THE OFFICE FOR TENANTS AND SOCIAL LANDLORDS (OTSL)

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2012

The Office for Tenants and Social Landlords (OTSL)

Annual Report and Accounts 2011-12

Presented to Parliament pursuant to section 92 of the Housing and Regeneration Act 2008

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CONTENTS

The statutory Annual Report and Accounts for the period 1 April 2011 to 31 March 2012

The Annual Report and Accounts of the Office for Tenants and Social Landlords, the social housing regulator – also known as the Tenant Services Authority (TSA)

Glossary

OTSL Office for Tenants and Social Landlords (the legal name)

TSA Tenant Services Authority (Name by which OTSL was known)

SHR The Social Housing Regulator (What OTSL and TSA are)

CHAIRMAN'S FOREWORD

The Office for Tenants and Social Landlords (OTSL) opened for business on 1 December 2008. Its brief history falls neatly into two halves; before and after the May 2010 General Election. The two halves reflect the strategic approaches of the incoming and outgoing governments to the social housing sector.

The 2008 Housing and Regeneration Act established OTSL, broadening the focus of regulation to incorporate consumer interest alongside the public interest of taxpayers in securing a decent economic and social return on their investment.

OTSL modernised social housing regulation in a number of important respects. New Regulatory Standards were developed which focussed on achieving outcomes and minimising engagement in organisational processes. The new Regulatory Standards apply across the whole social housing domain – housing associations, local authorities and a range of other for profit and not for profit providers. Local standards were introduced to meet the identified needs of residents. These were to be central to the new relationship between housing organisations and their customers. Co-regulation principles were adopted to emphasise the responsibility of Boards and Councillors for organisational leadership, accountability and performance. Excellence in governance was emphasised and the importance of value for money in services and community contribution were reinforced.

The new Standards were launched in April 2010 with extensive buy-in following an unprecedented programme of consultation with registered providers (RPs), tenants and lenders on the new Standards supported by local offers and the promotion of best practice.

All this was achieved while the OTSL continued to ensure the financial viability of housing associations, particularly in securing value for £67bn of private investment at a time of unprecedented financial market turmoil.

After the May 2010 General Election, the Government embarked on a series of reforms including a Review of Social Housing Regulation. The Review proposed a significant shift in emphasis for regulation in line with the Government's localist approach. The national standards and the principle of co-regulation were endorsed along with the importance of securing effective governance of housing associations. Economic regulation exercised independently of government was given prime emphasis. Consumer regulation was to be actioned at local level through the establishment of tenants' panels and the intervention of councillors and MPs if required. The Regulator would have only a backstop role where service failure threatened or caused serious detriment to tenants. The Review also envisaged the transfer of the regulation function from OTSL to the Homes and Communities Agency (HCA) acting through a statutory and independent Regulation Committee.

These changes were incorporated in the Localism Act 2011. A revised standards framework incorporating the Government's principles and the continuity of the strategic approach identified through the Social Housing Regulation Review came into force on 1 April 2012.

Aside from developing and redeveloping the regulatory regime, the OTSL's Board and officers have had two other key priorities.

First, through our concentration on the core role of ensuring the viability of the social housing sector, housing associations came through the prevailing global financial travails remarkably well. There were no casualties. This achievement is largely to the credit of the Boards and officers of housing associations themselves. I make no apology however for acknowledging the role of OTSL in monitoring and resolving problems as they arose, particularly in the area of impairment charges and derivatives.

Secondly, OTSL has slimmed down as part of the Government's public spending cuts. At the start of the 2009/10 financial year, OTSL had 270 staff and a running costs budget of £29.8m. At the end of the 2011/12 financial year it had 171 staff and a budget of £19.5m. In terms of efficiency savings, OTSL consistently exceeded what was asked of it.

From 1 April 2012, under the provisions of the Localism Act 2011, the regulatory functions transferred to a statutory and independent Regulation Committee of the HCA. Social housing regulation will focus on the delivery of good governance and financial viability by RPs with the introduction of a new standard on value for money emphasising this approach.

As OTSL passes the responsibility for regulating the social housing sector to the HCA, we can look back on the last three years with some satisfaction. There were no regulatory failures. The principle of co-regulation is now enshrined. The organisation is leaner and more efficient. But formidable challenges remain. The economic operating environment is difficult and borrowing terms are likely to be more onerous. Preserving adequate cash flow will be paramount. A still publicly subsidised sector will need to demonstrate even better value for money. Tenant panels will need to flourish if tenant interests are to be protected and promoted.

I would like to thank all those stakeholders, fellow Board members, the OTSL Executive and staff who have made the last three years memorable by what we have achieved.

We bow out with best wishes to all concerned!

DIRECTORS' REPORT

Our work

This report covers the final year of OTSL's operations. Its main activities were regulation operations which were planned and managed so as to achieve as far as possible its statutory objectives. As well as maintaining the effectiveness of its routine regulation activities, it undertook substantial programmes of work to revise the regulatory framework for social housing, which became effective from 1 April 2012, while at the same time ensuring that the future responsibility for social housing regulation was successfully transferred to the HCA. In addition, the work undertaken in preparation for the closure of OTSL was completed, and approved by the Board at the end of March 2012.

During 2011/12, OTSL continued to deliver its core operational functions. A full programme of 210 viability reviews was carried out and 52 regulatory judgements were published. Financial health checks were carried out for a further 38 RPs. 200 annual assessments of governance were completed.

The Regulator registered 59 new providers, seven of which are for-profit providers. The Registration Advisory Committee continued to meet throughout the year and all applications were reviewed and considered within the timescales agreed with providers. Issues raised by applications from a range of for-profit providers were considered by the Board and a strategy agreed. Four quarterly surveys were published and a review of the Regulator's data requirements and systems was carried out. This resulted in the introduction of the National Register of Social Housing (NROSH+) to provide a single platform for the collection of regulatory returns from providers, replacing previous data collection arrangements.

As part of its work in 2011/12, the Regulator undertook assessments of the impact of providers' bids on their compliance with its viability standard where they applied to HCA for funding to develop new homes under the Affordable Housing Programme.

The Regulator's focus on governance and viability was strengthened by its engagement across the financial community: with lenders, institutional investors and ratings agencies. It maintained strategic links with organisations that fund social housing, to share knowledge on risks facing the sector and discuss emerging issues. This dialogue helped the Regulator to maintain systemic support for the sector, including encouraging new sources of finance and dealing with issues as they arise. The sector has been able to access the finance it needs to help cope with the credit crunch and subsequent economic downturn and no provider has become unviable despite difficult trading conditions.

The regulatory environment continued to support the attractiveness of private registered providers (PRPs) to lenders despite continuing uncertainties in wider markets. We published the 2011 Global Accounts for private registered providers. These showed improved operating performance and we know that our focus on the financial position of those providers continues to give assurance to investors.

Social housing rents, and how these are set and monitored, are a central public policy concern which is specified in regulatory standards. Regulating the level of rent charged by PRPs helps ensure that the Housing Benefit budget remains focused on those in most need. With the majority of PRP social housing rents paid from Housing Benefit, it is right that government should set the strategic direction for rent policy, within which our regulation is designed to ensure fairness for tenants, fairness for the taxpayer and good value service delivery.

As well as continuing to deliver regulation as specified in the Regulatory Framework published in 2010, a key focus for the Regulator was to implement changes to regulatory arrangements specified in the Localism Act 2011.

These changes include a clear distinction between the Regulator's economic and consumer regulation objectives. Many of the building blocks of the regulatory settlement put in place by the Housing and Regeneration Act 2008 remain in place, but with important changes in the area of what has come to be known as consumer regulation.

The 2011 Act made changes to the arrangements for consumer regulation permitting the Regulator only to act where breaches of consumer standards lead to actual or potential "serious detriment" to tenants. The individuals charged with governance of RPs, whether Board members or councillors are responsible for ensuring compliance with regulatory standards. They are expected to ensure that as many issues between landlords and tenants are resolved at a local level. This requires clear arrangements for landlords to support their tenants to be able to participate in scrutiny and service improvement at the local level.

The Regulator consulted (from November 2011 to February 2012) on revisions to the standards necessary to reflect the statutory reforms in the Localism Act, and to incorporate new directions made by the Secretary of State. The Regulator established this Regulatory Framework as required by the Localism Act, and it became effective from 1 April 2012. This should assist the Regulation Committee of the HCA by providing a framework which ensures that economic regulation adapts to the changing business environment affecting the sector

OTSL was abolished on 1 April 2012 by the Localism Act 2011, with the independence of regulatory functions being maintained by the establishment of a Statutory Regulation Committee within the HCA which, alone, may exercise the powers and duties of the Social Housing Regulator.

Regulatory Judgements of private registered providers

Regulation is undertaken on a risk basis. For all PRPs with more than 1,000 homes, we undertake an annual review of their financial forecasts, business plans and strategy and we meet with the Board and/or the senior management team.

This work is reported in our Regulatory Judgements (RJs) and Viability Reviews (VRs). The VR reports are not published for reasons of commercial confidentiality, although a summary of relevant issues is included in the viability section of the RJ.

RJs are the output from our judgement on compliance with our Governance and Viability Standard. New RJs are published for the largest providers or where our regulatory work indicates a change in judgement grade is required, or where significant structural change has occurred, or for those where we have not reviewed our published assessment for some time.

For those providers assessed at judgement two and below we monitor the specific exposure(s) we have identified to ensure successful outcomes are achieved through effective management of related risks. We may do this through quarterly survey information, or through receipt of regular or ad-hoc information from providers' own performance monitoring processes.

Private registered provider financial performance

The 2011 Global Accounts (which report on accounts filed by PRPs in 2011/12 in respect of information relating to the financial year 2010/11) show that total surplus after tax was £1.1 billion, which was a £0.5 billion increase from the previous year. 80% of this increase was attributable to the stock transfer sub-sector, reflecting the sub-sector's increased age profile.

There was an increase in the number of social homes in management of approximately 90,000. Almost half of these were new social housing completions. Four large stock transfers accounted for around 40,000 new homes. Total debt increased by £2.2 billion and grant by £2.7 billion, continuing the historic partnership between the public, private and third sectors.

The book value of the sector's housing assets continued to grow from £101 billion to £109 billion, supported by £45 billion of private finance and £43 billion grant.

Turnover from social housing lettings rose by £0.4 billion to £10.7 billion. This increase can largely be ascribed to the increase in units. Turnover per social housing unit was unchanged, reflecting the guideline limit for rent increases of minus 0.9% being offset by increases towards target rents and other revenues.

DIRECTORS' REPORT (CONTINUED)

Management and major repair costs per unit fell, contributing to a 3% increase in operating margin. Interest cover including capitalised major repairs and excluding property sales passed 100% (up from 81% in 2009/10). This is a key measure in terms of ability to service interest costs.

2010/11 saw an improvement in operating performance, with the operating margin increasing from 18% to 21%. This improvement was particularly concentrated in the stock transfer sub-sector, where the operating margin rose to 23% reflecting the sub-sector's increasing age profile and one-off credits regarding future pension liabilities being linked to CPI inflation. Improvement in the traditional sub-sector's operating margin was not as pronounced. Capitalised major repairs remained largely unchanged at around £1.25 billion.

For the second consecutive year, operating costs per unit decreased in real terms, particularly in major repairs. In part this is due to progress towards meeting the Decent Homes Standard, but will also reflect the efforts put into controlling costs and achieving efficiencies as the sector sought to mitigate the effects of the guideline limit on rent increases.

Surpluses from property sales remained, for the third consecutive year, at around half the level seen at the peak in 2007/08. Surpluses on fixed asset disposals were £320m (£347m in 2009/10).

Effective interest rates have remained low at 5.0%, slightly lower than the previous year (5.1%) as the historic low interest rate environment continued.

Use of regulatory powers – consents

In 2011/12, we issued a total of 174 constitutional consents comprising 97 changes to constitutions, 21 transfers of engagements, 32 individual consents (for eleven amalgamations), five conversions from companies to Industrial and Provident Act Societies, nine charitable conversions and one dissolution.

Our powers also provide for control over disposals of property. The property disposals of PRPs are subject to our consents framework. We aim to make this as straightforward as possible by providing a general consent, enabling a wide range of property transactions to go forward without our intervention.

Some transactions require us to review what landlords want to do. We have obligations to protect tenants and to make sure that property is not disposed of improperly. Many homes in the sector have received public funding and also form part of the asset base on which private lenders invest. This makes it important for us to review certain types of transactions.

In the year we issued 1,884 specific consents. Of these, 346 enabled private finance to be secured against social housing, bringing in investment to support landlords' investment in new homes and local communities. We issued 289 consents under s133 of the Housing Act 1988. We also commented on 60 specific consents issued by the Department for Communities and Local Government (DCLG) relating to stock owned by RPs that are local authorities.

Use of powers – registration

We aim to work supportively with applicants for registration while ensuring that they are viable, properly managed and on track to meet our standards. We attract applications from a wide range of organisations including development companies, stock transfer landlords, supported housing providers, Arms-Length Management Organisations (ALMOs), lettings companies and Community Land Trusts.

For the year 1 April 2011 to 31 March 2012, we have registered 59 providers (including two stock transfer landlords and four ALMOs becoming landlords in their own right). Seven providers have been registered as profit-making organisations. Of these, one has 24 units, one 70 units and the remaining are intending providers. At the end of the year, the total number of RPs were 1,787, including 189 local authorities.

The new framework enables registered providers to be the subsidiaries of unregistered parents, provided that there are effective mechanisms in place to ensure that the registered provider's regulatory compliance cannot be prejudiced by the activities or influence of the unregistered parent. Four of the providers registered since 1 April 2011 have unregistered parents.

Use of regulatory powers – intervention and enforcement

During 2011/12 there were nine providers where we had significant regulatory concerns, of which five had over 10,000 homes and three had between 1,000 and 10,000 homes. We used statutory powers to make Board appointments in one of these cases.

There were three voluntary undertakings made by the providers under Section 125 of the Housing and Regeneration Act 2008, all of which have now been discharged.

Our focus on risk-based regulation means that we take an informed view about the potential impact of emerging problems, and tailor our intervention accordingly. This has led to a considerable body of work undertaken at an earlier stage with a total of 39 cases at various stages of review over the year. Overall, our early identification and management of sector-wide risks has assisted providers to take action to avoid damaging outcomes.

A significant proportion of our work related to allegations, including whistleblowing, and complaints made to us during the year and many of these cases required a considerable amount of resource. Where it is reasonable, these cases are resolved through agreeing improvement measures proposed and implemented by providers themselves. We have, so far, not used our statutory enforcement powers on new cases. However, it is clear that in working up resolution strategies for new cases the existence of these powers acts as an incentive for self-improvement.

While concerns about governance and viability accounted for the majority of casework, in April 2011 there were a substantial number of cases that were derived from the consumer standards, including both local authority and housing association providers. The majority of these cases were related to action plans agreed in response to Audit Commission inspections or following up provider's own self- improvement plans. All consumer regulation cases were resolved during the course of the year.

Complaints about registered providers – 1 April 2011-31 March 2012

For the year 1 April 2011 to 31 March 2012, we logged a total of 1,095 complaints about RPs. The biggest single category of complaint was in relation to repairs and maintenance, which accounted for 33% of the complaints received. The majority of complaints, around 86%, were referred to the provider or Ombudsman for resolution. In about 2% of cases we decided that the complaint raised an issue of regulatory concern.

Complaint category	Number of complaints
Allocations	64
Anti-social behaviour	105
Complaint handling	56
Estate services	39
Governance/management	44
Home ownership	36
Not given	14
Occupancy rights	59
Other	60
Rents/service charges	156
Repairs and maintenance	358
Staff	53
Tenant Involvement & Empowerment Standard	51
Total	**1,095**

DIRECTORS' REPORT (CONTINUED)

Outcome of complaints about registered providers – 1 April 2011-31 March 2012

Housing Ombudsman Service (HOS) – the complainant has completed the housing association's complaints process and has been signposted to the Housing Ombudsman	71
LGO – the complainant has completed the local authority's complaints process and has been signposted to the Local Government Ombudsman	10
RP/Omb – advised to follow RP's complaints process and then relevant Ombudsman	863
Regulation Operations – RP/Omb – referred to regulation operations staff and they have advised there are no regulatory concerns and tenant must go through RP complaints process and then Ombudsman	3
RP/legal (no recourse to HOS) – resident is a homeowner or private tenant complaining about an RP but do not have recourse to the Ombudsman's (non tenants/homeowners within RP's area). Advised to contact RP or seek own legal advice	77
Regulation Operations – Follow up with RP – referred to regulation operations and they are following up with the RP	19
Allegation/Whistleblowing – originally logged as complaint but with receipt of further info and advice from Regulatory Engagement staff deemed to be 'Allegations or Whistle Blowing' and dealt with in accordance with allegation/whistleblowing procedures	4
Other	48
Total	1,095

Complaints about us

People complain to us when we fail to deliver the service they can properly expect. We want our complaints procedure to be as open and effective as possible so that matters of concern to tenants and other stakeholders can be identified and dealt with quickly.

Our complaints procedure consists of the following stages:

- Stage one complaints are investigated by our customer services team in conjunction with the relevant officer,
- Stage two complaints are investigated by the Information and Complaints Policy Manager and are signed off by the Chief Executive, and
- Stage three complaints are investigated by our External Complaints Reviewer (ECR) (NB OTSL entered into a new contract for an ECR in June 2011)

If complainants are dissatisfied with the way in which their complaints have been handled under OTSL's complaints procedures they can ask a Member of Parliament to request that the Parliamentary and Health Service Ombudsman (PHSO) conduct an independent review of how the matter was handled.

Complaints about us – 1 April to 31 March 2012

Complaints stage	Total of complaints	No of complainants
Stage one	9	7
Stage two	25	6
Stage three	1	1

The PHSO are currently investigating 2 complaints about OTSL.

Freedom of Information

We think it is better to make our information easily accessible so that people do not have to ask to find out what they need to know. We publish information in accordance with the Information Commissioner's publication scheme requirements and the Government's transparency agenda. But sometimes when more is needed, tenants and other stakeholders make use of the Freedom of Information legislation.

Freedom of Information requests and outcomes – 1 April to 31 March 2012

Total of requests	Number of requesters	Full disclosure	Partial disclosure	Withheld	Information not held by OTSL	Request not reasonable
145	50	88	13	5	39	0

The Information Commissioner's Office issued a Decision Notice in favour of OTSL in February 2012.

MANAGEMENT COMMENTARY

Continuing cost effective regulation

Our objective is to ensure that regulation of providers is good value to the taxpayer. During the year, we continued to build on the work that was started in 2009/10 to improve our efficiency. We have become more open about our operations and spending, so that taxpayers and other stakeholders can see what we spend and what we provide. We are determined that our costs should stand up to scrutiny. We publish details on a monthly basis of all expenditure incurred over £500; and half yearly of all expenses claimed by Board members and our senior managers. While we have worked towards a successful closure and transition throughout the year, we have continued to manage our business in an efficient and economic manner. We have continued to seek efficiency gains through value for money work, as we were determined to hand to HCA a regulation function that is fit for purpose and is accountable for what it spends.

Since our establishment we have reduced our resource requirements year on year starting from £35m in 2009/10 falling to £16.7m in the current year. Within our Administration Plan which covers the period 2011/12 to 2014/15 we were asked to make further reductions while continuing to deliver the statutory objectives of regulation. By 2014/15 we have to reduce our running cost resources to £15.9 million. During the year, we worked with HCA to produce a balanced budget for the new Agency through further efficiency gains and undertaking our final phase of restructuring. This has enabled two targets to be met. Firstly we were able to deliver the support required to meet our changing role to focus principally on economic regulation. Secondly we have delivered a balanced budget to enable HCA to deliver the social housing regulation function from April 2012 for the remainder of the spending review period.

In order to have sufficient assurance over both the closure of OTSL and transition of the regulation function to HCA we set up a project board jointly with HCA to oversee the work. The group comprised staff from OTSL, HCA and DCLG. Although not decision making in its own right, progress was reported to both organisations' Boards. There were 12 workstreams reporting to the group covering all aspects of closure and transition. One of the workstreams was responsible for overall due diligence. Another was responsible for the closure of OTSL in order to provide the necessary assurances to HCA in relation to the regulation function transferring to it. The benefits of this process included the establishment of a master contracts register for joint contract management with HCA, and the opportunity to ensure that our procurement procedures were aligned and updated in line with government spending controls.

Our responsibility to the environment and sustainability reporting

We continued to take environmental issues very seriously. Targets that support a reduction in energy, waste and travel are in place and monitored monthly. At the date of this report, we have met all our targets. Management have considered the requirement to produce a Sustainability Report in accordance with the Greening Government Commitments (GGC) and HMT Guidance on Sustainability Reporting in 2011-12. Management have taken advantage of the exemptions conveyed by HMT and are satisfied that this additional disclosure is not required, by virtue of OTSL's size, as it has less than 250 employees and occupies less than 1000sq metres of office space.

Our people

At the end of March 2012 we employed 171 staff. Of these, 58% were women and 17% were from a black or minority ethnic (BM&E) background. 44% of managers were female and 7% were from a BME background. 7% of staff indicated they have a disability under the terms of the Disability Discrimination Act. These statistics are monitored and reviewed regularly.

MANAGEMENT COMMENTARY (CONTINUED)

Headcount has been controlled throughout the year, during which period OTSL was subject to the central Government recruitment freeze. There was further restructuring in 2011 as we met spending targets, reorganised in preparation for the new regulatory framework and prepared for the transfer of regulatory activities into the HCA. During the year April 2011 to March 2012, 25 staff left due to voluntary redundancy; a further 18 staff were still employed but under notice of voluntary redundancy at the end of March; and two members of staff left due to compulsory redundancy. This is reflected in the annual staff turnover figure which was 25%. The turnover figure excluding redundancy was 4.4%.

Sickness absence information is reported regularly to the Executive team and to our Board. During 2011-12, sickness absence averaged 3.7 days per person. This compares well to the public sector average of 9.1 days (figures from the CIPD Absence Survey published in October 2011).

We are committed to openness about any loss of personal data as part of the Government commitment to transparency in information risk management, published by the Cabinet Office on 17 December 2007. No reportable incidents occurred in the year to 31 March 2012, nor had any arisen between then and the date of signing the financial statements.

Financial performance

The Statement of Comprehensive Net Expenditure, on page 35, shows that we have spent £16.661 million (2011: £12.555 million) in year. Greater detail can be found in the notes to the financial statements.

The Statement of Financial Position, on page 36, at 31 March shows net liabilities of £47.297million (2011: £34.916 million).

OTSL has adopted a 'going concern' position as explained in note 1 to the financial statements on page 41.

OTSL is an admitted body to the City of Westminster Pension Fund. The liabilities of the fund represent the share of the Housing Corporation's liabilities that were attributable to the staff transferring to OTSL from the Housing Corporation, and those staff joining OTSL since its establishment. This actuarial loss has been charged to the Statement of Other Comprehensive Expenditure and is also disclosed in the Statement of Changes in Taxpayer's Equity.

The pension deficit reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the OTSL's other sources of income, may only be met by future grants or Grant-in-Aid from the OTSL's sponsoring department, DCLG. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need. The funds to meet the forecast increase in employer's pension contributions in future years have been included within the HCA's budget for 2012/13 and in the forecasts for the period to 2014/15. The employers' contribution rate for the year was 10.8%. A full disclosure of the pension scheme performance is contained in note 7 to the financial statements on page 49.

A revaluation of the pension fund was triggered by the closure of OTSL in advance of the normal triennial valuation, which will occur on 31 March 2013. In light of the result of this valuation, a significant increase in the deficit was recorded by the fund and in order to reduce the deficit in line with industry standards DCLG approved a payment of £32.4m into the fund. This closed the gap between the assets and liabilities of the OTSL funded scheme to £11.79m with assets now 89% of liabilities which is in line with industry recommendations that funds should be at least 80% funded. Further detail appears at note 7 to the financial statements.

At the end of the financial year, OTSL held cash balances of £2.265 million (note 14 to the financial statements). £1.9m is represented by the specific reserve held by OTSL.

DCLG pays Grant-in-Aid based on the estimates the OTSL makes for its immediate requirements. Grant-in-Aid is transferred from DCLG on a fortnightly basis to fund the OTSL's administration and capital costs.

OTSL manages one remaining loan which is funded from cash drawn down from DCLG. The loan is secured on property and all annuity repayments are made when they became due. Details of our loan transactions in the year are disclosed in note 12 to the financial statements. A number of loans were repaid during the early part of the year.

Disclosures regarding financial instruments can be found at note 17 to the financial statements.

OTSL invested £501,000 in intangible assets representing the developments required to enable NROSH+ to be a data collection system, to meet the requirements of the new Regulatory Framework and economic regulation. The value of intangible assets within the Statement of Financial Position is £903,000 at 31 March. In readiness for the transfer to HCA, a review of all OTSLs fixed assets was undertaken. A disposal programme was undertaken of assets that were no longer required but of some value to third parties. There were also a number of software developments which were written off as these were capitalised as intangible assets which no longer were of economic use and therefore obsolete. The total value of non-current assets transferred by OTSL to HCA is disclosed in notes 9 and 10 to the financial statements.

With OTSL closing on 31 March 2012 as a consequence of Machinery of Government changes, its functions and responsibilities have transferred to both HCA and DCLG. This has the impact of all liabilities and assets transferring to the respective organisations on 1 April 2012. Note 16 to the financial statements sets out the impact of this change.

As part of the wider shared services agenda across government, we joined the DCLG/Steria ICT contract during the year. This greatly reduced our ICT running costs. The costs were met from efficiencies released through the value for money programme during 2010/11. In readiness for the transfer to HCA arrangements were made to migrate to the HCA ICT which occurred during March 2012. The costs of the migration appear in the HCA 2011/12 annual accounts.

We extended the outsourced contract for internal audit services to the end of March 2012. This arrangement provided the benefits of a wider knowledge base and new skills. This supported scrutiny and improvements to our internal controls, providing the Accounting Officer with a high degree of assurance when signing off the Governance Statement contained within this report.

OTSL's accounts and financial transactions are audited by the National Audit Office (NAO). This is a statutory appointment under the Housing and Regeneration Act 2008. During the financial year, the NAO undertook value for money work which assessed the effectiveness of the HCA and OTSL in the introduction of the new Affordable Homes Programme. The final report will not be presented to Parliament until the summer of 2012. OTSL made no payment for this work.

We understand the costs to business of late payments, and we support compliance with the public sector payment policy.

It is OTSL'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

MANAGEMENT COMMENTARY (CONTINUED)

We aimed to pay all undisputed invoices within 30 days of receipt and that at least 90% of all invoices should be within this target. We did not achieve this in 2011-12 as only 85% of invoices were paid within this timescale. As a regulator of small businesses, we know the importance of cash flow and so we support making payments to small businesses within ten working days where applicable. There were no late payment penalties incurred

Declaration to the Auditor

As of the date of approval of this Annual Report and Accounts,

- so far as the Accounting Officer is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the OTSL's auditors are unaware, and
- the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the OTSL's auditors are aware of such information.

Pat Ritchie
Accounting Officer
21 June 2012

REMUNERATION REPORT

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

The Remuneration Committee met twice during the year and was chaired by Anthony Mayer. The Committee comprised all Board members except Claer Lloyd-Jones.

The Remuneration Committee advises the Accounting Officer on the remuneration, contractual and OTSL pension scheme arrangements for the Executive team. The Committee provides an independent perspective of the market pressures governing pay, specific recruitment and retention sensitivities. It considers and reviews, when necessary, OTSL's policy on senior staff remuneration, conditions of service, benefits and compensation commitments on early termination of contracts. It makes recommendations to DCLG on the performance criteria in respect of the Accounting Officer's bonuses.

In accordance with chapter six of the Companies Act 2006, the following sections of the report have been audited: individual remuneration of the Executive team, the emoluments of the Board members and the disclosures, and notes relating to pensions.

Service contracts

The OTSL Accounting Officer and Directors and other senior managers have open-ended service contracts that do not contain any predetermined compensation on termination of office. There is a contractual redundancy policy which was agreed with senior staff representatives by OTSL's predecessor body, which applies to all OTSL staff.

Individual remuneration for the year ended 31 March

The key managers of OTSL comprise the Accounting Officer, who is also a Board member, and Directors and Deputy Directors. All senior managers have consented to the following disclosures relating to their emoluments and accrued pension entitlement.

Information included within the comparative figures includes details of senior managers who were employed by OTSL but left during 2010/11. The costs included within this table appear at note 4 to the financial statements.

REMUNERATION REPORT (CONTINUED)

	Salary		Bonus		Employer's pension fund contributions		Total	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Chief Executive and Accounting Officer								
Peter Marsh up to 30 November 2010	-	146,917	-	11,550	-	12,690	-	171,157
Managing Director and Accounting Officer								
Claer Lloyd-Jones from 1 December 2010 (a)	**127,000**	42,333	**11,250**	12,500	**13,462**	4,487	**151,712**	59,320
Director Members of the Executive Team								
Claer Lloyd-Jones Executive Director, Corporate Services, to 30 November 2010	-	84,666	-	-	-	8,974	-	93,640
Clare Miller Executive Director, Risk and Assurance to 1 June 2010	-	32,828	**-**	-	-	3,128	-	35,956
Matthew Bailes Director of Regulation From 1 March 2011	**95,000**	-	-	-	**23,085**	-	**118,085**	-
Richard Moriarty Executive Director Market Development To 17 December 2010	-	80,729	**-**	-	-	9,938	-	90,667
Jonathan Walters Director of Analytical Services and Quality Assurance from 30 September to 31 December 2010, Deputy Director, Regulatory Operations from 1 January 2011	**100,000**	50,000		-	**10,600**	5,480	**110,600**	55,480
Phil Morgan Executive Director Tenant Services From 1 January 2009 to 14 May 2010	-	41,832	**-**	-	-	1,282	-	43,114
Andrew Dench Deputy Director, Regulatory Framework and Strategy from 1 January 2011	**82,830**	21,568	**-**	-	**9,080**	2,429	**91,910**	23,997

a) Only the Accounting Officer maintains an entitlement to a performance related payment. A payment for 2010/11 of £9,413 (7.5%) was approved by DCLG although £12,500 (9.8%) was recommended and accrued for within the accounts. No payment for the period to 31 March 2012 has been made. A recommendation for a bonus of £11,250 for the financial year ending March 2012 has been submitted to DCLG. This has been accrued for and appears in the above table and at Note 4 to the financial statements.

b) Following the Secretary of State's announcement that OTSL would cease to exist from 31 March 2012, and all staff TUPE transfer to the HCA with effect from 1 April 2012; it was agreed that the post of Managing Director would not transfer and that the post should be deleted from the establishment from that date. Claer Lloyd-Jones was therefore subject to redundancy and agreed to accept a redundancy payment of £47,675 together with enhanced pension contributions of £148,568. As part of the transfer to HCA, all staff who were transferring had the right to a redeployment period of 6 months. Claer Lloyd-Jones gave up this right in return for 6 months pay in lieu of notice amounting to £63,500. At her point of leaving Claer Lloyd-Jones had outstanding annual leave which was bought out to the value of £2,405. These payments were in addition to her remuneration for the year.

c) Matthew Bailes was appointed Director of Regulation on a secondment from DCLG on 1 March 2011 to provide senior support leading up to the closure of OTSL and transition of its regulation function to the reformed HCA. The appointment is to 31 December 2013. DCLG are reimbursed for the costs of this arrangement, which for the year ending 31 March 2012 was £153,638. This included his salary which appears in the above table together with directly related overheads.

d) Other senior managers attended the Executive in an advisory capacity whose pay costs are included in note 4 to the financial statements.

e) The median remuneration of all staff (including secondees) excluding the CEO (who is the highest paid member of staff) is £46,286. The ratio between this and the highest paid member of staff is 2.74.

f) The variation in costs for both Jonathan Walters and Andrew Dench between years is explained by the fact they were only Executive team members for 6 and 3 months respectively in 2010/11.

Key managers' pension entitlements

The Managing Director and Accounting Officer and Directors are ordinary members of the staff pension scheme, which has HMRC approval and is a statutory scheme (see note 7 to the financial statements). Employer contributions are at the rate recommended by actuaries and applicable for all members. OTSL 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 1/60th of pensionable salary for each year of service.

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The accrued annual pension and CETV shown on page 18 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 other schemes, which the Directors have transferred to OTSL's pension scheme.

REMUNERATION REPORT (CONTINUED)

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 and 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 2012	Total accrued related lump sum 31 March 2012	Cash equivalent transfer value at 31 March 2011	Cash equivalent transfer value at 31 March 2012	Real increase in CETV after adjustment for inflation, market conditions & employee contributions
	£	£	£	£	£	£	£
Claer Lloyd-Jones	2,400	(2,314)	31,447	74,752	538,064	500,513	(75,056)
Jonathan Walters	917	(1,482)	16,175	28,510	129,163	156,753	13,373
Andrew Dench	1,898	(1,227)	15,535	29,338	154,993	173,472	3,949

A rate of inflation of 5.2% (CPI) (2011: 3.1%) has been applied in calculating the annual increase of accrued pension and CETV. The OTSL's pension liabilities are disclosed in detail at note 7 to the financial statements. The deficit on the funded scheme amounted to £11.79 million at 31 March 2012.

Board members' appointments and remuneration

Board Members are appointed by the Secretary of State in accordance with sections 82 and 83 of the Housing and Regeneration Act 2008. The length of appointment can be for no more than five years, with OTSL appointments being up to four years with the possibility of an extension. The holder of the office of Managing Director and Accounting Officer was also a Board member. With the exception of the Managing Director and Accounting Officer, Board members' emoluments are determined by the Secretary of State. All Board members emoluments were paid by the OTSL and appear in staff costs included at note 4 to the accounts. Board members' were appointed prior to 1 December 2008 as part of the process of transferring functions from the Housing Corporation to OTSL and to enable a smooth transition.

The DCLG's Permanent Secretary determines the Managing Director and Accounting Officer's remuneration after discussion with Treasury and the OTSL. 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 21 to the financial statements.

Board members' emoluments

The fees of the Board members of OTSL during the year were as shown on page 19. 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 four years except for those Board members transferring from the Housing Corporation and English Partnerships where the appointments were for three years. The holder of the posts of Chief Executive and

Managing Director and Accounting Officer were also Board members. The remunerations of Peter Marsh and Claer Lloyd-Jones are disclosed on page 16.

	Date of first Appointment	Appointment lapsed	2012 £	2011 £
Anthony Mayer Chairman	1 May 2008	31 March 2012	81,104	85,000
Julian Ashby Deputy Chairman	1 October 2008	31 March 2012	32,500	32,500
Jim Coulter	1 October 2008	31 March 2012	13,000	13,000
Sheila Drew Smith	1 October 2008	31 March 2012	13,000	13,000
Julie Fawcett	1 October 2008	31 March 2012	13,000	13,000
Donald Hoodless	1 October 2008	31 March 2012	19,500	19,500
Pauleen Lane (c)	1 October 2008	30 Sept 2011	6,500	13,000
Dennis Rees	1 October 2008	31 March 2012	13,000	13,000
Ranjit Sondhi	6 May 2009	31 March 2012	13,000	13,000
Peter Letley (b)	6 May 2009	Resigned July 2010	-	6,500
Total remuneration			204,604	221,500
Social security costs			19,945	21,329

(a) All Board members' salaries are paid by OTSL

(b) Peter Letley resigned in 2010 and was not replaced

(c) Pauleen Lane was not replaced when her appointment lapsed

Any significant interests held by Board members can be viewed via the register of interests, which is open to the public on our website: www.tenantservicesauthority.org

Board members' time commitment

The Chairman has a contracted time commitment of two days a week. The agreed time commitment of other Board members is two days a month, except for Julian Ashby whose time commitment is five days a month to reflect his role as Deputy Chairman, and Donald Hoodless whose time commitment is three days per month to include his ARC Chairmanship duties. The post of Managing Director and Accounting Officer is full-time.

Chairman's pension entitlements

Under the exercise of powers contained in schedule 6 to the Housing Associations Act 1985, the Secretary of State can, with HMT approval, extend membership of a pension scheme to the Chairman only. However, Mr Mayer, the OTSL Chairman, has not applied to join the scheme. The pension scheme is similar to the Local Government Pension Scheme; however, there are no employer contributions. All past Chairs of the Housing Corporation apart from Sir Peter Dixon have their pensions paid by DCLG. Sir Peter Dixon's pension emoluments paid in the year were £4,801 which are included in note 7 to the financial statements.

REMUNERATION REPORT (CONTINUED)

Capitalised value of accrued pension benefits

The scheme is unfunded, with benefits being paid as they fall due and guaranteed by the employer (DCLG) and, therefore, there is no surplus or deficit. Members do, however, make a contribution at the rate of six per cent of gross salary. Pensions are currently being paid for four ex-Chairs.

The main assumptions used for the purposes of IAS 19 are as follows:

	2012	2011	2010
Rate of inflation*	2.00%	2.65%	2.75%
Rate of increase in salaries	4.25%	4.90%	4.29%
Rate of increase for pensions in payment and deferred pensions	2.00%	2.65%	2.75%
Discount rate for scheme liabilities	4.85%	5.60%	4.60%

*Rate of inflation is based on the consumer's prices index for 2011/12 and 2010/11 but for 2009/10 was based on the retail prices index. The scheme liability is £91,000 at 31 March 2012 an increase of £4,000 over the year.

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 Association's 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.

The Managing Director'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 OTSL's Chairman and DCLG's Permanent Secretary.

Pat Ritchie
Accounting Officer
21 June 2012

Robert Napier
Chairman
21 June 2012

STATEMENT OF THE BOARD AND ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Housing and Regeneration Act 2008 the Board 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 which are prepared on an accruals basis must show a true and fair view of the OTSL's state of affairs at the year end and of its net expenditure and cash flows for that financial year.

In preparing the accounts, the Board and the Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis,
- make judgments and estimates on a reasonable basis,
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts, and
- prepare the accounts on the going concern basis unless this is no longer appropriate.

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

The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum and Managing Public Money.

GOVERNANCE STATEMENT

Accountability

OTSL was responsible for ensuring that its business was conducted in accordance with law and proper standards and that public money was safeguarded, properly accounted for, and used economically, efficiently and effectively. OTSL was an executive Non-Departmental Public Body accountable to the Secretary of State for DCLG. The Housing and Regeneration Act 2008 set the statutory framework for what OTSL was and what it did. The Act includes explicit powers to set standards for the provision of social housing, particularly around tenant involvement and empowerment; quality of accommodation, repairs and maintenance, allocations, rents and tenure; neighbourhood management, local areas co-operation and anti- social behaviour; value for money and governance and financial viability. The arrangements for regulation of social housing and the extent of powers the regulator will have in future are amended by the Localism Act 2011. On 1 April 2012, the Social Housing Regulator became part of the HCA with its functions being exercised by an independent Regulation Committee. Much of OTSL's work during the year was focused on its closure and the transfer of the Regulation Function to the HCA. The transfer was directed under the Localism Act 2011. The Governance Statement, therefore, focuses on this work as well as those assurances that needed to be in place to continue to provide the core services of regulating the social housing sector.

To the extent that it is deemed relevant and practical OTSL has followed the Code requirements. It should be noted that with OTSL closing on 31 March 2012 the governance arrangements for the approving of the Annual Report passed to HCA, whose Board approved the Annual Report and Accounts at their meeting of 21 June 2012. They gained satisfactory assurance following confirmation from the OTSL Board and Accounting Officer that OTSL had in place the necessary governance arrangements and systems of internal controls for the 12 months to 31 March 2012.

With OTSL's closure on 31 March 2012 and the transfer of its operations to HCA with effect from 1 April 2012, I, the Accounting Officer for HCA, accepted responsibility for ensuring its annual systems of internal controls and governance arrangements were effective from April 2011 to the date of signing of the 2011-12 financial statements. In order for me to be able to give that assurance, I received a Governance Statement and supporting documentation approved by the OTSL Board and signed by the OTSL Accounting Officer (referred to in the paragraph above) as well as an assurance letter signed by OTSL's Accounting Officer upon her departure in March 2012 confirming the effectiveness of the systems of internal control and governance arrangement throughout the period.

On the basis of the assurances outlined above and my knowledge of OTSL's affairs since its transfer to HCA, I am able to take personal responsibility for this statement thus providing the necessary assurances that the systems of internal control and governance arrangements were in place throughout the year and up to the date of approval of the Annual Report and Accounts. As set out in 'Managing Public Money' the role of the Accounting Officer is to manage and control the resources used in an organisation while at the same time ensuring that corporate governance and risk management are adequate to ensure this and that there are no shortcomings in this process. I am glad to be able to give assurances as to the robustness of the regulator's systems providing these assurances.

The framework document issued by DCLG gives details of the legislative and accounting framework and the responsibilities and accountabilities of OTSL. This document is available both on the DCLG and OTSL websites.

OTSL was accountable through DCLG to Ministers and to Parliament. The NAO, the OTSL's statutory auditors, has full rights of inspection and the OTSL's Accounting Officer could have been called upon to appear before the Public Accounts Committee. OTSL may be called to give evidence before any of Parliament's Select Committees.

Board vacancies were advertised nationally and members were appointed by the Secretary of State under section 82 of the Housing and Regeneration Act 2008 and in accordance with the code of practice issued by the Commissioner for Public Appointments.

This Governance Statement explains how OTSL applied the main principles of Section 1 of the UK Combined Code on Corporate Governance 2010 (''the Code"). The Board was committed to strong governance and, during the year, OTSL complied with all the provisions of the Code except that:

- Board appointments were made by the Secretary of State, and OTSL did not have a Nomination Committee,
- all Board members, except the Managing Director, are non-executive, and the Board had not appointed a senior independent Director, and
- Board members, other than the Managing Director, did not receive performance-related payments.

The purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values, for the direction and control of OTSL and its activities. It enabled OTSL to monitor the achievement of its strategic outcomes and objectives and to consider whether these objectives have been supported through the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level and does not provide absolute assurances of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks:

- of the likelihood of OTSL's policies not being achieved,
- to evaluate the likelihood and impact of the risks OTSL faced being realised, and
- to manage these risks efficiently, effectively and economically.

The elements of the Governance Framework identified in the Combined Code have been in place for the year to 31 March 2012 (the date OTSL closed), and continued up to the date of approval of the Annual Report and Accounts.

The Board had responsibility for the arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, OTSL was responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which included arrangements for the management of risk. In relation to the closure of OTSL and transfer of the regulatory function to HCA, a change management group was formed, which comprised of senior OTSL staff.

At the same time OTSL worked in partnership with HCA and a Joint Organisational Integration Programme Steering Group was formed. This group met monthly with fortnightly updates from the workstream leaders. The closure activity was the sole responsibility of OTSL. The HCA had a vested interest in ensuring that this was managed effectively as the receiving body.

GOVERNANCE STATEMENT (CONTINUED)

The Framework

The Role of the Board

The Board comprised a Chairman, a Deputy Chairman, eight non-executive members and the Managing Director who, with the Secretary of State's approval, was appointed by the Board. The Managing Director, who was also the Accounting Officer, was responsible for the day-to-day running of OTSL. OTSL had a Governance Manual which included the Code of Conduct. The manual is consistent with guidance on the Codes of Practice for Board members of Public Bodies published by the Cabinet Office. It also included guidance on the acceptance of gifts and hospitality, as well as information about the Board, its Committees and policies of specific relevance to the Board. It included the scheme of delegation which was reviewed regularly by the Board.

Ordinary meetings of the full Board took place nine times during the year. In its spirit of openness and transparency, all OTSL Board meetings were open to the public, except for the deliberation of restricted items.

The Board's responsibilities included:

- ensuring that the OTSL complied with all relevant statutory or administrative requirements for the use of public funds,
- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State,
- ensuring that high standards of corporate governance were observed at all times,
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets set out in the corporate plan,
- ensuring that, in reaching decisions, the Board had taken into account guidance issued by DCLG and the framework document,
- discharging OTSL's statutory functions,
- ensuring that it operates within the limits of its statutory and delegated authority as agreed with DCLG and in accordance with the framework document,
- representing the social housing regulator in public, promoting its interests and communicating its aims to external stakeholders,
- setting internal policy on risk and internal control as well as having responsibility for determining its strategic direction and providing oversight of risk management, and
- ensuring OTSL's activities conformed to legislative requirements and fulfilling the collective responsibility of the Board for the conduct of OTSL's business and ensuring that OTSL achieved maximum value for money from its administrative expenditure.

A Board effectiveness review was conducted in June 2011. This effectiveness questionnaire asked Board members to rate the Board's overall performance against each of the criteria for the six core principles of good governance. The Board also completed a self-assessment form rating their own performance against these six criteria. The conclusions from the review were then compared with the effectiveness review carried out in 2010. Overall ratings against the six core principles of good governance have shifted further into 'meets' and 'exceeds' expectations, and where this shift has not taken place this can be explained by recent changes to the context in which the Board operates.

The Board appointed two committees, the Remuneration Committee and the Audit and Risk Committee, consisting of Board members and advised by the Executive, Directors and Senior Officers. The minutes of each Committee were reported formally in writing to the Board. All Committees took decisions in their own right subject to the delegated powers within the scheme of delegation. A summary of the Committees and Board members involved is provided below.

OTSL's Board members with their attendance records for the year of account were:

Board Members	Board Meetings with attendance record									Audit and Risk Committee (ARC) with attendance record						
	Apr	May	July	Sept	Oct	Dec	Jan	Feb	Mar	June	July	Sept	Nov	Jan	Feb	Mar
Julian Ashby B (Deputy Chairman) (Resigned ARC membership 31 October)	1	1	1	1	1	1	1	1	1	1	1	1				
Jim Coulter B	1	1	1	1	1	1	1	1	1	1	1	1	1	1	x	1
Sheila Drew Smith B	x	1	1	1	1	1	1	1	x	1	1	x	1	1	1	1
Julie Fawcett A	1	1	1	1	1	1	1	1	x							
Donald Hoodless B	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Pauleen Lane (to 30 September) B	x	1	1	1						1	1	1				
Claer Lloyd-Jones B	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Anthony Mayer A (Chairman)	1	1	1	1	1	1	1	1	1							
Dennis Rees A	1	1	1	1	1	1	1	1	x							
Ranjit Sondhi B (ARC member from 1 November)	x	1	1	1	1	1	1	1	1				1	1	1	1

Key:
A Board member only
B Board member and ARC member
1 attended
x nonattendance with apologies

Details of Board members emoluments are disclosed in the remuneration report above.

Under the Housing and Regeneration Act 2008, the Board 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 Her Majesty's Treasury (HMT). The accounts are prepared on an accruals basis and must show a true and fair view of OTSL's state of affairs and of its net expenditure and cash flows for that financial year.

In preparing the accounts the Board and the Accounting Officer are required to comply with the requirement of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;

GOVERNANCE STATEMENT (CONTINUED)

- state whether applicable, accounting standards as set out in the Government Financial Reporting Manual have been followed; disclose, and explain any material departures in the accounts, and
- prepare the accounts on a going concern basis unless this is no longer appropriate.

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

Audit and Risk Committee – seven meetings in the year (Chair, Donald Hoodless)

Committee Members: Julian Ashby (to 31 October 2011), Jim Coulter (31 March 2012), Sheila Drew Smith (31 March 2012), Ranjit Sondhi (from 1 November 2011 to 31 March 2012) and Pauleen Lane (to 30 September 2011). Claer Lloyd-Jones attended as Accounting Officer (to 31 March 2012).

The Audit and Risk Committee (ARC) was responsible for ensuring that OTSL had comprehensive and reliable assurances for the framework of risk management, control and governance. It carried out a review of the OTSL's Annual Accounts and the matters raised by the external auditors in their management letter.

Other issues that the ARC considered and advised the Board on include:

- the strategic processes and policies for risk, control, corporate governance and the content of the Governance Statement,
- assurances relating to the adequacy and effectiveness of risk control and governance processes,
- the promotion, co-ordination and monitoring of risk management activities, including the regular review and input to the corporate risk profile,
- the internal audit annual plan, the internal audit reports and the implementation of audit recommendations, and
- overseeing the closure of TSA

OTSL's Head of Internal Audit and the Audit Director of the NAO (the OTSL's external auditors) had free and confidential access to the Chair of the ARC and attended ARC meetings. All internal audit reports were addressed to the ARC.

Remuneration Committee – two meetings during the year (Chair, Anthony Mayer)

The Committee comprised all Board Members except the Managing Director.

The Remuneration Committee determined the Managing Director's remuneration and contractual arrangements; OTSL pension scheme arrangements for the Directors and other senior staff. The Committee provided an independent perspective of the market pressures governing pay, and specific recruitment and retention sensitivities. It considered and reviewed, when necessary, OTSL's policy on senior staff remuneration, conditions of service, benefits and compensation commitments on early termination of contracts.

Review of Governance Effectiveness

OTSL had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control encompasses all controls including those relating to financial reporting processes, operational and compliance controls, and those relating to risk management processes. 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, the Executive and Senior Managers within OTSL who had responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

A key element of gaining assurance involved the Senior Staff (Directors, Assistant Directors and 'Head of' Corporate Functions') Assurance Statements and the outsourced internal audit work.

By completing this Assurance Statement on Internal Controls, Senior Staff declared that they were satisfied that those working in their area of responsibility have complied, to the best of their knowledge and in all material respects, with OTSL's standard arrangements, policies, systems and processes throughout the financial year. If they are aware of any material exceptions, they are asked to note them.

Assurance Statements have been completed for the year to 31 March 2012. Based on my review of the Statements, I report that OTSL data handling policies covered retention, encryption, device allocation and email were satisfactory. However the Cabinet Office Guidelines for data handling were not fully adhered to, notably the protective marking of documents. There were no data loss incidents during the year and up until the signing of the financial statements.

Internal audit

A professional and independent internal audit service, led by an outsourced provider PwC, was maintained throughout the year. The Audit & Risk Committee agreed the internal audit strategy and plans for 2011-12 which had focused heavily on compliance, transition and closure. The programme took into account the changing environment in which the OTSL has been placed and the internal auditors' assessment of the coverage required to meet the Government Internal Audit Standards as revised from 1 April 2009.

OTSL's Accounting Officer met regularly with the internal auditors and received their professional opinion on the level of assurance applicable to OTSL. I have also received reports on their findings and the progress OTSL has made in implementing their audit recommendations.

Based on the audit work carried out, the internal auditors concluded that OTSL had an adequate and effective system of internal control, as well as a risk management and governance system which provided reasonable assurances over the achievement of objectives. In their view, there are no specific failures that need to be disclosed in the OTSL's Governance Statement.

Through their reports, the internal auditors have alerted me to where improvements were necessary, and the Accounting Officer took a personal interest in the implementation of these improvements. A spirit of cooperation existed between the staff and internal audit and they worked together to maintain a culture of continuous improvement. All recommendations made by the internal auditors were accepted by management, and the implementation of previous recommendations was reviewed quarterly through the Audit Clinics chaired by the Head of Internal Audit. There are a few audit recommendations that have been carried across to HCA which were highlighted in the OTSL's Accounting Officer's Assurance Letter dated 30 March 2012 to the HCA Accounting Officer.

Risk management

Accepting that risk is an inherent part of doing business, the risk management system is designed to identify key risks and to provide assurance that these risks are fully understood and managed. The effectiveness of the process was reviewed twice a year by the Audit Committee. The risk profile of OTSL changed significantly over the year as there were new risks to be managed associated with the closure of OTSL and its transition to HCA.

GOVERNANCE STATEMENT (CONTINUED)

In addition to these OTSL continued to mitigate those risks associated with the Government's spending restraints and welfare reforms. All risks associated with on-going regulation have been transferred to HCA for inclusion within their risk management process. The OTSL Accounting Officer had, and I now have, ultimate responsibility for the risk management process and 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 profile, and
- conducting an annual review of the effectiveness of the system of internal control.

The responsibility for risk management was also included within the terms of reference of the Audit and Risk Committee. The OTSL Board reviewed the Risk Management Strategy during the year. The risk register was reviewed at each meeting of the Board and the Audit & Risk Committee and was reviewed and updated by the Executive monthly.

Following the review of social housing, the risks facing OTSL for the year to 31 March 2012 were divided between managing the 'business as usual' risks and new risks associated with the transition of the regulatory function to a separate Regulation Committee within HCA. It was important to ensure that OTSL had sufficient resources both to carry out regulation under the 2008 Act and the Localism Act. OTSL worked closely with DCLG and HCA to consider which risks were likely to increase (or reduce) as a result of the merger and closure processes and to develop appropriate cost-effective plans to mitigate them.

The identification of new risks and the evaluation of changes to existing risks was the responsibility of each member of the Board. All Board papers included a specific assessment of risk. Each strategic or business critical risk was assigned to an individual Director who was required to implement and manage the appropriate counter measures. During 2011/12 new risks came to light especially around the content of the Localism Bill, worsening economic conditions and transfer to the HCA. These led to considerable work being undertaken in identifying and working up the right mitigating actions. The more significant risks faced, although they didn't arise, during the year were as follows:

- appropriate skills were not retained in the organisation to ensure regulation is delivered in accordance to the new framework from 1 April 2012,
- the establishment of a Regulation Committee in HCA not being in place by April 2012,
- changes to RPs viability as a result of government initiatives such as the Affordable Rent programme,
- all assets and liabilities not recorded and transferred to HCA,
- significant delay to Localism Bill (although this has now been enacted),
- lack of appropriate systems and processes for a seamless transfer to HCA on 1 April 2012,
- the impact on RPs ability to raise and afford the cost of new funds as a result of the worsening global economic climate,
- managing the conflicting expectations of lenders, providers or tenants, and
- the impact of the restructuring process on available resources and the need to deliver efficiencies in line with the spending review targets which in a reformed HCA may adversely affect OTSL's usual business operations.

Any impact that may have arisen from these risks during the year was minimal due to the mitigating and monitoring actions put in place.

OTSL's Risk Management Strategy had to achieve the balance between the need for a robust internal control environment and governance framework and the need to support its culture and people to a successful transfer to the HCA. At the same time OTSL had to communicate with its partners and stakeholders in developing a clear understanding of how the changes in the Localism Act would impact the sector.

In addition, the following was also instigated to support and oversee the internal change programme and transition process:

- The Executive became the project board to oversee the internal change process,
- Senior staff from across DCLG, HCA and OTSL came together to form a Joint Operational Integration Planning Steering Group with responsibilities for overseeing the closure of OTSL and the transition of the regulatory function and associated work to HCA,
- The Audit and Risk Committee were given responsibilities for overseeing the closure plan and ensuring that the issues that needed to be addressed to ensure the successful closure of OTSL and transition to HCA were appropriately dealt with,
- An external resource was appointed to act as a critical friend in assessing the overall closure process, and
- The Executive reviewed the risk register on a monthly basis to ensure that action required to mitigate the risks associated with closure and transition were properly maintained.

The risk management process and the system of internal controls have been in place throughout the year and up to the date of approval of the Annual Report and Financial Statements, and accord with the Turnbull guidance and the UK Corporate Governance Code. The Audit and Risk Committee has reviewed the effectiveness of the system of internal controls and has ensured that any required remedial action on any identified weaknesses has been taken.

With the successful closure of OTSL and transition of the Regulation function to HCA, all risks associated with transition and closure were closed. Those risks specifically relating to regulation formed part of the transition process and will become part of the strategic risk register of HCA for ongoing management. The more significant being the risks associated with worsening global economic climate and its impact on RPs ability to raise and afford the cost of new funds, and managing the conflicting expectations of lenders, providers or tenants.

Significant governance issues

No significant governance issues have arisen since 1 April 2011 to the date of approval of the Annual Report and Accounts.

Pat Ritchie
Accounting Officer
June 2012

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

OFFICE FOR TENANTS AND SOCIAL LANDLORDS

I certify that I have audited the financial statements of the Office for Tenants and Social Landlords (also known as the Tenants Services Authority) for the year ended 31 March 2012 under the Housing and Regeneration Act 2008. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Housing and Regeneration Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Office for Tenants and Social Landlords' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Office for Tenants and Social Landlords; and
- the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Tenants and Social Landlords' affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Housing and Regeneration Act 2008; and
- the information given in the sections of the Annual Report entitled "Directors' Report" and "Management Commentary" for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Report

Without qualifying my opinion, I draw attention to Note 1 and Note 16 of the financial statements. On 1 April 2012, the Office for Tenants and Social Landlords was abolished under Section 128 of the Localism Act 2011. As the functions previously provided by the Office for Tenants and Social Landlords will continue to be provided using the same assets by another public sector entity, it remains appropriate for the financial statements of the Office for Tenants and Social Landlords in respect of the year to 31 March 2012 to be prepared on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

I have no further observations to make on these Financial Statements.

Amyas C E Morse Date: 26 June 2012
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

THE SOCIAL HOUSING REGULATOR
FINANCIAL STATEMENTS 2011-12

STATEMENT OF COMPREHENSIVE NET EXPENDITURE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
Expenditure			
Revenue grant and research	3	1,094	3,877
Staff costs	4	11,385	15,441
Depreciation and amortisation	9,10	1,124	1,409
Other expenditure	5	3,626	6,146
		17,229	26,873
Income			
Income from activities	6	-	(420)
Other income	6	(850)	(882)
Net expenditure		16,379	25,571
Interest payable	5	290	1,020
Interest (receivable)	6	(8)	(136)
Net expenditure after net interest		16,661	26,455
Pension (past service credit)	7	-	(13,900)
Net expenditure for the year		16,661	12,555

	2012 £'000	2011 £'000
Other comprehensive expenditure		
Net actuarial loss on pension plan	12,050	4,810
Net expenditure for the year	16,661	12,555
Total comprehensive expenditure for the year ended 31 March	28,711	17,365

All the activities reported were in respect of continuing operations.

The notes on pages 40 to 61 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 MARCH 2012

	Note		2012 £'000		2011 £'000
Non-current assets:					
Property, plant and equipment	9	165		790	
Intangible assets	10	903		1,225	
Loans	12	22		235	
Total non-current assets			1,090		2,250
Current assets:					
Loans	12	6		70	
Trade and other receivables	13	592		1,264	
Cash and cash equivalents	14	2,265		5,965	
Total current assets			2,863		7,299
Total assets			3,953		9,549
Current liabilities					
Trade and other payables	15	(2,235)		(4,617)	
Other liabilities	15	(32,400)		-	
Total current liabilities			(34,635)		(4,617)
Non-current assets less non-current liabilities			(30,682)		4,932
Non-current liabilities					
Pension liabilities	7		(16,615)		(39,848)
Assets less liabilities			(47,297)		(34,916)
Taxpayers' equity					
General reserve			(32,569)		3,080
Pension reserve			(16,615)		(39,848)
Specific reserve			1,887		1,852
			(47,297)		(34,916)

The notes on pages 40 to 61 form part of these financial statements

Robert Napier
Chairman
Date 21 June 2012

Pat Ritchie
Accounting Officer
Date 21 June 2012

STATEMENT OF CASH FLOWS
YEAR ENDED
31 MARCH 2012

	Note		2012 £'000		2011 £'000
Cash flows from operating activities					
Net expenditure after interest		(16,661)		(12,555)	
Net depreciation (incl. loss on disposal)	5,9,10	1,449		1,421	
Pension charge	4	1,330		1,830	
Pension (past service cost)		-		(13,900)	
Pension interest cost	7	290		1,020	
Interest receivable	6	(8)		(136)	
Decrease in trade and other receivables	13	672		1,507	
Increase/(decrease) in trade and other payables	15	30,018		(1,784)	
Pension contributions recognised in the Statement of Financial Position	7	(36,903)		(3,663)	
Net cash flows from operating activities			(19,813)		(26,260)
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(2)		(36)	
Purchase of intangible assets	10	(501)		(49)	
Proceeds of disposal of property, plant and equipment		-		7	
Loans repayments received from completed schemes	12	278		272	
Interest received		8		122	
Net cash outflow from investing activities			(217)		316
Cash flows from financing activities					
Grant-in-Aid from sponsor department		16,300		29,500	
Funds received under Par 15;Sch1 to HA 1996		30		-	
Net financing			16,330		29,500
Net (decrease)/increase in cash and cash equivalents in the period			(3,700)		3,556
Analysis of cash and cash equivalent					
Cash and cash equivalents at 1 April			5,965		2,409
Cash and cash equivalents at 31 March			2,265		5,965
(Decrease)/increase			(3,700)		3,556

The notes on pages 40 to 61 form part of these financial statements

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
YEAR ENDED 31 MARCH 2012

	General Reserve £'000	Pension Reserve £'000	Specific Reserve £'000	Total Reserves £'000
Balance at 31 March 2011	3,080	(39,848)	1,852	(34,916)
Changes in Taxpayers' Equity for 2011-12				
Retained surplus/(deficit)	(28,711)	-	-	(28,711)
Transfer to reflect pension fund transactions	(23,233)	23,233		
Funds transferred from RPs		-	30	30
Transfer of interest net of costs	(5)		5	
Total recognised income and expenses for the year ended 31 March 12	(48,869)	(16,615)	1,887	(63,597)
Grant-in-Aid from sponsor department	16,300	-	-	16,300
Balance at 31 March 2012	(32,569)	(16,615)	1,887	(47,297)

	General Reserve £'000	Pension Reserve £'000	Specific Reserve £'000	Total Reserves £'000
Balance at 31 March 2010	843	(49,751)	1,857	(47,051)
Changes in Taxpayers' Equity for 2010-11				
Retained surplus/(deficit)	(17,365)			(17,365)
Transfer to reflect pension fund transactions	(9,903)	9,903		-
Transfer of interest net of costs	5		(5)	-
Total recognised income and expenses for the year ended 31 March 2011	(26,420)	(39,848)	1,852	(64,416)
Grant-in-Aid from sponsor department	29,500			29,500
Balance at 31 March 2011	3,080	(39,848)	1,852	(34,916)

Statement of changes in taxpayers' equity

General reserves

All Grant-in-Aid received is used to finance activities and expenditure which support the statutory objectives of the OTSL. This is therefore treated as financing income and is credited to the general reserve, as it is regarded as a contribution from a controlling party (DCLG) which gives rise to a financial interest in the residual interest in OTSL. This means that the only income credited to the Statement of Comprehensive Net Expenditure is income generated from business activities of OTSL. Net expenditure for the year was debited to the general reserve to be offset by the Grant-in-Aid received, which was credited there. Other than from DCLG, OTSL did not received grants from another source.

Pension reserve

This represents the deficit on the pension fund.

Specific reserve

Under paragraph 15 of schedule 1 to the Housing Act 1996, any property that remains in ownership of a RSL, after meeting the claims of creditors and any other liability following its dissolution or winding up, is transferable to OTSL. Use of such 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 in place.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2012

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 and Regeneration Act 2008. The financial statements are prepared in accordance with: International Financial Reporting Standards (IFRS), the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, the accounting and disclosure requirements given in Managing Public Money and the Financial Reporting Manual (FReM), insofar as these are appropriate to the Office for Tenants and Social Landlords (OTSL) and are in force for the financial year for which the statements are prepared. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy that has been judged the most appropriate to the particular circumstances of OTSL for the purpose of giving a true and fair view has been selected. The OTSL's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The following changes in accounting policies brought about by changes to the FReM which are effective in 2011-12 have been applied to these accounts:

IAS 24 (revised) – 'Related party disclosures' effective date 1 January 2011. The standard requires that transactions and balances between the reporting entity and its related parties be disclosed in the financial statements. However, exemption has been given to government entities from disclosing details of transactions. Government entities are required to disclose: the name of the parent department and a note on the main entities within government with which the entity has had dealings.

IAS 20 accounting for Government Grant and Disclosure of Government Assistance and SIC 10 Government Assistance: The FReM requires that where assets are financed by government grants, the funding element to be recognised as income and taken through the Statement of Comprehensive Net Expenditure, unless there is a condition specified by the donor to defer the income. However, OTSL has not received grants of this classification during the period.

The following changes in accounting policies brought about by changes to the FReM which are effective in 2012-13 have not been adopted early:

IFRS 9, 'Financial Instruments' is effective from 1 January 2013. It states that financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flow characteristics. They should be measured initially at fair value, and subsequently at either fair value or amortised cost.

There were no other changes effective this financial year which were applicable to OTSL.

There are also no other changes effective in 2012-13 which apply to OTSL.

Future accounting policy changes will not apply, as OTSL ceased operations on 31 March 2012 with its functions transferred to HCA with effect from 1 April 2012.

1. Statement of accounting policies (continued)

Going concern
In October 2010, the Government announced the abolition of the Office for Tenants and Social Landlords (OTSL). The abolition of the organisation and the transfer of its functions to the Homes and Communities Agency (HCA) were made effective by the Localism Act which received Royal Assent on 16 November 2011. The Act states that OTSL's regulation function and associated support services will continue within the HCA. OTSL ceased on 31 March 2012 and its regulation function and relevant staff transferred to HCA where the operations have continued with effect from 1 April 2012.

Management consider it appropriate to adopt a going concern basis for the preparation of these financial statements although OTSL ceased on 31 March 2012, as the functions it undertook were transferred in their entirety to the HCA and DCLG on 1 April 2012 under the machinery of government changes. This treatment is in line with the requirements of FReM for entities whose services, assets and liabilities transfer from one public sector body to another.

Grant-in-Aid for the year ending 31 March 2013, taking into account the amounts required to fund the OTSLs liabilities transferring, has already been included in the DCLG's Spending Review (SR) resources for that year, which have been approved by Parliament. There is no reason to believe that the DCLG's future sponsorship and future parliamentary approval will not be forthcoming as resources have been identified within the SR until March 2015.

Changes in accounting policy by the FReM
IAS 20 accounting for government Grant and Disclosure of Government Assistance and SIC 10 Government Assistance: The FReM requires that where assets are financed by government grants, the funding element to be recognised as income and taken through the Statement of Comprehensive Net Expenditure, unless there is a condition specified by the donor to defer the income. However, OTSL has not received grants of this classification during the period.

Government grants receivable
The OTSL's activities for the year to 31 March 2012 were funded by Grant-in-Aid, provided by DCLG. All Grant-in-Aid and other income received was used to finance activities and expenditure which support the statutory objectives of the OTSL. Grant-in-Aid is treated as financing and is credited to the general reserve, because it is regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the OTSL.

Income
Income relates to costs recovery and recharges to the HCA, Leasehold Advisory Service and DCLG and are stated net of VAT.

Grants payable
Revenue grant payments are based on the achievement of milestones and are accounted for on resource (accruals) basis.

1. Statement of accounting policies (continued)

Grant recoveries

Recoveries of grant are accounted for when the amount due for repayment has been agreed and invoiced, as determined under the circumstances outlined under the OTSL's financial framework. RSLs are able to retain any grant recoverable from sales within their own accounts for recycling, with the funds only becoming due to OTSL if there are no plans to reuse these funds after three years. The OTSL collects monies due from Registered Providers (RPs) and the Disposal Proceeds Funds, which are then passed to the HCA.

Administration expenditure and interest receivable and payable

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

Financial instruments

Financial assets and liabilities are recognised on OTSL's Statement of Financial Position when the OTSL becomes a party to the contractual provisions of the instrument (contract).

The OTSL had various financial assets such as loans, short-term trade debtors, cash and short term deposits which arose directly from its operations.

Financial assets

Loans: these are loans that were made to both individuals and organisations for property purchase or refurbishment where the life of the asset is greater than one year. The loans are classified as financial assets. Financial assets under this category are initially recognised at fair value and subsequently are measured at amortised cost using the effective interest rate method.

Trade and other receivables: trade and other receivable are short term and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that OTSL will not be able to recover balances in full, with the charge being recognised in administrative expenses in the Statement of Comprehensive Net Expenditure. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents: cash and cash equivalents for cash flow purposes includes cash-in hand and cash-at-bank. Bank deposits with a maturity date of less than three months are classified as cash.

Financial liabilities

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

Segmental analysis

Expenditure is analysed by operational activities and follows the same format used internally by management for decision making purposes. Segmental analysis for the Statement of Financial Position is not practical as grants received, assets and liabilities are held centrally.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price plus other directly attributable costs incurred to make the assets capable of operating at a location intended by management, IAS 16. Subsequent to the initial recognition, property, plant and equipment are valued at depreciated historic cost. Costs in excess of £1,500 are capitalised.

1. Statement of accounting policies (continued)

Depreciated historic cost is used as an approximation for fair value of assets, which have short useful economic lives or are low in values. For the purpose of valuation, a short useful economic life will be five years or less and low in value will be £10,000 or less.

Intangible assets

Software and licences are stated at cost less accumulated amortisation and impairment loss. Cost includes the purchase price plus other directly attributable costs incurred to make the assets capable of operating at a location intended by management. Subsequent to the initial recognition, intangibles are valued at amortised historic cost, in accordance with IAS 38. Costs in excess of £1,500 are capitalised.

Amortised historic cost is used as an approximation for fair value of assets that have short useful economic lives or are low in values. For the purpose of valuation, a short useful economic life will be five years or less and low in value will be £10,000 or less.

Depreciation

The costs of the non-current assets are depreciated on a straight-line basis at rates sufficient to write down the cost of individual assets to the residual value over their estimated useful lives.

The relevant depreciation or amortisation rates are applicable to the following category of assets on a straight line basis:

Computer equipment	4 years
Computer software	4 years
Office equipment	4 years
Motor cars	4 years
Furniture, fixtures and fittings	5 years
Other intangible assets	5 years

Impairment of assets

At the Statement of Financial Position date, the carrying amount of tangible, intangible and current assets are reviewed to determine whether there is an indication that the assets have become impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset. The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Transfer of assets and liabilities

All assets and liabilities reported in the Statement of Financial Position at 31 March 2012 will be transferred to the HCA at net book value.

Operating leases

All leases are considered to be operating leases and are charged in equal installments to administration expenditure over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2012

Value Added Tax

OTSL is registered for VAT but is subjected to partial exemption rules and is allowed to reclaim a small percentage of its input tax. Administration expenditure stated is inclusive of VAT.

Pensions

OTSL 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. OTSL accounts for its defined benefit plan in accordance with the requirements of IAS 19 Employment Benefits: where the costs of providing employee benefits are recognised in the period in which the benefit is earned by the employee, rather that when it is paid or payable. The rules of the defined benefit plan specify the post-employment benefits to be paid on retirement. The defined benefit plan is funded, and the assets of the plan are held externally.

The defined benefit obligation is recognised in the balance sheet and is the difference between the fair value of the plan assets and the present value of the plan liabilities. Formal actuarial valuations will be triennial; to ensure the present value of defined benefit obligations in the plan's financial statements do not differ materially to the amount reported at the Statement of Financial Position date. The actuarial gain/loss, which is the difference between the expected and the actual return on the plan assets, is recognised in the pension reserve, which is part of the Statement of Changes in Tax Payers' Equity. The following transactions, which relate to the plan, are recognised in the Statement of Comprehensive Net Expenditure: current service cost, past service costs, interest cost and expected returns.

2 Analysis of expenditure

	Notes	Regulatory Framework & Strategy	Regulatory Operations	Corporate Services	2012 Total £'000	2011 Total £'000
Revenue grants	3	1,094	-	-	1,094	3,877
Staff costs	4	943	9,720	722	11,385	15,441
Other expenditure (incl. depreciation)	5,9,10	223	4,063	464	4,750	7,555
Sub-total		2,260	13,783	1,186	17,229	26,873
Pension (past service cost)	4	-	-	-	-	(13,900)
Gross expenditure		2,260	13,783	1,186	17,229	12,973

3 Revenue grants and research

OTSL's powers to pay revenue grants to registered providers are conferred by section 95(2) of the Housing and Regeneration Act 2008 from 1 December 2008. Prior to that date the powers were governed under section 95 of the Housing Act 1996.

Tenant Empowerment Grants to tenant groups and advisors enabling council tenants, and from 1 October 2008 RP 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 2006 No. 583. These grants were previously administered by DCLG. The reduction in grants paid out reflects the difficulties of managing a demand lead programme at a time when the responsibility for this programme was being transferred back to DCLG as a result of the closure of OTSL.

The purpose of the Tenant Excellence Fund was to identify and share best practice in the social housing sector, with the aim of improving landlords' aspirations and performance for the benefit of tenants. The fund enabled the OTSL to identify excellent practice and innovation in the sector, actively share these better ways of operating with all landlords, raise performance standards and encourage future innovation. As a result of reductions in public expenditure and our focus on economic regulation (decision taken in 2010) no grants were issued by this initiative in 2011/12.

Research and Housing projects shows a considerable reduction in expenditure during the year. DCLG made a 100% contribution to the OTSL's data collection and research into lettings and sales of social housing (CORE) where as the contribution to costs was only 50% in 2010/11. This programme transferred to DCLG in February 2012 in readiness for the closure of OTSL at 31 March 2012. The contract for the outsourced provision of the National Register of Social Housing (NROSH) was further developed to deliver the information required for our economic regulation role, which has resulted in a lower revenue cost in year. These developments also led to the cancellation of the Regulatory and Statistical return contract half way through the year, as they delivered greater VfM with all information was collected in a single system.

Innovation and good practice grants were paid to RPs and any other persons to facilitate the proper performance of RPs and co-operative housing associations 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. OTSL did not issue any grants under these powers in 2011/12.

	2012 £'000	2011 £'000
Innovation and good practice	(17)	(82)
Tenant Empowerment grants	767	1,652
Tenant Excellence fund	-	77
Research and housing projects	344	2,230
	1,094	3,877

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 2012

4 Staff numbers and related costs

		2012 £'000		2011 £'000
Staff costs comprise:				
Permanent staff				
Wages and salaries	7,969		9,743	
Social security costs	755		891	
Pension costs	1,330		1,830	
Redundancy costs	737		2,210	
Other staff costs	85		110	
Sub-total		10,876		14,784
Temporary staff	-		101	
Staff on inward secondment	406		355	
Provision for accrued holiday pay	(122)		(41)	
Non-executive board members				
Salaries	205		221	
Social security costs	20		21	
Sub-total		509		657
Total net costs		11,385		15,441
Pension (past service costs)		-		(13,900)

These costs represent staff costs relating to ongoing activities. No staff costs were capitalised in year (2011: nil).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Regulatory Framework & Strategy	Regulatory Operations	Corporate Services	2012 Total	2011 Total
Permanent staff	14	122	37	173	203
Temporary	-	-	-	-	5
Staff on inward secondment	-	3	-	3	7
	14	125	37	176	215

During the year management continued its restructuring of the OTSL organisational structure in response to new priorities, the ongoing requirement to reduce costs and its impending closure which saw a reduction in the number of teams.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		2012 Total number of exit package by cost band	2011 Total number of exit package by cost band
<£10,000	-	(-)	-	(2)	-	(2)
£10,000-£25,000	1	(-)	1	(7)	2	(7)
£25,000-£50,000	-	(-)	4	(9)	4	(9)
£50,000-£100,000	-	(-)	7	(14)	7	(14)
£100,000-£150,000	-	(1)	2	(7)	2	(8)
£150,000-£200,000	-	(-)	2	(1)	2	(1)
Total number of exit packages by type	1	(1)	16	(40)	17	(41)
Total resource cost £'000	10	(116)	1,221	(2,267)	1,231	(2,383)

(2010-11 comparatives in brackets)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 2012

5 Other expenditure

		2012 £'000		2011 £'000
Rental and operating leases	862		1,031	
Professional fees	376		2,679	
Running costs (including other accommodation)	1,406		1,703	
Travel and subsistence	485		478	
Recruitment, training and publicity	172		243	
Subtotal		3,301		6,134
Non-cash items				
Loss on disposal of asset	325		12	
		325		12
Subtotal		3,626		6,146
Interest charges				
Pension commitments (finance costs)	290		1,020	
		290		1,020
		3,916		7,166

The above analysis of administration expenditure includes the following charges:

	2012 £'000	2011 £'000
Rental in respect of leased offices	911	911
Other office rental	(49)	120
Rental of office equipment	343	406
Auditor's remuneration – statutory audit	56	49

6 Income

Income	2012 £'000	2011 £'000
Research (contribution from CLG towards CORE)	-	(420)
Interest receivable	(8)	(136)
Other	(850)	(882)
	(858)	(1,438)

7 Superannuation

OTSL 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.

OTSL inherited the pension liabilities of those staff previously employed by the Housing Corporation who transferred to OTSL on 1 December 2008. It also took a proportion of those liabilities that related to previous employees of the Corporation who were either pensioners in pay or deferred pensioners. These liabilities were split between HCA and the OTSL in the proportion of the existing employees who transferred to the new agencies at 1 December 2008.

The value of the deficit of the funded scheme that transferred to OTSL on 1 December 2008 was £19.6 million. At 31 March 2012 the fund liabilities exceed the fund assets by £11.79 million (£35.31 million: 2011). This reduction follows a payment to the pension fund by HCA on our behalf, see note 15.

The discount rate determined from AA corporate bond yields declined from 5.5% to 4.6%. At the same time the market's view of long-term inflation (measured by looking at the difference between fixed interest gilts and index linked gilts of appropriate duration) decreased from 2.7% to 2.4%.

The most recent triennial valuation of the fund that has an impact on these financial statements was held at 31 March 2010 and has been updated by independent actuaries to the City of Westminster Pension Fund to take account of the IAS 19 disclosure requirements for the year to 31 March 2012. The assumptions used are more up to date than those used for the year ended 31 March 2010 as these were based on the triennial valuation at 31 March 2007 and rolled forward although adjusted by the actuary to reflect the closure of OTSL. There have been a significant number of redundancies as a result of the closure of OTSL and the impact of this has been taken into account in the future liabilities and reduced contributions to the fund. No new joiners will be admitted to the fund as from 1 April 2012, when the fund is administered by HCA, who have alternate pension arrangements, and thus it becomes closed to new entrants.

Liabilities are valued on an actuarial basis using the projected unit method that assesses the future liabilities discounted to their present value. The 2011/12 employer's contribution rate of 10.8% for the year ended 31 March 2012 was based on the recommendation contained in the valuation report of the fund as at 31 March 2010.

OTSL also pays pensions direct to ex-employees who were awarded additional benefits under the Housing Corporation's early retirement scheme. This is the unfunded scheme. These pension costs are funded from Grant-in-Aid as they are paid. The value of the deficit transferred to OTSL on 1 December 2008 was £4.18 million, which had risen to £4.81 million at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 2012

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund for IAS 19 purposes were:

Principal financial assumptions (funded benefits)	2012	2011
RPI rate of inflation	3.6%	3.7%
CPI rate of inflation	2.6%	2.8%
Rate of general increase in salaries**	5.1%	5.2%
Rate of increase for pensions in payment *	2.6%	2.8%
Discount rate	4.8%	5.4%

Principal financial assumptions (unfunded benefits)	2012	2011
RPI rate of inflation**	3.4%	3.6%
CPI rate of inflation	2.4%	2.7%
Rate of increase for pensions in payment	2.4%	2.7%
Discount rate	4.6%	5.5%

* in excess of Guaranteed Minimum Pension increases in payment where appropriate.

** In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2010.

The principal demographic assumptions

The mortality assumptions were derived from using the base table (2010) PNMA00 and PNFA00, making allowance for improvements in line with the CMI 2009 improvements, with long term rate of improvement of 1.25% p.a. for both male and females. These have not changed since 2011.

A scaling factor was used of 100% for both males and females and for future males and females.

The tables translate into an average life expectancy in years of a pensioner retiring at age 65

Retiring at the Statement of Financial Position date	2012	2011
Male	22.4	22.2
Female	24.5	24.4

Retiring after 20 years of the Statement of Financial Position date	2012	2011
Male	24.2	24.1
Female	26.5	26.4

Expected return on assets

The approximate split of assets for the fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return for the purpose of IAS 19.

	2012		2011	
	Expected return on assets (% pa)*	Split of assets	Expected return on assets (% pa)*	Split of assets
Equities	8.1	71.1	8.4	78.3
Property	7.6	4.7	7.9	-
Government bonds	3.1	5.9	4.4	-
Corporate bonds	3.7	13.8	5.1	16.6
Cash	1.8	4.5	1.5	5.1
Other**	8.1	-	8.4	-
Total	6.9	100	7.5	100

*The overall expected rate of return on fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

** Other holdings include hedge funds, currency holdings, asset allocation futures and other. It has been assumed that these will get a return in line with equities.

The Employer's regular contributions to the Fund (funded benefits) for the accounting year 31 March 2013 are estimated to be £3.79 million. In addition, Strain on Fund Contributions may be required. In the accounting year ending 31 March 2013, the HCA expects to pay £0.35 million directly to beneficiaries as a result of the unfunded scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2012

The pension charged for the year is shown below

Superannuation	Unfunded	Funded	2012 £'000 Total	2011 £'000 Total
Present value of obligation	(4,817)	(111,013)	(115,830)	(102,632)
Fair value of plan assets	-	99,215	99,215	62,784
Liability recognised in Statement of Financial Position	(4,817)	(11,798)	(16,615)	(39,848)

Assets	Unfunded	Funded	Total	Total
Fair value of assets at 1 April	-	62,784	62,784	64,279
Expected return on plan assets	-	4,750	4,750	4,670
Contribution received	337	36,566	36,903	3,663
Contribution from employees	-	566	566	708
Benefits paid	(337)	(2,181)	(2,518)	(2,456)
Actuarial gain/(loss) on plan assets	-	(3,270)	(3,270)	(8,080)
Fair value of plan assets at 31 March	-	99,215	99,215	62,784

Liabilities	Unfunded	Funded	Total	Total
	(4,534)	(98,098)	(102,632)	(114,030)
Present value of obligation at 1 April	(240)	(5,280)	(5,520)	(5,690)
Interest cost	-	480	480	-
Current service cost	-	(1,330)	(1,330)	(1,830)
Past service costs	-	-	-	13,900
Contribution from employees	-	(566)	(566)	(708)
Benefit paid	337	2,181	2,518	2,456
Actuarial (gain)/loss	(380)	(8,400)	(8,780)	3,270
Present value of obligation at 31 March	(4,817)	(111,013)	(115,830)	(102,632)

Charge for the year		2012 £'000		2011 £'000
Staff cost				
Current service costs	(1,330)		(1,830)	
Past service cost	-	(1,330)	13,900	12,070
Finance (cost)/return				
Interest cost	(5,520)		(5,690)	
Expected return on plan assets	4,750		4,670	
Curtailment	480	(290)	-	(1,020)
Expense recognised for the year		(1,620)		11,050

Movements in the net liability recognised in the Statement of Financial Position	2012 £'000	2011 £'000
Opening net liability	(39,848)	(49,751)
Expense as above	(1,620)	11,050
Net actuarial (loss)/gain recognised in the year	(12,050)	(4,810)
Contributions	37,469	4,371
Contribution from employees	(566)	(708)
Closing net liability	(16,615)	(39,848)
Net movements in the Fund (Reserve)	23,233	9,903

8 Taxation

OTSL maintains a deposit account, and the use of this fund is governed by paragraph 15 of schedule 1 of the Housing Act 1996, see note 17 below. Corporation tax is liable on the net interest of the fund. As a result of the low interest earned no tax is payable at 31 March 2012, (2011: Nil)

9 Property, plant and equipment

	Information Technology £'000	Office Equipment £'000	Furniture and Fittings £'000	2012 Total £'000
Cost				
At 1 April	2,504	322	1,131	3,957
Additions	-	2	-	2
Disposals	(2,033)	(296)	(629)	(2,958)
At 31 March 2012	471	28	502	1,001
Depreciation				
At 1 April	(1,909)	(320)	(938)	(3,167)
Depreciation	(446)	(3)	(84)	(533)
Disposals	1,960	296	608	2,864
At 31 March 2012	(395)	(27)	(414)	(836)
Net book value at 31 March 2011	595	2	193	790
Net book value at 31 March 2012	76	1	88	165

10 Intangible fixed assets

	Software	Licences	Mar 2012 Total
	£'000	£'000	£'000
Cost			
At 1 April	1,310	2,342	3,652
Additions	-	501	501
Disposals	(414)	(654)	(1,068)
At 31 March 2012	896	2,189	3,085
Amortisation			
At 1 April	(1,116)	(1,311)	(2,427)
Amortisation	(99)	(492)	(591)
Disposals	399	437	836
At 31 March 2012	(816)	(1,366)	(2,182)
Net book value at 31 March 2011	194	1,031	1,225
Net book value at 31 March 2012	80	823	903

11 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 Housing Corporation and the National Housing Federation, to raise funds from private sector sources for investment in the development of social housing by RPs, unregistered self-build societies and charities having a housing function. This share was transferred to OTSL at 1 December 2008. THFC only seeks to cover its operating costs with income and the OTSL 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

Share In The Housing Finance Corporation Ltd

	2012	2011
£1 ordinary share, fully paid	£1	£1

12 Loans

Loans to registered and unregistered societies are advanced under section 79 of the Housing Associations Act 1985. The average interest rate applied during the year was 1.70% (2011: 3.61%).

Loans	2012 Completed Schemes £'000	2011 Completed Schemes £'000
At 1 April	305	561
Interest	4	16
	309	577
Repayments	(281)	(272)
At 31 March	28	305
Repayments due within one year	6	70
Repayments after more than one year	22	235

Early repayments of £260k were received in June 2011 leaving one loan of £28k outstanding at 31 March 2012.

13 Trade and other receivables

Amounts falling due within one year	2012 £'000	2011 £'000
Trade receivables	230	54
Prepayments	315	395
Other receivables	47	815
	592	1,264

Amounts owed by public sector entities are as follows:	2012 £'000	2011 £'000
Other central government bodies	223	843
Bodies external to government	369	421
	592	1,264

Other receivables include amounts due in respect of staff loans of £43k (2011: £70k).

14 Cash and cash equivalents

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

	2012 £'000	2011 £'000
Cash at bank and in hand	377	4,074
Short-term bank deposit	1,888	1,891
Balance at 31 March	2,265	5,965

The Government Banking Service (GBS) is responsible for managing OTSL's bank accounts. The processing of OTSL's banking transactions is provided by Citibank and the Royal Bank of Scotland Group. Citibank is mainly responsible for processing the OTSL's electronic receipts and direct debits and the Royal Bank of Scotland is mainly responsible for processing the OTSL's electronic payments and other manual banking transactions.

15 Trade and other payables

Amounts falling due within one year	2012 £'000	2011 £'000
VAT	31	25
Other taxation and social security	328	283
Trade payables	588	1,697
Accruals	1,288	2,612
	2,235	4,617
Other payables*	32,400	-
	34,635	4,617

Amounts due to public sector entities are as follows:

	2012 £'000	2011 £'000
Other central government bodies	32,811	776
Bodies external to government	1,824	3,841
	34,635	4,617

*The £32.4 million is an amount owing to HCA for the contribution made to the pension fund on behalf of OTSL see note 7.

16 Assets and liabilities transferred to HCA

As a consequence of the Machinery of Government Changes OTSL closed on 31 March 2012. All assets and liabilities were transferred to either DCLG or HCA with effect from 1 April 2012. The table below details how the assets, liabilities and reserves were transferred between the bodies as a result of the Localism Act, 2011. No assets and liabilities were transferred to DCLG at the date as only one member of staff transferred to DCLG together with the records of the Tenant Empowerment Programme.

	OTSL Balances 31 March 2012	HCA Balances 1 April 2012
Non current assets	£'000	£'000
Property, plant and equipment	165	165
Intangible assets	903	903
Loans	22	22
	1,090	1,090
Current assets		
Loans	6	6
Financial assets	-	-
Trade and other receivables	592	592
Cash and cash equivalents	2,265	2,265
Total assets	2,863	2,863
Total assets	3,953	3,953
Current liabilities		
Trade and accruals	(2,235)	(2,235)
Other payables	(32,400)	(32,400)
Pension liabilities	(16,615)	(16,615)
Total liabilities	(51,250)	(51,250)
Total net liabilities	(47,297)	(47,297)
Represented by:		
General reserve	(32,569)	(32,569)
Pension reserve	(16,615)	(16,615)
Specific reserve	1,887	1,887
	(47,297)	(47,297)

17 Financial instruments and risk management

Overview

Like all organisations, OTSL 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.

Funding

The OTSL's net operating costs are funded by Grant-in-Aid voted annually by Parliament. OTSL operates both within this constraint and within budgets set annually by DCLG. OTSL's controls over the commitment and payment of revenue grants to RPs 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. Revenue grants are paid to RPs to fund tenant empowerment and the delivery of best practice that meet government targets. Financial information in relation to funding is contained in the Statement of Changes in Taxpayers' Equity.

Loans

The OTSL's loans, which can only be advanced where permitted by statute, are disclosed in note 12 to the financial statements. All loans are secured and subject to variable interest rates which are set by reference to current market rates, the Standard National Rate or the NLF rate applicable to OTSL's borrowing. No new loans were issued during the period to 31 March 2012. The OTSL reviews its loans annually and provides for any doubtful debts by a charge to the Statement of Comprehensive Net Expenditure. At 31 March 2012 no provision was required. The fair value of the loan was not considered to be materially different from its book value. Interest is not charged in the Statement of Comprehensive Net Expenditure on loans subject to a judgement debt. The interest rate profile for the loans is as follows:

	Average interest bearing balance £'000	Interest £'000	Average interest rate £'000
Loan classification			
Completed schemes	75	3	1.90%

Cash

The Government Banking Service (GBS) is responsible for the management of OTSL's bank accounts. The data processing of OTSL's banking transactions is provided by Citibank and the Royal Bank of Scotland Group. Any investment of surplus cash on OTSL's current account is now handled by GBS for the direct benefit of the Treasury. OTSL adheres to the principle of not drawing cash from DCLG in advance of need but there is no limit to the cash that can be held with the GBS. OTSL holds an amount of non-exchequer funds, explained in note 14, which is held in an interest bearing deposit account with the GBS.

Average daily value invested £'000	Interest £'000	Interest rate %
1,889	4.8	0.25%

Liabilities

The borrowing powers for the OTSL are contained within section 102 of the Housing and Regeneration Act 2008. Long-term borrowing can only be undertaken with the permission of the Secretary of State. OTSL had no borrowings during the year ended 31 March 2012.

Other disclosures

OTSL 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.

18 Commitments under operating leases

Total minimum lease payments under operating leases are given in the table below for each of the following periods.

			2012			2011
	Offices	Equipment	Total	Offices	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Obligations under operating lease comprise:						
Within 1 year	911	65	976	911	44	955
between 1 and 5 years	1,394	-	1,394	2,305	-	2,305
	2,305	65	2,370	3,216	44	3,260

19 Capital commitments

OTSL entered into a contract during the year to develop and manage an IT system for recording housing statistical data NROSH+. This was completed by 31 March 2012 and there are no commitments beyond that date (March 2011: Nil).

20 Contingent liabilities

There were no contingent liabilities at 31 March 2012 (2011: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2012

21 Related party transactions

OTSL is a non-departmental public body sponsored by the DCLG. Its operating activities are funded by Grant-in-Aid. Grant-in-Aid received for the period to 31 March 2012 was £16.3 million (2011: £29.5m).

OTSL inevitably has transactions with other central government departments, agencies and local authorities. During the year OTSL had a number of transactions with HCA and Leasehold Advisory Service. We have adopted the exemptions under IAS 24 in which transactions between Government entities are exempt from detailed disclosures.

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

Under the rules of The Housing Finance Corporation Limited (THFC), OTSL is empowered to appoint a director to its Board. Throughout the current year OTSL's head of private finance was the OTSL's appointee. No fee was paid to the appointee; however OTSL received £17,712 (2011: £16,818) in fees from THFC. Other than the above no Board member or members of staff entered into transactions, arrangements, relationships or contracts with the OTSL, except for the payment of fees and salaries. Board members receive a reimbursement of the cost of expenses properly incurred in the performance of OTSL's duties.

Related party transactions

The following transactions, which took place during the year with RPs and other bodies in which Board members had an interest, are disclosed below. All transactions were undertaken at arm's length and in the normal course of conducting the OTSL's business and there were no pecuniary interests between the parties.

Related party transaction Name	RSL or other related body	Appointment	Transaction between OTSL and the related party	Value of transaction between related party and related body
Board members				£'000
Dennis Rees	TAROE	Treasurer	Grants paid	110
	TPAS	Executive Director	Grants paid and expenses attendance Sounding Board and E & D advisory Board meetings Delegated Annual Conference Growing together courses	196
	Audit Commission	Tenant inspection advisor to Audit Commission	Housing Association Inspections	11
Anthony Mayer	London Pensions Fund Authority	Chair	Recovery of salary costs	(9)

The relevant Board members did not receive benefits from the payments made to the entities with which OTSL has related party transactions, nor were there amounts due to/from the entities at 31 March 2012.

Employee interests

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

Appointments under paragraphs 269 of the Housing and Regeneration Act 2008

There were no new appointments of OTSL employees to RP's governing bodies during the year to 31 March 2012. However, there were four re-appointments of employees during the year, (2011: four), one of which was terminated on 3 May 2011, and the remaining three expired on 30 November 2011. The appointments were made to facilitate the orderly running of the provider pending dissolution and after its assets and liabilities had been transferred. The employees did not receive any additional remuneration for their services nor was any housing grant paid to the provider during the year. At March 2012, there were no remaining appointments.

Transactions with employees

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

	2012 £'000	2011 £'000
At 31 March, principal amounts outstanding and included within receivables were:	43	70

22 Losses and special payments

OTSL did not incur any losses or special payments during the year that require separate disclosure (2011: Nil).

23 Events after the reporting date

As explained in note 16 above, as a consequence of the Machinery of Government Changes OTSL closed on 31 March 2012. All assets and liabilities were transferred to either DCLG or HCA with effect from 1 April 2012.

The Financial Statements of OTSL are laid before the Houses of Parliament by the Secretary of State for DCLG. International Accounting Standard 10 requires OTSL to disclose the date on which the accounts were authorised for issue. The authorised date for issue is 26 June 2012.

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH SECTION 103(3) OF THE HOUSING AND REGENERATION ACT 2008

Office for Tenants and Social Landlords (OTSL)

Accounts Direction given by the Secretary of State in accordance with Section 103(3) of the Housing and Regeneration Act 2008

1. The annual accounts of The Office for Tenants and Social Landlords (hereafter in this accounts direction referred to as "the Office") 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 2008-09 and for subsequent years shall be prepared in accordance with:

(a) the accounting and disclosure requirements given in Managing Public Money and in the Government Financial Reporting Manual issued by the Treasury ("the FReM"), as amended or augmented from time to time

(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 Office and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives additional disclosure requirements of the Secretary of State.

Signed by authority of the Secretary of State

Matthew Bailes
An officer in the Department for Communities and Local Government

Date 31 March 2009.

Schedule 1

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 paragraph 1 of this direction.

The notes to the annual accounts shall disclose:

(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 grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account

(d) details of employees, other than board members, showing:

(i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Office, 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 Office

II on secondment or loan to the Office

III agency or temporary staff

IV employee costs that have been capitalised)

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

(f) a statement of debts written off and movements in provisions for bad and doubtful debts

(g) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Office's operations

*(h) particulars 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 Office), between the Office 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 Office by each individual board member or key manager

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH SECTION 103(3) OF THE HOUSING AND REGENERATION ACT 2008 (CONTINUED)

(iii) the following are related parties:

(1) subsidiary and associate companies of the Office

(2) pensions funds for the benefit of employees of the Office or any subsidiary companies (although there is no requirement to disclose details of contributions to such funds)

(3) Board members and key managers of the Office

(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 Office

For the purposes of this sub-paragraph:

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

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

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

Note to paragraph 1(h) of Schedule 1: 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.

GETTING IN TOUCH

Homesandcommunities.co.uk
mail@homesandcommunities.co.uk
0300 1234 500

HCA Offices

Corporate Centre London
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homesandcommunities.co.uk
mail@homesandcommunities.co.uk
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Homes and Communities Agency
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