

# Housing Corporation

Annual report and accounts 2006-07

Delivering homes, transforming communities





# Housing Corporation Annual report and accounts 2006-07

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# Chairman's introduction

The last year has been one of the most significant in the Housing Corporation's 42-year history. We've rolled out our biggest investment programme ever, having opened it up to private sector players, and delivered more high quality homes where they are needed most. Working with housing associations, we've helped combat anti-social behaviour, provide decent homes and cohesive, sustainable communities, tackle homelessness and address climate change. Most importantly, we've delivered more homes for people to buy or rent, so now the sector provides some two million homes for over five million people in England.

We've also begun working towards the new affordable homes agency with our partners in English Partnerships and Communities and Local Government, which will develop our vision for the future of housing investment with a range of existing and new partners.

On top of all that, we've taken part in the review of the future regulation of social housing, ensuring that any new regulatory regime builds on the changes in approach we've pioneered in recent years and puts residents firmly at the heart of landlords' priorities.

This report sets out what we've achieved over the past year. But it also points to an exciting future – one that we can look forward to with confidence.

**Peter Dixon**

# About us

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

Our support is helping to meet the housing needs of people from a wide range of backgrounds. We're investing in new homes for rent and our funding is helping people, including many first-time buyers, get a foot on the property ladder, by providing new low-cost homes.

With a team of around 500 staff based in ten offices, and support from the Government's Communities and Local Government, we work to ensure high quality standards in the construction of new homes. We drive improvements in housing productivity, performance and governance, and help shape housing, community development and regeneration policy.

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



More quality homes



Through Moat Homes, key workers Matthew Moors and Deborah Lennard have been helped onto the property ladder at City Point in Brighton, where a large piece of brownfield land in the city centre is being transformed

The Dare and the Ridger families outside their new homes in the village of Kenton, near Exeter. The development by Hastoe Housing Association has helped the families stay in the area they know



Primary school children leading a carnival-themed procession to open the new Moonlit Park, in Birmingham, as part of the redevelopment of Attwood Green by Optima Community Association



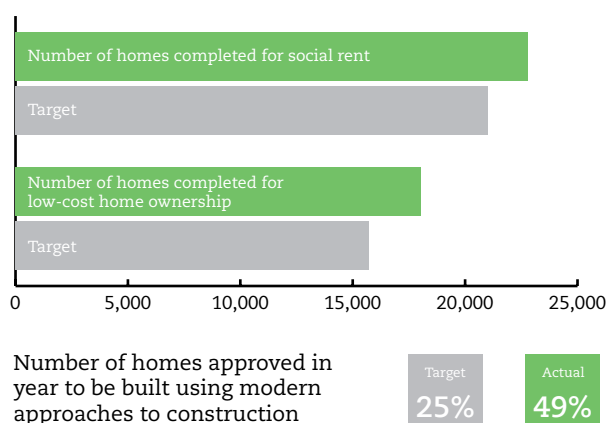
**The Housing Corporation invested £1.9 billion in new affordable homes this year, as part of a £3.9 billion programme for 2006-08.**

We delivered 41,657 affordable homes – nearly 5,000 more than the Government target. That means we helped provide substantially more homes than expected within our budget for the year.

Our work in 2006-07 means that more people in housing need have been able to find a high quality home and that communities have been transformed more significantly than we'd hoped.

	Homes for affordable rent	Homes for low-cost ownership
East Midlands	1,181	862
East of England	2,815	1,558
London	6,191	5,312
North East	808	100
North West	1,703	789
South East	4,130	3,991
South West	2,241	945
West Midlands	1,197	788
Yorkshire and the Humber	1,124	334
Brought forward from 2005-06	1,270	3,049
Unallocated	712	557
<b>Total</b>	<b>23,372</b>	<b>18,285</b>

### Number of homes completed in 2006-07



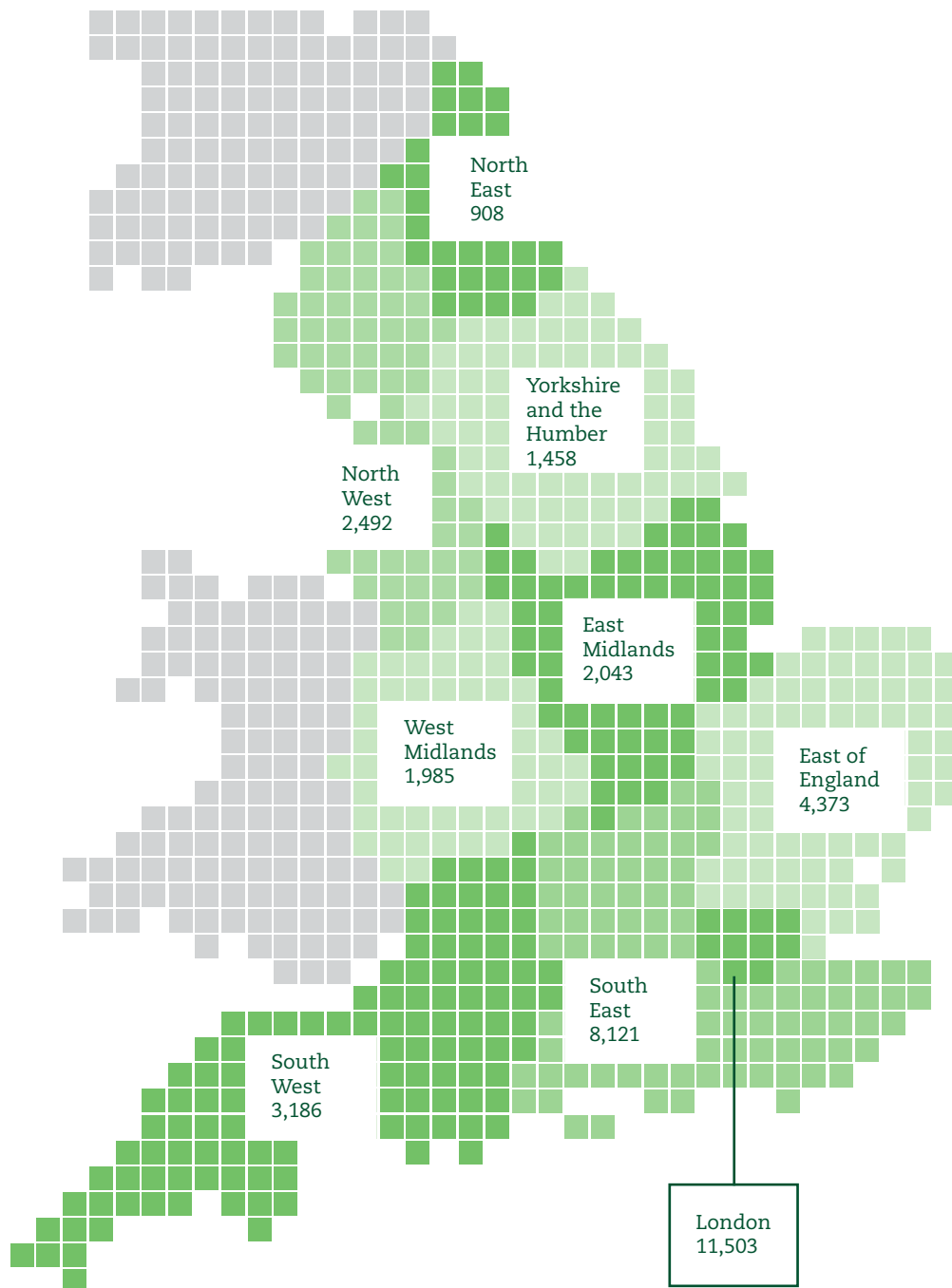
This year we delivered 11% more homes for rent and 16% more homes for low-cost ownership than expected of us – and over 14% more homes than last year.

To enable people to get a step on the property ladder we implemented three new low-cost home ownership products we developed with the Government: Open Market HomeBuy, New Build HomeBuy and Social HomeBuy. The scheme helps people part-buy a home, and we've rolled out a network of HomeBuy Agents to promote and give advice on these products in all regions.

Key workers – such as teachers and emergency service staff – can often only afford to live miles from where they work. They're amongst the groups benefiting from HomeBuy, and this year we delivered nearly 5,000 homes to help them find homes near to their workplaces.



## Affordable homes provided this year



**Our investment this year has helped thousands of people onto the property ladder, or to find a home to rent or one that offers the support they need.**

We've worked with national, regional and local partners to ensure that the homes we invest in are of the right type and in locations where they're most needed.

In rural areas, for instance, we've worked with Regional Housing Boards to meet the targets set in regional housing strategies. This year we've approved 3,014 homes as part of a two-year target of 6,332 homes in 2006-08. And we published a revised rural strategy setting out how we intend to improve the delivery of rural homes. It updates an earlier strategy, published in 2001, to reflect our increased commitment to delivering rural housing, and reflects the change in circumstances in rural areas – six years ago the number of affordable homes built in rural areas was around 1,200 a year.

As part of this, we also set up a Rural Housing Advisory Group this year. The group is looking into innovative ways of increasing the supply of affordable homes in rural areas, through schemes such as Community Land Trusts, Land Swap Levies and Community Bonds.

Like many villages, Albury in Surrey has been acutely affected by the lack of affordable homes. Located near Guildford, the village offers good commuter links to London, which has increased demand for homes and pushed property prices beyond the means of many local people.

So English Rural Housing Association, working with Guildford Borough Council and Albury Parish Council, stepped in to build 15 new affordable homes – 11 houses and four flats for rent or sale on a shared-ownership basis.

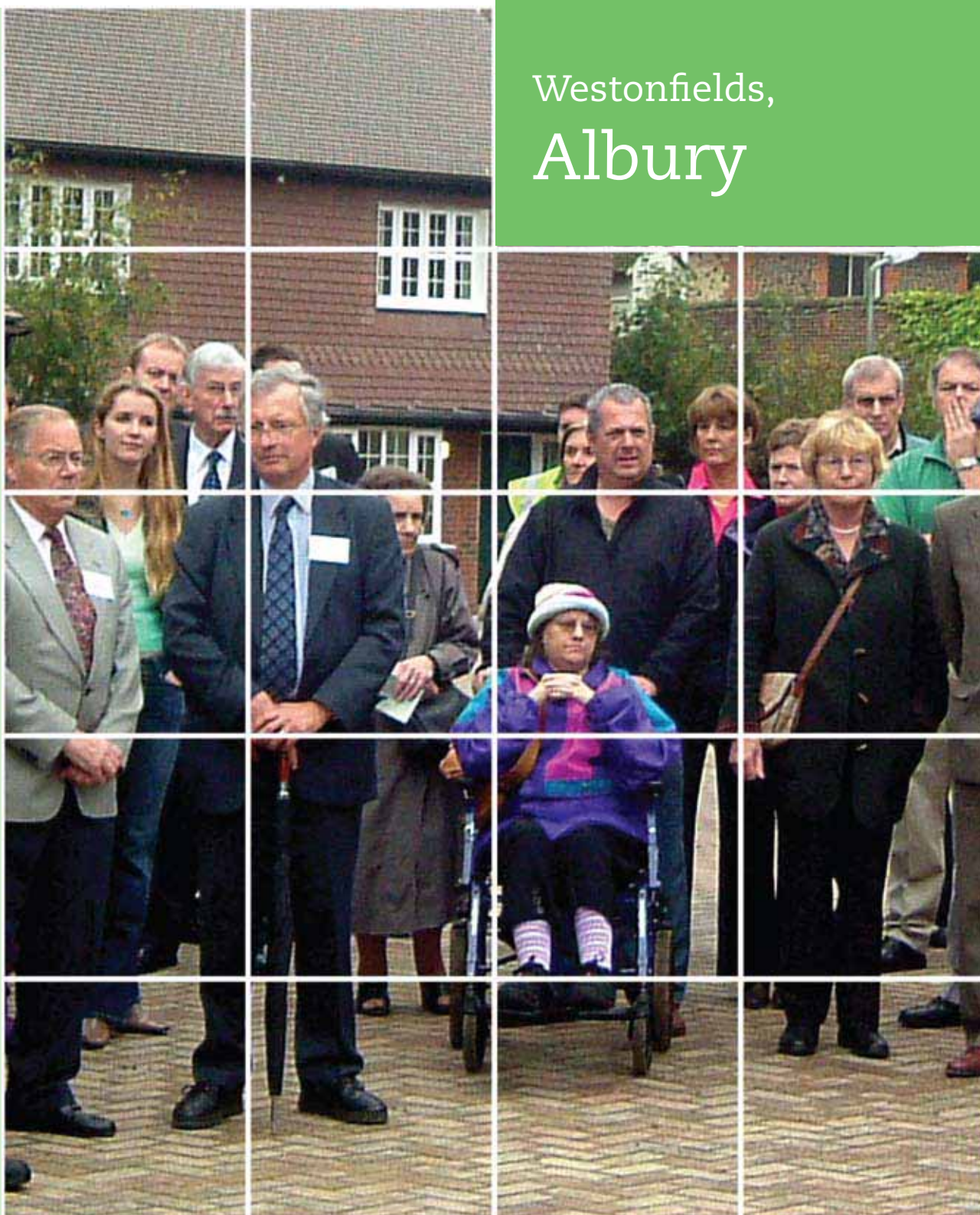
The Westonfields site was previously occupied by a redundant sheltered housing scheme and the new development demonstrates what can be achieved through a strategic partnership between a local authority and a housing association.

The association paid close attention to the existing character of the area, and used local styles and materials in the design.

“Westonfields highlights what can be achieved on redundant sites in small villages,” says English Rural Housing Association's Strategic Development Manager, Andrew Smith.

“Projects like this help to maintain an essential mix of age groups and income earners in rural areas”

## Westonfields, Albury



## Sustainable communities

**Our work is also about creating sustainable communities. This can involve having more larger homes available, so that families don't have to move out of an area to find a home with enough bedrooms, for instance.**

Nationally, we've invested in around 7,000 larger, family homes this year – delivering nearly 5,400 homes for rent and over 1,500 for low-cost ownership. In London, we've upped the proportion of family homes we're investing in to 40.5% – beating our target of 35%. Over 4,000 families have benefited as a result.

We've also used our investment to help regenerate neighbourhoods across the country by upgrading homes or by replacing unsuitable housing. As part of this, we launched the Northern Housing Challenge. The initiative aims to deliver homes for over 10,500 people in the north. Proposals range from new homes to halt migration, to regeneration projects that link access to training and job opportunities.

In October, we published a neighbourhoods and communities strategy, setting out how the Corporation, housing associations and their partners, including residents, can work towards achieving mixed, sustainable communities. And we proposed a new Communities Standard for housing associations – enabling associations to measure their contribution towards making communities decent places to live.

Art is bringing people together to gain a better understanding of why their neighbourhoods need to undergo renewal and to get them talking about the future.

Over the past two years, the Solid Futures project has helped to inform and involve communities in Bootle – as well as in Liverpool, Sefton and Tranmere – about the regeneration of whole neighbourhoods.

“The project helps people to understand what is happening here,” says artist-in-residence Vinnie Cleghorne. “At first people see it just as an art project, but then they take in more information as it goes along.”

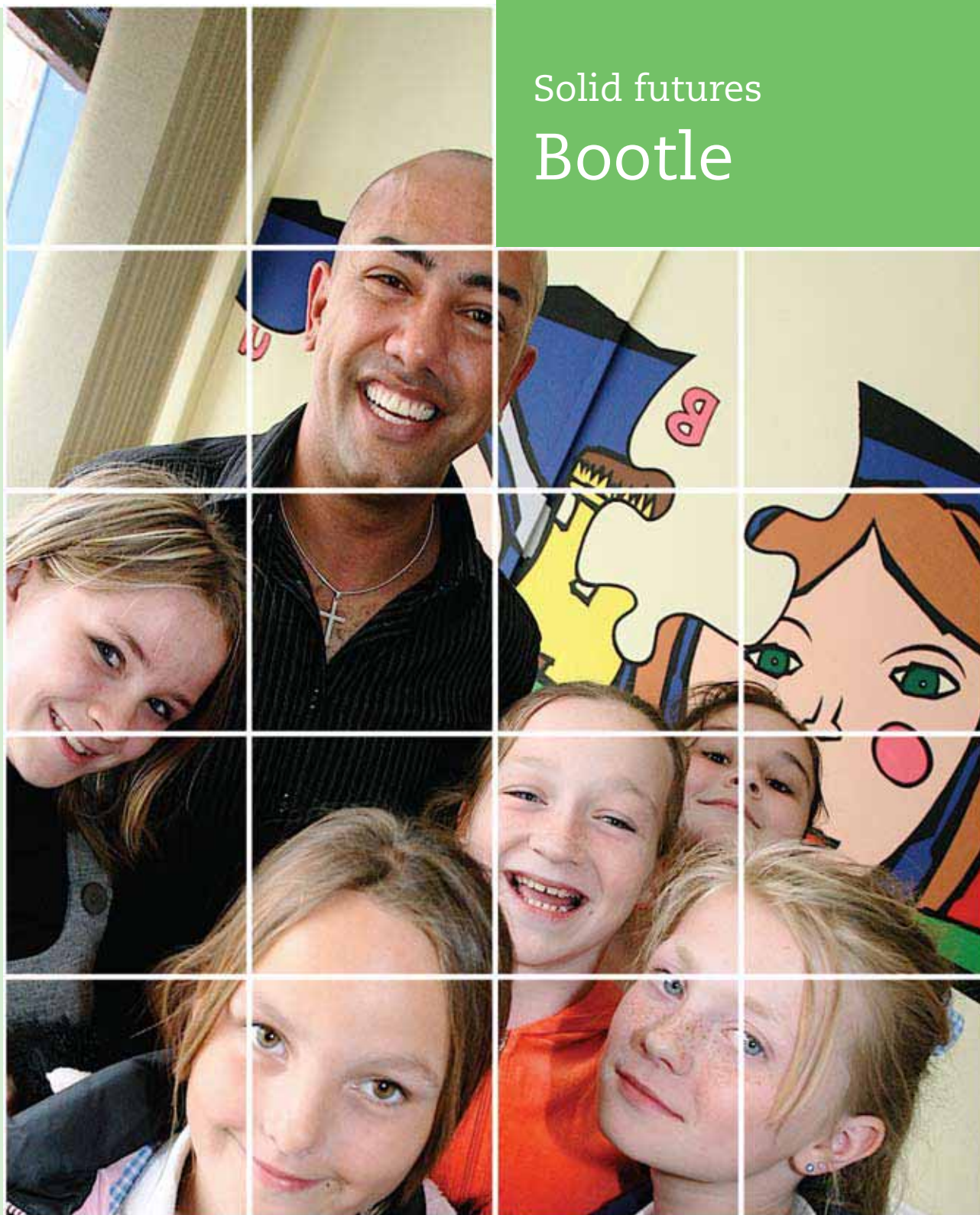
The project is run by TiC Consultants, part of the Plus Housing Group, and is funded by the Housing Corporation, Arts Council England and the Merseyside Pathfinder, NewHeartlands.

“This project is about people's homes and communities,” says Vinnie. “Some people are moving straight into new houses and it's also an important way of keeping the communities together. Once people get interested, they get talking. Sometimes we have people who have lived down the street from each other for years but have never spoken – through the art, they find they have something in common.”



“Our work helps people to understand why some of the houses they’ve grown up with have to come down”

## Solid futures Bootle



Improving landlord performance			



As part of the residents' association, Olive Bailey has worked closely with Old Ford Housing Association to replace tower blocks on three estates in Bow, east London, with houses

Trident Housing Association is getting residents in Wolverhampton to act out real-life problems to learn how best to deal with anti-social behaviour



Residents in Wythenshawe, Manchester, now feel safer thanks to work by Willow Park Housing Trust to cut hate crime



**Over five million people live in some two million housing association homes. Our work means that not only do they live in good quality housing, but they also have access to the best services.**

We're responsible for regulating the work of 1,925 housing associations registered in England.

This year we registered 22 new housing associations, comprising 13 large-scale whole or partial stock transfers from local authorities, four as new parent or subsidiary bodies in a group structure (excluding subsidiaries formed as part of a local authority stock transfer), four amalgamations and one new small independent association.

**Over 67,000 local authority homes transferred to housing association control this year – up from 50,000 last year. Most were from medium-sized shire, district and borough councils.**

We publish regular assessments of how housing associations are performing against the standards we expect of them, using a system of traffic lights to show how we judge their performance against criteria for viability, governance, management and development.

Where necessary, we step in to provide more intensive support to associations that are struggling to meet the requirements

expected of them. This year, just three housing associations entered supervision – by far the lowest figure ever.

The total number of associations under supervision at the end of 2006-07 was down to 17 – against more than 60 five years ago. Associations in supervision had their performance assessed on a monthly basis. Where associations were seriously underperforming, we used our regulatory powers to appoint members to their boards. These appointees brought extra skills and expertise to help resolve the associations' problems as quickly as possible. At the end of the year, ten associations had statutory appointees on their boards.

### Decent Homes

Housing association residents have a right to expect that their homes are in a decent condition. We're working to make sure this is the case.

Over the past year we've continued to ensure that all housing association homes are on track to meet, or exceed, the Decent Home Standard by 2010. That means they'll be in a reasonable state of repair, have reasonably modern facilities and services and provide a decent amount of thermal comfort.



This year, we cut the number of homes that don't meet the standard by 46,860. However, over 17,000 homes were transferred from local authority ownership to housing association control over the course of the year. These homes tend to need more work doing to them in the first few years to bring them up to the Decent Home Standard. Without these additional homes, the actual cut in the number of non-decent homes is almost 64,000 this year – which means we've managed to achieve our annual target of a 30,000 reduction twice over.

### Delivering efficiencies

In line with the Gershon efficiency targets, we've worked to slash costs in the supply of new affordable homes by £168 million nationally this year. We've also helped associations reduce the costs of management and maintenance by £131 million, capital works by £79 million and commodity goods and services by £26 million over the past year.

As part of our efforts to improve efficiency amongst housing associations, we made 'innovation in procurement' one of the themes of our first ever Gold Awards for Excellence. Two winners were announced in May 2006: Advantage South West and Fusion21. Both had slashed construction times and costs through partnership working. Other associations benefited from their experience through a series of events throughout the year, where they could learn from the winners' best practice.

## How the sector is performing

Overall, the housing association sector continued to grow in 2005-06. Our review of the accounts of larger associations – those managing more than 250 homes each – put growth at 7.8% in total assets and 8.7% in turnover. These increases have been achieved largely through a combination of transfers from local authorities and the development of new homes.

Highlights of the financial statements include:

- the gross cost/valuation of housing properties is £74 billion, an increase of 9% on 2005;
- turnover for the year is £9.1 billion, up £717 million on the previous year;
- surplus on operations, at £1.3 billion, has increased by 1.8% on the previous year's level, generating an operating margin of 14.9%; and
- pre-tax surplus is £320 million and although down £124 million on the previous year's figure, is consistent with 2004.

## Involving residents

Residents are on the receiving end of services, so we're working to make sure that they have a greater involvement in how their housing association is run.

Associations have a responsibility to put residents' views and interests at the heart of the business. Having a resident board member and an effective involvement policy are two ways that an association can work towards achieving this.

Involving residents can improve how services are delivered, and gives residents new skills, increases their confidence and helps build sustainable neighbourhoods and communities.

We're working to make sure that all larger housing associations have at least one tenant on their board by 1 April 2008.

This year we consulted associations on how to achieve this, so that we could give guidance during 2007-08 to help them meet this target. Our analysis indicates that less than 4% of associations don't have an involvement strategy in place, and we've contacted those associations directly.

Getting residents to help tackle anti-social behaviour has brought about some big changes on the Keeble Estate in north Bournemouth. "The estate is calmer, the level of anti-social behaviour is going down and the burnt out cars are gone altogether," says Neighbourhood Worker Sandi Stockdale.

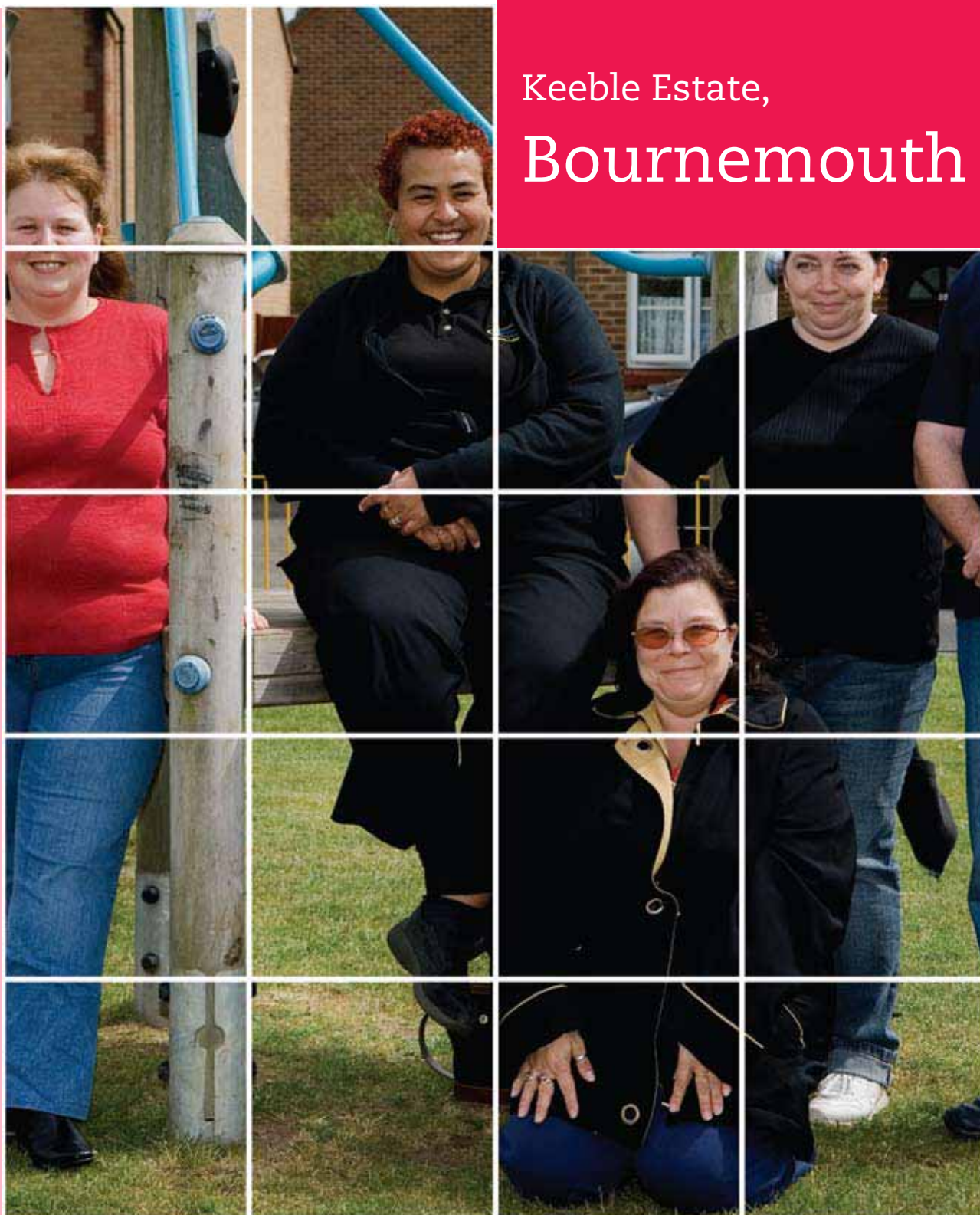
The change is thanks in part to three housing associations – Western Challenge, Raglan and Knightstone. Together, they manage the 154 homes on the estate. They came together to fund Sandi's job, to help create a safer neighbourhood.

Sandi works with the estate's residents' association committee which organises a wide range of events. "We recently organised a clean-up day, with the residents' help," says Sandi. "It's a real joint effort – the associations are involved in graffiti removal, contractors pick up litter and the council's parks department tidies up the green spaces."

What the estate needs now, residents believe, is a real heart. "We are looking at options and funding routes for a community centre and people in the area are signing a petition to the council – and residents are going door to door to get support for the scheme."

“It’s definitely making a difference”

Keeble Estate,  
Bournemouth



## Improving the environment

We want new affordable homes to rise to the challenge that climate change presents. And we want to encourage the kind of homes that help make it easier for residents to use less energy without compromising their lifestyles. All the homes we fund must now meet the industry's EcoHomes 'very good' standard.

And this year we've helped associations work towards the Code for Sustainable Homes, the national standard for sustainable design and construction of new homes. From April 2008, level three of the code applies to all new building in the affordable housing sector.

We've also been working towards making level four of the code a minimum requirement for organisations looking to receive funding from us for new homes from 2012. We will invest in new eco towns and villages, and by 2015 the target is to achieve zero-carbon development.

But we're not just concerned with improving environmental standards in new homes. We commissioned the Building Research Establishment to develop EcoHomes XB for existing buildings. This helps housing associations and local authorities plan and measure the benefit of improvement works to their housing stock and aids the overall environmental performance. Using EcoHomes XB is expected to help associations make over two million homes more sustainable.

When Olivia Harriott applied to Family Housing Association for a transfer she never expected to be offered Birmingham's first eco show home.

Olivia and her three daughters are delighted with their new home in the Summerfield area of the city. "This is absolutely fantastic," she says. "We now have a better standard and quality of life all round."

The conversion of the Victorian house heralds the start of a £1.25 million project to turn the Summerfield area green. Family has already delivered a £11 million physical regeneration of the neighbourhood and, with Birmingham City Council, now plans to turn it into the city's first eco neighbourhood, fitting solar hot water systems to 250 existing homes.

Olivia's four-bedroom house takes sustainability to new levels. It's achieved an EcoHomes 'excellent' rating and has won awards for features such as a wind turbine, aerated taps and a smaller-than-average bath to save water.

"The house is very well heated and insulated," says Olivia, "though it's too soon to see if my heating bills will reduce, but I'm hoping so."



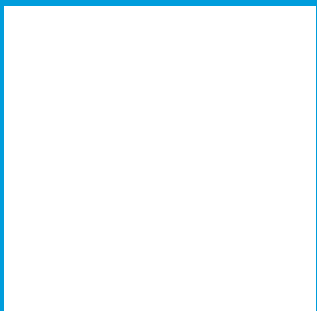
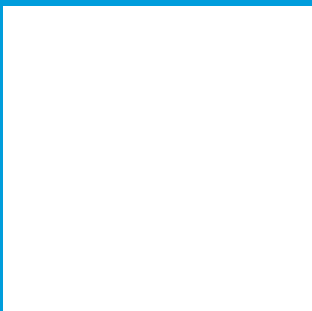
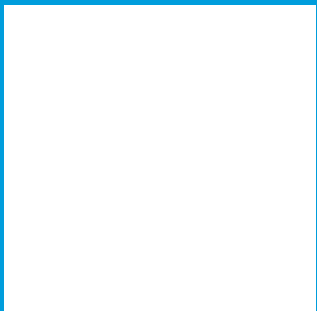
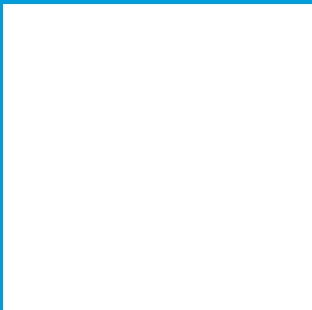
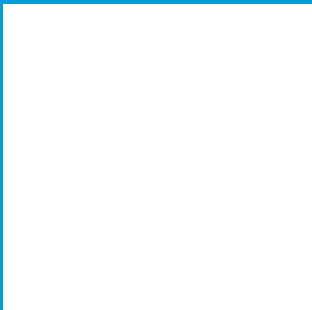
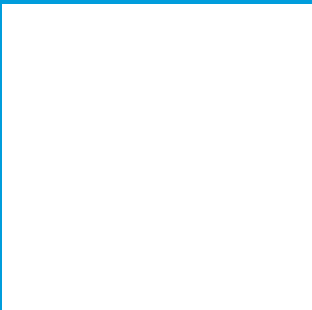
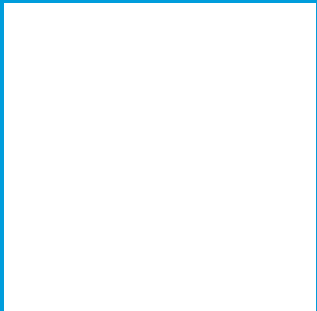
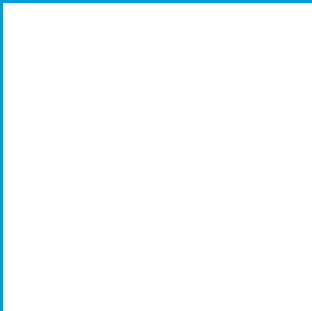
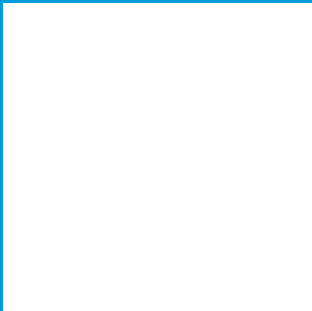
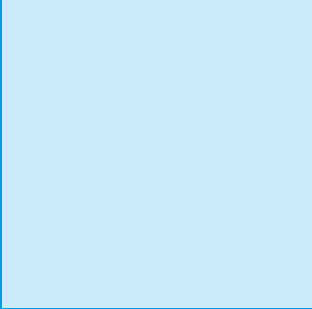
“My kitchen is really beautiful – you’d never know it’s made from recycled materials”

## Summerfield Eco Homes, Birmingham





Making best use of  
our expertise





Advantage South West built a house in a car park at the National Railway Museum in York. The partnership of four West Country housing associations won one of our Gold Awards for its innovative approach to procurement



Francis Manning outside his new High Wield Housing Association home in Uckfield, East Sussex. We published a disability equality scheme and action plan this year to help remove the barriers that disabled people face

Over 120 young people received their City & Guilds certificates at St Basils' Lifeskills graduation ceremony. The association won a Gold award for its work to tackle homelessness



We know that promoting good practice and fresh approaches to problem solving can make a real difference to the way that housing associations operate and the services that communities receive. That's why we launched the Centre for Research and Market Intelligence, or CRMI for short, this year.

The centre, based in Cambridge, is working to collect high quality data, commission research and share best practice. In particular, CRMI has worked on a study into factors that will influence the demand for affordable housing in the future and what future residents are likely to expect. It's also set up a consultation panel of residents which we can use as a sounding board for policies, and has launched a programme of research into homelessness.

On top of that, the centre has given the go ahead for 46 projects as part of our Innovation and Good Practice programme. They address a number of our corporate priorities, including barriers to low-cost home ownership, land availability, responding to an ageing population, housing management services and tackling anti-social behaviour.

## Rewarding excellence

This year we also announced the first set of winners of our Gold Award for Excellence. Five associations – or consortia of associations – were rewarded for work in tackling homelessness or their use of innovative procurement techniques. Each won £50,000 to share their approaches with other housing associations. Events organised as a result included conferences, policy breakfasts, open days hosted by winners and a homelessness summit.

And we launched a call for applications for the 2007 round of the Gold Award. This time we asked for entries that demonstrated exceptional work in empowering communities and in ensuring environmental sustainability. The award proved that it has captured the minds of associations, and we received 40% more applications than for the 2006 awards.

## Supporting equality and diversity

Strong, sustainable communities benefit by including people from all walks of life.

Having a suitable home shouldn't depend on a person's gender, age, the colour of their skin, their ethnic background, faith or sexuality or whether they have a disability. We're working to make sure that housing association services



respond to the needs of all groups and respect diversity.

This year we published a disability equality scheme and action plan for 2006-09. It reported that disabled people are less likely to own their own homes and are twice as likely to be social housing tenants, and that 23% of disabled adults were living in unsuitable housing in 2003-04. The action plan aims to dismantle the barriers that disabled people face, by making our own services more inclusive to disabled people, making housing more accessible to disabled people, ensuring we involve disabled people and that outcomes meet their needs and aspirations.

Previous research showed that a shortage of larger homes meant that some black and minority ethnic (BME) communities were facing the highest levels of overcrowding. Figures show that BME households in London, for instance, are also more likely than their white counterparts to live in unfit housing, to be priced out of the housing market and to be dissatisfied with their landlords. So, this year we asked all our investment partners in the capital to submit a BME method statement, outlining how they intend to help tackle this need. For future years, we're looking to strengthen this to ensure that our new housing meets the needs of all BME residents.

**Partnership working can make our efforts more effective.**

On top of our work with housing associations to encourage better working, we've also signed a national protocol with the Local Government Association, which will improve our joint working with local authorities. The agreement sets out how we'll work more closely on a range of issues, including:

- ensuring the planning service supports and prioritises the provision of enough new-build scheme opportunities for affordable housing against local plan targets;
- prioritising funding to meet housing need;
- undertaking long-term planning of affordable housing supply;
- co-ordinating efforts to prevent homelessness;
- promoting choice-based letting jointly;
- aligning new supported housing to Supporting People strategies and resources; and
- enabling local authorities to comment on housing associations' performance.

We've also signed pilot protocols with individual councils in every Government Office region in England.

## Tackling homelessness

2006 marked the 40th anniversary of *Cathy Come Home*, the powerful portrayal of family break up that provided such a dramatic catalyst for action on homelessness. During the past four decades we've worked to combat homelessness and prevent it from occurring in the first place.

We made tackling homelessness one of the two themes of our first ever Gold Awards for Excellence this year. Three housing associations – Framework, Midland Heart and St Basils – each won the award for having gone the extra mile in working with homeless people.

On top of that, we held a homelessness summit in October, and launched a homelessness strategy, which sets out how we expect housing associations to work with local authorities to reduce homelessness. We're working to help offer a wider range of preventative measures, increase access to settled homes and halve the numbers of households living in temporary accommodation by 2010.

Already we've made significant progress in implementing the strategy, including an extensive programme of work with stakeholders and the setting up of a homelessness action team based in London, jointly with Communities and Local Government.

"When you're homeless, it's much more difficult to get a job and lead a normal life," says Trevor Luxford. And he should know.

When his marriage broke down he had to move out of his home in Dagenham. Suffering from depression and unable to work, he moved into a local hotel, but it proved to be only a short-term solution. "After three months there was no chance of carrying on staying in the hotel because of my money situation," he says. "I was in real danger of being on the streets."

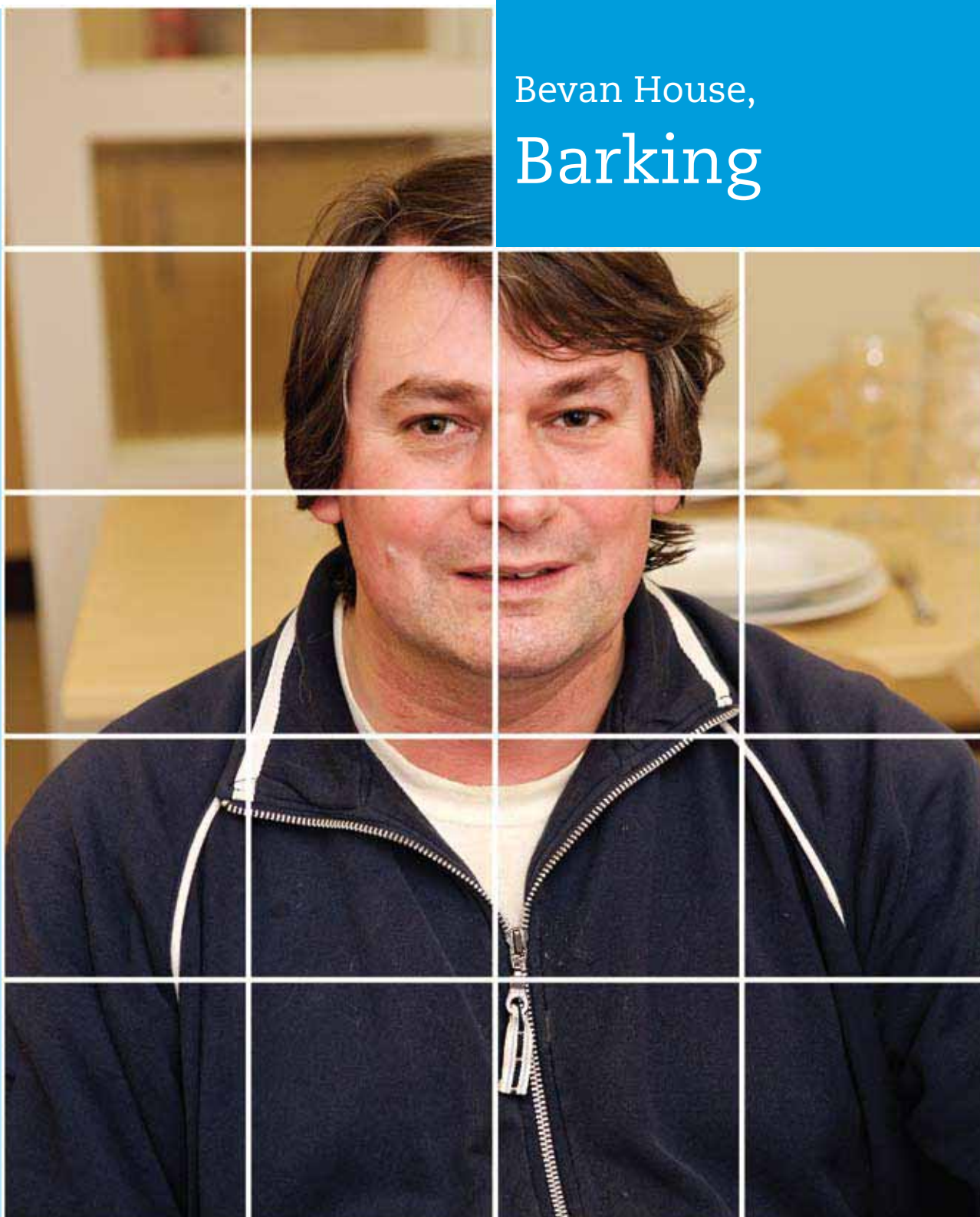
After making contact with the London Borough of Barking and Dagenham's Homeless Persons Unit, Trevor was referred to Bevan House, Look Ahead Housing and Care's new hostel for people needing temporary accommodation.

Providing self-contained flats, the scheme – which has been funded by the Housing Corporation – offers somewhere secure to live. Residents are also offered support with issues such as relationship breakdown, drug and alcohol misuse and domestic abuse.

"It's made a big difference to me," he says. "Now that I'm getting back on an even keel, I'm really looking forward to moving to a place of my own."

“The best thing about  
being here is that it has  
given me a future”

Bevan House,  
**Barking**





Developing our can-do culture			

Jaskawal Sagoo and Kelly Preston at the Greenpeace-approved Westside Apartments in Ilford, east London, built by Tower Homes. The Housing Corporation is encouraging better environmental performance across the sector and within the organisation



Some of our managers have been boosting their skills through our Leadership Development Programme



Barbara McLellan was voted chair of the Forum Representing Ethnic Minority Staff in Housing in February

To be able to meet our targets for new affordable homes and to ensure that housing associations are delivering all that we expect of them, we rely on the expertise, commitment, energy and enthusiasm of our staff.

Last year we were re-awarded our full Investors in People accreditation. This year we've continued to meet the required standards, through team meetings, personal development plans and individual appraisals and by involving our staff in business planning processes. Our Leadership Development Programme has also helped some of our 'future leaders' develop their skills and contribute further to helping us meet our corporate targets.

We've also held training sessions across the organisation on risk management, relationship management and project management, thanks to the efforts of our network of learning champions in all our fields and functions, who worked with the central learning and development team to deliver training programmes that responded to local needs. In the last year, 87% of staff have received formal work-related training.

Following successful negotiations with the trade unions and consultation across the organisation, we introduced a new pay and grading system part way through the year. The new rationalised grading system removes unnecessary hierarchies, introduces new flexibility and will help us attract and retain high quality staff. The new arrangements are also designed to encourage team working by introducing a flat-rate team bonus which replaces the old individual performance-related pay system. The first team bonus was paid in July 2006.

Our efforts to encourage and develop our staff are paying off. This year's staff survey found that 73% of staff are proud to work for the Housing Corporation – up 19% on the results from three years ago – and 88% believe their team co-operates well to get work done – up 9%.

In addition to fulfilling our statutory responsibility to promote equality of opportunity in all our activities, we remain committed to developing an organisational culture which values people from all sections of the community and the contribution each individual can make to our work.



We've worked to make sure that black and minority ethnic communities are fairly represented at all employment levels within the organisation and across the housing sector. As part of this, we've continued to support the Forum Representing Ethnic Minority Staff in Housing (FRESH). During the year, a FRESH toolkit was launched with the aim of driving the development of black and minority ethnic leadership and to provide a stronger voice for BME leaders and managers across the sector.

Similarly, through our disability policy and strategy and by supporting our Staff with a Disability consultation group, we remain committed to achieving equality by eliminating the disadvantage experienced by people with a disability wherever reasonably possible.

## Greening up our act

In the same way that we're trying to improve the environmental performance of affordable housing providers, we've also worked hard this year to improve our own green credentials.

This year we achieved BS8555 status for our work to improve environmental standards in all our offices.

As part of our commitment to maintaining this standard we've worked to:

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

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



Peter Dixon



Shaukat Moledina



Jon Rouse



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

Operating cost statement for the year ended 31 March 2007	2007	Restated 2006
Expenditure	£'000	£'000
Capital and revenue grants (net)	(1,924,038)	(1,603,571)
Staffing costs	(28,722)	(27,792)
Other running costs	(16,547)	(16,581)
Interest	(68)	(66)
<b>Total</b>	<b>(1,969,375)</b>	<b>(1,648,010)</b>
<b>Income</b>		
Interest	1,400	1,474
Other income	634	801
<b>Total</b>	<b>2,034</b>	<b>2,275</b>
<b>Other revenue transactions</b>		
Pension fund - finance costs	(560)	(1,010)
Decrease in provision for bad debts	16	9
Corporation tax	(20)	(21)
<b>Total</b>	<b>(564)</b>	<b>(1,022)</b>
<b>Retained deficit for the financial year</b>	<b>(1,967,905)</b>	<b>(1,646,757)</b>
<b>Other gains and losses</b>		
Pension fund - Actuarial (loss)/gain	(410)	3,360
<b>Total loss recognised during year</b>	<b>(1,968,315)</b>	<b>(1,643,397)</b>
<b>Balance sheet as at March 2007</b>		
Fixed assets	8,510	7,495
Current assets	4,506	7,419
Creditors and other provisions	(170,654)	(80,923)
Advance from the National Loans Fund	(1,400)	(1,400)
Provision for pension liabilities	(45,340)	(44,270)
<b>Total assets less total liabilities</b>	<b>(204,378)</b>	<b>(111,679)</b>
<b>Reserves</b>	<b>(204,378)</b>	<b>(111,679)</b>

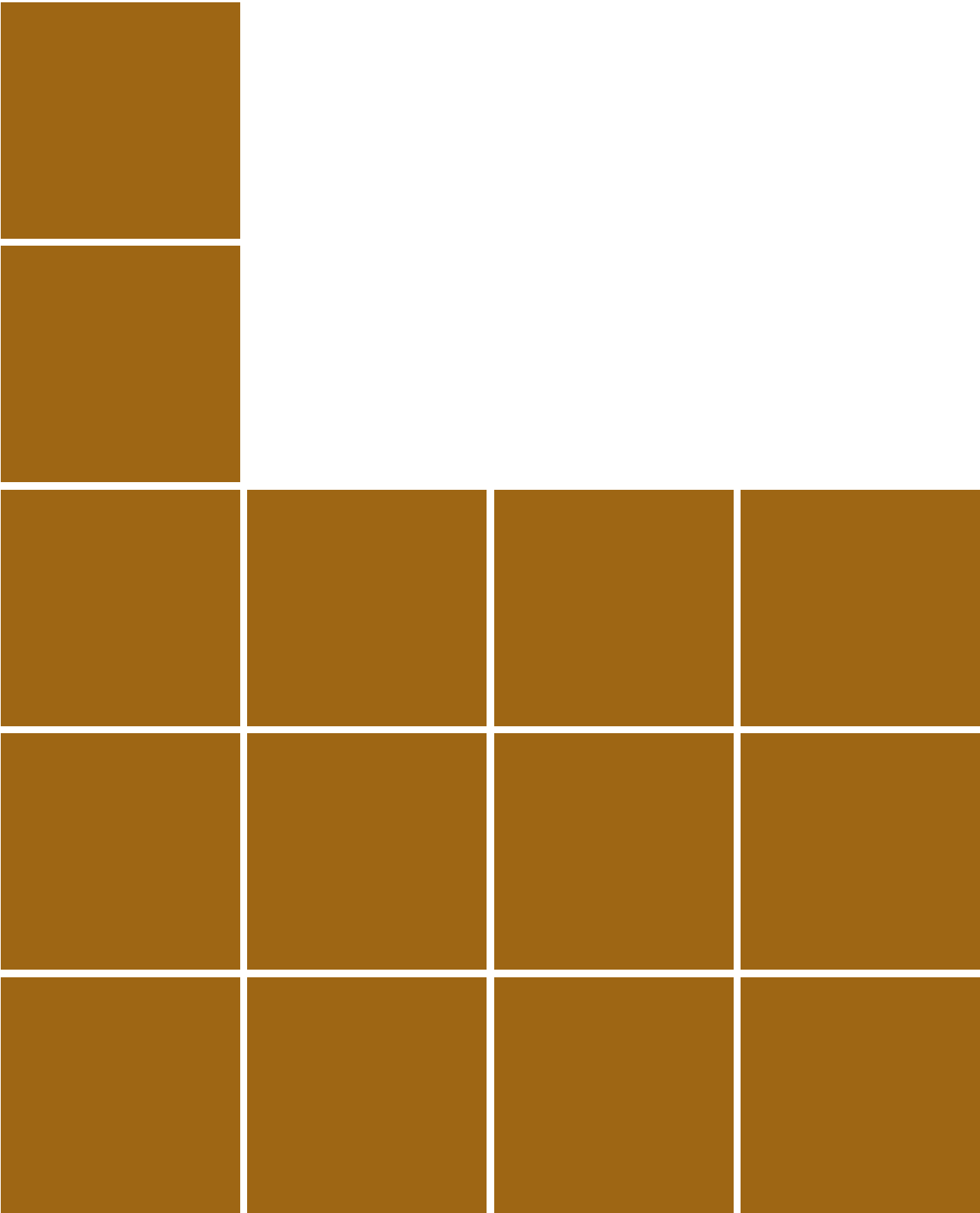
A change in the accounting policy relating to grant in aid received from Communities and Local Government was adopted with effect from 1 April 2006. From that date grant in aid is credited directly to the Corporation's General Reserve Account.

<b>Grant in aid received</b>	<b>1,875,616</b>	<b>1,568,000</b>
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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 83 to 111.

Further copies of the Corporation's annual report and accounts can be obtained from the Financial Accountant, Housing Corporation, 149 Tottenham Court Road, London, W1T 7BN. The report and accounts is also available on the Housing Corporation's website: [www.housingcorp.gov.uk](http://www.housingcorp.gov.uk)

# Chief Executive's annual review for the year ended 31 March 2007

## 1 History and statutory background

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

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

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

## 2 The future

The next two years will be exciting times for the Housing Corporation. During 2007-08 we will launch our biggest ever investment programme, delivering new affordable homes for those who need them most. Across England, our investment will help thousands of people on modest incomes to move into home ownership, including key workers. We will build more houses for rent for those in housing need; and we will support new provision of homes

for older people and those with disabilities or particular support needs.

At the same time, we will be working to lay the foundations for successful delivery of affordable homes and mixed communities through the process of creating the new homes agency. The new body will combine roles of the Housing Corporation, English Partnerships and some of the housing and regeneration delivery functions from CLG. It promises to be the largest agency of its kind in Europe with an expected budget of over £4 billion a year.

We will also work closely with government to implement decisions made on the future of social housing regulation, following the publication of the Cave Review of social housing regulation. Our current regulatory role ensures the high quality delivery of services to some five million people living in housing association homes. We will seek to ensure that a new regulatory regime genuinely meets the needs of a diverse 21st-century market of providers and, crucially, that the interests of residents are at the centre of any new regulatory settlement. Critically, we will ensure that, as we prepare for the future, our current regulatory regime is maintained and implemented effectively and efficiently.

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

### 3 Our mission and targets

The Corporation helps to create and sustain 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 unregistered bodies.

The Corporation has a team of over 500 staff based in ten offices across England. With funding from government we provided grants for the development of some 23,000 rented and 18,000 low-cost home ownership (LCHO) homes for people in need in 2006-07. This was the first year of the 2006-08 programme. During 2007-08 we will provide grants for some 28,000 social rented and 19,000 LCHO homes.

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 residents 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. Our targets for 2006-07 were agreed by the Board and the Secretary of State at the start of the year as part of our 2006-09 Corporate Plan. Our achievements against these Corporate Plan Targets (CPT), together with a summary of our activities and key issues for the 2006-07 period using the four key corporate objectives

set out in our 2006-09 Corporate Plan, are given below.

The four key corporate objectives for the year were:

#### More quality homes

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

#### Improving landlord performance

We will foster and challenge housing associations, and unregistered bodies managing grant-funded homes, to provide excellent services, be efficient and devise innovative housing and community solutions. We will ensure that we, and our partners, place the views of tenants at the heart of their processes. We will regulate in proportion to risk, rewarding sustained good performance with less intrusive regulation. We will work towards continual improvement in the sector's response to the needs of existing and emerging communities and ensure that our equality duties are incorporated into our work with the sector.

## Making best use of our expertise

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

## Developing our can-do culture

We will continue our shift from a reactive, process-based culture to one that is much more proactive and value adding. In doing so we will unlock the skills and knowledge of our people and harness the relationships we enjoy with our partners and stakeholders to make an even bigger difference to the two million households we serve.

## 4 More quality homes

Working with RSLs and other partners we contribute to achieving the Government's social housing policy by allocating funding provided by CLG for the delivery of the Government's sustainable communities agenda. The Minister for Housing and Planning agreed targets with the Housing Corporation for the two-year period 2006-08, based on Regional Housing Strategies.

2006-07 saw the first year of this two-year investment programme. When compared to the 2004-06 programme we agreed with CLG some significant increases in both our social rent and low-cost home ownership targets over the two years. We will deliver over the two-year period some 49,000 social rented homes and some 35,000 low-cost home ownership homes. Within these two-year targets are annual targets which we are expected to achieve. For 2006-07 our targets were 21,000 social rented homes and 15,737 low-cost home ownership homes of which 6,195 were to be for key workers.

## Summary of Corporate Planning Targets

CPT 1, CPT 2 and CPT3*	Deliver first year of the National Affordable Housing Programme (NAHP) 2006-08.					
	Deliver 49,000 completions of new social rented homes from National Affordable Housing Programme in 2006-08. (21,000 for 2006-07.)					
	Deliver 35,000 new low-cost home ownership completions through the National Affordable Housing Programme 2006-08. (15,737 for 2006-07.)					
	Affordable rent (AR)		Low-cost home ownership (LCHO)		Total affordable homes	
Region	Target	Actual and % achieved	Target including KWL** Target	Actual and % achieved	Target	Actual and % achieved
London	6,029	6,191 103%	5,531	5,312 97%	11,560	11,503 100%
South East	3,857	4,130 107%	3,038	3,991 131%	6,895	8,121 118%
East of England	2,455	2,815 115%	1,496	1,558 104%	3,951	4,373 111%
South West	1,970	2,241 114%	827	945 114%	2,797	3,186 114%
North West	1,415	1,703 120%	462	789 171%	1,877	2,492 133%
West Midlands	1,137	1,197 105%	758	788 104%	1,895	1,985 105%
East Midlands	1,041	1,181 113%	812	862 106%	1,853	2,043 110%
Yorkshire and the Humber	879	1,124 128%	180	334 186%	1,059	1,458 138%
North East	580	808 139%	59	100 169%	639	908 142%
B/fwd from 2005-06	1,300	1,270	2,574	3,049	3,874	4,319
Unallocated	337	712 121%		557 140%	337	1,269 133%
<b>Total</b>	<b>21,000</b>	<b>23,372 111%</b>	<b>15,737</b>	<b>18,285 116%</b>	<b>36,737</b>	<b>41,657 113%</b>

\*CPT = Corporate Planning Target

\*\*KWL = Key Worker Living Programme

Completions shown as actual on the 'unallocated' line are those homes funded by the reinvestment of capital grant retained by RSLs from disposal proceeds of a grant-funded property or supported housing re-improvement schemes funded with Social Housing Grant.

## Summary of Corporate Planning Targets 1, 2, 3, 4, and 5

	Target	Actual
Number of units completed for affordable rent, CPT 1.	21,000	23,372
Number of units completed for low-cost home ownership, CPT 2.	15,737	18,285
Number of key worker living units, CPT 3. It was agreed with CLG that KWL completions would be treated as a two-year target*.	6,195	4,744
Number of units approved in year to be constructed using modern approaches to construction, CPT 4.	25%	49%
Nationally, exceed 5,000 larger home completions available for affordable rent in 2006-07, CPT5.		In agreement with CLG, this target was limited to rent schemes only and the Corporation met and exceeded the larger homes target by completing 5,363 homes for rent. A further 1,552 larger homes were completed under LCHO.
Ensure that the percentage of larger properties provided in London through the National Affordable Housing Programme is 35% or greater in the 2006-08 allocation, CPT5.	35%	At the start of the 2006-08 investment programme in London, the number of allocations to schemes producing social rent homes with three bedrooms or more was 3,419 (34.5% of total rent homes figure 9,915). As at 31 March 2007 the proportion was 40.5% (4,015 homes with three bedrooms or more).

\*All targets were achieved except the key worker living target. This was adversely affected by the extended Open Market HomeBuy product being less popular than envisaged. In recognition of this, CLG has agreed to make the key worker target a two-year target and subsequently reduced expectations for delivery of 9,044 homes over 2006-08.

All regions hit their main affordable rent and shared ownership targets except London which hit 97% of its LCHO target. The national targets for the delivery of all affordable housing, affordable rent and LCHO targets were comfortably met. The meeting of the first year targets of our two-year programme bodes well for increased number of houses for both products in 2007-08.



CPT 6	Meet all rural completions targets as set out in the Regional Housing Strategies.	<p>On target – the Regional Housing Strategies set out the homes target for rural allocations. These were met through the 2006-08 bid round. At the end of March 2007, 3,014 homes had been approved.</p> <p>We also recognise the shortage of accommodation for gypsies and travellers. We will encourage our partners to help address this shortage by increasing their involvement in the provision and management of sites and traditional housing for these groups.</p>
CPT 7	Reduce average level of grant required to deliver the NAHP.	<p>Our aim is to reduce the grant required to deliver programmes for all types of provision in the next four years – at the end of March 2007 there had been marginal changes to the average grant per home being achieved within the 2006-07 allocations. The initial analysis of approvals to the end of March 2007 showed that, on a comparable basis, the average grant rate per rented home had fallen to £60,741 (a fall of 3.4%), the average grant rate per person housed in rented units is £16,922 (a fall of 3.46%) and the average grant rate in LCHO had fallen to £26,165 (a fall of 4.45%).</p>
CPT 8	Deliver the Northern Housing Challenge programme, subject to ministerial agreement and following consultation with the Regional Housing Boards.	<p>The Northern Housing Challenge was successfully launched following ministerial sign off and discussions with each of our three Northern Regional Housing Boards about the programme. The submission window closed on 15 September 2006 and the programme was more than four times oversubscribed. The project board agreed a series of broad themes from the proposals submitted and these were announced by the Chief Executive at the Northern Futures Summit in November 2006.</p>

CPT 8 (continued)		Seventeen projects have now been shortlisted and the programme has been signed off by the Minister. All bidders were notified of decisions and press releases confirming the overall programme were issued at a national and regional level.
CPT 9	Restructure our approach to Impact Assessments and ensure a focus on contribution of investment to sustainable communities.	Achieved – Impact Assessments were restructured in 2006-07 to focus more specifically on sustainable communities and the external environment using the Building for Life methodology developed by CABE. Impact Assessments also now include, in addition to the report of the assessor, questionnaires aimed at tenants and the local authority. The 2006-07 National Impact Assessment Report has been agreed.
CPT 10	Complete a fundamental review of bidding requirements, including bidding timescales frequencies and Scheme Development Standards.	Achieved – The Future Investment Approaches (FIA) process included a complete review of the Corporation's approach to bidding and a review of scheme development standards. FIA was an inclusive process including the National Housing Federation, Council of Mortgage Lenders, Home Builders Federation, Building Research Establishment and Chief Executives from RSLs and from private sector partners. Changes agreed included a move towards frequent market engagement and a move away from delivery standards through a series of line items. Policy changes were published in our NAHP Pre-prospectus and in the Design Strategy and Standards document.
CPT 11	Reduce the number of non-Decent Homes by at least 30,000 a year (when comparing the same stock from one year to the next).	On target – the Regulatory and Statistical Return data shows that the number of non-Decent Homes has been reduced by 46,860, from 340,416 in March 2005 to 293,556 in March 2006.

CPT 11 (continued)		Some 17,071 non-Decent Homes were imported by new stock transfer associations, making the true number of homes brought up to standard to 63,931										
CPT 15	<p>Achieve or exceed Gershon efficiency targets for new supply, capital works, management and maintenance and commodity goods and services.</p> <table><tr><td>Efficiency targets</td><td>2006-07 £ million</td></tr><tr><td>Capital works</td><td>30</td></tr><tr><td>New supply</td><td>140</td></tr><tr><td>Management and maintenance</td><td>60</td></tr><tr><td>Commodity goods</td><td>30</td></tr></table>	Efficiency targets	2006-07 £ million	Capital works	30	New supply	140	Management and maintenance	60	Commodity goods	30	<p>Achieved in full – Annual Efficiency Statements were received from RSLs. An analysis of the forecast gains has been provided to our Board and to CLG and the Office of Government Commerce (OGC). Results published for the sector – together with briefing note produced by the Chartered Institute of Housing (CIH) confirming the outcomes.</p> <p>We achieved actual efficiencies of £168 million in the costs of the supply of new homes, £131 million in the costs of management and maintenance, £79 million in capital works and £26 million in commodity goods and services.</p>
Efficiency targets	2006-07 £ million											
Capital works	30											
New supply	140											
Management and maintenance	60											
Commodity goods	30											

For 2006-07 our budget for capital investment in new affordable homes was agreed by CLG at £1.9 billion. Due to restrictions in our legal framework we rely solely on CLG 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 (KWL) element of the LCHO programme.

The KWL element is restricted to specific geographical areas of high housing demand and a defined client group of public sector employees in essential services where there are difficulties in recruitment and retention of staff. Throughout the year the Corporation continued to develop initiatives which will generate cost

savings in the provision of affordable homes. The year under review was the third year of our 'partnering' approach, whereby 83 RSLs, or groups of associations, were selected to plan development with more certainty and deliver economies of scale. Financial details of the Corporation's NAHP are disclosed in note 3 to the Financial Statements.

The Corporation continues to enjoy the confidence of CLG in meeting the Government's social housing targets. Working closely with CLG and stakeholders such as the Regional Assemblies, English Partnerships, the NHF, the CIH and other housing experts we are confident that we can meet the challenges arising in the year ending March 2008.

## 5 Improving landlord performance

Our objective is to use our regulatory system and dissemination of good practice to provide excellent services, be efficient and devise innovative housing and community solutions. We will ensure that we, and our partners, place the views of tenants at the heart of both our processes. We will regulate in proportion to risk, rewarding sustained good performance with less intrusive regulation. We will work towards continual improvement in the sector's response to the needs of existing and emerging

communities and ensure that our equality duties are incorporated into our work with the sector.

The Corporation continued to pursue its 'light touch' 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

CPT 12 and 13	<p>For bottom quartile of housing associations to achieve an improvement in performance in the following indicators:</p> <table data-bbox="363 1084 880 1406"> <tr> <th></th><th>Target</th><th>Actual</th></tr> <tr> <td>Dwellings vacant &amp; available to let</td><td>1.10%</td><td>1.10%</td></tr> <tr> <td>Current rent arrears</td><td>6.79%</td><td>6.77%</td></tr> <tr> <td>Urgent repairs within target</td><td>90.00%</td><td>90.80%</td></tr> </table>		Target	Actual	Dwellings vacant & available to let	1.10%	1.10%	Current rent arrears	6.79%	6.77%	Urgent repairs within target	90.00%	90.80%	Target met.
	Target	Actual												
Dwellings vacant & available to let	1.10%	1.10%												
Current rent arrears	6.79%	6.77%												
Urgent repairs within target	90.00%	90.80%												
CPT14	Percentage of choice-based lettings made by housing associations to be 30%.	<p>Continuous Recording of Lettings and Sales (CORE) data shows that just over 21% of lettings were made through choice-based lettings schemes. We continued to promote the use of choice-based lettings through the publication of a thematic review, the re-publication of a Good Practice Note and continued involvement in the use of sub-regional schemes.</p> <p>A survey will not be carried out until next year which, we believe will show that performance will have improved.</p>												

the private sector. We continued to develop our risk-based approach to regulation. We continue to work with housing associations to drive improvements in their economy, efficiency

and effectiveness. We have implemented most of the Elton recommendations that directly impacted on our role during 2006-07 and will continue to progress these during 2007-08.

Industrial and Provident Act Societies (Charitable rules – 679/Non-charitable rules – 431)	1,110
Registered charities only	426
Registered companies only	70
Registered as both a company and a charity	319
<b>Total</b>	<b>1,925</b>

Distribution of housing associations by Housing Corporation field and type as at end of 2006-07						
Registry type	London	South East	South West	Central	North	National
Almshouses	66	69	53	120	80	388
Abbeyfield	32	56	56	49	61	254
YMCA/YWCA	9	3	4	14	8	38
Co-operatives	139	6	4	27	68	244
Co-ownerships	6	2	-	11	7	26
Letting	124	112	60	146	156	598
Letting/hostel	82	54	39	73	52	300
Hostels	15	5	5	12	6	43
Sale or lease	14	6	1	4	9	34
<b>Field totals</b>	<b>487</b>	<b>313</b>	<b>222</b>	<b>456</b>	<b>447</b>	<b>1,925</b>

An analysis of the sector by stock size as at the end of 2006-07		
Number of properties	Number of housing associations	Percentage of RSLs
Less than 250	1,392	72%
250–2,499	254	13%
2,500–4,999	150	8
5,000–7,499	65	4
7,500–9,999	24	1
10,000–12,499	14	1
12,500–14,999	13	1
15,000–17,499	1	<1
17,500–19,999	4	<1
20,000+	8	<1
	<b>1,925</b>	<b>100%</b>

## Profile of the sector

The Housing Corporation has a statutory duty to maintain a register of the associations we regulate. On 31 March 2007 there were 1,925 housing associations on our register operating in England, a net decrease of 23 since the previous year end. These associations comprised:

### Registrations

During the year we registered 22 new housing associations, comprising: 13 large-scale whole or partial stock transfers from local authorities; four as new parent or subsidiary bodies in a group structure (excluding subsidiaries formed as part of a local authority stock transfer); four amalgamations and one new small independent association.

### Stock transfer registrations

The 13 transfer registrations as part of the Government's approved programme of large-scale voluntary transfers resulted in 67,272 local authority homes becoming part of the regulated sector in 2006-07. This is an increase on the previous year's transfers of 49,567.

This year the majority of transfers once again involved relatively medium-sized Shire, District and Borough Council transfers rather than larger urban metropolitan authorities. The largest three transfer registrations were: One Vision, with 11,250 homes from Sefton MBC, North Lincolnshire Homes, with just under 10,000 homes, and Merlin Housing Society, with 7,800 from South Gloucestershire Council.

## Registrations as part of a group structure

We completed three group structure registrations of non stock owning 'parent' associations and one registration as a subsidiary within an existing group. Group structure activity continues to be an important area of work. A new recent feature is amalgamations by associations that are Industrial and Provident Societies already in a group structure. During the year we have registered four amalgamated bodies resulting from two or more associations completing a formal amalgamation to create one continuing body under the process set out in the Industrial and Provident Society Act and with the consent of the Financial Services Authority. Six of the new transfer registrations (not included in the above group structure activity) were formed as subsidiaries of existing RSLs.

### De-registrations

During the year 20 RSLs were de-registered and 88 were removed from the register.

### Consents

During the year the Corporation sealed 3,156 statutory consents to RSLs. This comprised 256 constitutional consents, of which 206 were to amend or update RSL governing instruments. Thirteen consents to RSL amalgamations and 37 Transfer of Engagement consents were issued.

The Consents section issued 2,900 Section 9 consents during the year, of which 1,437 were for private finance secured against RSL properties. The remaining 1,463 consents were for RSL disposals or transfer of properties between RSLs.



Submission of annual accounts		
	2006-07	2005-06
Accounts due	1,734	1,846
Received by the required date (i.e. within six months of the end of the accounting period)	1,713 (99%)	1,786 (97%)
RSL accounts outstanding	21	60

These figures refer to accounts for financial periods ended October 2005 to September 2006 for which the required date for submission fell between 1 April 2006 and 31 March 2007 compared with the previous year.

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

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

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

In 2006-07 the Housing Corporation issued 115 special determinations for exemptions. This is a decrease of two on those issued in the previous year.

#### **Where we have intervened**

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 powers to make statutory appointments to the governing bodies of housing associations. These bring in additional skills and expertise to help to resolve the problems as quickly as possible.

The number of housing associations under supervision reduced to 17 cases as at 31 March 2007 (in 2006 the figure was 23), which compares to a total of 63 cases five years ago (see statistics table on page 49). Over the five years, 93 new cases were identified and 119 cases were resolved. The year-on-year trend has been for fewer new cases to arise, with only three new cases in the last year.

We believe that the trend towards fewer supervision cases continues to reflect the impact of the principles which we first introduced with the Regulatory Code in 2002, and built upon with the move towards risk-based regulation in 2004. 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 replaced the two previous levels of supervision, intervention and enforcement, with a single category. This change again reflects the Corporation's risk-based approach to regulation.

During the year we made appointments to the boards of two associations, Ash-Shahada Housing Association and Three Valleys Housing (in 2005-06 it was eight). At 31 March 2007, ten associations had statutory appointees on their boards.

During 2005-06 we instigated statutory inquiries into the affairs of two associations using the power contained in paragraph 20 of Schedule 1 of 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 considered the reports from both inquiries during 2006-07.

In the case of ARHAG, the Board decided that there had been misconduct in the affairs of the association and that ARHAG's Chief Executive Mr Ronnie Moodley, its Finance Manager Mr Richard Odur, and two ARHAG board members, Mr Balraj Purewall and Mr Haroon Jogee, had been responsible for the misconduct. In addition to making orders removing Mr Moodley and Mr Odur from their posts, the Board confirmed that it would have made orders removing Mr Purewall and Mr Jogee from ARHAG's board but for the fact that they had already resigned prior to the Corporation's Board taking its decision.

In the case of Black Roof, the Board decided that there had been mismanagement in the affairs of the association, that the board of Black Roof as a whole had been collectively responsible for that mismanagement, and that three members of the board, Mr Rizwan Alibhai, Mr Fekade Habte and Ms Korsima Lindsay, had been individually responsible for mismanagement. The Corporation's Board decided that it would make orders removing these three board members, but they resigned before such orders could be put into effect. The Board also decided to direct the statutory transfer of Black Roof's stock (essentially all of its assets and liabilities) to another registered social landlord and instructed officers to take the necessary steps to prepare for a transfer. The process of selecting a suitable transferee association is underway.

We reviewed and updated our supervision policies during the year and revised our guidance on statutory appointments to governing bodies and on statutory inquiries. This work is captured in our recent publication *How We Regulate: Supervision* and in associated guidance notes. We also published a third volume in the series *Learning From Problem Cases* which is sub-titled *With the Best of Intentions*. These publications are available on the Corporation's website.

## Statistics

### Section 1: Supervision cases summary

Number of cases as at 1 April 2006	23
New cases added	3
Cases resolved	(9)
Number of cases as at 31 March 2007	17

Section 2: Five-year trend					
	2006-07	2005-06	2004-05	2003-04	2002-03
Number of cases brought forward	23	42	51	47	62
New cases	3	8	15	25	23
Cases resolved	(9)	(27)	(24)	(21)	(38)
Number of cases carried forward	17	23	42	51	47

Section 3: Cases by field and type	Lead regulated	RASA	All
Central	4	–	4
London	6	2	8
North	–	3	3
South East	1	–	1
South West	1	–	1
<b>Total</b>	<b>12</b>	<b>5</b>	<b>17</b>

Section 4: Ageing of cases	
Number outstanding more than 5 years	5
Number outstanding between 4-5 years	-
Number outstanding between 3-4 years	1
Number outstanding between 2-3 years	1
Number outstanding between 1-2 years	7
Number outstanding less than 1 year	3
<b>Total</b>	<b>17</b>

### Financial health of the sector

The Global Accounts publication provides aggregated balance sheet and income and expenditure information for those associations with over 250 homes in management. In 2006, this represented 533 associations which manage almost 2.2 million homes. The publication provides sector and sub-sector analysis of financial performance, highlights trends in key ratios, together with commentary of the impact of the external economic environment and key initiatives in operation within the sector.

The results for the year are largely consistent with previous years and demonstrate that, in aggregate, the sector is financially sound and continues to grow. Growth of 7.8% in total assets and 8.7% of turnover, was 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 £74 billion, an increase of 9% on 2005;
- turnover for the year is £9.1 billion, up £0.7 billion on the previous year;

- **surplus on operations, at £1.3 billion has increased by 1.8% on the previous year's level, generating an operating margin of 14.9%; and**
- **pre-tax surplus is £0.3 billion and, although down £0.1 billion on the previous year's figure, is consistent with 2004.**

The overall financial position of the sector masks the performance and financial potential of two very distinct segments within it: stock transfers and traditional associations. The surplus in the sector as a whole is depressed by the deficits suffered in the stock transfer segment, caused mainly by those associations within the first six years of transfer. These associations spend significant sums re-improving the transferred stock and, in general, return losses during that period. In aggregate, stock transfer associations returned a deficit of £160 million and generated an operating margin of only 8.2%, compared to 18.1% for traditional associations. However, as individual stock transfer associations mature, they typically achieve a level of financial performance more akin to traditional associations.

Indicators of the traditional association sector's financial position remain strong. The segment returned an aggregate surplus of £470 million, although, increasingly, this surplus is achieved through the profit on sales of housing assets, mainly through shared ownership products. The average operating margin has continued its marginally decreasing trend of recent years and analysis suggests this is influenced mainly by increasing spend on improvements to the housing stock to ensure the Decent Home Standard is met and as a consequence of the

transfer of stock from local authorities to that of traditional associations.

Whilst average interest cover and gearing ratios are declining, this is to be expected as average grant rates for new supply are reducing and increasingly associations develop without public subsidy. At 128% and 32% respectively, however, the ratios for the traditional sector remain strong. Analysis of trends in interest cover and operating margin do demonstrate that the sector is vulnerable to differential inflationary impact of salary and maintenance costs and increasing interest rates. The sector's response to the drive for improving efficiency is a key factor in its financial performance withstanding these pressures.

The results indicate a sector that is 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 Home Standard, indications are that the sector has significant capacity to respond to calls for increased levels of development, through access to additional external finance.

Performance against our key Corporate Plan Targets in landlord performance is set out below:

CPT 16	Complete two rationalisation Commissions in Manchester and South Hampshire that examine the scope for stock and/or institutional rationalisation in these sub-regional areas.	Both Commissions have reported and the reports are available on the CIH website. The final report of the national steering group and a toolkit for associations considering rationalisation was published in March 2007.
CPT 18	Agree action plan flowing from Elton Review by May 2006 and complete implementation by year end.	<p>Of the 48 recommendations tasked solely to the Corporation to deliver by March 2007:</p> <ul style="list-style-type: none"> <li>• 90% are complete or substantially complete (five items were subject to administrative issues cleared in early 2007-08); and</li> <li>• 10% (five items) have been subject to delay due to reasons outside the Corporation's control.</li> </ul>
CPT 19	Achieve a 5% reduction of data required from good performing associations.	Targets set over five years in response to the Elton Review – on course to deliver targets as improvements are already evident.
CPT 20	Maintain up-to-date Housing Corporation Assessments (HCAs) and undertake review of all supervision cases on a three-monthly basis. Produce action plans with milestones including monthly update on progress by lead officers.	<p>Achieved – All HCAs have been reviewed with exceptions allowed for small numbers pending mergers, further regulatory investigation/ decision making or delays in inspection reports.</p> <p>Up-to-date Housing Corporation Assessments are available on the website <a href="http://www.housingcorp.gov.uk">www.housingcorp.gov.uk</a> for all large associations.</p> <p>All supervision cases were reviewed by internal project boards within specified timescales.</p> <p>All supervision cases had an action plan which included monthly updates.</p>

CPT 22	Publish final guidance on tenants being board members of all landlord associations by March 2007 to ensure that 95% of housing associations have tenant representation on their board by 2008-09.	Achieved – New regulatory guidance will require all landlord associations to have a tenant board member. Current guidance has been revised and published for consultation which ended in March 2007.
CPT 23	Agree a target with CLG by July 2006 for elected tenant representation.	The Minister for Housing and Planning, Yvette Cooper, wrote to the Chairman of the Housing Corporation, Peter Dixon, in August 2006 setting targets for elected tenant representation. The target being that larger housing associations must have at least one tenant board member.

## 6 Making best use of our expertise

### Innovation, Good Practice and Research

During 2006-07 we set up our new Centre for Research and Market Intelligence (CRMI) in Cambridge, which commissions further high quality research to assist us in establishing a distinctive voice addressing key issues, ensuring we are well placed to contribute to the development of future approaches to the delivery and management of affordable homes, prioritising in particular:

- meeting the housing needs of vulnerable people and diverse communities;
- ensuring we are responding effectively to the challenges of an ageing population;
- addressing climate change by reducing the carbon impact of existing and future affordable homes;
- developing our understanding of future demands on affordable housing, and the likely changes in the range of delivery partners available to us;

- better understanding the tools needed to deliver effective and sustainable estate renewal and promote the development of mixed and cohesive communities; and
- better understanding the extent to which current approaches are meeting the needs of black and minority and ethnic (BME) communities.

The team, working within the Policy and Communications directorate and with colleagues across the country, has also delivered:

- an alignment of all research activities with key corporate policy priorities, including the following key projects:
  - a major study on the demographic, economic and spatial drivers of future affordable housing demand, and the likely aspirations of future residents of affordable housing;
  - the establishment of a residents consultation panel, both for regular surveys across the whole sector



- and as a sample source for ad hoc surveys and focus groups; and
- a programme of research into homelessness with the Economic and Social Research Council (ESRC);
- an Innovation and Good Practice (IGP) grant fund prospectus and bid round for projects to be funded in 2007-09 aligned to corporate priorities in the following areas:
  - barriers to LCHO;
  - land availability;
  - responding to an ageing population;
  - housing management services in the 21st century; and
  - tackling Respect;
- the funding and management of a total of 150 IGP projects of which 46 were initiated during 2006-07;
- a report (The Compendium) on completed research and innovation projects;
- strong linkages and collaboration with partner organisations including English Partnerships, the Four Nations Housing Research Group, Economic and Social Research Centre and the Housing Studies Association to ensure that our investment in research is timely and achieves maximum value for money; and
- improved communication of research and IGP outputs both internally and externally.

### Analysis and statistics

Our two major data sources are the Regulatory and Statistical Return (RSR) – an annual survey of all registered social landlords – and the Continuous Recording of Lettings and Sales (CORE), an ongoing monitoring of lettings and sales made by housing associations and local authorities, together providing over 250,000 transactions.

The results of these surveys are summarised in a number of external publications and by web-based dissemination ([www.rsrsurvey.co.uk](http://www.rsrsurvey.co.uk), [www.core.ac.uk](http://www.core.ac.uk), [www.dataspring.co.uk](http://www.dataspring.co.uk)). The data are used extensively in Research and Innovation and Good Practice projects commissioned by the Corporation and a range of stakeholders. Material from RSR, CORE and other sources is analysed and distilled to provide detailed performance indicators ([www.housingpis.co.uk](http://www.housingpis.co.uk)). The Corporation has been working closely with CLG on the development of NROSH, the National Register of Social Housing. It is anticipated this will supersede the RSR in due course ([www.nrosh.co.uk](http://www.nrosh.co.uk)).

### Accessible expertise

The Gold Award for Excellence, launched in 2005, continues to challenge and inform the sector. In its first year (2006-07), 72 applications were received for an award under two themes: Tackling Homelessness and Innovation in Procurement. Three associations received Gold status in the first theme, and two consortia, comprising 11 associations in all, were successful in the second. An intensive dissemination programme during 2006-07 ensured a high level of participation by the sector in events ranging from conferences, policy breakfasts, open days hosted by winners and a homelessness summit. Applications for Gold in 2007-08, in the themes Empowering Communities and Environmental Sustainability, increased from 2006-07 by 40%. Participating organisations represent over one million homes.

Reflecting the Corporation's determination to ensure that our investment in research and good practice is as accessible and as useful as possible, a primary goal of our new centre in Cambridge has been to achieve a step change

in our approach to dissemination of our IGP projects. Our website and intranet pages have been renewed so that we can better showcase our publications and make them more accessible. All 2007 IGP and research

grant recipients will be required to develop and implement a dissemination plan. A number of seminars to promote NROSH were delivered jointly with CLG and two conferences were held to promote better understanding of CORE.

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

CPT 17	Agree an action plan with CLG to implement regulation of housing associations using National Register of Social Housing (NROSH) by 2009 at the latest.	Confirmation of delivery of 2009-10 target will only be possible when CLG confirms that funding will be provided. If implementation of NROSH is delayed until 2010, then the Regulatory and Statistical Return will be available for a further year.
CPT 21	Issue revised resident involvement guidance and ensure that 95% of large RSLs (those with more than 1,000 homes) have developed and implemented resident involvement strategies.	<p>The Corporation reviewed the current guidance and published a new involvement policy for consultation on 16 December 2006. Key stakeholders were involved in its development, and feedback has been very positive.</p> <p>Analysis for the 2006 Self-Assessment Compliance Statements indicates that less than 4% of associations remain non-compliant with the requirement to have a strategy. A letter from the Corporation's Field Directors was sent to non-complying RSLs.</p>
CPT 24	Publish a new Homelessness Strategy by October 2006 and Neighbourhood Strategy by March 2007.	<p>Published in November 2006, our Homelessness Strategy sets out what the Corporation requires housing associations to do to tackle homelessness and prevent it in the first place. There are six key themes:</p> <ul style="list-style-type: none"> <li>• developing better partnership working with local government;</li> <li>• working towards sustainable, balanced communities;</li> <li>• preventing homelessness by promoting successful housing allocation and management and support for tenants;</li> </ul>

CPT 24 (continued)		<ul style="list-style-type: none"> <li>• encouraging better use of existing stock;</li> <li>• working with Regional Assemblies and the Mayor of London to direct Corporation investment to best effect; and</li> <li>• supporting good practice to support landlords in raising performance standards.</li> </ul> <p>Significant progress has been made in implementing this strategy, including an extensive programme of stakeholder engagement and the creation of a homelessness action team based in London, jointly with CLG, to drive forwards the delivery of the strategy through direct engagement with local authorities and housing associations. We will now ensure promotion and dissemination of this work.</p> <p>The Neighbourhood and Communities Strategy was published in October 2006.</p>
CPT 25	Launch Good Practice Guidance for social landlords on Respect.	A Good Practice Note was published on the Corporation's website on 28 March 2007.
CPT 26	Establish a fully functioning new team as a Centre for Research and Market Intelligence.	Achieved – Recruitment for the Centre for Research and Market Intelligence (CRMI) has been successful, with all managers and staff in post, apart from routine changes.
CPT 27	Review and update our approach to Innovation and Good Practice and research commissioning by March 2007.	<p>The new 2007-09 Innovation and Good Practice (IGP) bid was launched in October 2006 with the bid procedures having been reviewed ahead of launch. The Research and Innovation Strategy is currently being reviewed.</p> <p>Incremental changes to process for bid round and project management now implemented.</p>

CPT 28	Make first round Gold Award announcements by May 2006, with effective dissemination programme to follow.	Successful announcement of Gold winners took place in May 2006. The dissemination programme is underway, working in partnership with CIH.  The 2007 Gold Award round was launched in September 2006 and closed in December 2006.
CPT 29	Review presentation and dissemination of good practice to the housing sector by March 2007.	The external review of good practice dissemination was completed in March 2007.
CPT 30	Achieve 80% satisfaction of key external stakeholders as measured by survey.	After consultation with MORI it was decided to carry out a qualitative survey as this was considered to be most appropriate in the current climate. Given that the main conclusion was that the perception of the performance of the Housing Corporation has improved significantly, with views of stakeholders of up to 8.5 out of 10, this target has been met.
CPT 31	Agree the national protocol with Local Government Association by September 2006.	The draft protocol was agreed at officer level in autumn 2006 and signed off by both boards in late autumn. It was signed by respective chairs on 6 December 2006.
CPT 32	Agree a pilot protocol with key local authorities in each Government Office region by December 2006.	Pilot protocols have been agreed in each Government Office region.

## 7 Developing our can-do culture

During 2006-07 we have demonstrated our ability to deliver our can-do culture through:

- a successful track record in delivering the Government's affordable housing targets combining expertise of national policy and local knowledge in field offices;
- a strongly shared ethos based on 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;
- improving our internal communications and performance management processes – creating better linkages between corporate and individual targets;
- meeting the mandatory Investors in People standards with team meetings, personal development plans and individual appraisal. Our involvement of staff in our full business

planning process fully meets the revised standard as well;

- putting together our knowledge management aspirations in a single strategy promoting communities of practice and excellence in records management;
- an improved performance of our ASP computerised system following the termination of our contract with the previous supplier in December 2005. Key improvements include launching open web access and full remote access to all Housing Corporation systems from internal enabled PCs;
- 2006-07 saw the second year of our Leadership Development programme. The integration of this cohort and our Executive Management team has seen much better collaborative working within the Corporation which has ensured we have met the majority of our corporate targets;
- corporate-wide training in risk management, relationship management and project management has been delivered; and
- electing learning champions in all fields and functions linking effectively with the central Learning and Development team delivering locally responsive programmes within a national framework.

The engagement, motivation and development of our staff remains a priority. During 2006-07 we continued to pursue this aim through our strategies for pay and reward, employee relations, learning and development, internal communication and performance management.

Following successful negotiations with the trade unions and consultation across the organisation, we introduced a new pay and grading system part way through the year.

The new rationalised grading system removes unnecessary hierarchies, introduces new flexibility and will help us attract and retain high quality staff. Inherent in the new system is a commitment to fairness and transparency; salaries will take account of internal relativities and will also be benchmarked against the external market. The new arrangements are also designed to encourage team working through the introduction of a flat-rate team bonus which replaces the old individual performance related pay system (except for the Chief Executive and Deputy Chief Executive). The first team bonus was paid in July 2006.

We have also developed our benefits provision by introducing child care vouchers and implementing an online voluntary benefits scheme for staff. A new home working policy will enable us to provide a consistent approach to requests for flexible working, ease pressure on our office space and support our commitment to attracting and maintaining a diverse workforce. All these initiatives are designed to contribute to our aim to becoming an employer of choice.

During the year we developed a new performance management framework with a clearer emphasis on accountability and delivery. Following consultation across the business we also introduced a new statement of values with the aim of embedding these into the performance framework and day-to-day behaviours at work. A group of 'values champions' was established with the aim of spearheading continuous development in values and behaviours.

Our second all-staff survey Open House was completed by 81% of the workforce. The results show that we have made considerable progress in many areas but there remains work to be

done. We also carried out an analysis of the factors that encourage people to work here and stay enthusiastic. As a result we will be taking action on a number of fronts including addressing work-life balance, particularly with regard to working long hours. We have further developed our internal communication processes by improving the fortnightly core briefing, revamping our staff magazine HC News, setting up a contact management system and launching the intranet improvement project.

We continue to invest significant resources in learning and development and have accelerated delivery of the three-year strategy. In addition to the Leadership Development programme, all the Management Development modules are now being delivered and the Management Certificate programme was launched. Local learning needs were reconciled with business requirements by producing a learning plan based on appraisal information and input from Directors. Over 90% of staff have a personal development plan in place.

Towards the end of the year we negotiated a new recognition agreement with the trade unions which sets out the terms of reference for employee relations in the organisation. The new agreement clarifies the expectations of all parties as well as the items for negotiation and consultation. It is clearer about the arrangements for time off and tightens up the disputes resolution process and as such will

stand us in good stead as we move through the significant changes that lie ahead.

In addition to fulfilling our statutory responsibility to promote equality of opportunity in all our activities, we remain committed to developing an organisational culture which values people from all sections of the community and the contribution each individual can make to our work. Our vision makes clear that we seek to ensure that black and minority ethnic communities are fairly represented at all employment levels within the organisation and across the housing sector. We continue to support one of the initiatives devised to fulfill this vision – the Forum Representing Ethnic Minority Staff in Housing (FRESH). During the year a FRESH toolkit was launched with the aim of driving the development of black and minority ethnic leadership and to provide a stronger voice for black and minority ethnic leaders and managers across the sector.

We recognise that people with a disability are disadvantaged both by environment and by social attitudes. We further recognise that improvements in the operation of our services can reduce this disadvantage. Through our Disability Policy and Strategy and by supporting our Staff with a Disability consultation group we remain committed to achieving equality by eliminating the disadvantage experienced by people with a disability wherever reasonably possible.



### Performance against the key can-do culture corporate plan objectives

CPT 33	<p>Ensure percentage of staff who believe the team they work in co-operates to get the work done is 88%.</p> <p>Ensure percentage of staff who believe co-operation between teams and functions is good is 50%.</p>	<p>Achieved – Through our staff survey we noted that 88% of staff believe the team they work in co-operates to get the work done.</p> <p>Achieved – 66% of staff believe co-operation between teams and functions is good.</p>
CPT 34	Undertake and complete full review of performance management, delegation and accountability frameworks below Board level by December 2006.	Achieved.
CPT 35	Complete the implementation of new pay and reward system by December 2006.	Achieved.
CPT 36	<p>Ensure percentage of staff who understand how their work contributes to the success of the organisation is 93%.</p> <p>Ensure percentage of staff who are clear about what they are expected to achieve in their job is 80%.</p>	<p>Not achieved – Through the staff survey we noted that 87% of staff understand how their work contributes to the success of the organisation.</p> <p>Not achieved – 78% of staff are clear about what they are expected to achieve in their job.</p>
CPT 38	Agree a new information systems strategy including technical strategy by July 2006 and complete procurement of successor to ASP system by March 2007.	First part achieved as Board signed off IS strategy. Completion of procurement of new ASP provider will be finished in 2007-08.

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 £49.5 million budget and our Capital Administration costs within a £2.8 million budget. Details of the Corporation's staff costs and administration income and expenditure are disclosed in the Notes to the Financial Statements.

## 8 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 have increased by £1 million to £45.3 million. In addition, a small actuarial loss of £0.4 million has been debited to the General Reserve and is disclosed in the Statement of Recognised Gains and Losses. The employers' contribution rate for the year was 9.6%. A full

disclosure of the pension scheme performance is contained in Note 11 to the Financial Statements.

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

The Corporation's accounts and financial transactions are audited by the National Audit Office (NAO). This is a statutory appointment under the Government and Resources Act 2000 (Audit of Public Bodies) Order 2003 (SI 2003/1325). During the year the NAO undertook no non-audit work for the Corporation.

The Corporation manages a small portfolio of loans. They are funded by a similar borrowing from the National Loans Fund. All loans are secured on property and, except in a few minor cases, all annuity repayments were made when they became due. No debts were written off during the year. There is one major loan of £0.3 million 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.

## 9 Better payment practice code

The Corporation fully supports the CBI Better Payment Practice Code and aims to pay all undisputed invoices within 30 days of receipt and at least 90% of invoices, whether disputed or not, within these timescales when paying for goods and services. For the payment of grants

to RSLs and other bodies the Corporation has a policy to pay these either on scheduled dates or within ten working days of receiving a valid grant claim. It is the Corporation's policy to:

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

## 10 Changes in fixed assets

The Corporation invested £2.5 million in tangible and intangible assets. Of this, £1.2 million was spent on developing software for our investment systems. During the year £300,000 was also invested on furniture and fittings for our Wolverhampton office. A further £120,000 was spent on replacing our existing printers to enable double-sided printing to take place, contributing to our greening agenda and £240,000 on replacing our wide area network to enable better communications and flow of data traffic. A further £400,000 was spent on developing the framework for NPiAH and NAHP programmes. This has increased the value of intangible assets within the balance sheet. These development costs have been capitalised under FRS13. The value of fixed assets held by the Corporation is disclosed in Notes 13 and 14 to the Financial Statements.

## 11 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 (FOI) 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 terms of the Act in January 2005. The Executive and Board regularly review the nature, source and extent of FOI requests in order to review compliance and our general approach to the publication of information.

## 12 Policy on energy conservation and environmental issues

The Corporation continues to deliver on its environmental performance commitments. The construction industry as a whole is now recognised as being responsible for around 40% of carbon emissions in the UK. Added to this, around 13% of all the solid materials delivered to UK construction sites goes unused, and up to one third ends up in landfill. The industry is also responsible for a significant level of less easily quantifiable environmental impacts,

from land contamination, to loss of greenfield sites to noise.

Against this background the Corporation, as a key trend setter for the construction industry, is showing the way to tackle these problems. The drive for higher environmental standards across the housing sector continues and we are looking to embed sustainability throughout our areas of business. Added to this, sustainability is integrated into the Corporation's design and quality strategy and standards, sending a clear signal to RSLs and other partners.

A key milestone in the progress of this agenda this year is the implementation of the Code for Sustainable Homes – a new national standard for sustainable design and construction of new homes launched by CLG in December 2006. From April 2008, level 3 of the code applies to all new building in the affordable housing sector and we have committed to increase our minimum requirement to code level 4 as part of the 2012 bid process. By 2015 the target is to achieve zero carbon development.

We will invest in new eco towns and villages.

The Housing Corporation has also helped housing associations focus on asset management through commissioning the Building Research Establishment to develop EcoHomes XB for existing buildings. This work means that housing associations and local authorities can use the data they already have to assess the current performance of their stock, plan the most effective interventions to improve the worst cases and measure the improvements made. Use of EcoHomes XB is expected to help associations make over two million homes more sustainable.

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

We are committed to improving our own environmental performance continually. We aim to comply with relevant legislation and ensure that prevention of pollution is an integral part of our working practice. During the year we achieved BS 8555 status in respect of improving environmental standards in all our offices. As part of our commitment to maintaining this standard we intend to:

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

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

## 13 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 additional material costs in relation to this specific issue.

## 14 Financial instruments and post balance sheet events

We have made no disclosures regarding financial instruments other than at Note 23 to the Financial Statements. No significant post balance sheet events have occurred.

During the year of account Jon Rouse was Chief Executive Officer and Accounting Officer for the Corporation. Between the end of the financial year and the date of the signing of the accounts he has resigned from both these appointments. His Committee and Board attendance during the year are therefore correctly recorded within the body of this report.

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

our statutory framework has been provided to them.

## 15 Remuneration report

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

The Remuneration Committee meets twice a year and is chaired by Peter Dixon. The Board members who, together with the Chair, form the committee are: Shaukat Moledina, Sandi O'Neill, Donald Hoodless OBE, 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 and Directors.

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

In accordance with Schedule 7A of the Companies Act 1985, as inserted by the Directors' Remuneration Report Regulations 2002, the following sections of the report have been audited: Individual remuneration of

the Executive team, the emoluments of the Board members and the disclosures and notes relating to pensions.

### Service contracts

Jon Rouse, who commenced as Chief Executive on a part-time basis from 1 April 2004 and on a full-time basis from 1 June 2004, has a contract which specifies the circumstances under which termination can occur without payment of compensation. Redundancy or premature loss of office for non-specified reasons requires compensation to be determined between the Corporation's Chairman and CLG Permanent Secretary. Senior managers have open-ended service contracts which do not contain any pre-determined compensation on termination of office.

### Individual remuneration for the year ended 31 March

The key managers of the Corporation comprise the Chief Executive, who is also a Board member, Deputy Chief Executive and Directors. All Senior Managers have consented to the following disclosures relating to their emoluments and accrued pension entitlement.

## Individual remuneration for the year ended 31 March 2007

	Salary		Bonus		Taxable benefits (d)	
	2007 £	2006 £	2007 £	2006 £	2007 £	2006 £
<b>Chief Executive and Deputy Chief Executive</b>						
Jon Rouse	130,688	128,125	16,656	16,875	–	–
Chief Executive						
Steven Douglas (a)	114,497	102,802	4,125	8,152	6,332	6,062
Deputy Chief Executive						
<b>Director members of the Executive Team</b>						
Peter Marsh (b)	117,181	98,125	1,000	–	–	–
Director, Resources						
Matthew Leach	81,685	75,456	1,050	–	–	–
Director, Policy and Communications						
Clare Miller	92,869	87,099	1,050	3,000	2,965	3,025
Director, Regulation						
Richard Hill	97,800	87,681	900	–	–	–
Director, Programmes and Procurement						
Margaret Allen	92,228	85,135	1,050	3,000	5,414	5,391
Field Director, Central						
John Carleton (b)	91,726	89,235	900	3,000	–	–
Field Director, North						
Fiona Cruickshank	80,838	78,513	1,100	3,000	3,827	2,659
Field Director, South East						
Rona Nicholson (c)	99,838	8,167	83	–	–	–
Field Director, London						
Andrew Wiles	80,838	78,513	1,050	3,000	2,798	2,228
Field Director, South West						



	Employer's pension fund contributions	Total	
	2007 £	2006 £	2007 £
	14,145	7,392	161,489
			152,392
	11,388	7,392	136,342
			124,408
	10,952	6,582	129,133
			104,707
	8,057	5,282	90,792
			80,738
	9,016	6,306	105,900
			99,430
	9,475	6,138	108,175
			93,819
	8,955	6,169	107,647
			99,695
	8,498	6,169	101,124
			98,404
	7,866	5,706	93,631
			89,878
	9,592	572	109,513
			8,739
	7,861	5,706	92,547
			89,447

(a) Steven Douglas appointed Deputy Chief Executive on 19 September 2005. Appointed Acting Deputy Chief Executive on 19 April 2005. Previously Field Director – London.

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

(c) Rona Nicholson appointed 1 March 2006.

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

## Bonus payments

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

The Deputy Chief Executive is entitled to an annual bonus of up to 15% of salary based on performance in the period. The bonus paid to Steven Douglas was in respect of achievements against targets set for the year ended 31 March 2006. The bonus entitlement has been pro-rated on account of his appointment to Deputy Chief Executive part way through the year ended 31 March 2006.

The annual performance related bonuses payable to Directors are bonus payments for achieving targets for the year ended 31 March 2006. Following a review by the remuneration committee in 2005, individual performance bonus payments to Directors were discontinued. With effect from 1 April 2006 the Corporation instead now awards all members of each operating plan team a flat-rate cash bonus, regardless of their grade, in relation to the performance of the team in the previous year.

Bonus payments in respect of achievements in the year ended 31 March 2007, at time of writing, have not yet been agreed.

## Key managers' pension entitlements

The Chief Executive, Deputy Chief Executive and the Directors are ordinary members of the staff pension scheme which has HMRC approval and is a statutory scheme (see note 11 to the accounts). Employer contributions are at the rate recommended by actuaries and are applicable for all members. The Corporation does not have a scheme that provides additional pension. Individual Directors may make Additional Voluntary Contributions and these contributions and benefits are excluded from the table below. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service.

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

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

The real increase in the value of the CETV reflects the increase in CETV effectively funded by the employer. It takes account of the

increase in accrued pension due to inflation, contributions paid by the Director (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

	Real increase in pension	Real increase in related lump sum	Accrued annual pension at 31 March 2007	Total accrued related lump sum at 31 March 2007	Cash equivalent transfer value at 31 March 2006	Cash equivalent transfer value at 31 March 2007	Real increase in CETV after adjustment for inflation, market condition and employee contributions
	£	£	£	£	£	£	£
Jon Rouse	4,250	12,749	11,207	33,622	80,789	122,366	29,829
Margaret Allen	1,509	4,527	17,407	52,220	227,313	258,062	16,969
John Carleton	1,016	3,046	4,005	12,015	34,883	52,310	10,860
Fiona Cruickshank	323	969	23,922	71,766	347,916	365,632	274
Steven Douglas	2,022	6,066	8,470	25,410	79,282	97,199	7,945
Richard Hill	1,956	5,868	10,303	30,908	87,965	112,490	15,436
Matthew Leach	1,134	3,402	2,291	6,872	11,523	23,966	6,992
Peter Marsh	4,042	12,126	19,327	57,982	155,850	204,157	35,852
Clare Miller	1,259	3,776	17,118	51,353	201,453	225,427	11,087
Rona Nicholson	1,300	3,901	18,126	54,378	241,107	269,789	14,007
Andrew Wiles	393	1,180	21,193	63,578	341,844	363,911	4,847

A rate of inflation of 3.6% (in 2006 it was 3.1%) 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 £45.3 million at 31 March 2007.

#### Board members' appointments and remuneration

Board members are appointed by the Secretary of State in accordance with Schedule 6 to the Housing Associations Act 1985. Appointments are generally for periods of three years. The

holder of the office of Chief Executive is also a Board member. With the exception of the Chief Executive, Board members' emoluments are determined by the Secretary of State and, during the year under review, were paid directly by CLG.

The CLG's Permanent Secretary determines the Chief Executive's remuneration after discussion with Treasury and the Corporation. Details of Board members' remuneration and other details relating to their appointment are set out below and any related party transactions are disclosed in note 28 to the Financial Statements.

## Board members' emoluments

The fees of the Board members of the Corporation during the year were as follows. There were no other benefits, special pension arrangements or other remuneration. The conditions for the appointment of Board members are contained in Schedule 6 to the

Housing Associations Act 1985. Appointments are generally for periods of three years. The holder of the post of Chief Executive is also a Board member. With the exception of the Chief Executive, Board members are paid directly by CLG. The remuneration of Jon Rouse is disclosed above.

	Date of first appointment	Date of re-appointment	Appointment lapses/lapsed	2007 £	2006 £
Peter Dixon, Chairman	1 October 2003	1 October 2006	30 September 2007	62,942	47,399
Shaukat Moledina, Deputy Chairman	1 December 2002	1 October 2005	30 September 2008	27,494	27,109
Candy Atherton	1 October 2005		30 September 2008	12,538	6,181
Kate Barker	1 October 2005		30 September 2008	12,538	6,181
Sheila Button	1 October 1997	1 October 2004	30 September 2006	7,603	14,993
Julie Fawcett MBE	1 December 2002	1 October 2005	30 September 2008	12,538	12,362
Chris Holmes	1 October 2004		30 September 2007	12,538	12,362
Donald Hoodless OBE	1 October 2005		30 September 2008	13,872	6,181
Kevin Lavery	1 October 2004		30 September 2007	12,538	12,362
Sir Duncan Michael (a)	1 October 2000	1 October 2004	30 September 2007	15,206	14,993
Sandi O'Neill	1 December 2002	1 October 2005	30 September 2008	12,538	12,362
Peter Rogers	1 October 2004		30 September 2007	12,538	10,802
Sheila Drew Smith OBE	1 December 2002	1 October 2005	30 September 2008	15,206	14,993
Trevor Beattie	1 January 2006		2 May 2006	–	–
John Callcutt CBE	2 May 2006		2 January 2007	–	–
John Walker	2 January 2007			–	–
<b>Total remuneration</b>				<b>230,089</b>	<b>198,280</b>
Social security costs				20,367	17,373

(a) During the year Sir Duncan Michael's appointment was extended by one year to 30 September 2007.

During the year ended 31 March 2007 the number of Board members, including Jon Rouse, decreased from 15 to 14.

Under an initiative introduced in 2003 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 Chairman increased his time commitment from two to three days a week with effect from 1 November 2006. The Deputy Chairman's time commitment is four to five days a month. The agreed time commitment of other Board members is two to three days a month. The post of Chief Executive is full-time.

### Chairman's pension entitlements

Under the exercise of powers contained in Schedule 6 to the Housing Act 1985 the Secretary of State can, with HMT approval, extend membership of a pension scheme to the Chairman and Deputy Chairman. Mr Moledina was not a member of the pensions scheme during the year ended 31 March 2007. The pension scheme is similar to the Local Government Pension Scheme, however there are no employer contributions.

#### Chairman's pension entitlements

	Real increase in pension	Real increase in related lump sum	Accrued annual pension 31 March 2007	Total accrued related lump sum 31 March 2007	Cash equivalent transfer value at 31 March 2006	Cash equivalent transfer value at 31 March 2007	Real increase in CETV after adjustment for inflation, investment returns and employee contributions
	£	£	£	£	£	£	£
Peter Dixon	2,071	6,213	3,605	10,814	21,000	37,000	12,000

**Capitalised value of accrued pension benefits**

The scheme is unfunded, with benefits being paid as they fall due and guaranteed by the employer (CLG) and therefore there is no surplus or deficit. Members do, however, make

a contribution at the rate of 6% of gross salary.

Pensions are currently in pay for three ex-Chairmen.

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

	2007	2006	2005
Rate of inflation	2.75%	2.5%	2.5%
Rate of increase in salaries	4.30%	4.0%	4.0%
Rate of increase for pensions in payment and deferred pensions	2.75%	2.5%	2.5%
Discount rate for scheme liabilities	4.60%	5.4%	6.1%

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

	2007	2006
<b>Movement in the FRS 17 liability during the year</b>	<b>£'000</b>	<b>£'000</b>
1 April, present value of scheme liabilities	(147)	(140)
1 April, increase in liabilities arising from revised real investment return	–	(11)
Current service cost net of employee contributions	(13)	(10)
Employee contributions to pension fund	(4)	(3)
The interest cost	(8)	(8)
Benefits paid	8	8
Actuarial loss (2006: gain) – effect of changes in demographic and financial assumptions	(30)	17
31 March, Present value of scheme liabilities	(194)	(147)
<b>Actuarial gains and losses during year</b>		
Experience loss (2006: gain)	(5)	17
Effect of changes in demographic and financial assumptions	(25)	-
Percentage of the present value of scheme liabilities	15.4%	11.8%



## Arrangements for compensation for redundancy or premature loss of office

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

Mr 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 CLG Permanent Secretary.

PriceWaterhouseCoopers was commissioned to conduct a board effectiveness review and the recommendations in its report were taken into account in changes to the way the Board functions. Recommendations actioned gave members more input to the Corporate Plan and greater influence in shaping strategic policy.

### (b) The Corporation and its Board

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

## 16 Corporate governance report

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

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

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

Details of the legislative and accounting framework and the responsibilities and accountabilities of the Corporation are described in the Management Statement and Financial Memorandum issued by CLG. This document is available both on the CLG website and in paper copy from the Corporation. However, in December 2005, the Corporation received legal advice that it did not have the statutory power to delegate its functions to committees and officers. This has affected its governance processes during 2006-07 and the new procedures introduced accordingly deviate in some respects from the expectations in the Management Statement.

The Corporation is accountable through CLG to Ministers and to Parliament. The National Audit Office, now the Corporation's statutory auditor, 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 12 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 are disclosed in Note 28 to the Financial Statements. Under an initiative introduced in 2003 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. John Callcutt was originally

appointed as Chief Executive of English Partnerships on 2 May 2006 for a fixed term of three years. During the year Mr Callcutt was asked to head up a review of housing supply at the request of Ministers.

At this point he stepped down from his post as Chief Executive to undertake the review which is jointly funded by English Partnerships and the Housing Corporation. His role commenced on 2 January 2007. John Walker was appointed Chief Executive from that date for a fixed term to April 2009, subject to the acceleration or delay in the new homes agency.

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

The Board responsibilities include:

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

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

In December 2005, the Corporation was advised that the Board did not have the power to delegate its functions to committees or officers. The Housing Corporation (Delegation) etc. Act 2006, passed in July 2006, enabled the Board to delegate functions. Prior to that, special or emergency Board meetings were held at least once a week to take decisions which had previously been taken at officer level or by the

Registration Committee. 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 CLG and assistance with managing the associated political implications; and
- obtaining full legal advice from Counsel.

The 2006 Act endorsed all the decisions taken prior to the convening of the special and emergency Board meetings.

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

#### **Audit and Risk Committee – Four meetings per year (Chair, Donald Hoodless OBE)**

Board members: Sheila Drew Smith 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.

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

#### **Investment Committee – Six meetings per year (Chair, Sir Duncan Michael)**

Board members: Kate Barker, Kevin Lavery, Shaukat Moledina, Jon Rouse, Sandi O'Neill, (John Walker as an observer).

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

of the Corporation's capital investment programmes.

#### **Registration Committee – Six meetings per year (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-home threshold.

#### **Regulation and Supervision Committee – Six meetings per year (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: Sir Duncan Michael, Shaukat Moledina, Sandi O'Neill, Donald Hoodless OBE, 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 and 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 2007 shows net liabilities of £204.4 million (£111.7 million in 2006). 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, CLG. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. The increase in liabilities of £92.7 million is mainly due to the creditor for grant payments at 31 March 2007 (nil in 2006).

Grant in aid for the year ending 31 March 2008, taking into account the amounts required by the Corporation's liabilities falling due in that year, has already been included in the CLG's estimates for that year, which have been approved by Parliament, and there is no

reason to believe that CLG's future sponsorship and future parliamentary approval will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements. 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 CLG for funding under the 2007 comprehensive spending review.

This report was approved by the Board on 3 July 2007.

**Peter Dixon**  
Chairman

**Steven Douglas**  
Acting Chief  
Executive and  
Accounting Officer

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

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

In preparing the accounts the Corporation is required to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards 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 Accounting Officer and 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 CLG. Arrangements for securing accountability between the Corporation and CLG are set principally in the Appointment as Accounting Officer letter issued to me by the CLG Accounting Officer in June 2007 and the Management Statement and Financial Memorandum issued on 1 April 2005. An ongoing dialogue is maintained at both a political and officer level. A series of scheduled formal CLG round-up meetings were held throughout the year with officers from CLG, members of my Executive team and myself to discuss specific and general business issues.

A monthly Finance and Investment Programme Review meeting took place throughout the year at which the Monthly Management Report and Accounts were discussed with officers of CLG and the Corporation. In addition, a number of other meetings regarding the Corporate Plan, the National Affordable Housing Programme and other topics were held with officers and Ministers.

## 3 The purpose of the system of internal control

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

- an ongoing process designed to identify and prioritise the principal risks to the achievement

of the Corporation's aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically;

- 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;
- 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 process 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 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 4 Capacity to handle risk

We updated our risk register to include significant new risks identified in the year. The most significant were those associated with the formation of the new homes agency and the Cave Review of Regulation that may impact on the delivery of the Corporation's 2007-08 targets. Our Risk Management Strategy is available to all staff and the public on our website.

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

- a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- the Corporation maintains a risk register in accordance with the Treasury's Orange Book;
- 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 new Information Systems strategy, approved by the Board, is aligned to the overall business strategy;
- all public funds made available to the Corporation, including any approved income or other receipts, are used for the purpose intended by Parliament, and that such monies, together with the Corporation's assets, equipment and staff, are used economically, efficiently and effectively;
- adequate internal management and financial controls are maintained by the Corporation, including effective measures against fraud and theft;
- the Corporation reviews its system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- effective human resources policies and employee relations are maintained.

The ARC considers and advises the Board on the strategic processes and policies for risk management, control and governance and gives detailed consideration to the risk. 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 register; 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 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 register, 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 register 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 register 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 register 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 Assemblies.

## 6 Structures

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

## 7 Review of effectiveness

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

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2006-07 include:

- regular meetings of the ARC to consider risk, internal control and the corporate risk profile. The Chair of the ARC reports to the Board on any issues arising;
- the use of comprehensive planning, forecasting and budgeting systems which enable the monthly management report, annual budgets and latest estimates to be reviewed by the Board and Executive Management Team;
- ARC approval of a rolling risk-based programme for internal audit in accordance with priorities. Reports are provided to each committee meeting on progress and findings;
- the Head of Internal Audit's annual report to the ARC including an opinion on the adequacy and effectiveness of the Corporation's risk management, control and governance processes;
- provision of individual internal audit reports to standards defined in the Government Internal Audit Standards, including recommendations for improvements to the responsible Corporation Senior Officer. Copies are also provided to CLG and the National Audit Office. An Audit Review Group (Audit Clinic), chaired by myself, meets regularly to ensure that agreed recommendations contained in the audit reports are implemented on a timely basis;
- reporting internal audit findings to 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;

- rolling forecasts of expenditure for the remaining life of the Corporation are reported to the Board to determine future affordability; and
- ensuring arrangements for the safeguarding and use of the Corporation's seal were operated throughout the year through a scheme of named delegated officers.

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

A significant control risk arose in 2005-06 when it was identified 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. In order to rectify this issue the Housing Corporation (Delegation) etc. Bill was introduced in Parliament. It eventually became law in July 2006. From that date the Corporation has been able lawfully to delegate responsibilities from the Board to its sub-committees and senior officers. No other significant control issues were identified during 2006-07.

No other serious internal control issues have arisen in the period since the financial statements for the year ended 31 March 2006 were issued.

**Steven Douglas**

Acting Chief Executive and Accounting Officer  
3 July 2007

# 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 31 March 2007 under the Housing Associations Act 1985 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Operating Cost Statement, the Balance Sheet, the 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Housing Corporation Chief Executive and Auditor**

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

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

I report to you my opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Housing Associations Act 1985 and Secretary of State directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chief Executive's Annual Review and the un-audited part of the Remuneration Report, is consistent with the Financial Statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Housing Corporation has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM



Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent mis-statements 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 mis-statement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Remuneration Report to be audited.

## **Opinions**

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Housing Associations Act 1985 and directions made thereunder by the Secretary of State, of the state of the Housing Corporation's affairs as at 31 March 2007 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Housing Associations Act 1985 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003 and directions made thereunder by the Secretary of State; and
- information given within the Annual Report, which comprises the Chief Executive's Annual Review and the unaudited parts of the Remuneration Report is consistent with the Financial Statements.

## Audit Opinion on Regularity

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

**John Bourn**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

6 July 2007



# Annual accounts 2006-07

## Operating cost statement for the year ended 31 March 2007

Expenditure	Notes	2007 £'000	Restated 2006 £'000
Capital investment grants	3	(1,951,264)	(1,625,770)
Revenue grants	4	(6,328)	(5,653)
Staff costs	5	(28,722)	(27,792)
Administration expenditure	6	(16,547)	(16,581)
Interest payable	9	(68)	(66)
<b>Total</b>		<b>(2,002,929)</b>	<b>(1,675,862)</b>
<b>Income</b>			
Capital investment grants recovered	3	33,554	27,852
Interest receivable	8	1,400	1,474
Other income	10	634	801
Decrease in provision for doubtful debts	7	16	9
<b>Total</b>		<b>35,604</b>	<b>30,136</b>
<b>Net expenditure</b>		<b>(1,967,325)</b>	<b>(1,645,726)</b>
Pension Fund finance costs	11	(560)	(1,010)
Notional cost of capital (credit)		1,282	1,471
<b>Net operating cost of ordinary activities before taxation</b>		<b>(1,966,603)</b>	<b>(1,645,265)</b>
Taxation	12	(20)	(21)
<b>Net operating cost of ordinary activities after taxation</b>		<b>(1,966,623)</b>	<b>(1,645,286)</b>
Reversal of notional cost of capital (debit)		(1,282)	(1,471)
<b>Net expenditure for the financial year</b>		<b>(1,967,905)</b>	<b>(1,646,757)</b>

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

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

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

# Statement of recognised gains and losses

## For the year ended 31 March 2007

	Notes	2007 £'000	Re-stated 2006 £'000
Prior period adjustments - Grant in aid creditor 1 April 2005	22	–	2,231
Actuarial loss (2006: gain) from staff pension fund	11	(410)	3,360
Total recognised losses since the last Financial Statements		(410)	5,591

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

# Balance sheet

## As at 31 March 2007

Fixed assets	Notes	£'000	2007 £'000	Restated 2006 £'000
Intangible assets	13	4,021		3,440
Tangible assets	14	2,718		2,526
			6,739	5,966
Investments				
Share in the Housing Finance Corporation Ltd.	15	-		-
Loans	16	1,771		1,529
<b>Total</b>			1,771	1,529
<b>Total fixed assets</b>			8,510	7,495
<b>Current assets</b>				
Debtors	17	4,504		7,416
Cash at bank and in hand	18	2		3
<b>Total</b>		4,506		7,419
Creditors: amounts falling due within one year	19	(170,542)		(80,048)
Net current assets			(166,036)	(72,629)
Total assets less current liabilities			(157,526)	(65,134)
Provision for liabilities and charges	20		(112)	(875)
Advances from the National Loans Fund	21		(1,400)	(1,400)
Provision for unfunded pensions liability	11		(4,580)	(4,640)
Net liabilities excluding funded pension liability			(163,618)	(72,049)
Pension scheme liability	11		(40,760)	(39,630)
<b>Total assets less total liabilities</b>			(204,378)	(111,679)
<b>Reserves</b>				
General reserve	22		(160,838)	(69,143)
Pension reserve	22		(45,340)	(44,270)
Specific reserve	22		1,800	1,734
			(204,378)	(111,679)

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

The Financial Statements on pages 83 to 111 were approved by the Board on 3 July 2007 and were signed on its behalf by:

<b>Peter Dixon</b>	Chairman
<b>Donald Hoodless OBE</b>	Chair, Audit and Risk Committee
<b>Steven Douglas</b>	Acting Chief Executive and Accounting Officer
<b>Peter Marsh</b>	Acting Deputy Chief Executive

# Cash flow statement

## For the year ended 31 March 2007

Cash flow	Notes	£'000	2007 £'000	Restated 2006 £'000
Net cash outflow from operating activities	ii		(1,872,626)	(1,639,356)
<b>Taxation</b>				
Corporation tax paid			(20)	(12)
<b>Capital expenditure and financial investment</b>				
Purchase of intangible fixed assets		(1,702)		(3,476)
Purchase of tangible fixed assets		(684)		(835)
Sale of tangible fixed assets		11		28
Loan repayments		254		296
Loan advances		(480)		(8)
Total			(2,601)	(3,995)
<b>Financing</b>				
Grant in aid	iv	1,875,616		1,568,000
Advances from the NLF		2,800		2,800
Repayments to the NLF		(2,800)		(2,800)
			1,875,616	1,568,000
<b>Increase (2006: decrease) in cash</b>			<b>369</b>	<b>(75,363)</b>
<b>i Reconciliation of net cash flow to movement in net funds</b>				
			2007 £'000	2006 £'000
Increase (2006: decrease) in cash			369	(75,363)
Net funds at 1 April			(69,529)	5,834
<b>Net funds at 31 March</b>			<b>(69,160)</b>	<b>(69,529)</b>

ii Reconciliation of operating cost to net cash flow from operating activities	Notes	2007 £'000	Restated 2006 £'000
Net operating cost before taxation from Operating Cost Statement		(1,966,603)	(1,645,265)
<b>Adjustments for non-cash transactions</b>			
Adjustment for FRS 17 Pension costs	5	3,644	3,390
Depreciation and amortisation	6	1,600	1,666
Pension Fund finance costs	11	560	1,010
National cost of capital		(1,282)	(1,471)
Loss (2006: profit) on disposal of fixed assets	6	84	(18)
Deferred interest on loans to RSLs	16	-	(2)
Decrease in provisions for doubtful debts	7	(16)	(9)
Decrease in provisions for liabilities and charges	20	(763)	(493)
Decrease (2006: increase) in debtors	17	2,912	(5,796)
Increase in creditors		90,782	9,319
<b>Adjustments for cash transactions</b>			
Employer's contributions to pension fund	11	(3,245)	(1,395)
Unfunded pensions paid to retired employees	11	(299)	(292)
<b>Net cash outflow</b>		<b>(1,872,626)</b>	<b>(1,639,356)</b>

iii Analysis of changes in net funds	at 1/4/06 £'000	Cash flows £'000	at 31/3/07 £'000
Cash at bank and in hand	3	(1)	2
Bank overdraft	(68,132)	370	(67,762)
	(68,129)	369	(67,760)
NLF debt due within one year	(1,400)	-	(1,400)
<b>Total</b>	<b>(69,529)</b>	<b>369</b>	<b>(69,160)</b>

iv Analysis of financing	Notes	2007 £'000	2006 £'000
Grant in aid received from CLG	22	1,875,616	1,568,000
Applied towards:			
Purchase of fixed assets		(2,386)	(4,311)
Capital grants		(1,819,270)	(1,439,759)
Revenue grants		(5,849)	(5,324)
Administration costs net of other cash flows		(39,955)	(42,228)
Increase in bank balance		(8,156)	(76,378)
		<b>(1,875,616)</b>	<b>(1,568,000)</b>

# Notes to the financial statements

## For the year ended 31 March 2007

### 1 Accounting policies

#### Basis of accounting

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

#### Government grants receivable

The Corporation's activities are funded by grant in aid provided by CLG. All grant in-aid and grant received used to finance activities and expenditure which support the statutory and other objectives of the Housing Corporation are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual value of the Housing Corporation. This represents a change in accounting policy for reasons that are explained in detail at note 2 to the Financial Statements.

#### 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 Capital Funding Guide. RSLs are able to retain any grant recoverable from sales within their own accounts for recycling with the funds only becoming due back to the Corporation if unused after three years.

#### Administration expenditure and interest receivable and payable

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

#### Cost of capital employed

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

#### Fixed assets

Tangible fixed assets comprise furniture, fixtures and fittings, information technology, office equipment and motor cars. Intangible fixed assets comprise software development and legal costs associated with the Corporation's core system rewrite and the costs associated with setting up the appropriate systems to support the necessary changes required to support the national pilot and subsequent 2006-08 Programme in the provision of affordable housing. 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. No depreciation has been charged to the Operating Cost Statement for work in progress – where assets are still under development. The relevant depreciation rates applicable to each category of asset are as follows:

Computer equipment	4 years
Computer software	4 years
Office equipment	4 years
Motor cars	4 years
Furniture, fixtures and fittings	5 years
Development 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 Operating Cost Statement now recognises the movements in the scheme liability during the year analysed between the current service costs, the interest on pension liabilities and the expected return on scheme liabilities.

## 2

## Change in accounting policy

With effect from the 2006-07 reporting period the Government Financial Reporting Manual requires the Housing Corporation to account for grant in aid received from the Department for Communities and Local Government for revenue purposes as financing because it is regarded as a contribution from a controlling party giving rise to a financial interest. This is a change in accounting policy from earlier periods when grant in aid was disclosed as income. Also arising from this change in accounting policy, the Corporation is no longer required to maintain

a government grant reserve as it does not receive government grant specifically for the purpose of funding its capital expenditure. The previous year's figures in these accounts have been restated to reflect the above change of policy. The impact of these changes to the figures shown in the previous year's accounts is shown below. This change in accounting policy is referred to in the paragraph on the basis of accounting in Note 1, Accounting policies.

## Impact on the results disclosed in the financial statements for the year ended 31 March 2006

Operating cost statement	£'000	£'000
31 March 2006, as previously stated		(2,673)
Impact of adopting the new policy		
Grant in aid received now credited to general reserve	(1,563,689)	
1 April 2005 grant in aid creditor now shown as prior period adjustment	(2,231)	
31 March 2006 grant in aid debtor now deleted	(76,488)	
31 March 2006 restated		(1,642,408)
Transfer from government grant reserve, now deleted		(1,676)
31 March 2006 restated		(1,646,757)

General reserve	£'000	£'000
31 March 2006, as previously stated		(1,379)
Impact of adopting the new policy		
31 March 2006 grant in aid debtor now deleted		76,488
Transfer from government grant reserve now deleted	1,676	
1 April 2005 balance of government grant reserve	(3,331)	
Grant in aid previously credited to government grant reserve	(4,311)	
		(5,966)
31 March 2006 restated		69,143

Government grant reserve	£'000	£'000
31 March 2006, as previously stated		(5,966)
Impact of adopting the new policy		
Transfer to general reserve now deleted	(1,676)	
1 April 2005 balance of government grant reserve	3,331	
Grant in aid previously credited to government grant reserve	4,311	
		5,966
31 March 2006 restated		–

### 3 Capital investment grants

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

The power to recover grant is conferred by Section 52 of the Housing Act 1988 and Section 27 of the Housing Act 1996.

Social Housing Grant payments					
	Social rent £'000	Low-cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	2007 Total £'000
London	640,109	240,660	20,844	334	901,947
South East	286,628	90,216	4,019	32	380,895
East of England	124,808	30,001	333	93	155,235
South West	95,419	17,038	3,099	–	115,556
North West	85,156	22,487	6,438	48	114,129
West Midlands	75,416	20,779	838	422	97,455
East Midlands	57,672	19,758	674	27	78,131
Yorkshire and Humberside	51,046	10,898	2,729	565	65,238
North East	38,605	2,963	790	320	42,678
	1,454,859	454,800	39,764	1,841	1,951,264

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 overrun.

2007

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 overrun.

	Social rent	Low-cost home ownership	Works to RSLs' stock	Other	2007 Total
	£'000	£'000	£'000	£'000	£'000
London	(8,841)	(2,182)	(2)	(11)	(11,036)
South East	(850)	(3,166)	–	–	(4,016)
East of England	(722)	(400)	(30)	–	(1,152)
South West	(449)	(12)	–	–	(461)
North West	(554)	(493)	–	–	(1,047)
West Midlands	–	–	–	–	–
East Midlands	(2,218)	(1,483)	–	–	(3,701)
Yorkshire and Humberside	–	(127)	–	–	(127)
North East	(8)	–	–	–	(8)
	(13,642)	(7,863)	(32)	(11)	(21,548)
Grant receipts arising from disposals by RSLs					(12,006)
	(13,642)	(7,863)	(32)	(11)	(33,554)

2007

Grant payments net of receipts

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

Social Housing Grant payments net of recoveries and receipts					2006
	Social rent £'000	Low-cost home ownership £'000	Works to RSLs' stock £'000	Other £'000	Total £'000
London	405,623	303,113	15,304	1,120	725,160
South East	147,708	121,720	3,496	221	273,145
East of England	76,946	58,406	487	-	135,839
South West	72,206	20,019	3,014	190	95,429
North West	65,764	22,960	6,501	265	95,490
West Midlands	56,748	27,882	450	390	85,470
East Midlands	49,355	22,379	50	870	72,654
Yorkshire and Humberside	50,114	5,597	5,539	615	61,865
North East	46,372	5,117	3,432	898	55,819
	970,836	587,193	38,273	4,569	1,600,871
Grant receipts arising from disposals by RSLs					(2,953)
	970,836	587,193	38,273	4,569	1,597,918

The Corporation's commitments on schemes approved prior to 31 March 2007 amounted to £1,753.4 million (2006: £1,418.6 million)

## 4

### Revenue grants

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

Innovation and good practice grants to RSLs and any other persons to facilitate the proper performance of RSLs and co-operative housing associations are paid under Section 87 of the Housing Associations Act 1985 as substituted by Section 183 to the Local

Government and Housing Act 1989 and amended by the Housing Acts 1996 and 2004. Tenant Empowerment grants to tenant groups and advisors enabling council tenants to receive independent advice on how they could become involved in the management of their homes and estates are paid under Section 27A to the Housing Act 1996 as extended by Statutory Instrument SI 2006 No. 583. (These grants were previously administered by CLG.)

	2007 £'000	2006 £'000
Innovation and Good Practice grants	3,831	5,653
Tenant Empowerment grants	2,497	–
	6,328	5,653

## 5

## Staff costs

	2007 £'000	2006 £'000
Staff salaries	19,092	18,929
Social security costs	1,707	1,709
Pension costs	3,644	3,390
Temporary and contract staff	2,388	927
Staff on inward secondment	81	39
Travel and subsistence	846	844
Provision for restructuring costs	–	605
Other costs	964	1,349
	28,722	27,792
Staff on outward secondment, shown in Note 10 to the Financial Statements	(135)	(246)

No staff costs were capitalised in year (2006: nil).

Average number of persons employed analysed by category of employment	Investment and Regeneration	Regulation and best value teams	Administration and IT	2007 Total	2006 Total
Staff	152	143	217	512	519
Temporary, agency and contract staff	1	4	34	39	21
Staff on inward secondment	1	–	1	2	2
Staff on outward secondment	(1)	–	(1)	(2)	(3)
	153	147	251	551	539
Average number of persons expressed as full-time equivalent	141	141	234	516	504

## 6

## Administration expenditure

A contribution to certain specific research expenditure is made by CLG. This is shown in note 10, Other Income.

	2007 £'000	2006 £'000
Accommodation costs	4,314	4,605
Office running costs	1,590	1,541
Professional fees	4,780	4,642
Recruitment, training and publicity	2,818	2,260
Research and housing projects	1,519	1,615
Provision for liabilities and charges	(158)	270
Depreciation and amortisation	1,600	1,666
Loss/(profit) on disposal of fixed assets	84	(18)
	16,547	16,581
Rental in respect of leased offices	2,369	2,557
Rental of office equipment	158	138
Auditors' remuneration, audit fees	100	100

## 7

## Provisions for doubtful debts

	£'000	2007 £'000	£'000	2006 £'000
At 1 April		375		384
New provisions	1		5	
Reductions in provisions	(17)		(14)	
		(16)		(9)
At 31 March		359		375



## 8

## Interest receivable

	2007 £'000	2006 £'000
Registered Social Landlords	1,216	1,278
Loans - Completed schemes	68	81
Loans - Private mortgages	31	32
Short-term deposits of specific reserve	81	75
Other interest	4	8
	1,400	1,474

## 9

## Interest payable

	2007 £'000	2006 £'000
Borrowings from the National Loans Fund	68	66

## 10

## Other income

Other Income excludes Social Housing Grant recovery which is disclosed in note 3.

	2007 £'000	2006 £'000
Research and housing project receipts	488	493
Staff on secondment	135	246
Other	11	62
	634	801

# 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, on which employer's pension contribution rates are based, was carried out as at 31 March 2004. Annual updates by independent actuaries to the City of Westminster Pension Fund have been undertaken to take account of the requirement of FRS17 in order to assess the liabilities of the Fund as at 31 March 2007.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. A further triennial valuation as at 31 March 2007 is currently in progress. The outcome will determine the employer's contribution rates from 1 April 2008.

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

The main assumptions used by the actuary were:

	2007	2006	2005
Rate of Inflation	<b>3.2%</b>	3.0%	2.9%
Rate of general long-term increase in salaries	<b>4.7%</b>	4.5%	4.4%
Rate of increase for pensions in payment and deferred pensions	<b>3.2%</b>	3.0%	2.9%
Discount rate for scheme liabilities	<b>5.3%</b>	4.9%	5.3%

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

		2007 £'000		2006 £'000		2005 £'000
	Expected long-term rate of return		Expected long-term rate of return		Expected long-term rate of return	
Equities	7.7%	79,440	7.3%	75,720	7.7%	61,642
Government bonds	4.7%	20,820	4.3%	19,650	4.9%	15,513
Other assets	5.6%	4,230	4.6%	1,960	4.8%	465
Total market value of assets		104,490		97,330		77,620
Present value of scheme liabilities:						
Funded		(145,250)		(136,960)		(118,117)
Unfunded		(4,580)		(4,640)		(4,420)
Total		(149,830)		(141,600)		(122,537)
Deficit in scheme		(45,340)		(44,270)		(44,917)

#### Analysis of amount shown as staff costs

			2007			2006
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
Current service cost	–	3,600	3,600	–	3,200	3,200
Past service cost	–	44	44	–	190	190
Total operating charge	–	3,644	3,644	–	3,390	3,390

#### Analysis of amount debited to finance costs

			2007			2006
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
Expected return on pension scheme assets	–	6,430	6,430	–	5,540	5,540
Interest on pension scheme liabilities	(219)	(6,771)	(6,990)	(230)	(6,320)	(6,550)
Net return	(219)	(341)	(560)	(230)	(780)	(1,010)

Analysis of amount in the statement of recognised gains and losses						
	2007			2006		
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
Actual return less expected return on pension scheme assets	–	(1,510)	(1,510)	–	13,910	13,910
Experience loss (2006: gain) arising on the scheme liabilities	(40)	(210)	(250)	(52)	82	30
Changes in assumptions underlying the present value of the scheme liabilities	20	1,330	1,350	(230)	(10,350)	(10,580)
Total	(20)	(390)	(410)	(282)	3,642	3,360

Movement in the FRS 17 liability during the year						
	2007			2006		
	Unfunded pensions £'000	Funded pensions £'000	Total £'000	Unfunded pensions £'000	Funded pensions £'000	Total £'000
1 April, deficit in schemes	(4,640)	(39,630)	(44,270)	(4,420)	(40,497)	(44,917)
Current service cost	–	(3,600)	(3,600)	–	(3,200)	(3,200)
Past service costs	–	(44)	(44)	–	(190)	(190)
Other finance costs	(219)	(341)	(560)	(230)	(780)	(1,010)
Employer's contributions to pension fund	–	3,245	3,245	–	1,395	1,395
Unfunded pensions paid to retired employees	299	–	299	292	–	292
Actuarial loss (2006: gain)	(20)	(390)	(410)	(282)	3,642	3,360
31 March, deficit in schemes	(4,580)	(40,760)	(45,340)	(4,640)	(39,630)	(44,270)

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 increased by £1.1 million (2006: decrease £0.6 million).

Normal employer contributions to the Fund increased by £0.46 million (2006: increased by £0.47 million) compared to the previous year as a result of the recommendation from the 2004 review of a stepped increase in employer's contribution from 7% to 9.6% commencing 1 April 2006. The Corporation made early retirement payments to

the Fund for specific staff who chose this option in lieu of a redundancy payment of £0.04 million (2006: £0.9 million). The Corporation made two exceptional cash contributions to the Fund towards the end of the year. A payment of £1.0 million was a contribution to reduce the deficit in the fund and a further payment of £0.5 million was an employer's contribution on account of the recommended stepped increase from 9.6% to 12.3% commencing 1 April 2007. This will enable the 2007-08 contribution to remain at 9.6% of pensionable pay.

Since the previous year's valuation, the post-retirement mortality assumption has been strengthened which has been one of the main factors contributing to the increase in Fund liabilities during the year which have been marginally greater than the increase in assets of the Fund.

Using the same assumptions to arrive at the current valuation, the actuaries have forecast for the year ending 31 March 2008 that there will not be any

significant variance to the Total Operating Charge but an increase of £0.12 million in Finance Costs.

History of experience gains and losses in the funded part of the scheme			
Difference between expected and actual return on scheme assets	2007	2006	2005
Amount (£'000)	(1,510)	13,910	1,970
Percentage of scheme assets	1.4%	14.3%	2.5%
Experience gain arising on scheme liabilities			
Amount (£'000)	(250)	30	830
Percentage of the present value of scheme liabilities	(0.2%)	0.0%	0.7%
Changes in assumptions underlying the present value of the scheme liabilities			
Amount (£'000)	1,350	(10,580)	(6,430)
Funded	0.9%	(7.5%)	(5.2%)
Total amount recognised in the statement of recognised gains and losses			
Amount (£'000)	(410)	3,360	(3,630)
Percentage of the present value of scheme liabilities	(0.3%)	2.4%	(3.0%)

## 12 Taxation

	2007 £'000	2006 £'000
Corporation tax at 19% (2006: 19%) on taxable transactions	21	21
Adjustment to corporation tax provision for the year ended 31 March 2006	(1)	–
Total	20	21

# 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 bespoke software developments.

			2007	2006
	Software	Other intangible assets		
Cost	£'000	£'000	Total £'000	Total £'000
At 1 April	2,426	2,661	5,087	1,841
Reclassification	91	(91)	–	58
Additions	430	1,040	1,470	3,476
Disposals	–	(95)	(95)	(288)
At 31 March	2,947	3,515	6,462	5,087

Amortisation				
At 1 April	(1,110)	(537)	(1,647)	(1,039)
Reclassification	(23)	23	–	–
Amortisation	(328)	(480)	(808)	(895)
Disposals	–	14	14	287
At 31 March	(1,461)	(980)	(2,441)	(1,647)
At 1 April, Net book value	1,316	2,124	3,440	802
At 31 March, Net book value	1,486	2,535	4,021	3,440



# 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.

					2007	2006
Cost	Cars £'000	Office equipment £'000	Information technology £'000	Furniture and fittings £'000	Total £'000	Total £'000
At 1 April	129	331	2,741	2,843	6,044	5,902
Reclassification	-	214	(214)	-	-	(58)
Additions	16	33	492	457	998	835
Disposals	(30)	(55)	(230)	(18)	(333)	(635)
At 31 March	115	523	2,789	3,282	6,709	6,044

Depreciation						
At 1 April	(49)	(291)	(1,906)	(1,272)	(3,518)	(3,373)
Reclassification	-	(73)	73	-	-	-
Depreciation	(27)	(81)	(281)	(403)	(792)	(771)
Disposals	26	55	223	15	319	626
At 31 March	(50)	(390)	(1,891)	(1,660)	(3,991)	(3,518)
At 1 April, Net book value	80	40	835	1,571	2,526	2,529
At 31 March, Net book value	65	133	898	1,622	2,718	2,526

# 15

## Share in the Housing Finance Corporation Ltd

The Housing Finance Corporation Ltd (THFC) was incorporated in 1987 under the Industrial and Provident Societies Act 1965 as the result of a joint initiative by the Corporation and the National Housing Federation to raise funds from private sector sources for investment in the development of social housing by RSLs, unregistered self-build societies

and charities having a housing function. THFC only seeks to cover its operating costs with income and the Corporation does not have a controlling influence. The Rules of THFC prescribe that all share holdings are non-beneficial. The accounts of THFC are available at [www.thfcorp.com](http://www.thfcorp.com).

	2007	2006
£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 for tenants exercising their Right to Buy was abolished by Section 107 of the Leasehold

Reform, Housing and Urban Development Act 1993. Statutory Instrument 1992 No. 1708, enables the Corporation to make loans to certain individuals in respect of service charges payable to RSLs.

The interest rates applied during the year to all loans was 6.53% (2006: 6.53%).

	Schemes under development		Completed schemes	Private mortgages	2007	2006
	Principal £'000	Interest £'000	Principal £'000	Principal £'000	Total £'000	Total £'000
At 1 April	239	93	1,102	470	1,904	2,189
Loans advanced	476	-	-	4	480	8
Interest	-	-	-	-	-	2
	715	93	1,102	474	2,384	2,199
Repayments	-	-	(106)	(148)	(254)	(295)
At 31 March	715	93	996	326	2,130	1,904
Provision for doubtful debts	(240)	(93)	-	(26)	(359)	(375)
At 31 March, loans net of provision for doubtful debts	475	-	996	300	1,771	1,529

The value of schemes under development includes a self-build association which is in liquidation. In accordance with the Corporation's policy, interest

is only charged to the loan account when an actual payment is received.

# 17

## Debtors

The debtor total now excludes amounts owing in respect of grant in aid receivable from the Government.

The table below shows a reconciliation to debtors as previously stated in the accounts for the year ended 31 March 2006.

	2007 £'000	Restated 2006 £'000	Prior period adjustment £'000	2006 £'000
The Secretary of State - Grant in aid			(76,488)	76,488
Trade debtors	3,448	6,422		6,422
Prepayments	903	818		818
Other debtors	153	176		176
	4,504	7,416	(76,488)	83,904

Trade debtors are amounts owed to the Corporation mainly by RSLs. No amounts were owed by central government departments or other public sector bodies with the exception of £40,000 from one local

authority. Trade debtors includes an estimated amount of £1 million (2006: £1.5 million) for the recovery by the Corporation of amounts held for more than three years by RSLs in their Recycled

Capital Grant Fund account. RSLs are permitted within a period of three years to recycle Social Housing Grant realised on disposal or change of use

of subsidised schemes towards new schemes having a broadly similar objective to the disposed scheme.

## 18

### Cash at bank and in hand

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

	2007 £'000	2006 £'000
Cash in hand	2	3

The Corporation made payments on the 29 and 30 March 2007 which exceeded the bank account balance and were in transit at the year end. The cash book balance is shown as bank overdraft in note 19, Creditors. Funding from the CLG was received on 3 April 2007 and the Corporation's bank account remained in credit throughout the period.

## 19

### Creditors: Amounts falling due within one year

	2007 £'000	2006 £'000
Taxation and social security	546	550
Bank overdraft	67,762	68,132
Accruals	16,151	11,020
Other creditors	86,083	346
	<b>170,542</b>	<b>80,048</b>

Accruals includes an amount of £45,974 owing to a central government department. Other creditors includes an amount of £30,000 owing to a local authority.

## 20 Provision for liabilities and charges

In its response to Sir Michael Lyons' independent review of public sector relocation and reform of public services issued in March 2004, the Corporation, commencing during the year ended March 2006, embarked on a programme of relocating posts from London to its offices in the regions. The relocation exercise, which is now complete, enabled the Corporation to vacate its London, Waverley House, office and to relocate staff requiring to

remain in or near London to its Maple House and Croydon offices. A full provision was made in the accounts for the year ended 2006 for redundancy costs for staff unable to relocate or to be redeployed and for other costs consequent to relocation issues. All payments of redundancy to staff affected by the relocation have now been made and the remaining provision relates to other costs still outstanding.

	2007 £'000	2006 £'000
At 1 April	875	1,368
New provision	-	875
	875	2,243
Provision utilised	(605)	(1,368)
Reduction in provision	(158)	-
At 31 March	112	875

## 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 1990 No. 779, which limits the Corporation's borrowing from all sources to £2,300 million.

The balance at 31 March matured for repayment on 1 June 2007.

At 31 March the rate of interest payable on the advance was 5.2% and the weighted average rate of interest for the year was 4.82% (2006: 4.65%).

	2007 £'000	2006 £'000
At 1 April	1,400	1,400
Advances made during the year	2,800	2,800
	4,200	4,200
Repayments on maturity	(2,800)	(2,800)
At 31 March	1,400	1,400

# 22

## Reserves

### Specific reserve

Under Paragraph 15 of Schedule 1 to the Housing Act 1996, any property that remains in the ownership of a RSL, after meeting the claims of creditors and any other liability following its dissolution or winding up, is transferable to the Corporation. Use of the funds held under this paragraph is restricted to either

managing the controlled dissolution and transfer of engagements of an individual RSL in financial difficulty or ensuring its continued existence, provided that adequate financial controls have been put into place.

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

	2006			
	General reserve	Pension reserve	Government grant reserve	Specific reserve
	£'000	£'000	£'000	£'000
1 April 2005 (restated)	(1,391)	44,917	(3,331)	(1,682)
Reclassification of government grant reserve	(3,331)		3,331	
Net expenditure	1,646,757			
Actuarial gain from staff pension fund	(3,360)			
Prior period adjustment (Grant in aid creditor 1 April 2005)	(2,231)			
Grant in aid received from CLG	(1,568,000)			
Transfer to reflect Pension Fund transactions	647	(647)		
Transfer of interest earnings net of corporation tax	52			(52)
31 March 2006 (restated)	69,143	44,270	–	(1,734)

## 23

## Financial instruments and risk management

**Overview**

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

**Assets and liabilities**

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

**Funding**

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

The Corporation's controls over the commitment and payment of capital and revenue grants to RSLs and of administration expenditure are designed to ensure that funding is available to meet obligations as they fall due and that annually voted provisions

are not exceeded. Capital and revenue grants are paid to RSLs to fund development schemes that meet Government targets and published criteria for development. Financial information is contained in notes 3 to 10 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 Operating Cost Statement.

The net book value of the loans after provision for doubtful loans is £1.8 million (2006: £1.5 million). The fair value of the loans after provision is not considered to be materially different from the book value. Interest is not charged in the Operating Cost Statement on loans subject to a judgement debt.

Loan classification	Average interest bearing balance £'000	Interest £'000	Average interest rate
Completed schemes	1,044	68	6.53%
Private mortgages	397	31	6.53%

Interest received on private mortgages includes £4,686 of arrears on a loan previously fully provided for but recovered during the year under review.

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

**Cash**

The Office of HM Paymaster General (OPG) provides the Corporation's banking service. Apart from the investment of the non-exchequer funds referred to in note 22 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 CLG in advance of need but there is no limit to the cash that can be held at the OPG.

The Corporation holds an amount of non-exchequer funds, explained in note 22, which is invested with the National Loans Fund. At 31 March 2007 the funds were temporarily held as cash.

Average daily value invested £'000	Interest £'000	Average interest rate
1,798	81	4.52%



**Liabilities**

The Corporation may only borrow from the NLF and then only with the permission of the Secretary of State. At 31 March, the Corporation had a single short-term loan at a fixed rate of interest. Details are disclosed in note 21 to the Financial Statements. The borrowing was repaid on its maturity date of 1 June 2007. 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.

## 24 Contingent liabilities

During the year the issues arising with the early termination in the previous year of a contract with a supplier of IT services were settled. The Agreement with the supplier contained a confidentiality clause. Any special payment in compensation that might have been made does not require disclosure under Schedule 2 (i) of the Accounts Direction.

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.

Liability under Section 84	2007 £'000	2006 £'000
	213	251

## 25 Losses and special payments

The Corporation did not incur any material losses or special payments during the year (2006: nil).

## 26 Commitments under operating leases

	Offices £'000	Equipment £'000	2007 Total £'000	Offices £'000	Equipment £'000	2006 Total £'000
<b>Leases which expire</b>						
within 1 year	-	79	79	657	62	719
between 1 and 5 years	68	40	108	68	31	99
after 5 years	1,778	-	1,778	1,708	-	1,708
	1,846	119	1,965	2,433	93	2,526

## 27

## Capital commitments

There were no capital commitments as at 31 March (2006: nil).

## 28

## Related party transactions

The Corporation is a Non-Departmental Public Body sponsored by the CLG. Its operating activities are funded by grant in aid paid by the CLG. For the year ended 31 March 2007, grant in aid received amounted to £1,875.6 million (2006: £1,568.0 million). Further analysis of grant in aid received is disclosed in Note iv to the Cash Flow Statement.

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

Under the rules of The Housing Finance Corporation Limited (THFC) the Corporation is empowered to appoint a Director to its Board. Shaukat Moledina was the Corporation's appointee until 25 April 2006. From the same date the Corporation's Head of Private Finance became the Corporation's appointee. Neither of the Corporation's appointees received any remuneration from THFC. A fee for

Shaukat Moledina's services to THFC was received and retained by the Corporation. Other than the above and their appointments to the Corporation Board there were no transactions, arrangements, relationships or contracts with Board members. Board members receive reimbursement at cost of expenses properly incurred in the performance of Corporation duties.

**Related party transactions**

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

Board members' interests Name	RSL or other related body	Appointment	Transaction	2007 £'000
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. A project relating to Urban Design was commissioned from English Partnerships.				
			IGP grant	50
Peter Dixon	Office of Public Management	Chair	Purchase of services	66
The contract to supply services was in place prior to Peter Dixon's appointment to the OPM.				
Peter Rogers		Westminster City Council	Chief Executive	
The City of Westminster was the rating authority for London, Waverley House, office of the Housing Corporation. The Housing Corporation is an admitted body to the City of Westminster Pension Fund. Both of these connections were in existence long before the appointment of Peter Rogers to the Corporation Board.				
Sheila Drew Smith OBE	Audit Commission	Board Member	IGP grant	70
			Purchase of goods and services	2
<b>Board members' interests through a person connected with them</b>				
Chris Holmes	Peabody Trust	Board Member	Capital grants	5,346

### Employee interests

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

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

There were no appointments of Corporation employees to an RSL board during the year (2006: nine). At 31 March 2007, seven appointments were still in place (2006: seven). The appointments were made to facilitate the orderly running of an RSL after its assets and liabilities had been transferred.

The employees neither received any additional remuneration for their services nor was any housing grant paid to the RSL during the year.

### Transactions with employees

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

Loan classification	2007 £'000	2006 £'000
At 31 March, Principal outstanding, included in Debtors	153	177

### Comparative information, year ended 31 March 2006

Related party transactions Name	RSL or other related body	Appointment	Transaction	2006 £'000
Board members' interests:				
A reciprocal agreement exists whereby the Chief Executives of the Corporation and of English Partnerships are also Board members of the other body. Transactions with English Partnerships comprised purchases of goods and services.				63
Jon Rouse	English Partnerships	Board member		
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.				
Board members' interests through a person connected with them:				
Chris Holmes	Peabody Trust	Board Member	Capital Grants	17,773
	William Sutton Housing Trust	Board Member	Capital Grants	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 nine (2005: four) appointments of Corporation employees to an RSL board during the year. At 31 March 2006, seven 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 to the RSL during the year.

#### Transactions with employees

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

## 29

## Date of authorisation for issue and post balance sheet events

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

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

The authorised date for issue is 19 July 2007.

There have been no material post balance sheet date events.

# The Housing Corporation

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

1. The annual accounts of the Housing Corporation (hereafter in this accounts direction referred to as “the Corporation”) shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts for 2006-07 and subsequent years shall be prepared in accordance with:

- (a) the accounting and disclosure requirements given in Government Accounting and in, Government Financial Reporting Manual issued by the Treasury (“the FReM”), as amended or augmented from time to time, and subject to Schedule 1 to this direction;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

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

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

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

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State  
P J Ruback  
An officer in the Department for Communities and Local Government

30 March 2007



## Schedule 1

1. Stocks and work in progress shall be included in the balance sheet at the lower of estimated replacement cost and estimated net realisable value.
2. The annual accounts shall be signed and dated by the chairman on behalf of the board members, and by the accounting officer.

## Schedule 2

### Additional disclosure requirements

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

#### 1. The notes to the annual accounts

- (a) an analysis of grants from:
  - (i) government departments,
  - (ii) European Community funds,
  - (iii) other sources, identified as to each source;
- (b) an analysis the total amount of grant from the Department for Communities and Local Government, showing how the grant was used;
- (c) an analysis of grant payments by outcome, also showing the legislation under which the payments were made;
- (d) details of employees, other than board members, showing:
  - (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Corporation, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised),
  - (ii) the total amount of loans to employees,
  - (iii) employee costs during the year, showing separately:
    - (1) wages and salaries;
    - (2) early retirement costs;
    - (3) social security costs;
    - (4) contributions to pension schemes;
    - (5) payments for unfunded pensions;
    - (6) other pension costs;
    - (7) amounts recoverable for employees on secondment or loan to other organisations.

(The above analysis shall be given separately for the following categories:  
I employed directly by the Corporation

- II on secondment or loan to the Corporation
- III agency or temporary staff
- IV employee costs that have been capitalised);

- (e) a statement of loans by the Corporation showing the movements during the year, the rate of interest charged and the amount of interest receivable for the year;
- (f) an analysis of liquid resources, as defined by accounting standards, identifying any amount for which the use of funds by the Corporation is restricted to specific functions;
- (g) in the note on debtors, prepayments and payments on account shall each be identified separately;
- (h) a statement of advances from the National Loans Fund showing the movements during the year, the rate of interest charged and the amount of interest payable for the year;
  - (i) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Corporation's operations;
- \* (j) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Corporation), between the Corporation and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
  - (i) transactions and balances of £5,000 and below are not material
  - (ii) parties related to board members and key managers are as notified to the Corporation by each individual board member or key manager;
  - (iii) the following are related parties:
    - (1) subsidiary and associate companies of the Corporation;
    - (2) pensions funds for the benefit of employees of the Corporation or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds);
    - (3) Board members and key managers of the Corporation;

- (4) members of the close family of Board members and key managers;
- (5) companies in which a Board member or a key manager is a Director;
- (6) partnerships and joint ventures in which a Board member or a key manager is a partner or venturer;
- (7) trusts, friendly societies and industrial and provident societies in which a Board member or a key manager is a trustee or committee member;
- (8) companies, and subsidiaries of companies, in which a Board member or a key manager has a controlling interest;
- (9) settlements in which a board member or a key manager is a settlor or beneficiary;
- (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest;
- (11) partnerships and joint ventures in which a member of the close family of a Board member or of a key manager is a partner or venturer;
- (12) settlements in which a member of the close family of a Board member or of a key manager is a settlor or beneficiary;
- (13) the Department for Communities and Local Government, as the sponsor department for the Corporation.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Corporation's management board.
- (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
- (iii) An individual has a controlling interest in a company if the individual (or the individual acting jointly with other persons by agreement) is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

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

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