Hyde, Western Challenge, Raglan and Swaythling, plus Portsmouth City Council and others. Half of its customers live in social housing.

Money Line helps them pay off their arrears, then stick to modest loan repayments until the debt is cleared. Some have avoided losing their home. Despite being among the most disadvantaged, Money Line customers are good at keeping up with payments – more than 90% of loans are repaid.

“Our aim was to help tenants gain access to affordable credit, reduce debt and stabilise their finances,” says Money Line’s Chief Executive, John Butler. “In the longer term, this will create more stable tenancies, bring down rent arrears and help us create sustainable communities.”

Understanding the future demand for affordable housing is vital if we are to fund the rights kinds of homes in the right places in the coming years.

That's why we've commissioned Cambridge University's Centre for Housing and Planning Research to carry out research on this for us.

The project will look at how demand for affordable housing will change over the next five, ten and 20 years. It will examine demand for social rented housing, low-cost home ownership products, such as the shared ownership HomeBuy schemes, as well as other rental options such as 'intermediate renting'.

Research will focus on how demographic, economic and spatial factors will impact on demand, such as changing household formation patterns or migration. It will also consider how demand changes as people get older, identifying life stages and key life events that affect demand for affordable housing.

"This project is an important mix of more basic research helping to understand the dynamics of demand for social housing and inputting into policy formation and improving the value for money achieved from social housing investment," says Cambridge University's Christine Whitehead. "It's particularly interesting because the Housing Corporation is linking very different approaches together in a sustained piece of research rather than simply responding to immediate pressures."

my story Moira Symmons

Living in her new sheltered housing flat is a far cry from Moira's life in a 1960s high-rise tenement block. "I lived there for 29 years, most of that time with my husband," says Moira, who worked as a nurse for 36 years. "At the beginning it was very nice, but when my husband passed away five years ago I felt very isolated and lonely. I cried more than I laughed."

Even transferring to another flat in the block didn't help. "I moved into a smaller flat on the fourth floor, thinking it would be quiet, but the noise was terrible. Prostitutes would come and go at all hours, and the police were always coming around because of the drug dealers. Sometimes I'd go to bed early and be up at two in morning, unable to sleep because of the noise."

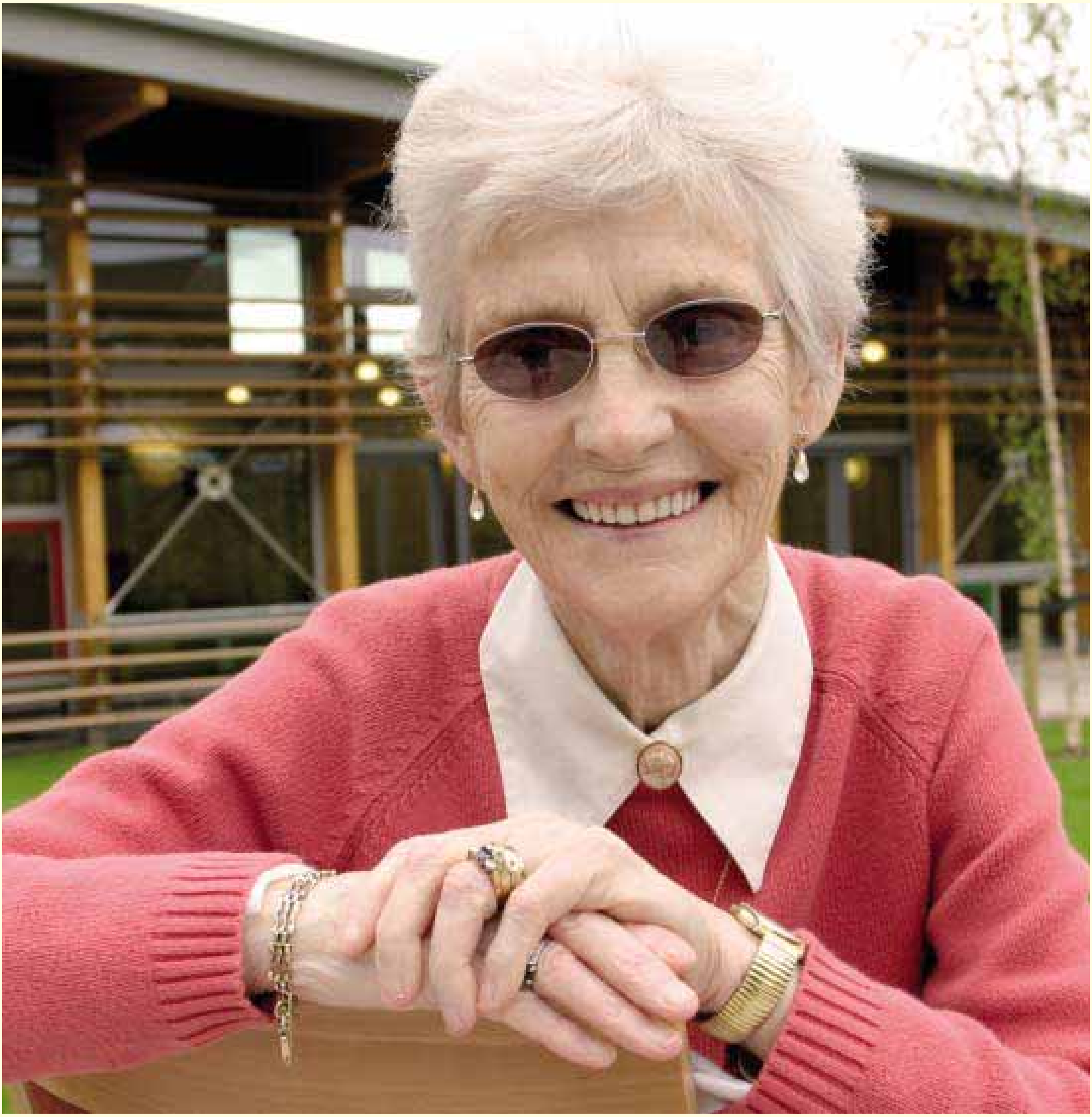
About a year ago, with the assistance of two carers, Moira began to look around for sheltered accommodation. "Chris and Jane drove me to several places. They also told me about Colliers Gardens, and took me to have a look at the building while it was under construction. I thought it was wonderful. I was so excited when they told me I'd got a flat there." In February 2006, Moira moved in.

Colliers Gardens, a new-build scheme designed for Brunel Care, opened at the beginning of the year. Externally it is a stylish combination of timber, glass, white stucco and aluminium. Internally the private rooms and communal spaces are light, airy and generously proportioned.

The flats are arranged in two-storey wings connected by a wide 'street', creating a sequence of small-scale indoor and outdoor courtyards. Of the 50 flats, 23 have two bedrooms and ten have been allocated to Chinese elders.

"Since I moved in I've never been happier," says Moira. "The management are great. They treat everyone the same. And they often put on entertainment in the evenings. Last night there was a quiz. I wasn't much help, but I enjoyed it all the same. I prefer bingo. That's my favourite."

"It's so lovely here. It's like being in a hotel," says Moira Symmons, 80, resident of Colliers Gardens, a new sheltered housing scheme in Fishponds, Bristol. "My flat is huge, and the other tenants are very friendly. Most of them have got some sort of ailment, but you never hear them complain."



building a can-do culture

We rely on our staff to make us a world-class centre for excellence in affordable housing.

In each of our regional offices, we've brought together our regulatory and investment functions within a single team - creating a better understanding and sharing of our knowledge and expertise.

We launched our ambitious three-year Learning and development strategy, including an 18-month Leadership development programme for 24 of our 'future leaders'.

We also named learning champions throughout the organisation, and learning zones have been set up in a number of offices.

In response to the Government push for the public sector to make greater efficiencies, we have cut our staff from 570 to 510, saving the public purse nearly £2.4 million in the coming year.

As part of a Government drive to disperse public sector posts around the country – rather than leave so many concentrated in the capital – we have begun the process of moving teams from our London head office to our Leicester and Cambridge offices. We provided a free guidance and counselling service for staff affected by the changes.

In the latest staff survey, 91% of employees said they understood how their work contributes to the success of the organisation.

70% are proud to work for the Corporation, up 13% on a similar survey carried out just over a year earlier; and 86% said their individual teams worked well together.

In July 2005 we won the National Audit Office / PriceWaterhouseCoopers Building Public Trust Award for telling it like it is in the public sector.

This year we were re-awarded our full Investors in People accreditation.

This year we've made the move from being an organisation that is process-driven to one that takes a more flexible, risk-based approach. We extended this to our dealings with housing associations too.

For example, we've published guidance for smaller associations, allowing them to concentrate their efforts where they are needed the most.

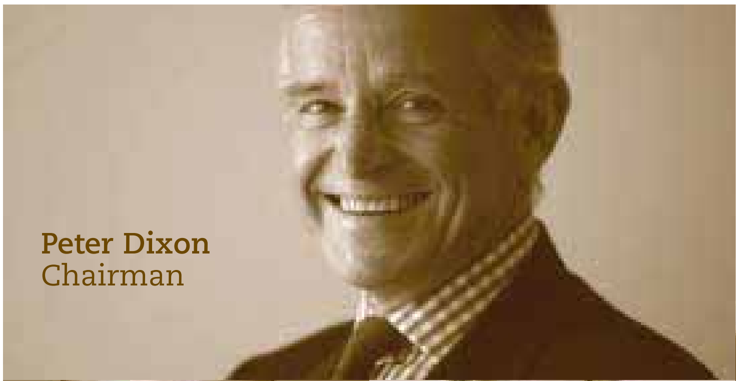
The Corporation continues to support the Forum Representing Ethnic Minority Staff in Housing (FRESH). A new Staff with a Disability consultation group has also begun work. Reviewing our compliance with the Disability Act requirements has helped us pinpoint areas for improvement both for our services and in our employment of staff.

During the year we restructured the approach to equality and diversity and have established a new role of Involvement and Diversity Manager within our central policy team.

our board

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

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



Peter Dixon
Chairman

Shaukat Moledina
Deputy Chairman

Jon Rouse
Chief Executive

Candy Atherton

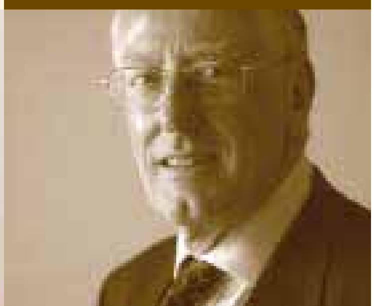
Kate Barker

Sheila Button

Sheila Drew Smith

Julie Fawcett

Chris Holmes



Donald Hoodless

Kevin Lavery

Sir Duncan Michael

Sandi O'Neill

Peter Rogers

annual accounts at a glance

statements

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006	2006 £'000	2005 £'000
Income		
Grant in aid	1,644,084	1,743,970
Interest	1,422	861
Total	**1,645,506**	**1,744,831**
Expenditure		
Capital and revenue grants (net)	(1,603,571)	(1,704,994)
Staffing costs	(27,546)	(27,484)
Other running costs	(16,026)	(14,368)
Interest	(66)	(62)
Total	**(1,647,209)**	**(1,746,908)**
Other revenue transactions		
Pension fund - finance cost	(1,010)	(980)
Decrease/(increase) in provision for bad debts	**9**	(4)
Corporation tax	(20)	(13)
Total	(1,021)	(997)
Retained deficit for the financial year	**(2,724)**	**(3,074)**
Other gains and losses		
Pension fund - Actuarial gain/(loss)	**(3,360)**	(3,630)
Total gains/(loss) recognised during year	**636**	**(6,704)**
BALANCE SHEET AS AT 31 MARCH 2006		
Fixed assets	7,495	5,136
Current assets	83,907	8,855
Creditors and other provisions	(80,923)	(6,188)
Advance from the National Loans Fund	(1,400)	(1,400)
Provision for pension liabilities	(44,270)	(44,917)
Total assets less total liabilities	**(35,191)**	**(38,514)**
Reserves	(35,191)	(38,514)

These Statements summarise our Income and expenditure account and Balance sheet. A full understanding of the Corporation's financial position can only be obtained from the Financial statements, which received an unqualified audit report, on pages 58 to 72.

Further copies of the Corporation's Annual report and accounts can be obtained from the Financial accountant, The Housing Corporation, 149 Tottenham Court Road, London, W1T 7BN.

Housing Corporation
Annual report and accounts 2005-06

contents

Chief Executive's annual review
for the year ended 31 March 2006

1 History and statutory background

The Housing Corporation is a Non Departmental Public Body sponsored by the Department for Communities and Local Government (DCLG). Its first constitution was contained in the Housing Act 1964 and it commenced business in January 1965 to deliver social housing schemes in England, Scotland and Wales through housing societies. With effect from 1 April 1989 the Corporation's responsibilities were restricted to England. Prior to the Housing Act 1988 the majority of its funding of registered social landlords (RSLs) was by way of repayable loans. Since the 1988 Act the majority of its funding of RSLs has been by payment of social housing grants.

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

2 Purpose

The Corporation creates and sustains affordable homes in strong communities. The Corporation's main activities throughout the year were to finance, regulate and facilitate the proper performance of RSLs in England. In 2005-06 we began the process of expanding our partnership base with the introduction of grants to non RSLs. The Corporation has a team of over 500 staff based in ten locations across England. With funding from Government it provided grants to RSLs for the development of homes for people in need.

With over 40 years of accumulated experience we ensure high quality standards in the construction of homes. As the statutory lead regulator for housing associations we help safeguard the interests of residents and tax-payers through the protection of over two million homes and drive improvements in housing procurement, productivity, performance and governance, thus ensuring that RSLs can attract private finance at highly competitive interest rates to build and improve affordable homes. We also help shape housing, community development and regeneration policy nationally, regionally and locally. We set out below a summary of activities and key issues for the 2005-06 period using the four key corporate objectives set out in our 2005-08 Corporate Plan.

3 More quality homes

Working with RSLs we contribute to achieving the Government's social housing policy by allocating funding provided by the DCLG for the delivery of the Government's sustainable communities agenda. The Minister for Housing and Planning agreed targets with the Housing Corporation for the two year period 2004-06, based on Regional Housing Strategies.

The 2004-06 Investment Programme was successfully delivered with the overall target for the second year for completions exceeded by 2,192 units, as set out.

The Corporation's performance against agreed targets 2005-06

CPT1	**ADP (Including CF1 and 2)**		**KWL**		**Total**	
Units	ADP target	ADP actual & % achieved	KWL target	KWL actual & % achieved	ADP & KWL target	ADP & KWL actual & % achieved
London	8,384	6,918 83%	2,049	3,430 167%	10,433	10,348 99%
South East	4,513	5,256 116%	2,386	2,863 120%	6,899	8,119 118%
South West	3,290	3,592 109%	-		3,290	3,592 109%
East Midlands	2,008	2,337 116%	-		2,008	2,337 116%
East of England	3,034	3,391 112%	1,287	1,108 86%	4,321	4,499 104%
West Midlands	2,730	3,098 113%	-		2,730	3,098 113%
Yorkshire & Humberside	1,320	1,378 104%	-		1,320	1,378 104%
North East	881	820 93%	-		881	820 93%
North West	2,312	2,195 95%	-		2,312	2,195 95%
Total	**28,472**	**28,985 102%**	**5,722**	**7,401 129%**	**34,194**	**36,386 106%**

CPT = Corporate Target, ADP = Approved Development Programme,
KWL = Key Worker Living Programme, CF = Challenge Fund

We also exceeded the four sub targets set by the DCLG for our 2005-06 housing programme:

ADP and KWL sub targets, units	Target	Actual
Number of homes completed for social rent	18,000	18,637
Number of homes completed for low-cost home ownership	13,500	16,074
Number of rural home approvals granted in year	843	913
Number of homes approved in year to be constructed using modern methods	25%	41%

The delivery of the programme has been a significant challenge in 2005-06 in particular because:

- We were set separate targets for the delivery of homes for rent and homes for sale. In previous years, we have only worked to an overall completions target. Exceeding both the rent target (by 637 or 3.5%) and the low-cost home ownership target (by 2,574 or 19%) is, significant.
- We made the transition from reporting on the programme on a cash basis to a resource basis. This reduced our ability to manage spend at the end of the year (e.g. by managing cash payments) and made bringing the programme in on budget a more difficult programme task. Officers, Board members and colleagues from the DCLG worked well together to manage scheme approvals and programme decisions.

Three regions did not meet their individual target for the Approved Development Programme – London, North East and North West. However by acting as a National Agency the Corporation helped to ensure that Ministerial targets were exceeded in England – with every other region exceeding targets – in one case by as much as 18%. Given that London delivered 99% of its overall ADP and KWL target this is a satisfactory result – especially in light of deeper in-year concerns that the general market pressures might lead to greater levels of under delivery. Both the NE and NW achieved 90% of their respective targets. The NE suffers from the lower flexibility that comes from a smaller programme. The NW has a complex portfolio of regeneration projects but this is the second consecutive year of shortfall and delivery mechanisms will be reviewed in 2006-07. East of England did not achieve their key worker living target.
All of these variances are within the tolerances that the DCLG has agreed as part of the 2006-09 Performance Management framework.

Performance against corporate plan targets

CPT2	Run the competition for the 2006-08 National Affordable Housing Programme (NAHP):	Achieved:
	(a) to a timetable that enables allocations to be announced by February 2006;	The Pre-prospectus was issued in June 2005 and the Prospectus was issued in August 2005. An initial submission to the Minister was made in January 2006, and a final submission in February 2006. Ministerial acceptance of the submission has been received and the programme was publicly announced in March 2006.
	(b) to achieve an average 10% reduction in social housing grant per unit, compared to 2003-04; and	The pre-prospectus stated that we would measure our efficiency in new supply against a baseline year of 2003-04 and that we expected the saving to be at least £140 million in 2006-07 and £160 million 2007-08 in real terms. £140 million is a 9% reduction in grant per unit and £160 million is a 10% reduction in grant per unit. Measurement has been conducted using a methodology agreed with the DCLG to adjust for product mix and unit size. The approved programme exceeds these targets – with 33% more homes scheduled for delivery in 2006-08 for 15% additional resources, compared to 2004-06.
	(c) to include new low-cost home ownership products flowing from 'Homes for All'.	The 2006-08 NAHP includes substantial volumes of three new products, New Build HomeBuy, Open Market HomeBuy and Social HomeBuy. A further round of Social HomeBuy bids is planned for 2006-07.
CPT3	Run a successful pilot programme to fund non RSL providers (e.g. commercial house builders) to build new affordable homes, including signing off all contracts by December 2005.	2005-06 was the first year in which the housing programme was opened up to unregistered partners. A separate pilot bidding round was instigated where funding was set aside to encourage non RSL providers to secure funding to provide new affordable homes with around £137million of funds being allocated through this route for projects that will complete in the 2006-09 period. However, due to extended contractual negotiations contracts were not entered into with the first four non RSL providers until after the end of the financial year. The inclusion of Non RSLs within the NAHP is an important first step in the expansion of the market for the provision of affordable homes and has helped to drive efficiencies across the programme.
CPT4	Ensure the sector delivers sustained progress in meeting the Government's decent homes target, by reducing the number of non-decent properties by at least 30,000.	RSR returns for 2005 indicate a net reduction in the number of homes that fail the decent homes standard (DHS) in 2004-05 of 35,280, comparing stock owned by associations at 31 March 2004 with the same properties at 31 March 2005. An accurate figure of the fall in the number of non decent homes for 2005-06 will be available when the data from the 2006 Regulatory Statistical Return (RSR) has been validated and analysed in autumn 2006. Taking new additions and transfers into account, the number of homes that fail the DHS in the housing association sector increased from 327,512 in 2004 to 338,968 in 2005. This is a global increase of 11,456 on the previous year. New stock transfer associations in 2004-05 imported 50,052 DHS failures. The total Large Scale Voluntary Transfer stock failing DHS thus increased by 43,082 in 2004-05. However discounting new transfers there is an underlying decrease of 6,970 in LSVT stock. Non LSVT association's number of homes that failed the DHS decreased by 11,322. We worked with the DCLG on the implementation of the Housing Health and Safety Rating System (HHSRS), and produced guidance to ensure that it did not create an additional burden on RSLs which would impede their work to achieve the DHS. We have proposed a process to enable RSLs to apply for an extension to the standards for stock where this would result in a better outcome for communities. We have commissioned a third sector study into how RSLs are responding to the DHS and the impact it has had on their asset management practices.
CPT5	Propose to Board and DCLG, revised measures for the Approved Development Programme which broaden the success criteria beyond unit completions, to include the number of people housed and floor space.	This target was achieved through the submission of 2006-08 NAHP to DCLG Ministers. The assessment processes used for the NAHP (specifically the Grant Index) made use of a grant-per-person (bed space) measure. We are collecting data through our investment management systems on the number of people housed (bed spaces) and floor space. Specific targets for larger homes in London and eco homes very good standards across England make the 2006-08 NAHP the most balanced and most efficient affordable housing programme to date.

The 2005-06 budget for capital investment in new affordable homes was agreed by the DCLG at £1.7 billion. Due to restrictions in our legal framework we rely solely on the Department for our grant in aid funding. Approximately three fifths of capital grant was spent in the high demand areas of London and the South East of England. We continued to deliver affordable housing for Key Workers through the key worker living programme (KWL) and built on the lessons learned from the Starter Home Initiative programme which finished during 2004-05.

The KWL programme is restricted to specific geographical areas of high housing demand and a defined client group of public sector employees in essential services where there are difficulties in recruitment and retention of staff. 2005-06 saw the last year of the Safer Communities programme after four years of operation. Funding in this final year was restricted to schemes where we gave a commitment prior to April 2004. 2005-06 was also the final year of the transitional arrangements that were put in place for funding local authority sponsored schemes after Local Authority Social Housing Grant was abolished on 1 April 2003. Grants under this programme were considerably reduced compared to the previous year.

Throughout the year the Corporation continued to develop initiatives which will generate cost savings in the provision of affordable homes. The year under review was the second year of our 'partnering' approach, whereby 70 RSLs, or groups of associations, were selected to plan development with more certainty and deliver economies of scale. Financial details of all the Corporation's programmes are disclosed in Note 5 to the Financial Statements.

The Corporation continues to enjoy the confidence of the DCLG in meeting the Government's social housing targets. Working closely with the DCLG and stakeholders such as the Regional Housing Boards, English Partnerships, the National Housing Federation, the Chartered Institute of Housing and other housing experts we are confident that we can meet the challenges arising in the year ending March 2007.

4 Improving landlord performance

The Corporation continued to pursue its risk-based approach to regulating the sector. Approximately £30 billion of public money has been invested in associations and our concerns focus on protecting the interests of residents and maintaining the probity and effectiveness of associations so that assets are safeguarded and they continue to attract investment from the private sector. We continued to develop our proportionate approach to regulation.

We continue to work with housing associations to drive improvements in their economy, efficiency and effectiveness. During the year we published an index of operating costs of the largest associations and also commissioned consultancy to improve procurement knowledge and encourage innovative construction practices. Towards the end of the year the Corporation commissioned Sir Les Elton (former Chief Executive of Gateshead Metropolitan Borough Council) to undertake a review of regulatory burdens on the affordable housing sector. The Board agreed with all of the Elton recommendations that directly impacted on our role and will work during 2006-07 to implement them.

Profile of the sector

The Housing Corporation has a statutory duty to maintain a register of the associations we regulate. On 31 March 2006 there were 1,948 housing associations on our register operating in England, a net decrease of 36 since the previous year end.

These associations comprised:

Industrial & Provident Act Societies (Charitable rules: 687/Non-charitable rules: 441)	1,128
Registered charities only	428
Registered companies only	77
Registered as both a company and a charity	315
Total	**1,948**

Distribution of housing associations by Housing Corporation field and type as at end of 2005-06

Registry type	London	South East	South West	Central	North	National
Almshouses	66	69	53	121	81	390
Abbeyfield	32	60	59	54	65	270
YMCA/YWCA	9	3	4	14	8	38
Co-operatives	139	6	4	27	70	246
Co-ownerships	6	2	-	11	7	26
Letting	122	115	61	150	148	596
Letting/Hostel	80	57	39	73	53	302
Hostels	15	6	5	12	6	44
Sale or Lease	16	6	1	4	9	36
Field totals	**485**	**324**	**226**	**466**	**447**	**1,948**

An analysis of the sector by stock size

Number of Properties	Percentage of Housing Associations
0 – 249	67%
250 – 2499	16%
2500 – 4999	9%
5000 – 7499	4%
7500 – 9999	2%
10000 – 12499	1%
12500 – 14999	1%
15000 – 17499	<1%
17500 – 19999	<1%
20000 +	**<1%**

Registrations

During the year we registered 23 new housing associations, comprising ten large-scale whole or partial stock transfers from local authorities, 11 as new parents or subsidiaries in a group structure (not part of the stock transfer programme) and two others.

Stock transfer registrations

The ten transfer registrations as part of the Government's approved programme of large scale voluntary transfers resulted in 49,567 local authority homes becoming part of the regulated sector in 2005-06. This is a reduction on the previous year, which saw the largest number of homes transferred since the programme began in 1989. This year the majority of transfers involved relatively medium-sized shire, district and borough council transfers. The transfer of 6,381 homes in Preston is the first to an organisation with community gateway model rules.

Group structure registrations

We completed 11 group structure registrations compared to nine last year. The trend for associations to join and form group structures continues.

De-registrations

During the year 12 RSLs were de-registered and three were removed from the register.

Consents

During the year the Corporation issued 278 consents amending associations' governing instruments, this is a slight decrease (2.7%) in amendments processed during the previous year. Ongoing trends included the adoption of the NHF Model Rules, conversions to charitable status and amendments linked to group structures.

The Corporation issued consent to 29 RSLs to transfer their engagements and to seven RSLs to amalgamate.

The Corporation issued 1,842 consents to dispose of land in accordance with Section 9 of the Housing Act 1996.

Submission of annual accounts	2004-05	2005-06
Accounts due	1,981*	1,846*
Received by the required date (i.e. within six months of the end of the accounting period)	1,407 (71%)	1,322 (72%)
Received within 6 months of the required date (i.e. within 12 months of the end of the accounting period)	1,921 (97%)#	1,786 (97%)#

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

\# As at 27 May 2006. Figures exclude 24 RSLs which had yet to submit accounts where the anniversary of the financial year end had not yet fallen

These figures refer to accounts for financial periods ending October 2004 to September 2005 for which the required date for submission fell between 1 April 2005 and 31 March 2006.

Of the 524 RSLs which failed to submit accounts by the required date, 415 (79%) owned less than 250 homes. Of the remainder, 61 associations were in the process of being removed from the Corporation's register of social landlords.

A total of 131 (25%) late accounts were logged as received in the seven days following the statutory deadline of six months after the end of the accounting period. Many of these accounts will therefore have been posted before the deadline. Some accounts were also incorrectly sent to our field offices or our data contractor and had to be re-routed to the Registry, leading to a delay in their being logged as received.

Of the 109 late accounts for RSLs with 250 or more homes, 36% were logged within seven days of the required date and 81% within six months of the statutory deadline for submission.

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

In 2005-06 the Housing Corporation issued 117 special determinations for exemptions from Paragraph 2(1), Part 1 of Schedule 1 of the above Act. This is an increase on the 76 issued in the previous year.

Where we have intervened

The number of housing associations under supervision reduced to 23 cases as at 31 March 2006, which compares to a total of 81 cases five years ago (see statistics table below). Over the five years, 93 new cases were identified and 151 cases were resolved. The year-on-year trend has been for fewer new cases to arise, with only eight new cases in the last year.

We believe that the trend towards fewer supervision cases reflects the growing impact of the principles which we introduced with the Regulatory Code (first issued in 2002) and related guidance. The shift in emphasis towards self-assessment and self-regulation, coupled with more reliance on internal assurance and verification, has led to associations taking greater responsibility for their own compliance with the code. We have also found an increased willingness on the part of associations to address emerging problems earlier and more effectively than has previously been evident, thus avoiding the need for detailed intervention by the Corporation. The introduction of risk-based regulation in 2004-05 has tailored our regulation further towards the issues that matter most.

Where we find that associations do not comply with the Regulatory Code in a significant way we intervene to deal with the underlying concerns. We continue to emphasise the importance of governance and management performance in our regulatory assessments. In many of the most serious cases of underperformance we use our power to make statutory appointments to the boards of housing associations. These bring in additional skills and expertise to help to resolve the problems as quickly as possible. During the year we made appointments to the boards of eight associations (six in 2004-05). These were:

- ARHAG Housing Association
- Black Roof Community Housing Association
- Charter Community Housing
- Home for Aged Jews (Liverpool & District)
- Moseley & District Churches Housing Association
- Severnside Housing
- Teign Housing
- United Housing Association

At 31 March 2006, ten associations had statutory appointees on their boards.

We completed the statutory transfer of the land owned by two associations following the outcome of statutory inquiries. These were the transfer of land from Solon Wandsworth Housing Association to Wandle Housing Association and the transfer of land from Clays Lane Housing Co-operative to the Peabody Trust. We instigated statutory inquiries into the affairs of another two associations using the power contained in paragraph 20 of Schedule 1 to the Housing Act 1996. The inquiry into the affairs of ARHAG Housing Association commenced in December 2005 and the inquiry into the affairs of Black Roof Community Housing Association commenced in March 2006. The Corporation's board will consider the reports from both inquiries during the first half of 2006-07.

Section 1: **Supervision cases summary Number of cases by status**	Enforcement	Intervention	Total
As at 1 April 2005	**17**	**25**	**42**
New cases added	6	2	8
Status change - Int to Enf	1	(1)	-
Status change - Enf to Int	(1)	1	-
Resolved	(12)	(15)	(27)
As at 31 March 2006	**11**	**12**	**23**

Section 2: **Five-year trend**	2005-06	2004-05	2003-04	2002-03	2001-02
Number of cases brought forward	**42**	**51**	**47**	**62**	**81**
New cases	8	15	25	23	22
Resolved	(27)	(24)	(21)	(38)	(41)
Number of cases carried forward	**23**	**42**	**51**	**47**	**62**

Section 3: **Cases per field**	Enforcement	Intervention	Total
Central	2	0	2
London	4	4	8
North	1	6	7
South East	2	0	2
South West	2	2	4
Total	**11**	**12**	**23**

Section 4: **Cases by type**	Lead regulated	RASA	All
Central	2	0	2
London	6	2	8
North	0	7	7
South East	2	0	2
South West	3	1	4
Total	**13**	**10**	**23**

Section 5: **Ageing of cases**	Enforcement	Intervention	Total
Number o/s more than 5 years	1	2	3
Number o/s between 4 - 5 years	2	1	3
Number o/s between 3 - 4 years	0	3	3
Number o/s between 2 - 3 years	1	3	4
Number o/s between 1 - 2 years	1	2	3
Number o/s less than 1 year	6	1	7
Total	**11**	**12**	**23**

Financial health of the sector

The Global accounts publication provides aggregated balance sheet and income and expenditure information for the larger associations; those with over 250 homes in management, representing 557 associations managing almost 2.1 million homes. The results for 2005 demonstrate that, in aggregate, the sector is financially sound and continues to grow, although at a slower pace than in previous years. Growth of 7.1% in total assets and 6.6% of turnover, is delivered through a combination of local authority stock transfer and new development supported by capital grant programmes.

Highlights of the financial statements include:

- the gross cost/valuation of housing properties is £67.9 billion, an increase of 7.4% on 2004;
- turnover for the year is £8.3 billion, up £518 million on the previous year;
- surplus on operations has increased slightly on the previous year's level to £1.3 billion, generating an operating margin of 15.9%; and
- pre-tax surplus is £444 million, up £168 million on the previous year's figure.

However, the financial position of the sector does obscure the performance and financial potential of two very distinct segments within it: stock transfers and traditional associations. The surplus in the sector as a whole is depressed by the deficits suffered in the stock transfer segment, caused mainly by those associations within the first six years of transfer. These associations are spending significant sums improving the transferred stock and, in general, return losses during that period. In aggregate, stock transfer associations returned a deficit of £141 million and generated an operating margin of only 8.5%, compared to 19.8% for traditional associations.

Indicators of the traditional association sector's financial position remain strong. An aggregate surplus of £575 million with average interest cover and gearing ratios of 142% and 30% respectively suggests the sector has significant capacity to respond to calls for increased levels of development, which requires access to additional external finance. Together with a stable trend in operating margins, the results point towards a sector well placed to deliver on its social and business objectives into the future whilst managing the pressures imposed by rent restructuring and compliance with the Decent Homes Standard.

In aggregate, the financial results of stock transfer associations compare unfavourably with conventional measures of the financial potential of the sector. However, as individual stock transfer associations mature, they typically achieve a level of financial performance more akin to traditional associations. The capacity of the sector will therefore be strengthened as the financial potential of maturing stock transfer associations is realised.

Performance against key Corporate plan targets		Achieved
CPT6	Maintain up to date published assessments of housing association performance as described in our publication How We Regulate 2: Risk based regulation	All Housing Corporation Assessments (HCAs) have been published.
CPT7	All supervision cases to have a strategy with milestones for rectification which are reviewed at least quarterly.	All Housing Associations under supervision at the end of March 2006 are being reviewed at least once a quarter.
CPT8	Ensure housing associations are on track to achieve interim targets for Gershon efficiency savings on capital works, management & maintenance, and commodity goods, as set out below: **2005-06 £ million** Capital works 2 Management and maintenance 35 Commodity goods 10	All in full Annual Efficiency Statements were received. An analysis of the forecast gains has been provided to Board and to the DCLG and Office of Government Commerce. Results published for the sector – together with briefing note produced by the Chartered Institute of Housing. An HMT moderation panel chaired by John Oughton (from the Office of Government Commerce) met in November 2005 to consider progress made by the sector so far. Associations' forecast efficiency gains which exceed the targets set by Government. Data on progress actually achieved against the forecast will be available in autumn 2006.
CPT9	Publish a revised Supported Housing Strategy by July 2005.	'Housing for vulnerable people, Strategy statement' published June 2005.
CPT10	Produce an updated Race Equality Scheme (RES) by May 2005, complete a programme of race equality impact assessments by November 2005, and update our Equality and Diversity approach to disabled people and other minority groups by February 2006.	**Partially achieved:** The 2005 RES was completed in August 2005 and published on our website in October 2005. A template to monitor progress was presented to the BME Advisory Group in November 2005. The template includes key actions from the RES, the BME action plan and outstanding items from the Race and Housing Challenge report. Progress is provided to the Advisory Group every quarter and to the Corporation Board annually. Work has been progressed with seven race equality impact assessments underway at the year end together with the development of a full toolkit. This work will complete in summer 2006. Our equality and diversity approach to disabled people and other minority groups has been updated and scheduled in a workplan for 2006-07. This plan will ensure Corporation compliance with new statutory requirements as they come into force.
CPT11	Publish an action plan arising from the 'Costs and Benefits of Regulation' study, by December 2005, with a view to reducing the burden on housing associations, adopting the 'one-in-one out' approach as a reference point whenever we take a new initiative.	Published in September 2005 on the Corporation's website to favourable press comment. Will now be taken forward in the context of the Elton review of burdens. An action plan based on the burdens review and cost benefit study was completed by 31 March 2006.

5 Providing expertise

The Housing Corporation invests significantly in research, data collection, analysis and innovation and good practice.

Research and evidence underpins policy to drive the Corporation's key delivery functions.

Investment in data collection and analysis ensures that the Housing Corporation's business activities are supported by the best possible business and market information.

The Innovation and Good Practice programme provides grants to promote research, innovation and good practice in the housing association sector.

The Housing Corporation's research programme ensures that the policies and strategies behind its investment and regulation operations are informed and underpinned by the highest quality evidence. During 2005-06, flagship research projects were commissioned on future demand and aspirations for social housing and rationalisation of housing stock. Major projects were concluded on the costs and benefits arising from our regulatory activities and on the wider contribution made by housing associations to the neighbourhoods and communities within which they work.

Investment in data collection and analysis was focused in particular on the collection of primary data on the stock and activities of housing associations and the circumstances of their tenants. This provides the statistical information needed to support the Housing Corporation's regulatory system, the provision of housing association performance indicators and the work of the Audit Commission's Housing Inspectorate.

Our two primary data sources are the Regulatory and Statistical Return (RSR) – an annual survey of all registered social landlords – and the COntinuous REcording of Lettings (CORE) – a log of every permanent letting made by larger associations and some local authorities and ALMOs. The DCLG makes a substantial contribution towards the cost of CORE. Additionally the Corporation has been closely involved with the DCLG in the development of the National Register of Social Housing (NROSH) which aims to provide primary, real-time data on all social housing taken directly from landlords' management systems and to replace the RSR in due course. A small number of local authorities and housing associations are assisting with a pilot testing programme. During the year, the Corporation also made a further investment in the development of a Geographical Information System (GIS) which is intended to enhance the interpretation and accessibility of our data in future.

An integral component of our corporate commitment to improve landlord performance has been the launch of the Corporation's Gold Award for Excellence, a themed annual competition based on the DCLG's Beacon Council scheme. Prize money of £300,000 to support a dissemination programme has been earmarked for six winners in two themes covering tackling homelessness and innovation in procurement for the 2006-07 round. The competition has proved to be very successful, closing in October 2005 with 72 applications. We awarded the prizes to five winners at the inaugural awards presentation in May 2006.

Performance against key Corporate plan targets

CPT12	Launch new Innovation and Good Practice prospectus by July 2005	**Achieved:** The new Innovation and Good Practice prospectus was published on the website in August 2005.
CPT13	Make a positive contribution to five areas of Government policy identified as the focus of the Housing Corporation's policy contribution in this Plan: 1. Efficiency; 2. Homelessness and overcrowding; 3. Key workers and first time buyers; 4. Supporting People; 5. Neighbourhood management and community cohesion, as measured by a perception survey of Government stakeholders [80% of respondents to rate contribution over course of year as 'good/very good'].	**We are working closely with DCLG on all five policy areas. In particular:** • A Strategy on Housing for Vulnerable People was published in June 2005, to favourable reception; maintaining close contact with DCLG on follow-up. The DCLG are represented on our Vulnerable People Advisory Board which met for the first time in November 2005. Vulnerable People Strategy has had a positive initial impact with 7.5% of bids for supported housing in the 2006-08 investment round, up from 3.8% in 2004-06. The Corporation has also been positively engaged with the DCLG in the lead up to, and following the publication of the Supporting People review. • We have managed an effective and wide ranging programme of activity to support delivery of government policy on efficiency. We established a self assessment reporting framework for housing associations on reporting efficiency gains with a high degree of compliance with submission deadlines, and forecast performance significantly in excess of Comprehensive Spending Review targets. This was supported with the publication of a number of efficiency bulletins covering a range of areas directed both at the mechanics of monitoring efficiency, quality and other wider ranging issues. **We have also:** • commissioned and published a sector study based on the first round of Annual Efficiency Statements; • managed the development of a further round of full Operational Cost Index results; • consulted on the development of a new Performance Indicators framework with the objective of linking this more closely to efficiency and tenant satisfaction considerations; • published the Procurement Strategy Action Plan setting out a substantial range of tasks aimed at enhancing efficiency in the delivery of new housing supply and other areas of capital works procurement; • contributed to the work of the Audit Commission's project on housing efficiency; and • promoted policy messages and good practice through speaking engagements at a wide range of conferences and seminars targeted at professionals across the housing sector and through targeted articles, in trade publications, including Social housing, Inside housing and Housing today.

6 Developing our can-do culture

During the year we have demonstrated our ability to deliver. We have demonstrated our can-do culture through:

- a successful track record in delivering the Government's affordable housing targets combining expertise of national policy and local knowledge in field offices;
- a shared ethos based on helping the less well off in society;
- strength in depth: a diagonal cut across any part of the organisation reveals high levels of talent, knowledge and commitment;
- a proven ability to adapt and cope with change - over the last year almost all staff have experienced change arising from the Gershon and Lyons agendas, regulation change and New Partnerships in Affordable Housing;
- strengthening our regional presence and the mutuality of regulation and investment. In the process we have become more flexible and less hierarchical in joining up programmes and people;
- improving our internal communications - creating better linkages between corporate and individual targets, launching our cascade briefing system and refocusing our in house HC Newsletter;
- meeting the mandatory Investors in People standards with team meetings, personal development plans and individual appraisal targets in place for the vast majority of staff. Our involvement of staff in our full business planning process meets aspects of the revised standard as well;
- putting together our knowledge management aspirations in a single strategy and had some early wins developing communities of practice and a better understanding of information needs; and
- moving our Learning and development strategy firmly into the delivery phase with substantial support for people undertaking external qualifications, launch of our EMT and Leadership Development Programmes, working with Office of Public Management and rollout of the first compulsory elements of the management Development Programme (including communication and diversity awareness).

Throughout 2005-06, we have developed our approach to people management including the key areas of pay and reward, learning and development, internal communication and performance management. These formed the basis of our action plan to regain full Investors in People recognition. Our progress in these areas was rewarded by restoration of our full IiP status in December 2005. During the year the Human Resources Team was restructured to form three distinct teams: People Pay and Reward (PPR), Corporate Development and Corporate Support. The PPR team takes the lead on recruitment, HR consultancy, employee relations and advising on structural changes.

The Corporate Development team focus on performance management, organisational development, internal communications, learning and development and knowledge management. The Corporate Support team provide first line and administration support to each of our offices, manage the national enquiries service and oversee our accommodation and office moves.

Managing change has been a priority. The beginning of the year saw the completion of the Gershon efficiency reductions and was followed by the implementation of our agreed plan for reducing the number of posts based in central London as part of the Lyons agenda. This involved well co-ordinated communication, active promotion of redeployment opportunities, agreeing voluntary redundancies where appropriate and planning recruitment in the new locations whilst supporting business continuity. Further restructuring of roles and teams has progressed in Regulation, central Investment, Policy and Communications and Finance.

Following consultation a relocation policy and a business continuity incentive policy for the Lyons situation were developed and adopted. In addition, the redeployment policy was clarified and focused. The employee assistance programme, launched during 2004-05 to provide free and confidential counselling advice and guidance to employees and families, was of considerable value during the change exercises this year. The use of the service was above the average expected for an organisation of our size and type.

The volume of recruitment activity has been very high and the new centralised approach embedded during the year. The Corporation now uses a 'powered by' solution recruitment web site which has been updated and modernised and will be integrated into the Corporation's main web site providing a seamless link. This enables candidates to register for jobs by email and to automatically receive vacancy information and literature. We have stepped up our profile through exhibiting at major recruitment fairs, including Guardian Society Live and Forum3 opening up access to new talent pools.

The Learning and Development (L&D) Strategy is an essential component of the Corporate Plan. Considerable progress has been made in collating learning needs and delivering solutions both centrally and locally with the majority of L&D requests either being already met during the year or solutions identified. During 2005-06 preparations for the delivery of Investment and Regulation knowledge and competency training was undertaken in readiness for roll out in 2006-07.

A Leadership Development Programme was launched with 24 participants and integrated with a leadership programme for the Executive Management Team (EMT). Initial modules of the Management Development Programme (MDP) have been delivered including Cascade Briefing, Managing Diversity, and Competency Based Selection.

Training needs in Risk Management, Relationship Management and Project Management have been identified as business priorities. The resulting training initiatives each have an Executive sponsor, project manager and project board. Regulation has also identified L&D requirements and solutions including the launch of role based and specialism based communities of practice. Learning Champions have been identified for all fields and functions and learning zones have been set up in a number of fields and at Maple House. A new two-day induction event was launched in October.

Following extensive consultation with staff the Board approved a new Pay and Reward Strategy in April 2005. The intention of the new pay and reward arrangements is to provide the flexibility to respond to changing demands and act as an effective magnet to attract high quality staff. The number of grades will be rationalised and individual pay assessed on the basis of skills, knowledge, experience and contribution.

The Corporation continues to support the Forum Representing Ethnic Minority Staff in Housing (FRESH) and now works with a new 'Staff with a Disability' consultation group. Policy developments and approaches reflect this contribution. A review of compliance with the Disability Discrimination Act requirements has been productive in identifying areas for improvement both for our services and in our employment of staff. The Race Equality Scheme, launched in 2002, has been reviewed and an updated scheme and action plan for 2005 to 2008 prepared. The Race Action Plan includes actions specific to the Employment function. Mandatory Equality and Diversity training for all staff and for managers is now an integral part of the L&D Strategy.

During the year we restructured the approach to Equality and Diversity (E&D), establishing a new role of Involvement & Diversity Manager within the central policy team, primarily concerned with externally facing matters; with internally facing matters becoming the responsibility of the Director of Resources, advised by the E&D policy adviser based in the same team. Directors now personally take responsibility for development and progress of E&D in each field area, including chairing local E&D field groups. This ensures that E&D are properly mainstreamed within the business and that both internal and external matters are progressed together in a coherent and consistent way.

Performance against key corporate plan targets

CPT14	Deliver Phase 1 of the new Investment Management System, comprising Compliance Audit and core programme functionality.	Phase 1 of the Compliance Audit Solution is now live. Phase 2 of the solution was delivered for testing before the end of the financial period. The Core Systems Replacement Programme comprising a bespoke program management solution together with the functionality of our new Finance System has been progressed. Interim solutions utilising legacy applications have and will continue to be delivered according to business priorities throughout the first half of 2006-07. The first phases of the strategic solution are now planned for delivery in a phased manner from July 2006 through to December 2006.
CPT15	Complete internal Gershon efficiency programme to deliver balanced budget for 2006-07.	**Achieved:** Our largest expense is the cost of staff salaries and contracted staff. Over the course of the year we reduced the number of posts from 570 to 515 in response to the Gershon agenda - enabling us to reduce our recurring salary costs by nearly £2.4m in 2006-07. Due to the staggered nature of departures our gross salary and temporary staff costs in 2005-06 were comparable with the previous year which is equivalent to a real saving of 2.5%.
CPT16	Complete review of decision-making processes to increase delegated authority to front line lead regulation and investment teams by December 2005.	This target was deferred due the 'delegations' issue which is covered later in the Corporate governance report.
CPT17	Regain full Investors in People recognition status	**Achieved:** The IiP assessor carried out a review of the Corporation during November. The IiP Panel confirmed that the Corporation should regain full IiP Recognition in December. Our Recognition is now valid until December 2008.

The Corporation's Resource Consumption and Capital Administration expenditure is funded by an agreed amount of grant in aid. We managed our Resource Consumption costs within a £47.2 million budget and our Capital Administration costs within a £4.8 million budget. In response to the regionalisation (Lyons) agenda of moving staff out of London we have provided within the accounts a sum of £600,000 to meet the redundancy costs associated with staff who have volunteered for redundancy as they are unable to relocate out of the capital. Other direct staffing costs were contained within budget and compared favourably with the previous year. Details of the Corporation's staff costs and administration income and expenditure is disclosed in Notes 4, 6 and 7 to the Financial Statements.

7 General financial matters - pensions, payments, audit and loans

The Corporation is an admitted body to the City of Westminster Pension Fund. The liabilities of the fund, and to a smaller extent our liability for some unfunded pensions, remained constant during the year at £44m. However, an actuarial gain of £3.36 million has been credited to our Income and Expenditure Account reserve and is disclosed the Statement of Recognised Gains and Losses. The employer's contribution rate for the year was 7%. Details of the pension scheme performance are disclosed in Note 11 to the Financial Statements.

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

The Corporation manages a small portfolio of loans which were advanced many years ago. They are funded by a similar borrowing from the National Loans Fund. All loans are secured on property and, except in few minor cases, all annuity repayments were made when they became due. The Corporation found it prudent to make a provision of £4,000 for doubtful debts but no debts were written off during the year. There is one major loan of £0.3m for which full provision was made in the 2001 accounts which may yet produce a small dividend. Details of our loans and the borrowing from the National Loans Fund are disclosed in Notes 16 and 21 to the Financial Statements.

8 Better payment practice code

The Corporation fully supports the CBI Better Payment Practice Code and aims to pay all undisputed invoices within 30 days of receipt and at least 90 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 has a policy to pay these either on scheduled dates or within 10 working days of receiving a valid grant claim. It is the Corporation's policy to:

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

9 Changes in fixed assets

The Corporation invested £4.1 million in tangible and intangible assets. Of this £1.5 million was spent on developing software for our investment systems. During the year £0.6 million was also invested in furniture and fittings for two offices in response to our regionalisation agenda. This included the opening of a new larger office in Cambridge (in an office previously home to the Government Office East) to house our Eastern Investment Team and our new Centre for Research and Business Intelligence. We have also refurnished our Leicester Office in order to house both the East Midlands Investment and Regulation teams together with the expanded Registry Team who have relocated from London. The Corporation also capitalised significant costs of developing the framework for the NPiAH and NAHP programmes. This has created a large intangible asset within the balance sheet. These development costs have been capitalsed under FRS13. The value of fixed assets held by the Corporation is disclosed in Notes 13 and 14 to the financial statements.

10 Open government and freedom of information

As a public body the Corporation is committed to the principles of Open Government, especially those relating to service standards, customer service, information provision and the effective and efficient use of public money. Our complaints handling procedure and standards of service have been widely distributed internally and externally. Openness in information provision has continued through the development of the website and the distribution of a wide range of literature.

The Freedom of Information Act became law on 30 November 2000 with all provisions in place on 1 January 2005 and established a right of access to all types of recorded information held by public authorities. We introduced our Freedom of Information Act publication scheme on schedule in November 2002 and implemented the terms of the Act in January 2005. The Executive and Board regularly review the nature, source and extent of freedom of information requests in order to review compliance and our general approach to the publication of information.

11 Policy on energy conservation and environmental issues

The Corporation continued to deliver on its environmental development strategy both within the Corporation and in the RSL sector. Housing accounts for nearly a third of all carbon dioxide output. The Corporation continues the drive for higher environmental standards across the housing sector. In 2005-06 we opened up our investment programmes to both RSLs and non RSLs. All partners are now required to build new homes to the higher environmental standard EcoHomes 'Very Good'. Increasing the proportion of homes that are built to this standard will help reduce emissions by nearly 50,000 tonnes of carbon dioxide a year. If all homes met the standard, emissions would be reduced by some 180,000 tonnes of carbon dioxide each year. The environmental assessment tool EcoHomes covers the impacts made by housing on climate change, resource use and on wildlife. There are four possible ratings: pass, good, very good and excellent. The move to build to a higher environmental standard prepares RSLs for the introduction of a code for sustainable homes which is expected to be published by DCLG in the near future.

The Innovation and Good Practice Grant programme provided funding for an EcoHomes Support Programme which assisted associations to learn how to achieve the "very good" EcoHomes level and proved the most cost effective way forward. The Corporation also focused on reducing the environmental impact of existing buildings by commissioning the development of an EcoHomes for managed stock toolkit. Use of this toolkit is expected to help RSLs make over 2 million homes more sustainable.

The Corporation operates a carbon neutral policy to its activities and attempts to reduce the impact on the environment of its direct operations wherever possible. A cross Corporate Greening Team have introduced a number of initiatives including the use of recycled paper for office stationery, recycling containers for a variety of products in each office and avoiding the use of disposable cups. The Corporation has offset the carbon dioxide emissions it produced in the 2005-06 year of 532 tonnes by making a payment to 'Climate Care', a carbon reduction company that invests in projects that reduce emissions in the developing world.

12 Euro compliance

The Corporation believes it has taken all reasonable steps to mitigate potential problems which may arise as a result of the impact of euro compliance and will continue to monitor systems. The Corporation's new finance system which was implemented from 1 April 2006 has multi currency capacity and it is not anticipated that there will be significant material additional costs in relation to this specific issue.

13 Financial instruments and post balance sheet events

We have made no disclosures regarding financial instruments other than at Note 24 to the Financial Statements. No significant post Balance Sheet events have occurred.

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

14 Remuneration report

The Remuneration Committee meets twice a year and is chaired by Peter Dixon. The Board members who, together with the Chair, form the committee are: Shaukat Moledina, Sheila Button, Sir Duncan Michael and Jon Rouse.

The Remuneration Committee advises the Chief Executive on the remuneration, contractual and Corporation pension scheme arrangements for the Chief Executive, Deputy Chief Executive, Assistant Chief Executive and Directors. The Committee provides an independent perspective of the market pressures governing pay, specific recruitment and retention sensitivities.

It considers and reviews, when necessary, the Corporation's policy on senior staff remuneration, conditions of service, benefits and compensation commitments on early termination of contracts. It makes recommendations to DCLG on the performance criteria in respect of the Chief Executive's bonus and decides the bonuses of the Deputy and Assistant Chief Executive.

Mr Rouse is an ordinary member of the Corporation's superannuation scheme described in Note 11 to the Financial Statements. The employer's contribution shown is calculated at the rate recommended for all the Corporation's employees by the pension fund actuaries and is subject to the 'earnings cap'.

The key managers of the Corporation comprise the Deputy Chief Executive, the Assistant Chief Executive and Directors. Appointments are on open-ended service contracts which do not contain any predetermined compensation on termination of office.

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

Chief Executive's emoluments	2006 £	2005 £
Basic salary	128,125	114,583
Annual performance related bonus for year 2004-05	16,875	-
Employer's pension fund contribution	7,392	4,488
	152,392	119,071

The table above has been prepared on a cash basis and hence the previous year figures differ from the disclosure in the Annual Accounts 2005 which were prepared on an accruals basis.

Jon Rouse was appointed on a part-time basis on 1 April 2005 and full time on 1 June 2005.

Mr Rouse has an entitlement to an annual performance related bonus based on the achievement of targets agreed at the beginning of the year between the DCLG's Permanent Secretary and the Chairman of the Corporation. The level of payment is determined by the DCLG's Permanent Secretary.

The pension entitlements of Jon Rouse at 31 March 2006	2006 £	2005 £
Real increase in accrued pension during year excluding any increase for inflation	1,344	1,500
Real increase in related lump sum during year excluding any increase for inflation	4,033	4,500
Accrued annual pension at age 65	7,179	5,659
Accrued related lump sum at age 65	21,536	16,977
Cash equivalent transfer value at 31 March 2006	75,829	57,586
Cash equivalent transfer value at 31 March 2005	57,586	-
Real increase in CETV after adjustment for inflation, market conditions and employee contributions	**11,907**	4,488

Deputy and Assistant Chief Executives:	Annual salary £	Bonus £	Taxable Benefits £	Employer's pension contributions £	2006 Total £	2005 Total £
Steve Douglas (appointed 19 September 2005, Acting Deputy Chief Executive from 19 April 2005. Previously Field Director – London)	102,802	8,152	6,062	7,392	124,408	103,512
Deputy Chief Executive						
Bob Dinwiddy	99,533	14,930	-	7,392	121,855	113,424
Assistant Chief Executive						
Neil Hadden (to 11 June 2005)	22,522	13,441	1,060	2,527	39,550	117,767
Deputy Chief Executive (to 18 April 2005)						
Director members of the Executive Team						
Peter Marsh (appointed 24 January 2005)	98,125	-	-	6,582	104,707	18,411
Director, Resources						
Matthew Leach (appointed 24 January 2005)	75,456	-	-	5,282	80,738	14,341
Director, Policy and Communications						
Clare Miller	87,099	3,000	3,025	6,306	99,430	88,814
Director, Regulation						
Richard Hill (appointed 1 January 2005)	87,681	-	-	6,138	93,819	22,185
Director, Programmes						
Steve Trueman (appointed 4 April 2005)	86,973	-	-	6,088	93,061	-
Director, Procurement and New Ventures						
Margaret Allen	85,135	3,000	5,391	6,169	99,695	88,443
Field Director (Central)						
John Carleton	89,235	3,000	-	6,169	98,404	87,972
Field Director (North)						
Fiona Cruickshank	78,513	3,000	2,659	5,706	89,878	82,401
Field Director (South East)						
Rona Nicholson (appointed 1 March 2006)	8,167	-	-	572	8,739	-
Field Director (London)						
Andrew Wiles	78,513	3,000	2,228	5,706	89,447	82,502
Field Director (South West)						

Taxable Benefits are the value of cars provided to senior managers stated at their taxable value net of personal contribution for private use.

The Deputy and Assistant Chief Executives are entitled to an annual bonus of up to 15% of salary based on their performance in the period. The remuneration committee had not considered the performance of Steve Douglas in the period since his substantive appointment to post and accordingly no payment was made in the period, although an estimated accrual is included in the staff note to the Financial statements.

The bonus paid to Neil Hadden is in respect of achieving targets for the year ended 31 March 2005. The performance bonus paid to Bob Dinwiddy of £14,930 related to performance for the year under review. A payment of £12,091 was also made in the year in relation to performance in the 2004-05 period. This payment was provided for on an estimated basis in the 2004-05 accounts. The post of Assistant Chief Executive was deleted on 31 March 2006. Mr Dinwiddy received a statutory redundancy payment of £14,316. The Corporation made an employer's contribution of £22,116 to the pension fund. The amount paid was equivalent to pay in lieu of Bob Dinwiddy's remaining notice period and untaken annual leave.

The annual performance related bonuses payable to Directors are bonus payments for achieving targets for the year ended 31 March 2005. The Remuneration Committee has subsequently reviewed its policy on the payment of individual bonuses to Director Members of the Executive Team and as a result has abolished individual performance pay for this grade of staff. The Corporation instead intends to award all members of each operating plan team a flat rate cash bonus, regardless of their grade, in relation to the performance of the team for the 2005-06 period. The value of any payments made under this arrangement will be disclosed in the 2006-07 accounts.

Key managers' pension entitlements

The Directors are ordinary members of the staff pension scheme which has HMRC approval and is a statutory scheme (See note 11 to the Financial statements). The Corporation does not have a scheme to provide additional pension where contributions are limited by the 'earnings cap'. Individual Directors may make Additional Voluntary Contributions up to 15% of the 'earnings cap' and these contributions and benefits are excluded from the table below. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service.

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

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

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

	Real increase in pension at age 65	Real increase in related lump sum at age 65	Accrued annual pension at age 65 31 March 2006	Total accrued related lump sum at age 65 31 March 2006	Cash equivalent transfer value at 31 March 2005	Cash equivalent transfer value at 31 March 2006	Real increase in CETV after adjustment for inflation, Investment returns and employee contributions
	£	£	£	£	£	£	£
Margaret Allen	2,065	6,196	15,345	46,035	180,760	222,121	35,758
John Carleton	1,299	3,896	3,020	9,059	19,031	35,483	15,862
Fiona Cruickshank	1,737	5,212	22,779	68,337	293,752	338,515	35,683
Steven Douglas	1,862	5,585	6,596	19,790	49,916	73,455	21,991
Richard Hill	1,100	3,299	8,056	24,169	68,665	85,101	14,308
Matthew Leach	944	2,831	1,116	3,349	1,612	11,149	9,487
Peter Marsh	1,997	5,991	15,398	46,193	130,528	156,689	22,114
Clare Miller	2,284	6,853	15,295	45,885	155,856	195,164	34,476
Rona Nicholson	104	312	104	312	-	1,194	1,194
Steve Trueman	1,078	3,234	1,078	3,234	-	10,835	10,835
Andrew Wiles	1,570	4,709	20,077	60,230	295,574	337,726	32,989

A rate of inflation of 3.1% (2005: 2.9%) 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 funds amounted to £39.63 million at 31 March 2006. Mr Dinwiddy began to draw his pension on 1 April 2006 and the Fund was unable to calculate pension or CETV figures.

15 Board members' disclosures

Board members' appointments and remuneration

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

The DCLG's Permanent Secretary determines the Chief Executive's remuneration after discussion with Treasury and the Corporation.

Details of Board members' remuneration, other details relating to their appointment are set out below and any related party transactions are disclosed in Note 30 to the financial statements.

Board members' emoluments

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

	Date of first Appointment	Date of Re-appointment	Appointment lapses/lapsed	2006 £	2005 £
Peter Dixon, Chairman	1 October 2003		30 September 2006	47,399	46,108
Shaukat Moledina, Deputy Chairman	1 December 2002	1 October 2005	30 September 2008	27,109	19,198
Candy Atherton	1 October 2005		30 September 2008	6,181	-
Kate Barker	1 October 2005		30 September 2008	6,181	-
Sheila Button	1 October 1997	1 October 2004	30 September 2006	14,993	14,585
Julie Fawcett MBE	1 December 2002	1 October 2005	30 September 2008	12,362	12,025
Donald Hoodless OBE	1 October 2005		30 September 2008	6,181	-
Chris Holmes	1 October 2004		30 September 2007	12,362	6,012
Yvonne Hutchinson	1 July 1998	1 October 2001	30 September 2005	6,181	12,025
Kevin Lavery	1 October 2004		30 September 2007	12,362	3,006
Sir Duncan Michael	1 October 2000	1 October 2004	30 September 2006	14,993	14,585
Ivan Monckton	1 April 1999	1 January 2003	30 September 2005	6,181	12,025
Sandi O'Neill	1 December 2002	1 October 2005	30 September 2008	12,362	12,025
Peter Rogers	1 October 2004		30 September 2007	10,802	1,503
Sheila Drew Smith OBE	1 December 2002	1 October 2005	30 September 2008	14,993	13,305
Andrew Winckler	6 April 1998	1 October 2001	30 September 2005	7,496	13,305
Eric Armitage OBE; Deputy Chairman	1 October 1997	30 September 2000	30 September 2004	-	12,927
Richard Arthur	1 October 2000	1 October 2003	30 September 2004	-	7,150
Geraldine Huka	1 October 2001		30 September 2004	-	5,895
David Higgins; Chief Executive English Partnerships	24 March 2003		31 December 2005	-	-
Trevor Beattie Corporate Strategic Director English Partnerships	1 January 2006			-	-
Total				**218,138**	**205,679**
Social security costs				**19,139**	**17,928**

Throughout the year ended 31 March 2006 the number of Board members remained at 15.

Under an initiative introduced by the Deputy Prime Minister to foster a closer working relationship between the Corporation and English Partnerships the Chief Executive of each organisation is appointed to both Boards. The appointment is for the duration of their appointment as Chief Executive. Neither the Chief Executive of the Corporation nor the Chief Executive of English Partnerships receives remuneration for these additional responsibilities.

Board members' time commitment

The average time commitment of the Chairman is two days a week. The agreed time commitment of other Board members is two to three days a month. The post of Chief Executive is full-time.

Chairman's pension entitlements

Under the exercise of powers contained in Schedule 6 to the Housing Act 1985 the Secretary of State extends membership of a pension scheme to the Chairman and Deputy Chairman. Mr Moledina was not a member of the pensions scheme during the year ended 31 March 2006. The pension scheme is similar to the Local Government Pension Scheme, however, there are no employer contributions.

	Real increase in pension at age 65 £	Real increase in related lump sum at age 65 £	Accrued annual pension at age 65 31 March 2006 £	Total accrued related lump sum at age 65 31 March 2006 £	Cash equivalent transfer value at 31 March 2005 £	Cash equivalent transfer value at 31 March 2006 £	Real increase in CETV after adjustment for inflation, Investment returns and employee contributions £
Peter Dixon	589	1,767	1,481	4,443	12,000	21,000	6,000

Capitalised value of pension benefits accrued for Board members

The Chairman and Deputy Chairman of the Corporation are eligible to join a pension scheme which is operated under broadly the same rules as the Local Government Pension Scheme final salary scheme. The scheme is unfunded, with benefits being paid as they fall due and guaranteed by the employer (DCLG) and therefore there is no surplus or deficit. Members do, however, make a contribution at the rate of 6% of gross salary. Pensions are currently in pay for three ex-chairmen. Pensions are paid by the DCLG. Therefore the following movements do not impact on the income and expenditure account or the assets and liabilities of the Corporation.

The main assumptions used for the purposes of FRS 17	2006	2005	2004
Rate of inflation	2.5%	2.5%	2.4%
Rate of increased in salaries	4.0%	4.0%	3.9%
Rate of increase for pensions in payment and deferred pensions	2.5%	2.5%	2.4%
Discount rate for scheme liabilities	5.4%	6.1%	6.0%

Movement in the FRS 17 liability during the year	2006 £,000	2005 £,000
1 April, Present value of scheme liabilities	(140)	(127)
1 April, increase in liabilities arising from revised real investment return	(11)	-
Current service cost net of employee contributions	(10)	(8)
Employee contributions to pension fund	(3)	(3)
The interest cost	(8)	(8)
Benefits paid	8	9
Actuarial loss - effect of changes in demographic and financial assumptions	17	(3)
31 March, Present value of scheme liabilities	**(147)**	**(140)**
Actuarial gains and losses during year		
Experience gain	17	-
Effect of changes in demographic and financial assumptions	-	(3)
Percentage of the present value of scheme liabilities	11.8%	(2.1%)

Arrangements for compensation for redundancy or premature loss of office

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

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

16 Corporate governance report

(a) Statement of compliance with the Combined code on corporate governance

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

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

PriceWaterhouseCoopers were commissioned to conduct a Board Effectiveness Review and the recommendations in their report will be taken into account in changes to the way the Board functions in 2006-07.

(b) The Corporation and its Board

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

Details of the legislative and accounting framework and the responsibilities and accountabilities of the Corporation are described in the Management Statement and Financial Memorandum issued by the DCLG. This document is available both on the DCLG website and in paper copy from the Corporation. However, in December 2005, the Corporation received legal advice that it did not have the power to delegate its functions to Committees and officers. This has affected its governance processes in the latter part of the financial year and the new procedures introduced accordingly deviate in some respects from the expectations in the Management Statement.

The Corporation is accountable through the DCLG to Ministers and to Parliament. The National Audit Office, now the Corporation's statutory auditors, has full rights of inspection and the Corporation's Accounting Officer can be called upon to appear before the Public Accounts Committee. The Corporation may be called to give evidence before any of Parliament's Select Committees. Board vacancies are advertised nationally and members are appointed and remunerated under Schedule 6 to the 1985 Act and in accordance with the Code of Practice issued by the Commissioner for Public Appointments.

The Board comprises a Chairman, a Deputy Chairman and up to twelve non-executive members and the Chief Executive who, with the Secretary of State's approval is appointed by the Board. The Chief Executive, who is also the Accounting Officer, assisted by the Deputy Chief Executive, the Director of Resources and the Executive Team, is responsible for the day to day running of the Corporation. The Corporation has published a "Code of Best Practice for Board Members of the Housing Corporation", drawing on the Cabinet Office Guidance on Codes of Practice for Board Members of Public Bodies, which now embraces the seven Nolan principles of public life, and on the Corporation's own experience and practices developed over its 40 years of existence.

Details of any related party transactions in respect of other Board members with RSLs or other entities with which the Corporation does business, including Mr Moledina as the Corporation's appointee to the Board of the Housing Finance Corporation Ltd, are disclosed in Note 29 to the Financial Statements. The fee for Mr Moledina's services to the HFC was payable to and retained by the Corporation. Under an initiative introduced by the Deputy Prime Minister to foster a closer working relationship between the Corporation and English Partnerships the Chief Executive of each organisation is appointed to both Boards. The appointment is for the duration of their appointment as Chief Executive. Neither receives remuneration for these additional responsibilities. David Higgins, former Chief Executive of English Partnerships, served on the Board until December 2005 when he moved to a new post. His place on the Board was taken by Trevor Beattie, Corporate Strategy Director of English Partnerships, on a temporary basis until a successor to Mr Higgins was appointed. John Calcutt was appointed Chief Executive to English Partnerships after the end of the financial period and will join the Board of the Housing Corporation in 2006-07.

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

The Board responsibilities include:

- ensuring that the Corporation complies with all relevant statutory or administrative requirements for the use of public funds;
- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the First Secretary of State;
- ensuring that high standards of corporate governance are observed at all times;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets set out in the Corporate Plan;
- ensuring that, in reaching decisions, the Board has taken into account guidance issued by the DCLG including the then First Secretary of State's guidelines, the Financial memorandum and Management statement and Financial memorandum;
- discharging the Corporation's statutory functions; and
- ensuring that the it operates within the limits of its statutory and delegated authority agreed with the DCLG and in accordance with the Management statement and Financial memorandum.

Board members are subject to a Code of Practice which is consistent with Guidance on Codes of Practice for Board Members of Public Bodies published and revised from time to time by the Cabinet Office.

This year has seen a change to the way in which decisions are taken in the Corporation. In December 2005, the Corporation was advised that the Board did not have the power to delegate its functions to Committees or officers. This necessitated Special or Emergency Board meetings being held to take decisions which had previously been taken at officer level or by the Registration Committee. From January to the end of March the Board met at least once a week. A number of controls were put in place to minimise the possibility of legal exposure. These included:

- interim processes and procedures for current and future decisions/transactions ensuring that all statutory decisions were taken by a properly informed and constituted Board meeting;
- careful relationship management with major lenders and the registered social landlord sector;
- representations to the DCLG and assistance with managing the associated political implications; and
- obtaining full legal advice from Counsel.

Legislation to provide the Corporation with an express power to delegate and to validate past actions is currently making its way through Parliament.

Before the legal advice was received, the Board had appointed five committees consisting of Board members and advised by the Executive, Directors and senior officers. The Committees reported formally in writing to the Board after each meeting. All but the Registration Committee played an advisory role only to the Board. A summary of the committees and Board members involved is provided below.

Following the legal advice on the absence of a power to delegate, all the Committees, with the exception of the Audit and Risk Committee, ceased to meet and the business they would have considered was instead considered at Special Board meetings.

Audit and Risk Committee - 4 meetings per year (Chair, Sheila Button)

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

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

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

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

Unlike the Corporation's other committees, the ARC has continued to meet in an advisory capacity following receipt of the legal advice on the absence of a power to delegate functions to committees and officers. The Corporation's Head of Internal Audit and the Audit Director of the National Audit Office (the Corporation's external auditors) have free and confidential access to the Chair of the ARC. All Internal Audit reports are addressed to the ARC.

Investment Committee - normally four meetings per year but this year has only met on three occasions (Chair, Sir Duncan Michael)

Board members: Candy Atherton, Kate Barker, Sheila Drew Smith OBE, Kevin Lavery, Shaukat Moledina, Jon Rouse, David Higgins (to December 2005 only)

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

Registration Committee - normally six meetings per year but this year has only met on four occasions (Chair, Sheila Drew Smith OBE)

Board members: Candy Atherton, Julie Fawcett MBE, Chris Holmes, Donald Hoodless OBE

The Registration Committee advises on policy for registration and approval and the criteria for registering RSLs and approving landlords. It also determines individual registration and approves applications, removals and revocations as well as individual applications for rule changes from RSLs arising from mergers which exceed a 10,000 homes threshold.

Regulation and Supervision Committee - normally four meetings per year but this year has only met on three occasions (Chair, Shaukat Moledina)

Board members: Julie Fawcett MBE, Chris Holmes, Sandi O'Neill, Peter Rogers, Jon Rouse

The Regulation and Supervision Committee advises the Board on the Corporation's policy for the regulation of RSLs, including the design and implementation of the Regulatory Code, and associated guidance. It oversees the supervision and control of individual problem cases where enforcement action is involved and advises the Board on the use of the Corporation's statutory powers in such cases.

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

Board members: Sheila Button, Sir Duncan Michael, Shaukat Moledina, Jon Rouse

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

Various consultation and review groups

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

17 Going concern

The balance sheet at 31 March 2006 shows net liabilities of £35.19 million (2005: £38.51 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Corporation's other sources of income, may only be met by future grants or grant in aid from the Corporation's sponsoring department, the DCLG. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. The small reduction of net liabilities by £3.32 million is a result of the increase in our net current assets.

Grant in aid for the year ending 31 March 2006, taking into account the amounts required by the Corporation's liabilities falling due in that year, has already been included in the Department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department'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. There are no principal risks or uncertainties facing the Corporation as we have agreed funding until March 2008, our latest housing programme, NAHP, has deliverables through to 2011 and we are preparing a bid in negotiation with the DCLG for funding under the 2007 comprehensive spending review.

This report was approved by the Board on 27 June 2006.

Peter Dixon
Chairman

Jon Rouse
Chief Executive and
Accounting Officer

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

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

In preparing the accounts the Corporation is required to:

- observe the Accounts Direction issued by the First 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 have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Corporation will continue in operation.

The Corporation confirms that the accounts comply with the above requirements.

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

Chief Executive and Accounting Officer's statement on internal control

1. Scope of responsibility

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

2. Accountability arrangements

The Housing Corporation is a Non-Departmental Public Body sponsored by the DCLG. Arrangements for securing accountability between the Corporation and the DCLG are set principally in the Appointment as Accounting Officer letter issued to me by the then ODPM Accounting Officer in June 2004, and the Management Statement and Financial Memorandum issued on 1 April 2005. An ongoing dialogue is maintained at both a political and officer level. A series of scheduled formal DCLG round up meetings were held throughout the year with officers from the DCLG, members of my Executive team and myself to discuss specific and general business issues. A monthly Finance and Investment Programme Review meeting took place throughout the year at which the Monthly Management Report and Accounts were discussed with officers of the DCLG and the Corporation. In addition a number of other meetings regarding the Corporate Plan, the National Affordable Housing Programme and other topics were held with officers and Ministers.

3. The purpose of the system of internal control

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

- an ongoing process designed to identify and prioritise the principal risks to the achievement of the Corporation's aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically;
- 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; and
  - encourage staff and managers to act in the desired manner without requiring continual detailed intervention; and
- a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review.

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

The system of internal control is based on an ongoing processes designed to identify and prioritise the risks to the achievement of the Corporation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within the Corporation for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

4. Capacity to handle risk

During the year we reviewed and up-dated our Risk Management Strategy to reflect the evolution of risk management processes within the organisation. The Strategy is available to all staff and the public on our website.

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

- a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- the Corporation maintains a Risk Register in accordance with the Treasury's 'Orange Book' and approved a revised Risk Management Policy and Strategy to take account of HM Treasury's revised publication Management of Risk – Principles and Concepts;
- there is appropriate Board involvement in the risk management system with the ARC regularly reviewing the whole Corporation Risk Register and the full Board reviewing those risks considered to be of higher impact and/or probability;
- an effective system of programme, project and contract management is maintained;
- the Corporation's Information Systems (IS) strategy, approved by the Board, is aligned to the overall business strategy;
- all public funds made available to the Corporation, including any approved income or other receipts, are used for the purpose intended by Parliament, and that such monies, together with the Corporation's assets, equipment and staff, are used economically, efficiently and effectively;
- adequate internal management and financial controls are maintained by the Corporation, including effective measures against fraud and theft;
- the Corporation maintains a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- effective human resources policies and employee relations are maintained.

The ARC considers and advises the Board on the strategic processes and policies for risk management, control and governance and gives detailed consideration to the risk profile. Having a separate committee responsible for the overall management of the risk agenda has the effect of focusing attention and the appropriate resources to the effective management of risk. All Committee and Board papers have a compulsory section on risk management which ensures risks are highlighted and considered at an early stage.

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

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

5. The risk and control framework

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

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

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

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

6. Structures

The Board has been formally constituted and comprises 14 non-executive directors, and one executive director, appointed by the First Secretary of State. The recruitment process for non-executive directors is run by the DCLG in accordance with the Code of Practice for Public Appointments issued by the Commissioner for Public Appointments. Non-executive directors are appointed initially for periods of up to three years, and the level of their emoluments is set by the First Secretary of State.

7. Review of effectiveness

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

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2005-06 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 enable annual budgets and latest estimates to be reviewed by the Board and Executive Management Team;
- ARC approval of a rolling risk-based programme for Internal Audit in accordance with priorities. Reports are provided to each Committee meeting on progress and findings;
- the Head of Internal Audit's annual report to the ARC including an opinion on the adequacy and effectiveness of the Corporation's risk management, control and governance processes;
- provision of individual internal audit reports to standards defined in the 'Government Internal Audit Standards' including recommendations for improvements to the responsible Corporation senior officer. Copies are also provided to the DCLG and the National Audit Office. An Audit Review Group (Audit Clinic) meets regularly to ensure that agreed recommendations contained in the audit reports are implemented on a timely basis;
- reporting Internal Audit findings to the monthly Executive Management Team meetings;
- adequate procedures to control both logical and physical information systems access are in place;
- ARC consideration of the External Audit Management Letter and Regulatory Compliance report;
- annual management assurance statements from my senior staff that proper systems and controls are in place and have been operated during the year;
- the delegation of resource budgets down to cost centre level;
- quarterly review of estimates to ensure managers are taking responsibility for delivering the business objectives within budget; and
- three-year rolling forecasts of expenditure are reported to the Board to determine future affordability.

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

8. Significant internal control issues

The most significant control risk arising in the year was the identification that the Board did not have the legal power to delegate any of its functions to Committees or officers. Once this issue had been identified alternative arrangements for the conduct of the business of the Corporation were introduced including weekly Board meetings. In addition to the normal business of the Board and its Committees the weekly Board meetings considered and approved, where appropriate, all decisions in relation to the exercise of the Corporation's statutory regulatory and investment powers. The identification of this deficiency in the legislative framework has the potential for the Corporation to be subject to legal challenge for past decisions made. A challenge on the use of the regulatory powers of the Corporation is unlikely to have any material impact on the Annual Report and Accounts for the year to 31 March 2006.

A challenge on the use of the investment powers of the Corporation might lead to an increase or a decrease in the value of grant due to or from an RSL or other body. However, the Corporation has not, to date, been challenged on the use of its regulatory, investment or other powers and any such challenge is highly unlikely. I believe that appropriate action has been taken by the Corporation and the DCLG to mitigate this risk including the issue of a retrospective consent by the Board before the 31 March, regular liaison with key stakeholders and the introduction of the Housing Corporation (Delegation) etc Bill in Parliament. At the same time, work was also undertaken to tighten up procedures in respect of use and authentication of the Corporation seal. The potential threat of legal action should neither detract from the quality of the system of internal controls operating throughout the Corporation nor the actions taken in year to ensure that systems in place remain robust.

No other serious internal control issues have arisen in the period since the financial statements for the year ended 31 March 2005 were issued.

Jon Rouse
Chief Executive and
Accounting Officer

27 June 2006

The Certificate 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 31st March 2006 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 Income and Expenditure Account, the Balance Sheet, the Cashflow 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.

Respective responsibilities of the Housing Corporation, Chief Executive and auditor

The Housing Corporation and Chief Executive are responsible for preparing the Chief Executive's Report, the Remuneration Report and the financial statements in accordance with the Housing Associations Act 1985 and First 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 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 Association Act 1985 and First Secretary of State directions made thereunder. 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. I also report to you if, in my opinion, the Chief Executive's Report is not consistent with the financial statements, if the 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 54-56 reflects the Housing Corporation's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of 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 only the unaudited part of the Remuneration Report and the Chief Executive's Annual Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Housing Corporation and the Chief Executive 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 Association Act 1985 and directions made thereunder, of the state of the Housing Corporation's affairs as at 31 March 2006 and of its deficit 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 Association Act 1985 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003 and directions made thereunder by the First Secretary of State; and
- 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.

John Bourn
Comptroller and Auditor General

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

5 July 2006

annual accounts 2005-06

income and expenditure account for the year ended 31 March 2006

INCOME	Notes	2006 £'000	Restated 2005 £'000
Grant in aid receivable	2	**1,642,408**	1,743,283
Capital and revenue grant recovered	5	**27,852**	23,823
Transfer from Government grant reserve	3	**1,676**	687
Other Income	4	**801**	915
TOTAL		**1,672,737**	1,768,708
EXPENDITURE			
Capital and revenue grant paid	5	**(1,631,423)**	(1,728,817)
Staff costs	6	**(27,792)**	(27,925)
Other administration costs	7	**(16,581)**	(14,842)
Decrease (2005: increase) in provision for doubtful debts	8	**9**	(4)
TOTAL		**(1,675,787)**	(1,771,588)
OPERATING DEFICIT		**(3,050)**	(2,880)
Interest receivable	9	**1,474**	889
Interest payable	10	**(66)**	(62)
Pension Fund finance costs	11	**(1,010)**	(980)
Cost of capital charge (credit)		**1,471**	1,320
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(1,181)**	(1,713)
TAXATION	12	**(20)**	(13)
DEFICIT AFTER TAXATION		**(1,201)**	(1,726)
Debit for cost of capital charge		**(1,471)**	(1,320)
TOTAL		(2,672)	(3,046)
Transfer to the Specific Reserve	23	(52)	(28)
RETAINED DEFICIT FOR THE FINANCIAL YEAR	22	(2,724)	(3,074)

The Corporation continued all operations throughout both years and no new operations were acquired.

STATEMENT OF RECOGNISED GAINS AND LOSSES			
Retained deficit for the financial year		(2,724)	(3,074)
Actuarial gain (2005:loss) from staff pension fund	11	3,360	(3,630)
TOTAL GAINS (2005:losses) recognised since last Financial Statements		636	(6,704)

The 2005 comparative figures for Other income and Other administration costs have been restated for the reason explained in Notes 4 and 7 to the Financial statements.

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

balance sheet
as at 31 March 2006

FIXED ASSETS	Notes	£'000	2006 £'000	£'000	2005 £'000
Intangible assets	13	**3,440**		802	
Tangible assets	14	**2,526**		2,529	
TOTAL			**5,966**		3,331
INVESTMENTS					
Share in the Housing Finance Corporation Ltd.	15	-		-	
Loans	16	**1,529**		1,805	
TOTAL			**1,529**		1,805
TOTAL FIXED ASSETS			**7,495**		5,136
CURRENT ASSETS					
Debtors	17	**83,904**		1,621	
Cash at bank and in hand	18	**3**		7,234	
TOTAL		**83,907**		8,855	
Creditors: amounts falling due within one year	19	**(80,048)**		(4,820)	
Net current assets			**3,859**		4,035
TOTAL ASSETS LESS CURRENT LIABILITIES			**11,354**		9,171
Provision for liabilities and charges	20		**(875)**		(1,368)
Advances from the National Loans Fund	21		**(1,400)**		(1,400)
Provision for unfunded pensions liability	11		**(4,640)**		(4,420)
TOTAL			**4,439**		1,983
Pension scheme liability	11		**(39,630)**		(40,497)
TOTAL ASSETS LESS TOTAL LIABILITIES			**(35,191)**		(38,514)
RESERVES					
Government grant reserve	3		**5,966**		3,331
Income and Expenditure reserve	22		**(42,891)**		(43,527)
Specific reserve	23		**1,734**		1,682
TOTAL RESERVES			**(35,191)**		(38,514)

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

The Financial statements on pages 58 to 72 were approved by the Board on 27 June 2006 and were signed on its behalf by:

Peter Dixon Chairman
Sheila Button Chair, Audit and Risk Committee
Jon Rouse Chief Executive and Accounting Officer
Peter Marsh Director of Resources

cash flow statement for the year ended 31 March 2006

CASH FLOW	Notes	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash outflow (2005:inflow) from operating activities	ii		**(77,074)**		6,070
Returns on investment and servicing of finance					
Interest receivable	9	**1,474**		889	
Interest payable	10	**(66)**		(62)	
TOTAL			**1,408**		827
TAXATION					
Corporation tax paid (2005:recovered)			**(12)**		103
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of intangible fixed assets	13	**(3,476)**		(692)	
Purchase of tangible fixed assets	14	**(835)**		(2,252)	
Sale of tangible fixed assets		**28**		56	
Loan repayments	16	**295**		468	
Loan advances	16	**(8)**		(6)	
TOTAL			**(3,996)**		(2,426)
SURPLUS REPAID TO THE FIRST SECRETARY OF STATE			**-**		(426)
FINANCING					
Grant in aid used to fund capital expenditure	3	**4,311**		2,944	
Advances from the NLF	21	**2,800**		2,600	
Repayments to the NLF	21	**(2,800)**	**4,311**	(2,400)	3,144
Decrease (2005:increase) in cash			**(75,363)**		7,292

NOTES TO THE CASH FLOW STATEMENT

i RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	2006 £'000	2005 £'000
Decrease (2005:increase) in cash	**(75,363)**	7,292
Repayment of NLF loan	**-**	(200)
Net funds at 1 April	**5,834**	(1,258)
NET FUNDS AT 31 MARCH	**(69,529)**	5,834

ii RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	Notes	2006 £'000	2005 £'000
Operating deficit from income and expenditure account		**(3,050)**	(2,880)
Transfer from Government Grant Reserve	3	**(1,676)**	(687)
Adjustment for FRS 17 Pension costs	6	**3,390**	3,200
Depreciation	7	**1,666**	638
Profit on sale of tangible fixed assets	7	**(18)**	(7)
Decrease (2005:increase) in provisions for doubtful debts	8	**(9)**	4
Employer's contributions to pension fund	11	**(1,395)**	(837)
Unfunded pensions paid to retired employees	11	**(292)**	(286)
Deferred interest on loans to RSLs	16	**(2)**	-
Decrease (2005:increase) in provisions for liabilities and charges	20	**(493)**	1,368
Receipts credited to specific reserve	23	-	35
Increase (2005:decrease) in debtors		**(82,283)**	4,776
Increase in creditors		**7,088**	746
NET CASH OUTFLOW (2005:INFLOW) FROM OPERATING ACTIVITIES		**(77,074)**	6,070

iii ANALYSIS OF CHANGES IN NET FUNDS	at 1/4/05 £'000	Cash Flows £'000	at 31/3/06 £'000
Cash at bank and in hand	7,234	**(7,231)**	**3**
Bank overdraft	-	**(68,132)**	**(68,132)**
	7,234	**(75,363)**	**(68,129)**
NLF debt due within one year	(1,400)	**-**	**(1,400)**
TOTAL	5,834	**(75,363)**	**(69,529)**

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

Notes to the financial statements

For the year ended 31 March 2006

1 ACCOUNTING POLICIES

Basis of accounting

The Financial statements have been prepared in a form directed by the First Secretary of State, with the consent of HM Treasury, in accordance with the Housing Associations Act 1985.
The Financial statements have been prepared in accordance with applicable Accounting Standards in the UK and without limiting the information given, meet the accounting and disclosure requirements of the Companies Act 1985. The Financial statements are prepared on the modified historical cost basis as set out in Treasury guidance.

Government grants receivable

The Corporation's activities are funded by grant in aid provided by the DCLG. Grant in aid is shown in the Income and Expenditure account as the amount received in year plus the value of any payments made by the Corporation in year which are due to be funded by the year's grant-in-aid allocation but had not been drawn down by the year-end in accordance with HMT accounting guidance. Government grant in respect of capital expenditure on assets that are depreciated is credited to the government grant reserve and released to the income and expenditure account over the life of the assets.

Grants payable

Payments of capital and revenue grants to RSLs and other bodies are accounted for on resource (accruals) basis.

Grant recoveries

Recoveries of grant are accounted for when the amount due for repayment has been agreed with the RSL and invoiced as determined under the circumstances outlined in the Corporation's Recovery of Capital Grants General Determination, 2003. RSLs are able to retain any grant recoverable from sales within their own accounts for recycling with the funds only becoming due back to the Corporation if unused after three years. The value of funds available to recycle within the three year period is referred to as a note 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 is required to charge a notional cost of capital against the income and expenditure account to ensure that it bears an appropriate charge for the use of capital in the business in the year. The charge is set at a rate of 3.5% of the average net assets. Since 1 January 2004 the Corporation's cash at bank, held with the Office of the Paymaster General, is excluded from the calculation.

Fixed assets

Tangible fixed assets comprise furniture, fixtures and fittings, computers, office equipment and motor cars. Intangible fixed assets comprise software development costs associated with the Corporation's Core System Rewrite and the costs associated with setting up the National Pilot and subsequent Programme in Affordable Housing in respect of the costs of establishment of systems for the payment of grant to non RSLs for the provision of social housing under the Housing Act 2004. Assets are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets over their estimated useful lives as follows:

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

Leasing rentals

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

Value Added Tax

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

Pensions

The Corporation accounts for pension costs in accordance with FRS 17 Retirement Benefits. As a result, the income and expenditure account 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.

2 GRANT FROM THE FIRST SECRETARY OF STATE

	2006 £'000	2005 £'000
Grant in aid received	**1,568,000**	1,745,492
At 1 April, Grant in aid creditor	**2,231**	2,966
	1,570,231	1,748,458
At 31 March, Debtor (2005:creditor)	**76,488**	(2,231)
TOTAL GRANT IN AID FOR THE YEAR	**1,646,719**	1,746,227
Recognised in the Income and Expenditure Account	**1,642,408**	1,743,283
Credited to Government Grant Reserve	**4,311**	2,944
TOTAL	**1,646,719**	1,746,227
UTILISED AS FOLLOWS:		
Grants to RSLs and other bodies, net of recoveries	**1,603,571**	1,704,994
Administration expenditure	**38,837**	38,289
Capital expenditure	**4,311**	2,944
TOTAL	**1,642,719**	1,746,227

3 GOVERNMENT GRANT RESERVE

		2006 £'000		2005 £'000
CAPITAL RESERVE				
Grant in aid received to fund the purchase of intangible and tangible fixed assets.				
At 1 April		**3,331**		1,074
Grant in aid to fund additions to fixed assets		**4,311**		2,944
		7,642		4,018
Depreciation and amortisation	**(1,666)**		**(638)**	
Net book value of disposals	**(10)**		**(49)**	
Released to Income and Expenditure Account		**(1,676)**		(687)
At 31 March		**5,966**		3,331

4 OTHER INCOME

Other income excludes Social Housing Grant recovery which is disclosed in Note 5. The previous year's figures have been restated to disclose research and housing project funding receipts which were previously netted against the expenditure shown in the Administration expenditure note.

	2006 £'000	Restated 2005 £'000
Research and housing project receipts	**493**	426
Staff on secondment	**246**	441
Conferences, lecturing fees and COFEM subscriptions	**32**	14
Publications	**2**	7
Other	**28**	27
TOTAL	**801**	915

5 GRANTS PAID

- Capital and revenue grants, other than those mentioned below, are payable under Section 18 of the Housing Act 1996.
- Right to acquire and voluntary purchase grants are payable under Sections 20 and 21 of the Housing Act 1996.
- The power to recover grants is contained in Section 52 of the Housing Act 1988 and Section 27 of the Housing Act 1996.
- Tax relief grants (now phased out) were payable under Section 54 of the Housing Act 1988.
- Innovation and good practice grants to RSLs and any other persons to facilitate the proper performance of RSLs and co-operative housing associations are paid under Section 87 of the Housing Associations Act 1985.
- In the normal course of its business the Corporation recovers grant payments paid in previous years where schemes are terminated, subject to a change of use or have a cost underrun.

CAPITAL GRANTS	2006 Gross £'000	2006 Grants recovered £'000	2006 Net £'000	2005 Gross £'000	2005 Grants recovered £'000	2005 Net £'000
Capital Grants	1,223,512	(18,272)	1,205,240	1,302,612	(14,163)	1,288,449
Key Worker programme	336,253	(2,840)	333,413	265,292	-	265,292
Challenge Fund	27,378	(574)	26,804	46,837	(1,314)	45,523
Grants to local authorities	25,381	(2,445)	22,936	41,735	(3,826)	37,909
Homelessness Directorate	9,937	(745)	9,192	19,686	(1,305)	18,381
Safer Communities - Supported Housing Grants	1,948	-	1,948	10,687	(177)	10,510
Thames Gateway (DCLG's Sustainable Communities Fund)	713	-	713	11,358	-	11,358
Rent Restructuring Grants to BME RSLs	625	-	625	12,484	-	12,484
Starter Homes Initiative	-	-	-	8,655	(1,736)	6,919
Major Repairs initiative	-	-	-	144	-	144
Grant recovery from disposals by RSLs	-	(2,953)	(2,953)	-	(1,177)	(1,177)
TOTAL	1,625,747	(27,829)	1,597,918	1,719,490	(23,698)	1,695,792
REVENUE GRANTS						
Innovation and Good Practice grants	5,676	(23)	5,653	7,511	(119)	7,392
Rent restructuring grants to BME RSLs	-	-	-	1,816	-	1,816
Tax relief grant	-	-	-	-	(6)	(6)
	5,676	(23)	5,653	9,327	(125)	9,202
	1,631,423	(27,852)	1,603,571	1,728,817	(23,823)	1,704,994

From 1st April 2005 the Corporation moved from reporting grant payments from a cash to an accruals basis. The effect of this is to recognise liabilities in the year they arise rather than the year payment is made. The Corporation has agreed with its external auditors that the accounts for the year ended 31 March 2005 do not require restating. It is estimated that an additional £65m of expenditure would have been charged to the previous year accounts giving a total gross expenditure figure for the year of £1,793.8m instead of £1,728.8m. The grant in aid receivable, deferred grant in aid and creditor figures would have changed by the same amount. The increased expenditure of £65m represents 3.8% of total grant payments reported for the year ended 31 March 2005.

Included within the accounts is a debtor of £1.5 million for Recycled Capital Grant. The Corporation is able to recover monies that are in excess of 3 years old that are held by RSLs. Grant recoveries from sales can be held within RSLs own accounts for three years in order to be recycled for the provision of social housing. The value of this is around £250 million. This has not been included in the accounts as a debtor as it is anticipated this will be recycled within the time limits set aside for the use of these funds. The Capital Funding Guide gives details as to the how these funds can be utilised.

The Corporation's commitments on schemes approved prior to 31 March 2006 amounted to £1,418.6m (2005:£1,335.3m).

6 STAFF COSTS

STAFF SALARIES	2006 £'000	2005 £'000
Staff salaries	**18,929**	18,933
Social security costs	**1,709**	1,689
Pension costs	**3,390**	3,200
Temporary and contract staff	**927**	650
Staff on inward secondment	**39**	110
Travel and subsistence	**844**	768
Provision for restructuring costs	**605**	1,368
Other costs	**1,349**	1,207
TOTAL	27,792	27,925
STAFF ON OUTWARD SECONDMENT, SHOWN IN NOTE 4 TO THE FINANCIAL STATEMENTS	(246)	(441)

AVERAGE NUMBER OF PERSONS EMPLOYED ANALYSED BY CATEGORY OF EMPLOYMENT:	Investment and regeneration	Regulation and best value teams	Administration and IT	2006 Total	2005 Total
Staff	**184**	**150**	**185**	**519**	555
Temporary agency and contract staff	**-**	**5**	**16**	**21**	17
Staff on inward secondment	**-**	**2**	**-**	**2**	2
Staff on outward secondment	**(2)**	**(1)**	**-**	**(3)**	(8)
TOTAL	182	156	201	539	566
Average number of persons expressed as full-time equivalent	169	146	189	504	533

BOARD MEMBERS	2006 £'000	2005 £'000
Aggregate emoluments	**218**	206

CHIEF EXECUTIVE AND DIRECTORS	2006 £'000	2005 £'000
Aggregate emoluments	**1,133**	836
Performance-related remuneration	**75**	36
TOTAL	1,208	872

The details of Board members', Chief Executive's and Directors' pay is disclosed in the Remuneration Report on page 45.

7 ADMINISTRATION EXPENDITURE

ADMINISTRATION EXPENDITURE	2006 £'000	Restated 2005 £'000
The previous year's comparative for Research and housing projects has been restated gross of funding receipts which are now disclosed in note 4, Other Income.		
Accommodation costs	**4,605**	4,332
Office running costs	**1,541**	1,671
Professional fees	**4,642**	4,472
Recruitment, training and publicity	**2,260**	2,219
Research and housing projects	**1,615**	1,517
Provision for liabilities and charges	**270**	-
Depreciation and amortisation	**1,666**	638
Profit on disposal of fixed assets	**(18)**	(7)
TOTAL	16,581	14,842
The above analysis of administration expenditure includes the following charges (inclusive of any VAT):		
Rental in respect of leased offices	**2,557**	2,590
Rental of office equipment	**138**	201
Auditors' remuneration, Audit fees	**100**	100

8 PROVISIONS FOR DOUBTFUL DEBTS

	2006 £'000	2005 £'000
At 1 April	**384**	380
New Provisions	**5**	5
Reductions in provisions	**(14)**	(1)
AT 31 MARCH	375	384

9 INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Registered Social Landlords	**1,278**	685
Loans - Completed schemes	**81**	87
Loans - Private mortgages	**32**	36
Short term deposits of specific reserve	**75**	41
Other interest	**8**	40
TOTAL	1,474	889

10 INTEREST PAYABLE

	2006 £'000	2005 £'000
Borrowings from the National Loans Fund	**66**	59
Other interest	**-**	3
TOTAL	66	62

11 SUPERANNUATION

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

The most recent triennial valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the City of Westminster Pension Fund to take account of the requirement of FRS17 in order to assess the liabilities of the Fund as at 31 March 2006. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

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

Main assumptions used for the purposes of FRS 17	2006	2005	2004
Rate of Inflation	**3.0%**	2.9%	2.9%
Rate of general long-term increase in salaries	**4.5%**	4.4%	4.4%
Rate of increase for pensions in payment and deferred pensions	**3.0%**	2.9%	2.9%
Discount rate for scheme liabilities	**4.9%**	5.3%	5.4%

The assets of the Fund and the expected rate of return as at 31 March 2006 are:	Expected long-term rate of return	2006 £'000	Expected long-term rate of return	2005 £'000	Expected long-term rate of return	2004 £'000
Equities	**7.3%**	**75,720**	7.7%	61,642	7.7%	54,216
Bonds	**4.3%**	**19,650**	4.9%	15,513	4.7%	11,970
Other assets	**4.6%**	**1,960**	4.8%	465	4.2%	4,225
TOTAL MARKET VALUE OF ASSETS		97,330		77,620		70,411
Present value of scheme liabilities:						
Funded	**(136,960)**		(118,117)		(104,340)	
Unfunded	**(4,640)**		(4,420)		(4,300)	
		(141,600)		(122,537)		(108,640)
DEFICIT IN THE SCHEME		(44,270)		(44,917)		(38,229)

The Corporation has fully adopted FRS 17 and the following amounts are shown in the income and expenditure account and the statement of recognised gains and losses.

Analysis of amount shown as staff costs	2006 Unfunded pensions £'000	2006 Funded pensions £'000	2006 Total £'000	2005 Unfunded pensions £'000	2005 Funded pensions £'000	2005 Total £'000
Current service cost	-	3,200	3,200	-	3,200	3,200
Past service cost	-	190	190	-	-	-
TOTAL OPERATING CHARGE	-	3,390	3,390	-	3,200	3,200
Analysis of the amount debited to finance costs						
Expected return on pension scheme assets	-	5,540	5,540	-	4,940	4,940
Interest on pension scheme liabilities	(230)	(6,320)	(6,550)	-	(5,920)	(5,920)
NET RETURN	(230)	(780)	(1,010)	-	(980)	(980)
Analysis of amount in the statement of recognised gains and losses						
Actual return less expected return on pension scheme assets	-	13,910	13,910	-	1,970	1,970
Experience gain arising on the scheme liabilities	(52)	82	30	-	830	830
Changes in assumptions underlying the present value of the scheme liabilities	(230)	(10,350)	(10,580)	(406)	(6,024)	(6,430)
TOTAL	(282)	3,642	3,360	(406)	(3,224)	(3,630)
Movement in the FRS 17 liability during the year						
1 April, Deficit in schemes	(4,420)	(40,497)	(44,917)	(4,300)	(33,930)	(38,230)
Current service cost	-	(3,200)	(3,200)	-	(3,200)	(3,200)
Employer's contributions to pension fund	-	1,395	1,395	-	837	837
Unfunded pensions paid to retired employees	292	-	292	286	-	286
Past service costs	-	(190)	(190)	-	-	-
Other finance costs	(230)	(780)	(1,010)	-	(980)	(980)
Actuarial gain (2005:loss)	(282)	3,642	3,360	(406)	(3,224)	(3,630)
31 MARCH, DEFICIT IN SCHEMES	(4,640)	(39,630)	(44,270)	(4,420)	(40,497)	(44,917)

The date of the last full actuarial valuation of the pension fund was at 31 March 2004. Actuaries, acting for the Corporation, have used assumptions relevant to FRS 17 to arrive at the Corporation's share of the assets of the fund and the Corporation's present value of the funded and unfunded scheme liabilities. During the year the deficit decreased by £0.6m (2005:increase £6.7m).

Normal employer contributions increased by £0.47m (2005:increased by £0.02m) compared to the previous year on account of higher salary levels and an increase in employer's contribution to 7.0%. The Corporation increased its contributions in respect of early retirement payments for specific staff who chose this option in lieu of a redundancy payment by £0.09m (2005:decrease £0.11m).

The employer's rate of contribution to the pension fund throughout the year under review was increased to 7.0% from 4.4%, a rate recommended at the triennial review in 2004.

For the years commencing 1 April 2005, the Corporation has adopted a proposal for incremental annual rates of employer's contributions over a five year period.

On 1 April 2006 the rate of employer contribution to the scheme was increased to 9.6% of pensionable salary costs.

Using the same assumptions to arrive at the current valuation the actuaries have forecast that there will not be any significant variance to the Total Operating Charge and a reduction by approximately 50% to the Net Return debited to finance income.

History of experience gains and losses in the funded part of the scheme Difference between expected and actual return on scheme assets:	2006 £'000	2005 £'000	2004 £'000
amount (£)	13,910	1,970	8,500
percentage of scheme assets	14.3%	2.5%	12.1%
Experience gain arising on scheme liabilities:			
amount (£)	30	830	40
percentage of the present value of scheme liabilities	-	0.7%	-
Changes in assumptions underlying the present value of the scheme liabilities:			
amount (£)	(10,580)	(6,430)	(6,050)
Funded	(7.5%)	(5.2%)	5.6%
Total amount recognised in the statement of recognised gains and losses			
amount (£)	3,360	(3,630)	2,490
percentage of the present value of scheme liabilities	2.4%	(3.0%)	2.3%

12 TAXATION

	2006 £'000	2005 £'000
Corporation tax at 19% (2005:19%) on taxable transactions.	20	12
Adjustment to Corporation Tax provision for the year ended 31 March 2004	-	1
TOTAL	20	13

13 INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise of licences to use software developed by third parties. Other intangible assets are the costs of developing criteria for the payment of grants to non-registered bodies and the rewriting of the Corporation's Core Systems software programmes.

Cost	Software £'000	Other intangible assets £'000	2006 Total £'000	2005 Total £'000
At 1 April	1,287	554	1,841	1,150
Reclassification from tangible fixed assets	58	-	58	-
Additions	1,369	2,107	3,476	692
Disposals	(288)	-	(288)	(1)
At 31 March	2,426	2,661	5,087	1,841
Amortisation				
At 1 April	(1,038)	(1)	(1,039)	(940)
Reclassification from tangible fixed assets	-	-	-	-
Amortisation	(359)	(536)	(895)	(99)
Disposals	287	-	287	-
At 31 March	(1,110)	(537)	(1,647)	(1,039)
At 1 April, Net book value	249	553	802	210
At 31 March, Net book value	1,316	2,124	3,440	802

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.

Cost	Cars £'000	Office Equipment £'000	Information Technology £'000	Furniture and Fittings £'000	2006 Total £'000	2005 Total £'000
At 1 April	176	326	3,009	2,391	5,902	5,276
Reclassification to intangible fixed assets	-	-	(59)	1	(58)	-
Additions	52	29	188	566	835	2,252
Disposals	(99)	(24)	(397)	(115)	(635)	(1,626)
At 31 March	129	331	2,741	2,843	6,044	5,902
Depreciation						
At 1 April	(119)	(272)	(1,933)	(1,049)	(3,373)	(4,412)
Reclassification to intangible fixed assets	-	-	1	(1)	-	-
Depreciation	(29)	(43)	(369)	(330)	(771)	(539)
Disposals	99	24	395	108	626	1,578
At 31 March	(49)	(291)	(1,906)	(1,272)	(3,518)	(3,373)
At 1 April, Net book value	57	54	1,076	1,342	2,529	864
At 31 March, Net book value	80	40	835	1,571	2,526	2,529

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.

	2006	2005
£1 ordinary share, fully paid	£1	£1

16 LOANS

Loans to RSLs and unregistered societies are advanced under Section 79 of the Housing Associations Act 1985.

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

The Interest rates applied during the year to all loans was 6.53%

	Schemes under development		Completed Schemes	Private Mortgages	2006	2005
	Principal £'000	Interest £'000	Principal £'000	Principal £'000	Total £'000	Total £'000
At 1 April	245	94	1,265	585	2,189	2,651
Loans advanced	4			4	8	6
Interest		2			2	-
	249	96	1,265	589	2,199	2,657
Repayments	(10)	(3)	(163)	(119)	(295)	(468)
At 31 March	239	93	1,102	470	1,904	2,189
Provision for doubtful debts	(239)	(93)	-	(43)	(375)	(384)
At 31 March, loans net of provision for doubtful debts	-	-	1,102	427	1,529	1,805

The value of schemes under development represents a single Self Build association. The association is in liquidation and in accordance with the Corporation's policy interest is only charged to the loan account when an actual payment is received.

17 DEBTORS

	2006 £'000	2005 £'000
The First Secretary of State - Grant in aid	76,488	-
Trade debtors	6,422	624
Prepayments	818	780
Other debtors	176	217
TOTAL	83,904	1,621

18 CASH AT BANK AND IN HAND

	2006 £'000	2005 £'000
Cash at bank	-	7,232
Cash in hand	3	2
TOTAL	3	7,234

The Corporation made payments on the 30 and 31 March 2006 which exceeded the cash book balance and were in transit at the year end. The cash book balance is shown as bank overdraft in note 19, Creditors. Funding from the DCLG was received on 4 April 2006 and the Corporation's bank account remained in credit throughout the period. (2005:Cash at bank includes £1.7 million of non-exchequer funds equal to the Specific Reserve disclosed in Note 23).

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
The First Secretary of State - Grant in aid	**-**	2,231
Taxation and social security	**550**	12
Bank overdraft	**68,132**	-
Accruals	**3,050**	2,249
Other creditors	**8,316**	328
TOTAL	**80,048**	4,820

20 PROVISION FOR LIABILITIES AND CHARGES

	2006 £'000	2005 £'000
At 1 April	**1,368**	-
Utilisation	**(1,368)**	-
	-	-
New provision	**875**	1,368
At 31 March	**875**	1,368

In its response to Sir Michael Lyons' Independent Review of public sector relocation and reform of public services, the Corporation has already embarked on a programme of relocating posts from London to its offices in the regions. The relocation programme, which continues after 31 March 2006, will enable the Corporation to vacate its London, Waverley House, office when its lease expires in November 2006 and relocate staff requiring to remain in or near London to its Maple House and Croydon offices. To meet redundancy costs for staff unable to relocate or to be redeployed and other costs consequent to relocation issues, a provision of £0.875m has been created by a charge to staff and to administration expenditure as appropriate.

21 ADVANCES FROM THE NATIONAL LOANS FUND

The Corporation's borrowing powers are conferred by Section 92 of the Housing Associations Act 1985, Section 93, as amended by statutory instrument, limits the Corporation's borrowing from all sources to £2,300m.

The balance at 31 March matures for repayment on 2 June 2006.

At 31 March the rate of interest payable on the advance was 4.51% and the weighted average rate of interest for the year was 4.65% (2005:4.67%)

	2006 £'000	2005 £'000
At 1 April	**1,400**	1,200
Advances made during the year	**2,800**	2,600
	4,200	3,800
Repayments on maturity	**(2,800)**	(2,400)
At 31 March	**1,400**	1,400

22 INCOME AND EXPENDITURE RESERVE

	2006 £'000	2005 £'000
At 1 April	**(43,527)**	(36,823)
Retained deficit for the year	**(2,724)**	(3,074)
Actuarial gain (2005:loss) from staff pension fund	**3,360**	(3,630)
At 31 March	**(42,891)**	(43,527)
Analysis of Income and Expenditure reserve		
Pension provision and pension liability	**(44,270)**	(44,917)
Income and Expenditure reserve excluding pension provision and pension liability	**1,379**	1,390
TOTAL	**(42,891)**	(43,527)

23 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.

	2006 £'000	2005 £'000
At 1 April	**1,682**	1,619
Amount transferred from Income and Expenditure Account	**52**	28
Payments	**-**	35
At 31 March	**1,734**	1,682

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

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

Assets and liabilities

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

Funding

The Corporation is only permitted to fund its operations from grant in aid voted by Parliament, recovery of capital grants from RSLs and certain income streams as disclosed in note 4. Expenditure is similarly capped by the resource budgets issued to the Corporation by the DCLG.

The Corporation's controls over the commitment and payment of capital and revenue grants to RSLs and of administration expenditure are designed to ensure that funding is available to meet obligations as they fall due and that annually voted provisions are not exceeded. Capital and revenue grants are paid to RSLs to fund development schemes that meet Government targets and published criteria for development. Financial information is contained in notes 2, 3, 4, 5, 6 and 7 to the Financial Statements.

Loans

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

The Corporation reviews its loans annually and provides for any doubtful debts by a charge to the Income and Expenditure Account.

The net book value of the loans after provision for doubtful loans is £1.5 million (2005:£1.8m) The fair value of the loans after provision is not considered to be materially different from the book value. Interest is not charged in the Income and Expenditure Account on loans subject to a judgement debt.

The interest rate profile for the Corporation's loans: Loan classification	Average Interest bearing balance £'000	Interest £'000	Average interest rate
Completed schemes	1,237	81	6.53%
Private mortgages	485	32	6.53%

For the reason stated in note 16, Schemes under development are not shown above.

Cash

The Office of the Paymaster General (OPG) provides the Corporation's banking service. Apart from the investment of the non-exchequer funds referred to in note 23 and below, the investment of surplus cash on current account is now handled by OPG for the direct benefit of the Treasury. The Corporation adheres to the principle of not drawing cash from the DCLG in advance of need but there is no limit to the cash that can be held at the OPG.

The Corporation holds an amount of non-exchequer funds, explained in note 23, which is invested with the National Loans Fund. At 31 March 2006 the funds were temporarily held as cash.

	£'000
Average daily value invested	**1,733**
Interest	**75**
Average interest rate	**4.35%**

Liabilities

The Corporation may only borrow from the NLF and then only with the permission of the First Secretary of State. At 31 March, the Corporation had a single short-term loan at a fixed rate of interest. Details are disclosed in note 21 to the Financial Statements. The borrowing was repaid on its maturity date of 2 June 2006. The fair value of the borrowing is not considered to be materially different from its book value of £1.4 million.

Other disclosures

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

25 CONTINGENT LIABILITIES

The Corporation terminated a contract with a supplier of IT services in December 2005 nearly 3 years into a 5 year contract. Sums due under that contract are included within the income & expenditure accounts. The supplier has not made any further formal claim on the Corporation and therefore it is not possible to estimate whether any further sums are due, and if they are what their value might be.

Under section 84 of the Housing Associations Act 1985 the Corporation is empowered to indemnify certain secured lenders in England. During the years 1984 and 1985 the Corporation indemnified four Building Societies against losses that might arise from advances they made under a scheme to promote home ownership (the Open Door scheme). The amount shown is the maximum liability that might arise in the event of a call being made under the agreements. No calls have been made against the indemnities during the last five years.

	2006 £'000	2005 £'000
Contingent liability for the Open Door Scheme	**251**	350
AT 31 MARCH	251	350

26 LOSSES AND SPECIAL PAYMENTS

The Corporation did not incur any material losses or special payments during the year (2005:nil).

27 COMMITMENTS UNDER OPERATING LEASES

Leases which expire	Offices £'000	Equipment £'000	2006 Total £'000	Offices £'000	Equipment £'000	2005 Total £'000
within 1 year	**657**	**62**	**719**	-	72	72
between 1 and 5 years	**68**	**31**	**99**	999	57	1,056
after 5 years	**1,708**	**-**	**1,708**	1,518	-	1,518
TOTAL	2,433	93	2,526	2,517	129	2,646

28 CAPITAL COMMITMENTS

There were no capital commitments as at 31 March (2005:nil).

29 RELATED PARTY TRANSACTIONS

The Corporation is a Non-Departmental Public Body sponsored by the DCLG. Its operating activities are funded by grant in aid paid by the DCLG. For the year ended 31 March 2006, grant in aid received amounted to £1,568 million (2005:£1,745.5 million). Further analysis of grant in aid received is disclosed in Note 2 to the Financial Statements.

Transactions, arrangements and contracts involving Board members, senior officers and staff:
Under the rules of The Housing Finance Corporation Limited (THFC) the Corporation may appoint a Director to its Board. Throughout the year under review the Corporation's appointee was Shaukat Moledina. The fee payable by THFC for his services as a Director is retained by the Housing Corporation.

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

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

Board members' interests Name	RSL or other related body	Appointment	Transaction	Value £000's
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. Transactions with English Partnerships were:				
Jon Rouse	English Partnerships	Board member		
David Higgins, to 31 December,2005	English Partnerships	Chief Executive		
Trevor Beattie, from 1 January 2006	English Partnerships	Acting Chief Executive		
			Goods and services	**(63)**
Peter Rogers	Westminster City Council	Chief Executive		
The City of Westminster is the rating authority for London field office of the Housing Corporation. The Housing Corporation is an admitted body to the City of Westminster Pension Fund.				

Sheila Drew Smith remained a Board member of the Audit Commission but there were no financial transactions between the Audit Commission and the Housing Corporation during 2005/06.

Board members' interests through a person connected with them:

Chris Holmes	Peabody Trust William Sutton Housing Trust	Board Member Board Member	Capital Grants Capital Grants	**17,773** **9,251**

Employee interests:

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

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

There were 9 (2005:4) appointments of Corporation employees to an RSL Board during the year. At 31 March 2006, 7 appointments were still in place (2005:nil). The appointments were made to facilitate the orderly running of an RSL after its assets and liabilities had been transferred. The employees neither received any additional remuneration for their services nor was any housing grant paid during the year to the RSL.

Transactions with employees:		**2006 £000's**	**2005 £000's**
The Corporation has two loan schemes available for staff. An assisted car purchase loan scheme is available to employees in posts requiring the use of a car to perform their duties efficiently. The loans carry a fixed interest charge based on the prevailing government rate for five year loans and an administration charge. The loans are repayable by monthly instalments over a period not exceeding five years commencing with the date of the loan. The Corporation also offers interest free loans repayable within one year to staff requiring to purchase an annual season ticket to travel to work.	Principal outstanding, included in Debtors, at the year end	177	217

COMPARATIVE INFORMATION; YEAR ENDED 31 MARCH 2005

Board members' interests: Name	RSL or other related body	Appointment	Transaction	Value £000's
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. Transactions with English Partnerships were:				
Jon Rouse	English Partnerships	Board member		
David Higgins	English Partnerships	Chief Executive	Goods and services	(92)
Sheila Drew Smith	Audit Commission	Board Member	Goods and services	(22)
Peter Rogers	Westminster City Council	Chief Executive		
The City of Westminster is the rating authority for London field office of the Housing Corporation. The Housing Corporation is an admitted body to the City of Westminster Pension Fund.				
Jon Rouse commenced his employment with the Corporation on a part-time basis for the period 1 April to 31 May 2004. During this. period he was also Chief Executive of the Commission for Architecture & the Built Environment. Transactions during the year with CABE were as follows:			I & GP grants Goods and services	40 (50)

Board members' interests through a person connected with them:

Chris Holmes	Ridgehill Housing Association Peabody Trust William Sutton Housing Trust	Chair Board Member Board Member	Capital Grants Capital Grants Capital Grants	93 6,877 6,347

Employee interests:

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

The Housing Corporation

Accounts direction given by the First 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 2005-06 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 First Secretary of State;

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

2. **Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the First 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 that dated 21 March 2003.**

P.J. Ruback
Signed by authority of the First Secretary of State

An officer in the Department for Communities and Local Government

29 March 2006

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. **Central government grants used to pay for fixed assets, stocks or work in progress shall be credited to a grant reserve. This is different from the requirement in accounting standards that such grants must be credited to deferred income.**

3. **Revaluation gains on fixed assets to the extent that the assets were financed by central government grants, shall be taken to the grant reserve in the balance sheet, without passing through the income and expenditure account. To the extent that the assets were financed by funds from other sources, revaluation gains shall be taken to the revaluation reserve in the balance sheet. This is different to the requirement of the Companies Act that all revaluation gains must be taken to one separate reserve.**

4. **On the disposal of fixed assets, stock or work in progress, any amount in the grant reserve relating to the assets shall be transferred directly to the general reserve in the balance sheet, without passing through the income and expenditure account.**

5. **On the disposal of a fixed asset financed wholly by central government grants, the profit or loss on disposal shall be offset in the income and expenditure account by an equal and opposite amount transferred to or from the general reserve. Where central government grants were only used to finance a part of the cost of the asset, the amount of the transfer to or from the general reserve shall be reduced in proportion.**

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

Additional disclosure requirements

Schedule 2

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

1. **The income and expenditure account or the notes there to;**
   (a) grants received
   (b) debts written off and movements in provisions for bad and doubtful debts.

2. **The notes to the annual accounts**
   (a) an analysis of grants from:
      (i) government departments
      (ii) European Community funds
      (iii) other sources, identified as to each source;
   (b) For grants from the Office of the Deputy Prime Minister, the following information shall also be shown:
      (i) the amount that the Corporation is entitled to receive for the year
      (ii) the amount received during the year
      (iii) the amount released to the income and expenditure account for the year
      (iv) the amount used to acquire or improve fixed assets
      (v) movements on amounts carried forward in the balance sheet

   and the note should make it possible to reconcile any of the amounts in (i) to (v) above, to each of the other amounts;

   (c) an analysis of the following grants included in expenditure:
      (i) revenue grants payable under Section 18 of the Housing Act 1996
      (ii) capital grants for Corporation schemes payable under Section 18 of the Housing Act 1996
      (iii) capital grants for local authority schemes payable under Section 18 of the Housing Act 1996
      (iv) revenue deficit grants payable under Section 51 of the Housing Act 1988
      (v) tax relief grants payable under Section 54 of the Housing Act 1988
      (vi) innovation and good practice grants payable under Section 87 of the Housing Act 1985
      (vii) right to acquire grants payable under Section 20 of the Housing Act 1996
      (viii) voluntary purchase grants payable under Section 21 of the Housing Act 1996;
   (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:-
         - wages and salaries
         - early retirement costs
         - social security costs
         - contributions to pension schemes
         - payments for unfunded pensions
         - other pension costs
         - amounts recoverable for employees on secondment or loan to other organisations

         (The above analysis shall be given separately for the following categories:
         - employed directly by the Corporation
         - on secondment or loan to the Corporation
         - agency or temporary staff
         - 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:

- subsidiary and associate companies of the Corporation
- 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)
- board members and key managers of the Corporation
- members of the close family of board members and key managers
- companies in which a board member or a key manager is a director
- partnerships and joint ventures in which a board member or a key manager is a partner or venturer
- trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member
- companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest
- settlements in which a board member or a key manager is a settlor or beneficiary
- 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
- 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
- settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary
- the Office of the Deputy Prime Minister, as the sponsor department for the Corporation.

For the purposes of this sub-paragraph:

- A key manager means a member of the Corporation's management board.
- 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.
- 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 and the Human Rights Act 1998, the Corporation needs to obtain consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, or if for any other reason information is not available, this shall be stated in the note.**

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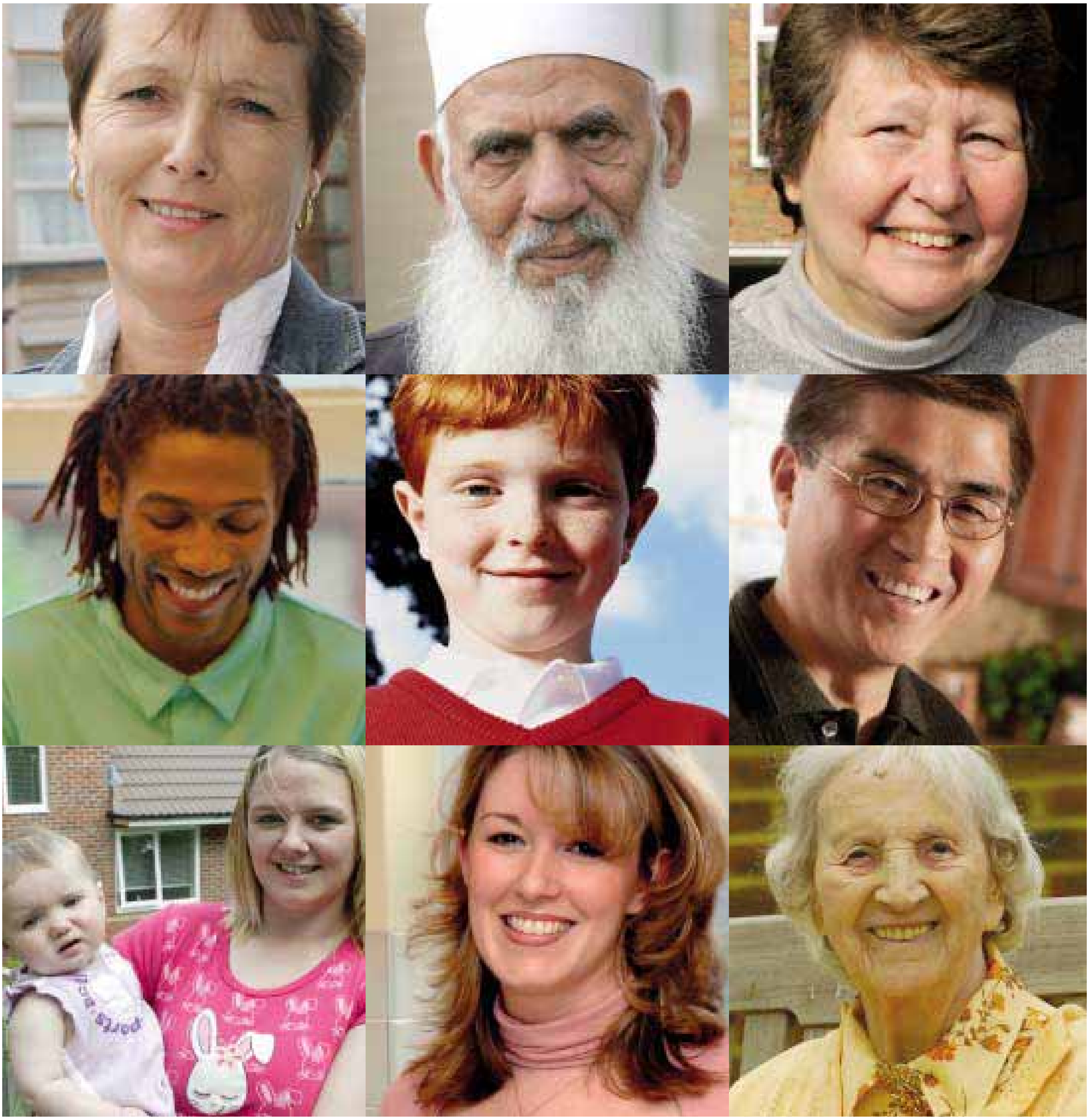

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