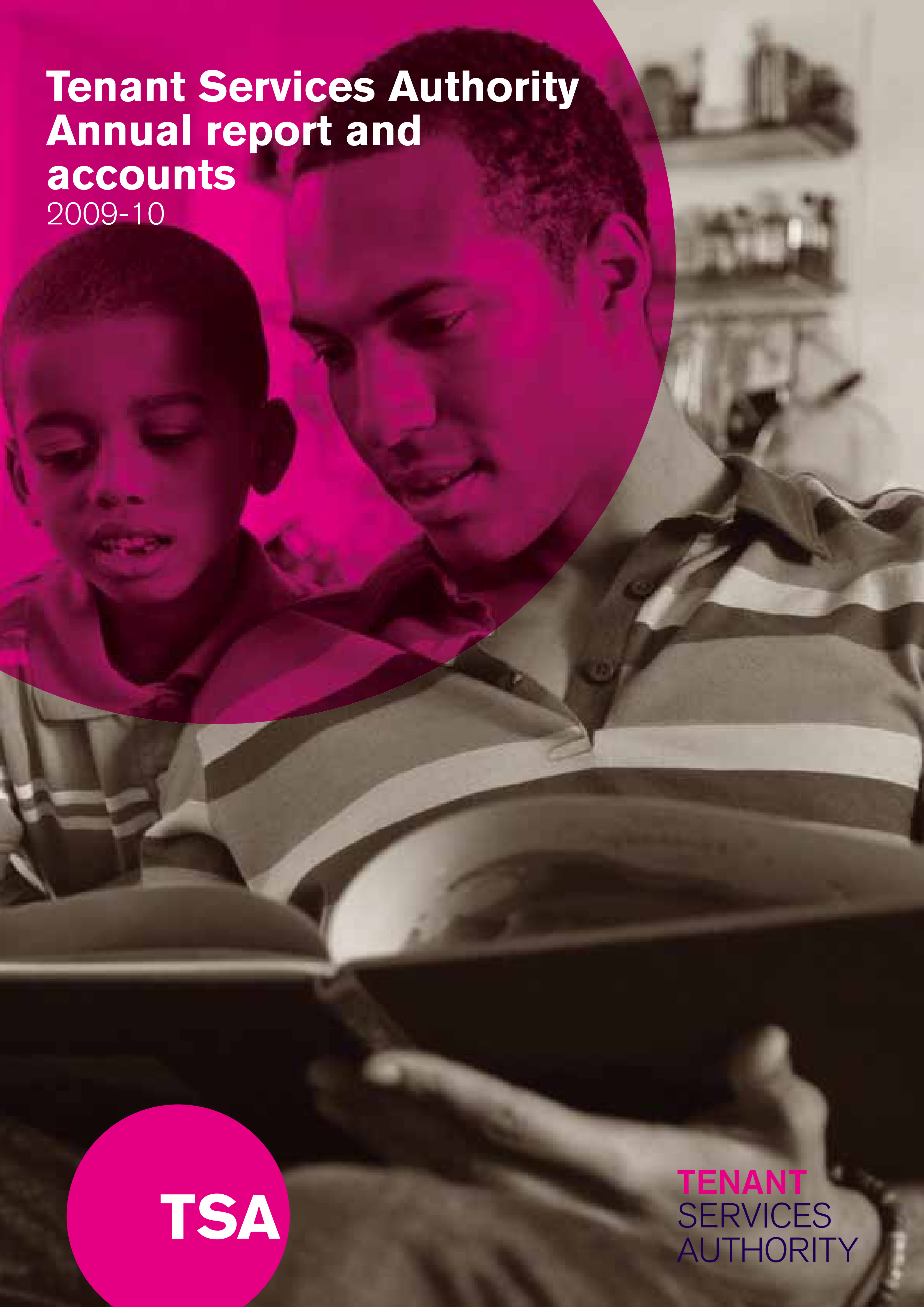
# Tenant Services Authority Annual report and accounts
2009-10



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# Tenant Services Authority
## Annual report and accounts 2009-10

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# Contents

The annual report and accounts of the social housing regulator (Office for Tenants and Social Landlords), the Tenant Services Authority

# Introduction and review of the year 2009-10
## Chief executive's foreword

The year covered by this report brought fundamental changes aimed at far-reaching improvements to the homes and services that are vital to neighbourhoods throughout England. Our key activity this year was the development of our new regulatory framework to make those improvements possible: a new framework that puts people at the heart of regulation by enabling and encouraging landlords and tenants to decide locally the best housing services to meet local needs and priorities.

Our new framework is not a directive and does not seek to impose a centrally driven vision of regulation by rulebook. We aim to be an empowering regulator, giving responsibility to landlords to demonstrate how they are meeting our standards, emphasising improvement and peer-support rather than costly intervention, and placing tenants at the centre of discussions about how scarce local resources should be used.

The essential consultation needed to make our new approach a reality has, rightly, taken centre stage in much of our activity. But we have been doing much more. From day one of our existence we have helped landlords to face the risks and challenges presented by ongoing upheaval in financial and housing markets. We have continued to provide the assurance of regulation through some very troubled times.

Our work successfully maintains confidence that our sector is a well-run, safe and welcoming environment for private investment and public funding. During recent uncertainties some lenders have chosen to re-price the risk of investing in our sector, and some landlords have had to rethink their strategies in response to market conditions.

We know that these pressures are beyond landlords' control and our regulation provides effective engagement and additional support where problems arise. We make regular assessments of landlord liquidity and credit lines to analyse landlords' longer-term capacity to deliver on their commitments. Our regulation continues to ensure that tenants' homes are protected and not a penny of public money is lost as a consequence of market exposure. Our regulation provides a solid backstop, valued by landlords and trusted by financial markets.

All this activity has resource costs and we are very aware that our efficiency requirements apply to us as much as to landlords. The cost of regulation is a key concern and through the year we have reduced our back-office expenditure, for example saving £1.5 million by bringing legal services in house. Our progress towards more flexible working means that we can reduce expensive overheads – in fact we are now able to sublet part of our London office space, saving £135,000 a year. And we are open about the money we spend, publishing our expenses and all of our expenditure over £1,000. Regulation provides a good deal for the taxpayer, supporting achievement of wider government objectives through a single efficient organisation.

Our new framework and the way we do business reflects our key aim – to empower communities and enable local people to decide how services are shaped and delivered. In this report we acknowledge the value of our regulation to safeguard public money, encourage private investment, control welfare costs for government, and assure tenants of fair and effective services that meet local needs. Our essential priority is that landlords and tenants should work together to deliver the best for homes and neighbourhoods. It is through those conversations and the improvements they produce that the effectiveness of our regulation can be judged.

**Peter Marsh** 14 July 2010

# Securing a fair deal for tenants
## What tenants can expect

Our key activity for 2009-10 was development of the regulatory framework, to implement a new form of regulation for social housing from April 2010. The new approach is the product of extensive engagement with tenants, landlords and our other partners to ensure the reformed system meets the requirements of parliament and the needs of tenants.

Essential to the way we work is our commitment to reduce burdens for those who deliver frontline services. The reformed framework is a rejection of tick-box, top-down regulation in favour of standards focused on quality, value and enabling local communities to decide how best their priorities should be addressed. We do not have a prescriptive rule book. We have six straightforward standards that are focused on outcomes and define what tenants can expect.

Throughout our engagement in 2009-10 we were keen to make clear that our standards when introduced would be enabling, not directive. They do not describe in restrictive detail how to meet the required outcomes but place responsibility with housing providers to work through with their

### Our standards

| Standard | Containing requirements relating to the following areas |
|---|---|
| 1. Tenant involvement and empowerment | ▪ Customer service, choice and complaints<br>▪ Involvement and empowerment<br>▪ Understanding and responding to diverse needs of tenants |
| 2. Home | ▪ Quality of accommodation<br>▪ Repairs and maintenance |
| 3. Tenancy | ▪ Allocations<br>▪ Rent*<br>▪ Tenure |
| 4. Neighbourhood and community | ▪ Neighbourhood management<br>▪ Local area co-operation<br>▪ Anti-social behaviour |
| 5. Value for money | ▪ Value for money |
| 6. Governance and financial viability* | ▪ Governance<br>▪ Financial viability |

* This standard or part of standard does not apply to local authorities.

tenants how the outcomes should be met. That is why the Tenant Involvement and Empowerment Standard is cross-cutting of the others, to make clear that to meet all the standards providers must take into account the needs of communities and neighbourhoods, including for those groups who require more tailored or intensive service provision.

## Support for local priorities

We have said consistently that national specifications for housing management could not be relied upon to deliver the best outcomes for tenants, or to secure value for money in service delivery. Central to our approach are local service offers, the product of meaningful engagement between landlords and the communities they serve. Our requirement is that local service offers should be established under the Tenant Involvement and Empowerment, Home and Neighbourhood and Community Standards. This does not of course prevent providers and their tenants agreeing local offers on a wider range of issues. When looking ahead to the new framework, we placed local priorities as pivotal to the success of the standards.

Some comments received through our stakeholder engagement suggested that the requirement on providers to prepare an annual report on development of and compliance with local offers presented landlords with an additional burden. But most respondents recognised our intention that the primary audience for this report should be tenants, supporting transparency and accountability and helping to secure delivery of local priorities.

Accountability is inbuilt in the new system: our accountability to parliament, to those we regulate and to the communities they serve; and the accountability of housing providers to their tenants and local government partners. In the legacy system accountability was opaque and reliant on pockets of good practice. Our requirement on landlords to provide an annual report to tenants is the guarantee that progress towards local priorities can be widely scrutinised. In response to stakeholder concerns we have agreed to consider more closely the types of evidence that we would expect these reports to present, to give communities the information they need to challenge service quality and value.

To develop learning for local offers, we selected 39 organisations to trial the new approach in our local offer trailblazers (called local standards pilots during the period covered by this report). Of these successful bids, 25 were led by housing associations, six by ALMOs, four by local authorities and one each by the Confederation of Co-operative Housing and a tenant management organisation.

The key message from the trailblazers was that the local approach works, opportunities of increased freedoms and reduced burdens were grasped enthusiastically by tenants and providers across a wide range of areas, with landlords willing to work together effectively to put local priorities first.

## Partnership with local government

The importance of local offers to the regulatory framework supports the strength of our partnership with local government. Through development of the framework we have welcomed the support and encouragement of local government colleagues. The government consulted through 2009 on the use of our powers in relation to local authorities, gathering strong support for a flexible approach to cross-domain regulation capable of taking account of the differences in local government finance and accountability.

This joint working was also vital to move towards establishing our approach to ALMOs. We are a regulator of landlords and do not have specific powers in relation to ALMOs except via their parent local authority or where the ALMO itself becomes a landlord. Given the strong link between service delivery, performance information and good governance, we began to put arrangements in place to make sure that we had access to the same information about ALMO performance as the parent local authority. The intention here was twofold: to support our overview of delivery for tenants and to reduce burdens on local authority partners by allowing us direct access to the organisation delivering housing management services.

Our standards and the way we regulate, our collaborative approach and focus on local priorities also support local authority achievement of strategic objectives. For example, the allocations strand of our Tenancy Standard requires providers to co-operate with local authorities' wider functions to meet local housing needs. Our Local Area Co-operation Standard makes sure that providers identify the roles they are able to play in the areas where they work, for example through co-operation with Local Strategic Partnerships and in assisting local authorities to deliver for neighbourhoods and communities. Our approach also supports new supply and we say more about this in the section on protecting taxpayers.

## Our tenant involvement

We are bound in law and by aspiration to involve tenants in our work and accepted this responsibility in advance of our new powers. Through 2009-10 we carried out probably the most far-reaching engagement exercise with social housing tenants, by the close of the period involving over 27,000 tenants in discussions about the service standards they should be able to expect from their landlord. This was groundbreaking work, putting tenants at the heart of the regulatory process. The priorities which tenants identified directly informed our standards and the conversation begun with tenants will continue through the process of developing and monitoring local offers between landlords and tenants. Following our engagement activities it may be difficult to envisage that housing providers could return to top-down approaches that did not involve tenants.

## Tenant Excellence Fund

In preparation for the new framework we launched the Tenant Excellence Fund, to find new ways for providers and tenants to make co-regulation a reality. As well as the local offer trailblazers, the fund contributed to work on tenant compacts, tenant-led regulation and organisational improvement. We published the Understanding Tenant Involvement Guide, practical recommendations for increasing tenant involvement based on findings from qualitative research. We continue to pursue work on options for tenant scrutiny.

# Regulation in transition

## Inherited powers

While our key activity over the past year was putting in place our new standards and approach, the work of regulatory engagement continued against a backdrop of considerable uncertainty in the financial and housing markets. Working with inherited powers we continued to make sure that the risk model was robust and up to date; our approach to monitoring market turbulence was effective; and that we mitigated any loss of regulatory knowledge through the changes necessary to refocus our approach.

Although the legacy regulatory system was not explicitly tenant-focused in our first full year of operation we aimed to use the inherited powers as far as possible in the spirit of the new legislation to help landlords deliver for tenants by guiding landlords through transition to the new framework. We continued to publish our regulatory judgements and challenged providers to improve tenant satisfaction levels and assess critically the costs of service provision against satisfaction with service delivery. We also published Location, Location, Location, a guide on reassessing stock patterns with case studies to demonstrate how landlords working with tenants and communities can deliver better quality management of homes.

## Changing powers

We knew that when our new powers became effective there would be unfinished business from the previous system to take care of. As well as putting in place the necessary legal arrangements to ensure, for example, that previous decisions remained valid we also published a crystal-marked plain English guide called Changing Powers.

This set out how we would deal with legacy business post-April 2010 and offered assurance to stakeholders that we are fully empowered to undertake any investigations or examine any decisions made under the old system and including at the time when regulation was with our predecessor body. Our ability to make use of any previous information about providers' performance can assist tenants by giving a narrative to landlord decisions.

# Our accountability to tenants
## Complaints about landlords

Our legal framework ensures that we report back to tenants on what we have done with any complaints we receive about landlords. Although this duty is in our new legislation it was already in force for the year 2009-10.

The appropriate ombudsman service has power to decide on service-related complaints and we do not duplicate the work of the Housing or Local Government Ombudsman. We are not an alternative route for these complaints but where regulatory issues arise we will consider further action.

For the period 1 April 2009 to 31 March 2010, we logged a total of 1,123 complaints about registered providers. The biggest single category of complaint was in relation to repairs and maintenance, which accounted for 37% of the complaints received. The majority of complaints, around 85%, were referred to the provider or ombudsman for resolution. In about five per cent of cases we decided that the complaint raised an issue of regulatory concern.

**Complaints about registered providers –** April to March

| Complaint category | Number of complaints |
|---|---|
| Allocations | 43 |
| Anti-social behaviour | 114 |
| Complaint handling | 126 |
| Estate services | 55 |
| Home ownership | 50 |
| Not given | 4 |
| Occupancy rights | 43 |
| Other | 76 |
| Rents/service charges | 133 |
| Repairs and maintenance | 421 |
| Staff | 58 |

**Outcome of complaints about registered providers –** April to March

| | |
|---|---|
| Refer to Housing Ombudsman (where providers complaints process has been exhausted) | 51 |
| TSA regulation follow up (complaint raises an issue of regulatory concern) | 59 |
| Referred to provider/ombudsman complaints procedures (complaint has not been considered either by provider or ombudsman) | 950 |
| Provider/legal (complaint considered by provider but complainant has no recourse to the ombudsman and can only pursue their complaint via legal channels) | 57 |
| Other | 6 |

## 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. In March 2010 we revised our complaints procedure:

- 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/ assistant and are signed off by the executive director of corporate services
- Stage three complaints are investigated by the independent complaints reviewer

## 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. But sometimes when more is needed tenants and other stakeholders make use of the Freedom of Information legislation.

The information commissioner's office has considered one request for external review in this period, following which we voluntarily disclosed further information to the requestor. A second appeal was received by the commissioner's office in November, but is yet to be reviewed.

### **Complaints about the TSA** – April to March

| Complaints stage | Total of complaints | Number of complainants |
|---|---|---|
| Stage one | 10 | 8 |
| Stage two | 62 | 19 |
| Stage three | 1* | 1 |

* The ICR conducted one complaint investigation in this period. In addition the ICR considered two complaints that did not proceed to full investigation.

### **Freedom of Information requests and outcomes** – April to March

| Total of requests | Number of requestors | Full disclosure | Partial disclosure | Withheld | Information not held by the TSA |
|---|---|---|---|---|---|
| 208 | 79 | 160 | 11 | 20 | 17 |

# Protecting the taxpayer
Viable and well governed

## Viable and well governed

Our role is to ensure that providers are well run and well governed so that they can deliver quality and value for the taxpayer. Our new framework requires that all providers that are subject to our Governance and Financial Viability Standard should adopt an appropriate governance code and have business plans developed with the support and involvement of their tenants and of local authority partners. Executive pay in social landlords should properly reflect the degree of responsibility and risk associated with the job. Executive performance should be properly evaluated.

Our Value for Money Standard applies to all providers. We require landlords to evaluate how well they are operating, to compare costs and benchmark performance with the very best inside and outside the housing sector. Providers should involve tenants and other partners in decisions about how resources are invested, to ensure that especially in times of fiscal restraint resources are used to deliver good value and the best services to meet local needs.

In 2009-10 our financial appraisal staff reviewed business plans and financial forecasts of 393 providers grouped in 233 organisations, between them owning more than two million social homes. In only a small minority of cases was further action needed to ensure ongoing viability. In the period we published 61 regulatory judgements, which show that overall social landlords are meeting our expectations on viability and are well governed and well managed.

| Category | Judgement | Number |
|---|---|---|
| **Viability** | J1 - Meets expectations | 25 |
| | J2 - Meets expectations but with exposures | 35 |
| | J3 - Concerns | 1 |
| | J4 - Serious concerns | 0 |
| | **Total** | **61** |
| **Governed** | J1 - Exceeds expectations | 1 |
| | J2 - Satisfactory | 58 |
| | J3 - Some concerns | 2 |
| | J4 - Serious concerns | 0 |
| | **Total** | **61** |
| **Managed** | J1 - Exceeds expectations | 1 |
| | J2 - Satisfactory | 57 |
| | J3 - Some concerns | 3 |
| | J4 - Serious concerns | 0 |
| | **Total** | **61** |

# A strong and growing sector

## The headline numbers

The social housing sector in England has more than 4.1 million homes. Around 1.8 million are owned by local authorities, which are not subject to our financial appraisal. The data and commentary in this section refers to private registered providers which, in the period of this report, were still known as RSLs.

The global accounts of these providers for 2008-09 showed an annual turnover of £11.6 billion. These landlords spent £6.8 billion on managing and maintaining 2.4 million homes and £2.3 billion on the interest costs of funding the building of new homes and the refurbishment of existing stock. As not-for-profit organisations, all surpluses are reinvested in activities that further improve service delivery and support new supply.

The social housing sector is large, with an extensive, well-maintained asset base that continues to increase in value. The global economic downturn, tightening of credit markets and decline in the housing market placed severe pressure on the property sector during 2008-09. While not immune from these pressures, our sector has demonstrated its basic strength and largely maintained its operating performance during the period.

Social landlords have low levels of gearing overall and their sound financial position continues to be supported by good performance on rent collection and effective management, which ensures that void levels remain low. The financial strength and management efficiency of the sector continue to ensure it is a key partner for public and private investment. More detailed analysis is in the sector global accounts available on our website.

## Sector highlights

- The gross cost/valuation of housing properties is £94.6 billion
- The sector balance sheet has relatively low gearing. Using adjusted net leverage, gearing stands at 41.6%, up slightly from last year's figure of 40.8%
- External debt increased to £40 billion, of which £25.7 billion is attributable to traditional associations, up 15.2% on the previous year
- turnover for the sector has risen by 15% to £11.6 billion
- Levels of voids and bad debts reported by associations remain at historic lows, suggesting continued strong demand for their properties, together with good performance on rent collection. Overall void levels were 2.15% and bad debts stayed constant at one per cent. However the bad debt charge increased by nearly £10 million on 2008 figures, double the increase of the previous year
- The operating surplus, at over £1.6 billion, has increased by 4.3% on the previous year's level. Included in the 2009 operating surplus was the surplus from first tranche shared ownership sales
- Pre-tax surplus is £0.2 billion, down £0.1 billion on the previous year

During the year we continued to provide assurance to investors through our quarterly survey

## 2009-10 bond issues

| Issuer | Value of bonds | Date issued | Credit spread | Withheld |
|---|---|---|---|---|
| THFC | £191 million | July 2009 | 1.85% | 6.35% |
| Sovereign | £175 million | September 2009 | 1.55% | 5.705% |
| Genesis | £250 million | December 2009 | 1.70% | 6.064% |
| L&Q | £300 million | January 2010 | 1.15% | 5.42% |
| THFC | £72 million | March 2010 | 1.05% | 5.58% |
| **Total** | **£988 million** | | | |

questionnaire of landlords to monitor risk exposure, conditions and availability of lending to ensure landlords have access to sufficient funding to meet their business plan objectives and commitments. These surveys show clearly the impact of the wider economic environment and significant challenges remain. However, the sector continues to demonstrate resilience and is still able to attract sufficient investment to deliver its commitments.

Our latest survey reported that providers already have in place £4.95 billion of their £5 billion borrowing requirement over the next 12 months. The total new funding arranged in the financial year was £3.5 billion, including around £1 billion bond finance.

## Rents

The taxpayer has a keen interest in social housing rents. Regulating the level of rent helps ensure the Housing Benefit budget remains focused on those in most need. Rent regulation is also an important tool to ensure that landlords engage in the wider social policy agenda. With two-thirds of rents paid from Housing Benefit it is right that government should set the strategic direction for rent policy, within which our regulation gives effect to the principles of equity for tenants, fairness for the taxpayer and good value service delivery.

To provide some indication of scale, the global accounts show that in 2008-09 rental income increased by £831 million (11%) to around £9 billion, contributing to a total sector turnover of nearly £12 billion. The strength of this income stream and the guarantee of stability provided by ongoing regulation is a considerable incentive to private investment. Lenders appreciate that an explicit rent control framework for social housing is vital to the growth and attractiveness of the sector as a destination for private finance. Taxpayers are also assured through the same framework that the Housing Benefit bill is properly contained and transparent.

The crucial balance is between affordability and certainty for tenants; stability and resilience for private finance; and a guarantee of cost control for government. Achieving that balance is the objective of our rent regulation and the success of our framework is apparent in the sector's enduring strength and continuing growth even in times of market upheaval.

## Disposing of property

Another key element of taxpayer protection is the targeted control we are able to exercise on the disposal of property. Social landlords that are subject to our consents framework are independent businesses and have the right of any property owner to dispose of their property. We aim to make this as straightforward as possible by providing a general consent, a way to reduce burdens on landlords by 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 will have received public funding and also form part of the asset base on which private lenders invest. This makes it important for us to look more closely at certain types of transactions. Usually we will grant consent for disposals - the importance of our procedures is to make sure, for example, that tenants and local authorities have been consulted where necessary and that risks have been properly assessed.

In the year we issued 2,618 specific consents. Of these, 703 enabled private finance to be secured against social housing, bringing in investment to support landlords delivering in local communities.

# Effective enforcement

## Proportionate and targeted

When service quality falls or providers have difficulties we expect they will take responsibility for their self-improvement and work through with tenants how best to put things right. Where providers are unable or unwilling to take these opportunities, our new framework gives us a graduated suite of enforcement powers to deal with poor performance, protect tenants and make sure that social housing assets are not at risk. Our aim is to intervene quickly and cost-effectively where providers breach our standards in a significant way.

For the period of this report we were still operating with the legacy enforcement powers, which, though effective, gave us less flexibility about taking targeted action. However through early identification of emerging problems and a proportionate approach to the risks that providers face we have continued the trend towards fewer cases where our formal supervision procedures have been engaged. This also reflects a growing maturity in the sector, stronger governance and the improved professional standards of regulated landlords.

## Where we have intervened

There were four providers under supervision at 31 March 2010. This is consistent with the clear trend away from formal intervention: over the past five years 58 cases have been resolved but only 20 new cases identified. Only three new cases have been added since April 2009. In place of formal supervision as an end to the process, we have focused in recent years on more intensive engagement with providers at an early stage when problems are emerging.

We have responded quickly where providers encounter challenges from the rapid deterioration in markets and continue to emphasise the importance of governance and viability in our regulatory judgements. Sometimes where governance problems are the cause of poor performance we use our powers to influence landlord decisions by making appointees to their boards. At 31 March 2010 four providers had TSA appointees.

## Novas Scarman Group

In October 2008 the Housing Corporation instigated a statutory inquiry into the affairs of Novas Scarman Group (NSG). The corporation appointed two senior partners from accountants BDO Stoy Hayward to conduct the inquiry. The final report of the inquiry was considered by the TSA board alongside representations from NSG's board and executive team.

Our board found that there had been collective mismanagement on the part of the NSG board and its executive team. NSG agreed to transfer its main hostels, Arlington House and Dean Street in London, to One Housing Group in order to ensure the completion of works at Arlington House, and to protect the public investment in these properties. Following detailed negotiations, the transfer of the two hostels was completed in June 2009. The statutory inquiry was concluded following a TSA board meeting on 14 July 2009. Our board decided that no further statutory action was necessary.

# Modern and effective regulation

## Making co-regulation a reality

The impact of our requirements on providers is informed by the demonstrable benefits which regulation delivers to tenants and social landlords. Our expectation of robust self-regulation by providers that incorporates effective tenant involvement takes account both of the impact of our requirements and the wider compliance environment - the totality of legislative and regulatory obligations that shape providers' business.

We know that the organisations we regulate are subject to a range of duties and that some landlords who provide more specialist types of housing also work with other regulators. Our framework is designed to acknowledge this; we are bound in law to minimise interference and not to duplicate the work of other agencies. The benefits which landlords derive from regulation, including access to keenly priced private funding and enhanced opportunities of public investment and partnership, arise from compliance with our co-regulatory offer.

Central to that offer is that the main conversation about what matters in an area should be between the people who know that area best: local communities and the landlords that serve them. Essentially, this is about a shared agenda between service users and service providers, moving away from top-down to consensus approaches, where responsibility for an area is held between all concerned, in transparent arrangements based on trust and a clear vision. Enhanced wellbeing and economic advantage are seen as achievable benefits where providers and communities are engaged together in shaping places where people want to live and work.

Within this vision it is right that we should provide a backstop in the event of non-compliance but otherwise should not be an intrusive presence in the sector. One of the greatest risks of market upheaval and financial constraint is perhaps a reduced appetite for innovation. Innovation can entail uncertain outcomes and it is this which regulators need to build into assessing the balance between autonomy and precaution when they make decisions about stepping back.

In our engagement with stakeholders we have attempted to articulate a new regulatory deal for social housing, a modern and effective form of regulation where providers are free to determine how best to deliver their business and the regulator's aim is to step back to let providers and tenants agree innovative, locally focused ways to improve services. That attempt and the outcomes it produces may in time prove the most notable feature of this year in social housing.

During the year we have made these preparations for the new framework while continuing the day job of regulation using legacy powers. The remainder of this section records achievements using these powers and includes our statement of compliance with the Regulators Compliance Code.

# Registration of new providers

Our new powers enable us to register a much wider range of housing providers, including for-profit bodies, to increase supply and offer tenants greater choice over homes and services. For the period of this report we were still operating with more restrictive powers, which enabled us to register only those organisations meeting the 1996 Act definition of an RSL. During the year we registered ten new organisations:

- two large-scale whole stock transfers from local authorities
- one subsidiary within a group structure
- seven general registrations

## Inspection

Through the year we have worked with the Audit Commission to start to align inspection processes more closely with our new regulatory framework. In our guidance on use of powers we have set out potential triggers to inspection and we will continue to develop a methodology to make inspection more outcome focused.

## Research and analysis

### Existing tenant survey

We want the data we collect to be used and useful in the wider world. A key highlight of the year was publication of the Existing Tenant Survey 2008 (ETS). This major survey of over 20,000 social housing tenants greatly increased our understanding of the lives, attitudes and aspirations of tenants. As the final large-scale survey to be commissioned under the legacy regulatory system, the ETS provides the baseline for future measurement of the impact of our standards.
Its wealth of robust demographic and attitudinal data, summarised in a suite of reports that gained national press coverage, is now informing our policy development and should remain an important information source for social housing for years to come.

### Data collection

Tenants require access to the right information, presented in helpful ways, to assess and challenge their landlord's performance and to understand what they need to know to make a meaningful contribution to landlord decision making. Our national data collection systems are the primary source for information on social landlords, supporting our assessments and feeding into our published outputs on landlord performance. In the year we have enhanced the usability of both the Regulatory and Statistical Return (RSR) and the Continuous Recording of Lettings and Sales system (CORE) by introducing new web interfaces to enable direct online data reporting. We have also taken responsibility for management of the National Register of Social Housing (NROSH), which in time will become the key data source for social housing.

# Our own compliance

We have to demonstrate our own regulatory compliance. We are bound through our statutory framework to the Regulators Compliance Code (RCC), the centrepiece of better regulation. The requirements on us to work in a transparent, proportionate and risk-based way are directly found in the RCC and we have to report to parliament and our stakeholders about how we are achieving these aims.

We have made progress towards far greater openness in the past year. We have opened our board meetings to the public and made board agendas and minutes more accessible on our website. We have published details of members' expenses and we are working to make far more information about the money we spend easily available.

The new standards and our published approach to regulation make clear our commitment to proportionality and to ensuring that the organisations we regulate are free and enabled to choose how to run their business. Our focus is on reducing burdens and freeing providers to meet the standards in ways that best meet the needs of the communities where they work. We have provided detailed guidance on the use of our powers, to indicate the circumstances where we might intervene.

Our regulation has a significant role in the economic progress of the sector, providing a safe environment for public and private investment. By emphasising viability, good governance and improved professional standards we help build the confidence that markets need to invest.

All our engagement is risk-based and aimed at moving providers towards compliance - we are never simply punitive. Our enforcement framework is clearly focused on providing landlords with opportunities to improve, including through support for peer review and shared learning. The regulatory framework explicitly acknowledges our commitment to the local government environment to ensure that in our engagement with local authority landlords we make reasonable allowance for structural and other differences.

We are confident that over the past year we have regulated in accordance with the principles of better regulation and that we are compliant with the RCC.

# Our organisation

## Our responsibility to the environment

We hold ISO 14001, to show our commitment to addressing the areas of environmental impact that we can directly control. We continue to reduce office waste, moving away from printed documents to digital media and encouraging recycling in the office. Our travel booking system allows us to monitor carbon emissions alongside costs and we aim to make sure that when we travel our journeys are as efficient as possible. We are moving towards greater flexibility with new IT solutions and increased use of remote working which we expect should enable reappraisal of our environmental impact.

## Our people

At the end of March 2010 we employed 231 staff. Of these, 59% were women and 17% were from a black or minority ethnic (BME) background. Fifty-six per cent of managers were female and eight per cent were from a BME background. Six per cent of colleagues have indicated they have a disability under the terms of the Disability Discrimination Act. These statistics are monitored and reviewed regularly.

We undertook a significant restructuring process in 2009 as we prepared the organisation to deliver the new regulatory framework. Following the restructure, 40 staff left under redundancy terms during the financial year and most roles in the organisation changed in some way. The restructure included the creation of new tenant standards roles to support the tenant-facing standards and a reduction in support roles.

A number of office locations were closed, including Exeter, Croydon, Wolverhampton and Leicester. To ensure that we maintained key skills to deliver effectively a range of flexible and homeworking options has been deployed.

Sickness absence information is reported regularly to the executive team and to our board. During 2009-10, sickness absence averaged five days per person. This compares to a public sector average of 9.7 days and a national average of 7.4 days (figures from the CIPD Absence Survey published in August 2009).

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 during 2009-10.

# A responsible customer

We understand the costs to business of late payments and support compliance with the public sector payment policy. We aim to pay all undisputed invoices within 30 days of receipt and at least 90% of all invoices within this target. We did not achieve this in 2009-10 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. It is the TSA'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
- deal reasonably with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices, are contested

## Changes in non-current assets

The TSA invested £252,000 in property, plant and equipment and intangible assets. Of this, £145,000 was spent on developing software for our regulation systems and £92,000 on developing our web portal. The value of intangible assets within the statement of financial position is £1.721 million at 31 March. The remaining £13,000 was spent on purchasing hardware. The value of non current assets held by the TSA is disclosed in notes 11 and 12 to the financial statements.

## Drive for efficiencies

During the year we introduced a number of initiatives to demonstrate our cost-effective and transparent operation. We are determined to ensure the costs of our services stand up to scrutiny. We publish details of all expenses claimed by our senior managers on the website, we have introduced a value for money policy, updated our sustainable procurement strategy and established a scrutiny panel.

We are committed to delivering value for money as an integral part of our corporate strategy. While it has a specific responsibility to achieve value for money from its use of public funds, this principle extends to all sources of funding. Similarly, the responsibility for pursuing value for money lies with all staff, and not just those with financial duties. We aim to meet our commitment to achieving value for money by setting ourselves the following aims:

- to integrate value for money principles within the TSA's existing management, planning, review and decision-making processes, particularly in regard to projects or activities with significant financial implications
- to adopt recognised good practice where appropriate
- to undertake or commission value for money reviews into areas of activity identified as worthy of review
- to benchmark the TSA's activities against other similar activities and organisations where this is considered useful

- to demonstrate actively to both internal and external observers that the achievement of value for money is sought in all activities undertaken
- to ensure that all staff recognise their continuing obligation to seek value for money as part of their routine activities

As part of the policy we introduced a number of workstreams across the organisation to look critically at the way we delivered both our internal and external services. These workstreams delivered a number of cost savings in the year which allowed us to deliver our services at less than the resources available to us, giving an underspend in excess of £500,000. These efficiencies have been embedded into the organisation and have contributed to us delivering a reduced budget for 2010-11.

Since 1 April 2010 we have undertaken further initiatives in this field by placing all spending decisions over £1,000 on our external website as well as introducing an efficiency strategy.

# Remuneration report

On behalf of the board, I am pleased to present this report on the remuneration of the executive, directors and board members.

The Remuneration Committee meets twice a year and is chaired by Anthony Mayer. The committee comprises all board members except Peter Marsh.

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

In accordance with chapter 6 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 chief executive and executive directors and other senior managers have open-ended service contracts that do not contain any predetermined compensation on termination of office.

## Individual remuneration for the year ended 31 March

The key managers of the TSA comprise the chief executive, who is also a board member, and executive 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 the Housing Corporation but whose role was dedicated to regulation activities and who transferred to the TSA on 1 December 2008. There were a number of other senior managers employed by the corporation who, although involved in part with regulation activities, did not transfer to the TSA and, therefore, their costs have been excluded from these comparatives. A proportion of their costs have however been included in the comparative TSA staff costs at note 5 to the financial statements. Comparatives for 2009 are included for senior managers who transferred from the Housing Corporation to the TSA.

## Individual remuneration for the year ended 31 March 2010

| | Salary | | Bonus | |
|---|---|---|---|---|
| | 2010 £ | 2009 £ | 2010 £ | 2009 £ |
| **Chief Executive** | | | | |
| **Peter Marsh from 1 December 2008 (d) (e)** Deputy Chief Executive of the Housing Corporation to 30 November 2008 | 165,000 | 156,838 | 11,000 | 17,351 |
| **Director Members of the Executive Team** | | | | |
| **Clare Miller** Executive Director , Risk and Assurance From 1 December 2008 Director Regulation Housing Corporation To 30 November 2008 | 125,000 | 108,833 | 9,479 | 16,159 |
| **Richard Moriarty** Executive Director Market Development from10 January 2009 | 125,000 | 28,225 | 8,531 | - |
| **Phil Morgan** Executive Director Tenant Services from 1 January 2009 | 100,000 | 25,000 | 5,000 | - |
| **Claer Lloyd-Jones** Executive Director Corporate Services from 1 March 2009 | 127,000 | 10,583 | 7,408 | - |
| **Fiona Fisher** Executive Director HR and OD from 5 January 2009 to 22 April 2009 | 29,556 | 22,728 | - | - |

a) The post of chief executive carries an entitlement to a performance-related bonus of up to ten per cent. His bonus was recommended by the chairman and was agreed with CLG approval at 6.6% of basic pay. This was for the period July 2008 to July 2009. For 2010-11 the chief executive has voluntarily given up the right to a performance-related bonus. The executive directors are also eligible for performance bonuses of up to ten per cent of basic pay – determined by the chief executive and recommended to the Remuneration Committee and also subject to CLG approval. These were approved in January 2010. The bonuses paid to Richard Moriarty, Clare Miller and Claer Lloyd-Jones were seven per cent and to Phil Morgan five per cent. They covered the period from the date of their appointment to September 2009. The executive directors received no salary uplift during the year.

| Additional Responsibility Payment (a) | | Taxable Benefits (b) | | Employer's pension fund contributions | | Total | |
|---|---|---|---|---|---|---|---|
| 2010 £ | 2009 £ | 2010 £ | 2009 £ | 2010 £ | 2009 £ | 2010 £ | 2009 £ |
| | | | | | | | |
| - | 4,440 | 3,416 | 4,100 | 17,490 | 29,097 | 196,907 | 211,827 |
| | | | | | | | |
| - | 5,675 | - | 2,258 | 13,250 | 18,501 | 147,729 | 151,426 |
| - | - | - | - | 13,250 | 4,798 | 146,781 | 33,023 |
| - | - | - | - | 10,600 | 4,250 | 115,600 | 29,250 |
| - | - | - | - | 13,462 | 1,799 | 147,870 | 12,382 |
| - | - | - | - | 615 | 2,864 | 30,171 | 25,592 |

b) The bonuses paid in 2009 were for performance achieved in the Housing Corporation in 2007-08 and for performance achieved in 2008-09 up to 30 November 2009, the date the Corporation ceased to exist. The additional responsibilities were payments made for the additional workload and responsibilities connected with the transfer of the Housing Corporation activities to both the TSA and HCA.

c) Taxable benefits are payments made in lieu of a car. The chief executive voluntarily gave up his allowance in February 2010.

d) Peter Marsh was appointed chief executive in July 2008, but also continued his duties as deputy chief executive of the Housing Corporation until 30 November 2008.

## Bonus payments

The bonus payments disclosed on the previous pages relate to payments made in the 2009-10 period.

The performance-related bonus entitlement in respect of the period ended 30 November 2008 for Peter Marsh and executive directors transferring to the TSA was approved by the Housing Corporation's Remuneration Committee on 4 November 2008 and are, therefore, included in the above table. However, Peter Marsh, deputy chief executive of the Housing Corporation until 30 June 2008, declined to receive any bonus following his appointment as chief executive of the TSA from 1 July 2008. He, therefore only, received a bonus entitlement to 30 June 2008.

## Key managers' pension entitlements

The chief executive and the executive directors are ordinary members of the staff pension scheme, which has HMRC approval and is a statutory scheme (see note 9 to the financial statements). Employer contributions are at the rate recommended by actuaries and applicable for all members. The TSA does not have a scheme that provides additional pension. Individual directors may make additional voluntary contributions and these contributions and benefits are excluded from the table below. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service.

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

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

The real increase in the value of the CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation 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 2010 £ | Total accrued related lump sum 31 March 2010 £ | Cash equivalent transfer value at 31 March 2009 £ | Cash equivalent transfer value at 31 March 2010 £ | Real increase in CETV after adjustment for inflation, market condition & employee contributions £ |
|---|---|---|---|---|---|---|---|
| Peter Marsh | 4,153 | 3,857 | 35,516 | 90,049 | 403,318 | 474,303 | 58,610 |
| Claer Lloyd-Jones | 2,117 | - | 2,296 | - | 2,382 | 31,697 | 28,521 |
| Richard Moriarty | 2,083 | - | 2,546 | - | 3,538 | 20,732 | 15,631 |
| Clare Miller | 5,501 | 9,446 | 28,512 | 73,035 | 368,362 | 474,321 | 96,589 |
| Phil Morgan | 1,667 | - | 2,078 | - | 4,941 | 26,582 | 19,767 |

A rate of inflation of 4.3% (2009: 5.1%) has been applied in calculating the annual increase of accrued pension and CETV. The TSA's pension liabilities are disclosed in detail at note 9 to the financial statements. The deficit on the funds amounted to £44.7 million at 31 March 2010.

## 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 TSA appointments being up to four years with the possibility of an extension. The holder of the office of chief executive is also a board member. With the exception of the chief executive, board members' emoluments are determined by the Secretary of State. All board members emoluments were paid by the TSA except for the period prior to 1 December 2008 when those of the chairman were paid directly by CLG. Those emoluments paid by the TSA appear in staff costs included at note

5 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 the TSA and to enable a smooth transition.

The CLG's permanent secretary determines the chief executive's remuneration after discussion with Treasury and the TSA. 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 24 to the financial statements.

## Board members' emoluments

The fees of the board members of the TSA during the year were as follows. There were no other benefits, special pension arrangements or other remuneration. The conditions for the appointment of board members are contained in schedule 6 to the Housing Associations Act 1985. Appointments are generally for periods of four years except for those board members transferring from the Housing Corporation and English Partnerships when the appointments were for three years. The holder of the post of chief executive is also a board member. The remuneration of Peter Marsh is disclosed on pages 26 and 27.

| | Date of first Appointment | Appointment lapses | 2010 £ | 2009 £ |
|---|---|---|---|---|
| Anthony Mayer, Chairman | 1 May 2008 | 30 April 2011 | **85,000** | **57,221** |
| Julian Ashby, Vice Chairman | 1 October 2008 | 30 September 2012 | **23,617** | **6,500** |
| Jim Coulter | 1 October 2008 | 30 September 2012 | **13,000** | **6,500** |
| Sheila Drew Smith | 1 October 2008 | 30 September 2011 | **13,000** | **6,500** |
| Julie Fawcett | 1 October 2008 | 30 September 2011 | **13,000** | **6,500** |
| Donald Hoodless | 1 October 2008 | 30 September 2011 | **15,708** | **6,500** |
| Pauleen Lane | 1 October 2008 | 30 September 2011 | **13,000** | **6,500** |
| Dennis Rees | 1 October 2008 | 30 September 2012 | **13,000** | **6,500** |
| Rajit Sondhi | 6 May 2009 | 30 April 2013 | **11,917** | **N/A** |
| Peter Letley | 6 May 2009 | 30 April 2013 | **11,917** | **N/A** |
| **Total remuneration** | | | **213,159** | **102,721** |
| Social security costs | | | **20,331** | **8,402** |

All board members' salaries are paid by the TSA.

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 a month to include his ARC chairmanship duties. The post of chief executive 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 TSA chairman, has not yet 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 CLG. Sir Peter's pension emoluments paid in the year were £13,050, which are included in other staff costs in note 5 to the financial statements.

## Capitalised value of accrued pension benefits

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

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Rate of inflation | **2.75%** | **2.75%** | **2.75%** |
| Rate of increased in salaries | **4.29%** | **4.29%** | **4.30%** |
| Rate of increase for pensions in payment and deferred pensions | **2.75%** | **2.75%** | **2.75%** |
| Discount rate for scheme liabilities | **4.60%** | **6.04%** | **5.30%** |

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

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

The chief executive'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 TSA's chairman and CLG's permanent secretary.

# General financial matters – pensions, payments, audit, loans, financial instruments and post balance sheet events

The TSA 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 the TSA from the Housing Corporation and those staff joining the TSA since its inception. The liabilities for both the funded and unfunded schemes have increased by £7.94 million, from £41.81 million to £49.75 million. This actuarial loss has been debited to the pension reserve and is disclosed in the statement of changes in reserves. The employers' contribution rate for the year was 10.5%. A full disclosure of the pension scheme performance is contained in note 9 to the financial statements.

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

The TSA'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 year, the NAO undertook no non-audit work for the TSA.

The TSA manages a small portfolio of loans. These were funded by a similar borrowing from the National Loans Fund until 28 November 2008. From that date all loans are funded from cash drawn down from CLG. All loans are secured on property and all annuity repayments were made when they became due. Details of our loans are disclosed in note 14 to the financial statements. Note 18 includes details of the National Loans Fund borrowings until 28 November 2008.

We have made no disclosures regarding financial instruments other than at note 20 to the financial statements. Post balance sheet events that have occured are disclosed in note 25 to the financial statements.

I, Peter Marsh, being the TSA's accounting officer from 1 December 2008, can confirm that all information required by our external auditors in order for them to gain sufficient assurances that TSA has acted within transparent and accountable processes and that we have delivered our business within our statutory framework has been provided to them.

# Corporate governance report

## Statement of compliance with the combined code on corporate governance

Apart from the following exceptions, the TSA has complied throughout the year with the provisions set out in section 1 of the combined code published in July 2003:

- as board appointments are made by the Secretary of State, the TSA does not have a nomination committee
- as all board members, except the chief executive officer, are non-executive, the board has not appointed a senior independent director
- board members, other than the chief executive officer, do not receive performance-related payments

## The TSA and its board

The TSA is an executive non-departmental public body accountable to the Secretary of State for CLG. The Housing and Regeneration Act 2008 sets the statutory framework for what the TSA is and what it does. The framework reflects the TSA's key role of tenant protection across the wider domain of all housing providers. These powers include explicit power to set standards for social housing provision, particularly around key areas such as tenancy terms, rents, tenant involvement, viability and contributions to sustainable communities.

Details of the legislative and accounting framework and the responsibilities and accountabilities of the TSA are described in its framework document issued by CLG. This document is available both on the CLG website and on the TSA website.

The TSA is accountable through CLG to ministers and to parliament. The National Audit Office, the TSA's statutory auditors, has full rights of inspection and the TSA's accounting officer can be called upon to appear before the Public Accounts Committee. The TSA may be called to give evidence before any of parliament's Select Committees.

Board vacancies are advertised nationally and members are 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.

The TSA's board members for 2009-10 were:

- Julian Ashby (deputy chairman)
- Jim Coulter
- Sheila Drew Smith
- Julie Fawcett
- Donald Hoodless
- Pauleen Lane
- Peter Letley
- Peter Marsh
- Anthony Mayer (chairman)
- Dennis Rees
- Ranjit Sondhi

The board comprises a chairman, a deputy chairman, up to eight non-executive members and the chief executive who, with the Secretary of State's approval, is appointed by the board. The chief executive, who is also the accounting officer, assisted by the executive team, is responsible for the day-to-day running of the TSA. The TSA has published a Code of Best Practice for Board Members of the TSA, drawing on the Cabinet Office guidance on Codes of Practice for Board Members of Public Bodies, which now embraces the seven Nolan principles of public life.

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

In its spirit of openness and transparency all TSA board meetings since November 2009 are open to the public, except for the deliberation of restricted items.

The board's responsibilities include:

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

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

The board has appointed two committees consisting of board members and advised by the executive, directors and senior officers. The minutes of each committee are reported formally in writing to the board after each meeting. All committees take decisions in their own right subject to the delegated powers within the management scheme. A summary of the committees and board members involved is provided below.

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

The committee comprises the following board members: Julian Ashby, Jim Coulter, Sheila Drew Smith and Pauleen Lane.

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

Other issues that the ARC considers and advises the board on include:

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

The TSA's head of internal audit and the audit director of the National Audit Office (the TSA's external auditors) have free and confidential access to the chair of the ARC. All internal audit reports are addressed to the ARC.

## Remuneration Committee – two meetings per year (chair, Anthony Mayer)

The committee comprises all board members except Peter Marsh.

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

## Various consultation and review groups

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

## Board members' disclosures

Details of any related party transactions in respect of other board members with RSLs or other entities with which the TSA does business are disclosed in note 24 to the financial statements and in the register of interest, which is on our website: www.tenantservicesauthority.org

# Going concern

The statement of financial position at 31 March 2010 shows net liabilities of £47.05 million (2009: £37.2 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the TSA's other sources of income, may only be met by future grants or Grant-in-Aid from the TSA's sponsoring department, CLG. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. The increase in the net liabilities of £10 million is mainly due to the increase in the funded pension deficit at 31 March 2009 of £7.37 million to £44.55 million at 31 March 2010 and an increase in creditors of £1.2 million. Funds to meet the forecast increase in employer's pension contributions in future years have been included within the TSA's budget for 2010-11. The financial forecasts for the following two years include meeting the annual pension fund deficit payment in full. However, should future financial settlements be insufficient to meet the liabilities arising from the pension deficit, CLG is well aware that the expectation is for them to meet any shortfall arising in year.

In response to the government requirement to deliver £6 billion of cash savings in 2010-11, the TSA has been asked to reduce its operating costs by 10.5%. This is equivalent to a reduction of £2.8 million by 31 March 2011. We have taken actions to deliver these savings. We are confident that the efficiencies arising from our value for money work will enable us to reduce our operating costs still further to meet government targets for further ten per cent reductions over the next two years.

The Housing Minister announced in a speech at the Chartered Institute of Housing conference on 24 June that that the government intends to review the role and purpose of the Tenant Services Authority and the best framework for regulating social housing. We understand that the terms of reference are likely to be fairly wide ranging – looking at all the activities of the TSA, whether they should continue or not and where the best place for continuing them should be – investigating all options in line with the government's commitment to reduce the number and cost of non-departmental public bodies with a review completion timeline of September in order to feed into the drafting of the Local Democracy and Devolution Bill. In light of this, management has reviewed the appropriateness of the preparation of the financial statements on a going concern basis.

Taking into account the wide-ranging nature of the review, we believe that it is not possible to estimate with certainty its outcome. Furthermore, we note that should the outcome of the review be a proposal to wind up the TSA and to either cease or transfer its functions, parliament will need to enact the legislation necessary to do this, and that the timing and eventual decision of parliament on this matter is currently uncertain.

Consequently, after making enquiries and discussing the situation with CLG, management is satisfied that sufficient funding is in place to enable us to continue in operation for the foreseeable future and meet our obligations as they fall due over at least the next 12 months. For these reasons we continue to adopt the going concern basis in preparing the annual report and accounts.

This report was approved by the board on 14 July 2010.

| | |
|---|---|
| **Anthony Mayer** | **Peter Marsh** |
| Chairman | Chief Executive and Accounting Officer |

# Statement of the TSA's and chief executive's responsibilities

Under the Housing and Regeneration Act 2008 the TSA is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State with the approval of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the TSA'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 TSA and chief executive are required to comply with the requirement of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the government financial reporting manual have been followed and disclose and explain any material departures in the accounts
- prepare the accounts on the going concern basis

The TSA and chief executive confirm that the accounts comply with the above requirements.

The board member appointed as chief executive is also designated the accounting officer and the consolidation officer for the TSA. 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.

# Chief executive and accounting officer's statement on internal control

## Scope of responsibility

As chief executive and accounting officer of the TSA, I have responsibility for maintaining a sound system of internal control that supports the achievements of agreed policies, aims and objectives, as set by the Secretary of State, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in managing public money, the framework document, and accounting officer and consolidation officer letters.

## Accountability arrangements

The TSA is a non-departmental public body sponsored by CLG. Arrangements for securing accountability between the TSA and CLG are set principally in the appointment as accounting officer letter issued to me by the CLG Accounting Officer in August 2008, and the framework document applicable from 1 December 2008. An ongoing dialogue is maintained at both a political and officer level. A series of scheduled formal CLG round up meetings were held throughout the year with officers from CLG, members of my executive team and myself to discuss specific and general business issues. A bi-monthly review meeting took place throughout the year at which financial performance and other key emerging issues were discussed with officers of CLG and the TSA. In addition, a number of other meetings regarding the corporate plan and other topics were held with officers and ministers.

## The purpose of the system of internal control

The system of internal control is based on the operation ongoing processes designed to identify and prioritise the risks to the achievement of the TSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control is therefore designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The purpose of the system of internal control is to facilitate the successful achievement of the TSA's aims and objectives. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the principal risks to the achievement of the TSA's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically
- maintain a set of governance arrangements designed to:
  - ensure that the decisions taken by the TSA conform to the freedoms and constraints allowed to it by its sponsoring department
  - ensure accountability of staff and managers through internal structures and networks of delegated powers

- encourage staff and managers to act in the desired manner without requiring continual detailed intervention
- maintain a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review

The system of internal control has been in place within the TSA for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

The TSA is a public body, accountable to parliament and a variety of national stakeholders, as well as operating in a governance framework set and monitored by the Treasury and the sponsoring department. It rightly requires compliance with the highest standards on legal and financial matters, and to be able to account in detail for decisions and actions taken. Taking the above into account, the TSA's risk management strategy is to achieve the balance between the need for a robust internal control environment and governance framework and the need to support our culture, people and partners in achieving our objectives. The TSA's updated risk management strategy was published in December 2008 to reflect these relationships. The TSA has evolved its risk management processes and developed its risk management capability in line with its own corporate strategy and changing external market conditions. This not only reflects the evolution of risk management processes within the organisation, but also reflects the continuation of the significant new risks that were identified in 2008-09. The most significant of these being those risks associated with the much more difficult borrowing and lending regime operated by the financial institutions (the 'credit crunch') that may impact on the financial viability of RSLs and their ability to raise new finance. RSLs were able to weather the 'storm' of the financial markets and recent reports show that their capacity to handle these risks has meant that the forecast downturn affected them far less that the rest of the economy.

During 2009-10 a number of new risks were identified/became more apparent, including implementing the new regulatory standards from 1 April 2010, managing the inherited pension deficit, extending the domain to include local authorities, delivering our business with fewer resources and contributing to the wider government OEP agenda. Following a successful consultation exercise the new regulatory standards are on course for implementation including the successful widening of the domain through working with local authorities. The pension deficit is fully funded for 2010-11 and we are working to a smaller financial envelope ensuring both better value for money for the tenant and wider taxpayer.

Throughout the year the TSA was able to ensure that control activities remained embedded in staff behaviours and that the delivery culture of the organisation has not adversely affected by the process of organisational change and restructuring so that the TSA continues to fulfil its overall purpose and achieve its intended outcomes successfully.

The risk management strategy is available to all staff and the public on our website.

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

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

During the year courses were held to ensure all staff are aware of what risk management is and what actions they can take so they can manage risk effectively.

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

As chief executive I discharge my responsibilities in relation to risk management by:

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

## The risk and control framework

Our management of risk is embedded in policymaking, planning and delivery by consideration of risk by the executive team in establishing strategy and in managing operational activities. Our principal risks relate to the successful delivery of our business that helps to support the provision of quality affordable homes in England.

The **risk management strategy** outlines in detail the arrangements by which we identify, categorise, assess and address risks. Risk appetite is monitored by the inherent and residual risk assessment figures within our risk profile document, with risks ranked on a score of one to five for both impact and likelihood producing a combined risk score of between one and 25. The board considers the management of all risks scoring 12 and above and requires active management, wherever possible, of all risks with a score of 16 and above. All risks on the corporate risk profile have a designated owner who is a member of the executive team. New risks are reported to the executive and Audit and Risk Committee and assigned an owner as part of this process.

Risks are reviewed and reported regularly through the maintenance of a rolling risk profile document, which is reviewed at least quarterly by the executive team, Audit and Risk Committee and board. Staff and board members are encouraged to notify the team responsible for maintaining the risk profile at any stage of potential changes to the profile. Where further action is needed to strengthen the control environment, an action plan is put in place.

Our fraud response plan was updated early in June 2010 to reflect changes in risks associated with fraud.

**project risk profiles** exist for each specific project identified as high risk by the executive team, A project board consisting of TSA staff will assess risks in relation to its objectives and targets and feed upwards its diagnosis of the risks faced into the corporate risk register. This involves identifying potential opportunities and risks relating to the achievement of corporate and directorate objectives. It is important to adopt a consistent combination of top-down and bottom-up inputs.

Our **information security policy** aims to ensure the confidentiality and integrity of information held by the TSA, balancing this with our legal obligation of openness and the business need for readily available information. It applies to all information held, regardless of the format, equipment used or employment status of the user and to how we transmit data to outside organisations. The TSA has responded positively to Cabinet Office guidance on information risks. I have taken assurance from both the Senior Information Risk Officer (SIRO) and from internal audit work in this area. I am satisfied that information risks are being adequately managed. In the year we successfully secured our re-accreditation to the GSX network.

All TSA staff have been informed about their role in managing information security, and the Acceptable Use Policy. Information security is now part of mandatory induction training for all staff, and the

TSA network was subject to a full penetration test in March with only low impact issues identified.

We manage external interdependencies through our regulatory engagements and contractual arrangements. We also manage external risks through formal frameworks and operational relationships with our sponsor department, the Homes and Communities Agency, the Audit Commission and regional assemblies.

## Structures

The board has been formally constituted and as at 31 March 2010 comprised ten non-executive directors, and one executive director, appointed by the Secretary of State. The recruitment process for non-executive directors is run by the CLG in accordance with the Code of Practice for Public Appointments issued by the Commissioner for Public Appointments. Non-executive directors are appointed initially for periods of up to three and four years, and the level of their emoluments is set by the Secretary of State.

## Review of effectiveness

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

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2009-10 include:

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

- reporting internal audit findings to the executive team meetings
- adequate procedures to control both logical and physical information systems access are in place
- ARC consideration of the external audit management letter and regulatory compliance report
- annual management assurance statements from my senior staff that proper systems and controls are in place and have been operated during the year
- the delegation of resource budgets down to cost centre level
- quarterly review of estimates to ensure managers are taking responsibility for delivering the business objectives within budget
- rolling forecasts of expenditure for the next three years are reported to the board to determine future affordability
- a value for money policy was introduced during the year as well as a revised procurement strategy with key emphasis on seeking value through competition and collaboration
- managing the inherited pension deficit, delivering our business with fewer resources and contributing to the wider government OEP agenda
- following a successful consultation exercise the new regulatory standards are on course for implementation including the successful widening of the domain through working with local authorities with no additional staffing resources
- the 2010-11 budget includes funding for that years pension deficit payment. We are working to a smaller financial envelope ensuring both better value for money for the tenant and wider taxpayer
- our work on the disposal proceeds fund has enabled us to form a clearer view of both the value of the overall fund within the sector and the value of funds which exceed three years old. Despite these improvements in process we are continuing to work with partners to deliver a more robust methodology for determining the value of the three year old funds. We need ensure that where approvals are given to carry funds forward beyond the three year life these are based on sound evidence
- that during the early part of year there were some minor IS security breaches. We have improved our processes through managing our active directory more proactively. Once this work was completed the breaches have ceased

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

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

## Description of principal risks and uncertainties

The pension deficit has increased by some 20% during the year. With a reduction in headcount during the year resulting in decreasing employee contributors the TSA faces the risk of the employer's contribution rate increasing significantly to reduce the deficit in the future. This would be an additional burden to fund from a declining resource base, which is likely to be further reduced by the 2010 spending review.

A further significant risk to the TSA as a whole has emerged with the new government's commitment to reviewing all arm's-length bodies in order to reduce their number and overall cost. This risk could impact significantly on the TSA's capacity to deliver effective regulation and weaken the overall control environment due to increased risk of staff departures and potential reduction in staff motivation. We will work closely with the government to identify, mitigate and manage these risks.

## Significant internal control issues

No serious internal control issues have arisen since April 2009 to the date at which the accounts are signed.

**Peter Marsh**
Chief Executive and Accounting Officer
14 July 2010

# The certificate and report of the comptroller and auditor general to the Houses of Parliament and to the Office for Tenants and Social Landlords

I certify that I have audited the financial statements of the Office for Tenants and Social Landlords for the year ended 31 March 2010 under the Housing and Regeneration Act. These comprise the net expenditure account, the statement of financial position, the statement of cash flows, the statement of changes in reserves 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 chief executive and auditor

As explained more fully in the statement of the TSA's and chief executive's responsibilities, the chief executive is 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 the financial statements in accordance with applicable law and 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 Landlord's 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## 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 2010 and of its net expenditure for the year, changes in reserves and cash flows for the year then ended

- 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 Housing and Regeneration Act 2008
- the information given in 'chief executive's annual review', 'our approach to housing regulation', reporting our key progress and activities this year', corporate governance report', and 'going concern' included within the annual report 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 are not in agreement with the accounting records or returns, or
- I have not received all of the information and explanations I require for my audit, or
- the statement on internal control does not reflect compliance with HM Treasury's guidance.

## Report

I have audited the financial statements which are prepared on a going concern basis. The financial statements disclose that the future of the Office for Tenants and Social Landlords is under review by the Department for Communities and Local Government. Notwithstanding this announcement, I am content that the basis of preparation remains appropriate and that the evidence available to me at the date of this report does not indicate that there is a material uncertainty which may cast doubt upon the Office for Tenants and Social Landlords ability to continue as a going concern.

Amyas C E Morse
Controller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 15 July 2010

# Financial statements 2009-10

## Net expenditure account

| For the year ended 31 March 2010 | Note | 2010 | 2009 |
|---|---|---|---|
| **Expenditure** | | **£'000** | **£'000** |
| Revenue grants and research | 4 | 5,554 | 6,721 |
| Staff costs | 5 | 16,997 | 14,895 |
| Transition costs | 7 | 2,534 | 4,645 |
| Depreciation and amortisation | 6 | 1,515 | 1,192 |
| Other expenditure | 6 | 8,526 | 9,572 |
| | | 35,126 | 37,025 |
| **Income** | | | |
| Income from activities | 8 | (698) | (437) |
| Other income | 8 | (1,077) | (151) |
| **Net expenditure** | | **33,351** | **36,437** |
| Interest payable | 6 | 2,750 | 1,323 |
| Interest receivable | 8 | (90) | (119) |
| **Net expenditure after net interest** | | **36,011** | **37,641** |
| Taxation | 10 | - | 7 |
| **Net expenditure for the year** | | **36,011** | **37,648** |

The notes on pages 54 to 83 from part of these financial statements

# Statement of financial position

| For the year ended 31 March 2010 | Note | 2010 £'000 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | 1,710 | 2,578 | 2,130 |
| Intangible assets | 12 | 1,721 | 2,134 | 998 |
| Loans | 14 | 435 | 568 | 612 |
| **Total non-current assets** | | **3,866** | **5,280** | **3,740** |
| **Current assets** | | | | |
| Loans | 14 | 126 | 102 | 170 |
| Trade receivables and other current assets | 15 | 2,771 | 531 | 738 |
| Cash and cash equivalents | 16 | 2,409 | 3,951 | 1,757 |
| **Total current assets** | | **5,306** | **4,584** | **2,665** |
| **Total assets** | | **9,172** | **9,864** | **6,405** |
| **Current liabilities** | | | | |
| Trade payables and other current liabilities | 17 | **(6,472)** | **(5,252)** | **(5,001)** |
| **Non-current assets plus net current assets** | | **2,700** | **4,612** | **1,404** |
| **Non-current liabilities** | | | | |
| Pension liabilities | 9 | (49,751) | (41,810) | (18,509) |
| Financial liabilities | 18 | - | - | (700) |
| **Total non-current liabilities** | | **(49,751)** | **(41,810)** | **(19,209)** |
| **Assets less liabilities** | | **(47,051)** | **(37,198)** | **(17,805)** |
| **Reserves** | | | | |
| General reserve | 19 | 843 | 2,742 | (1,103) |
| Pension reserve | 19 | (49,751) | (41,810) | (18,509) |
| Specific reserve | 19 | 1,857 | 1,870 | 1,807 |
| | | **(47,051)** | **(37,198)** | **(17,805)** |

The financial statements on pages 50 to 83 were approved by the Board on 14 July and signed on its behalf by:

| | | |
|---|---|---|
| **Peter Marsh** | Chief Executive and Accounting Officer | Date: 14 July 2010 |
| **Anthony Mayer** | Chairman | Date: 14 July 2010 |
| **Donald Hoodless** | Chair, Audit and Risk Committee | Date: 14 July 2010 |

The notes on pages 54 to 83 form part of these financial statements.

# Statement of cash flows

| For the year ended 31 March 2010 | Notes | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net expenditure after cost of capital and interest | | (36,011) | (37,641) |
| **Adjustments for non-cash items** | | | |
| Depreciation and amortisation | 6 | 1,515 | 1,192 |
| Loss on disposal | | 11 | 25 |
| Pension service cost | 9 | 3,170 | 1,497 |
| Cost of capital | 6 | (1,522) | (1,036) |
| Pension interest cost | 6 | 2,750 | 1,292 |
| Interest payable | | - | 31 |
| Interest receivable | 8 | (90) | (119) |
| Increase/(decrease) in trade and other receivables | | (2,240) | 206 |
| (Increase)/decrease in trade and other payables | | 1,743 | (269) |
| Pension contributions paid | 9 | (4,849) | (2,738) |
| Interest paid | | - | (56) |
| Corporation tax paid | | - | (3) |
| **Net cash flow from operating activities** | | **(35,523)** | **(37,619)** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (451) | (1,592) |
| Purchase of intangible assets | | (248) | (723) |
| Proceeds of disposal of property, plant and equipment | | - | 23 |
| Loans repayments received from completed schemes | 14 | 125 | 170 |
| Interest received | | 5 | 114 |
| **Net cash outflow from investing activities** | | **(569)** | **(2,008)** |
| **Cash flow from financing activities** | | | |
| Grant-in-Aid from sponsor department | | 34,550 | 42,521 |
| Advances from NLF | | - | (2,100) |
| Repayments to NLF | | - | 1,400 |
| **Net financing** | | **34,550** | **41,821** |
| Net increase/(decrease) in cash and cash equivalents in the period | | (1,542) | 2,194 |
| **Analysis of cash and cash equivalent** | | | |
| Cash and cash equivalents at 1 April 2009 | | 3,951 | 1,757 |
| Cash and cash equivalents at 31 March 2010 | 16 | 2,409 | 3,951 |

The notes on pages 54 to 83 form part of these financial statements.

# Statement of changes in reserves

| For the year ended 31 March 2009 | General reserve £'000 | Pension reserve £'000 | Specific reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2008** | **(1,103)** | **(18,509)** | **1,807** | **(17,805)** |
| **Changes in reserves for 2008-09** | | | | |
| Net actuarial gain/loss on pension plan | (23,250) | - | - | (23,250) |
| Non-cash charges - cost of capital | (1,036) | - | - | (1,036) |
| Net expenditure | (37,648) | - | - | (37,648) |
| Movement in pension liability | 23,301 | (23,301) | - | - |
| Transfer of interest net of costs | (43) | - | 43 | - |
| Transfer of interest net of costs | | | 20 | 20 |
| **Total recognised income and expenditure for the year ended 31 March 2009** | **(39,779)** | **(41,810)** | **1,870** | **(79,719)** |
| Grant-in-Aid from sponsor department | 42,521 | - | - | 42,521 |
| **Balance at 31 March 2009** | **2,742** | **(41,810)** | **1,870** | **(37,198)** |

| For the year ended 31 March 2010 | General reserve £'000 | Pension reserve £'000 | Specific reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2009** | **2,742** | **(41,810)** | **1,870** | **(37,198)** |
| **Changes in reserves for 2009-10** | | | | |
| Net actuarial gain/loss on pension plan | (6,870) | - | - | (6,870) |
| Non-cash charges - cost of capital | (1,522) | - | - | (1,522) |
| Net expenditure | (36,011) | - | - | (36,011) |
| Movement in pension liability | 7,941 | (7,941) | - | - |
| Transfer of interest net of costs | 13 | - | (13) | - |
| **Total recognised income and expenditure for the year ended 31 March 2010** | **(33,707)** | **(49,751)** | **1,857** | **(81,601)** |
| Grant-in-Aid from sponsor department | 34,550 | - | - | 34,550 |
| **Balance at 31 March 2010** | **843** | **(49,751)** | **1,857** | **(47,051)** |

The notes on pages 54 to 83 form part of these financial statements.

# 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, 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 Tenant Services Authority 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 the TSA for the purpose of giving a true and fair view has been selected. The TSA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The financial statements are prepared on the modified historical cost basis as set out in Treasury guidance.

## The IFRS 1 - transition

The TSA's transition date for reporting under IFRS is 1 April 2008. This report contains the full comparative information, which will be included in TSA first IFRS financial statements.

## Merger accounting

The Housing and Regeneration Act 2008 created the TSA on 1 December 2008. The Housing Corporation's regulation functions were transferred to the TSA at that date. The Housing Corporation's investment function was transferred to the HCA at the same time. In accordance with the FReM, where functions are transferred between government departments, the results and cash flows of the combining entities are brought to account from the start of the financial year in which the transfer occurs. This transfer was classified as a machinery of government change and has, therefore, been accounted for as a merger in accordance with the guidance stated in the FReM. Prior year comparatives have been restated as if the transfer occurred in that year. Therefore, both the 2008-09 and 2007-08 comparative amounts contained in these accounts relate to the proportion of the regulatory activities, previously accounted for in the results of the Housing Corporation in those financial years.

## Government grants receivable

The TSA's activities in 2009-10 were funded by Grant-in-Aid, provided by CLG. All Grant-in-Aid and other income received are used to finance activities and expenditure which support the statutory objectives of the TSA. 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 TSA.

## Income

Income relates to research costs and recharges to the Homes and Communities Agency and is stated net of VAT.

## Grants payable

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

## 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 TSA'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 the TSA if there are no plans to reuse these funds after three years. The TSA collects monies due from RSLs' 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 the TSA's statement of financial position when the TSA becomes a party to the contractual provisions of the instrument (contract).

The TSA has various financial assets such as loans, short-term trade debtors, cash and short-term deposits which arise directly from its operations. Its principal financial liabilities in recent years have been borrowings from the National Loans Fund and short-term trade and other creditors.

## Financial assets

Loans: these are loans made to both individuals and organisations for property purchase or refurbishment where the life of the asset is greater than one year. The 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 debtors: trade and other debtors are short term and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the TSA will not be able to recover balances in full, with the charge being recognised in administrative expenses in the net expenditure account. 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 have an original maturity of three months' valuation.

## Financial liabilities

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

## Cost of capital employed

The TSA is required to charge a notional cost of capital against the income and expenditure account to ensure that it bears an appropriate charge for the use of capital in the business in the year. The charge is set at a rate of 3.5% on the average carrying value of all assets, less liabilities. The TSA's cash at bank, which is held with the Office of the Paymaster General, is excluded from the calculation.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation 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, 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 (until 1 December 2008 the threshold was £500).

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 depreciation 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, intangible are valued at depreciated historic cost, IAS 38. Costs in excess of £1,500 are capitalised (until 1 December 2008 the threshold was £500).

Depreciated 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 each category of asset on a straight line basis:

| | |
|---|---|
| Computer equipment | 4 years |
| Computer software | 4 years |

| | |
|---|---|
| Office equipment | 4 years |
| Motor vehicles | 4 years |
| Furniture, fixtures and fittings | 5 years |
| Other Intangible assets | 5 years |

## Impairment of assets

At the statement of financial position, the carrying amount of the tangible, intangible and current assets are reviewed to determine whether there is an indication that the assets have suffered an impairment loss. 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.

## Operating leases

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

## Value Added Tax

The TSA 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

The TSA 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. TSA 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 of 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 statement of financial position 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. 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 reserves. The following transactions, which relate to the plan are recognised in the net expenditure statement: current service cost, past service costs, interest cost and expected returns.

# 2 First-time adoption of IFRS

| | Revenue reserve £'000 | Pension reserve £'000 | Specific reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2008 under UK generally accepted accounting** | **(912)** | **(18,509)** | **1,807** | **(17,614)** |
| Adjustments for: | | | | |
| IAS 19 Employee Benefits - accrued untaken paid leave | (191) | - | - | (191) |
| **Balance at 1 April 2008 under international financial reporting standards** | **(1,103)** | **(18,509)** | **1,807** | **(17,805)** |
| **Net expenditure for 2007-08 under UK generally accepted accounting practice** | | | | **34,650** |
| Adjustments for: | | | | |
| Cost of capital not reversed in operating cost statement | | | | (583) |
| Movement in holiday pay accrued: 2007-08 | | | | (1) |
| **Net expenditure for 2007-08 under international accounting standards** | | | | **34,066** |

| | Revenue reserve £'000 | Pension reserve £'000 | Specific reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2009 under UK generally accepted accounting** | **2,931** | **(41,810)** | **1,870** | **(37,009)** |
| Adjustments for: | | | | |
| IAS 19 Employee Benefits - accrued untaken paid leave | (189) | - | - | (189) |
| **Balance at 1 April 2009 under international financial reporting standards** | **2,742** | **(41,810)** | **1,870** | **(37,198)** |
| **Net expenditure for 2008-09 under UK generally accepted accounting practice** | | | | **38,686** |
| Cost of capital not reversed in operating cost statement | | | | (1,036) |
| Movement in holiday pay accrued: 2008-09 | | | | (2) |
| **Net expenditure for 2007-08 under international accounting standards** | | | | **37,648** |

The adoption of IFRS has no impact on the movement in cash for the TSA, no reconciliation is therefore required for the prior year cash flow.

# 3 Analysis of expenditure

| | Risk and assurance | Tenant services | Policy and market intelligence | Corporate services | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue grant | - | 3,051 | 2,503 | - | 5,554 | 6,721 |
| Staff costs | 9,259 | 3,142 | 2,679 | 1,917 | 16,997 | 14,895 |
| Other expenditure | 3,024 | 1,528 | 2,467 | 3,022 | 10,041 | 10,764 |
| | **12,283** | **7,721** | **7,649** | **4,939** | **32,592** | **32,380** |
| Transition costs | | | | | 2,534 | 4,645 |
| **Net expenditure** | | | | | **35,126** | **37,025** |

The statutory and strategic objectives of the above functions are:

**Tenant services** – the objective of this function is to ensure tenants of social housing have the opportunity to be involved in its management and that providers of social housing are effective in their service delivery and to encourage registered providers of social housing to contribute to the environmental, social and economic wellbeing of the areas in which the housing is situated. To achieve its objectives, the service has the responsibility for developing and ensuring compliance with tenants' standards across the domain. It has the lead on equality and diversity and care and support needs. Through its Tenant Excellent Fund applicants are encouraged 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. Grants are also awarded through the Tenant Empowerment Programme to tenants across the domain, to help them develop the skills required to challenge, influence or control how the housing services are delivered to their communities.

**Risk and assurance** – the objective of this function is to ensure that registered providers of social housing are financially viable and properly managed and the services provided are delivered efficiently, effectively and economically and to encourage investment in social housing. The function is responsible for regulating registered providers and ensuring that the TSA's statutory powers are used appropriately, proportionately and effectively. The core activities that are performed by the service to achieve the statutory objectives are: business analysis, financial appraisals, inspection, and enforcement.

**Policy and market intelligence** – the objective of this function is to encourage and support a supply of well-managed social housing and ensure tenants of social housing have an appropriate degree of choice and protection, to regulate in a manner that: minimises interference, is proportionate, consistent, transparent and accountable and to avoid imposing unreasonable burden on public funds. The function conducts market research that is relevant to TSA strategic priorities and analyses the market from data collected on its data systems, which are NROSH, CORE and RSR. The service is also responsible for policy towards developing a 'market in management' and the TSA's strategy for diversification of, and increase in, the supply of investment into the affordable housing market.

**Corporate services** – the objective of this function is to provide effective and efficient support services that enable the TSA to deliver its statutory and organisational objectives. Corporate services includes the executive office and all support functions, and provides strategic direction, legal support and is the guardian and steward for the TSA's assets and resources: people, intelligence, finances and property.

# 4 Revenue grants, research and best practice

The TSA'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.

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

Tenant Empowerment Grants to tenant groups and advisors enable council tenants, and from 1 October 2008 RSL tenants, to receive independent advice on how they could become involved in the management of their homes and estates, and are paid under section 27A to the Housing Act 1996 as extended by Statutory Instrument 2006 No. 583. These grants were previously administered by CLG.

The purpose of the Tenant Excellence Fund is 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 will enable the TSA 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.

CLG makes a significant contribution to the TSA's research into lettings and sales of social housing. The amount recovered from CLG during the year was £698,000 and is included in note 8, Other Income.

| Revenue grants | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Innovation and good practice** | 797 | 3,073 |
| **Tenant Empowerment Grants** | 2,109 | 2,124 |
| **Tenant Excellence Fund** | 499 | - |
| **Research and housing projects** | 2,149 | 1,524 |
| | **5,554** | **6,721** |

# 5 Staff numbers and related costs

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Staff costs comprise: | | |
| Permanent staff | | |
| Wages and salaries | 11,160 | 10,203 |
| Social security costs | 959 | 948 |
| Other pension costs | 3,170 | 1,497 |
| Other staff costs | 77 | 180 |
| | **15,366** | **12,828** |
| Non-executive board members | | |
| Salaries | 213 | 103 |
| Social security costs | 20 | 8 |
| Temporary staff | 931 | 1,900 |
| Staff on inward secondment | 287 | 77 |
| Provision for staff benefits | 180 | (2) |
| | **1,631** | **2,086** |
| Less recoveries in respect of outward secondments | - | (19) |
| **Total net costs** | **16,997** | **14,895** |

These costs represent staff costs relating to ongoing activities. Staff costs incurred as a result of the transition from the Housing Corporation to the TSA in 2008-09 has been shown in note 7 to the financial statements. No staff costs were capitalised in year (2009: nil).

## Average number of persons employed

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

| | Risk and assurance<br>£'000 | Tenant services<br>£'000 | Policy and market intelligence<br>£'000 | Corporate services<br>£'000 | 2010 Total<br>£'000 | 2009 Total<br>£'000 |
|---|---|---|---|---|---|---|
| **Permanent staff** | 39 | 84 | 33 | 85 | 241 | 244 |
| **Temporary staff** | 2 | 3 | 1 | 13 | 19 | 7 |
| **Staff on inward secondment** | 3 | 2 | - | - | 5 | 6 |
| **Staff on outward secondment** | **-** | **-** | **-** | **-** | **-** | **(1)** |
| | **44** | **89** | **34** | **98** | **265** | **256** |

# 6 Other expenditure

| Other expenditure | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Rental under operating leases | 1,031 | 848 |
| Professional fees | 4,898 | 5,823 |
| Office running costs | 1,939 | 1,760 |
| Travel, subsistence and other staff costs | 788 | 577 |
| Recruitment, training and publicity | 1,381 | 1,575 |
| | **10,037** | **10,583** |
| **Non-cash items** | | |
| Loss on disposal of asset | 11 | 25 |
| Cost of capital charges | (1,522) | (1,036) |
| | (1,511) | (1,011) |
| | 8,526 | 9,572 |
| Depreciation | 865 | 673 |
| Amortisation | 650 | 519 |
| | **1,515** | **1,192** |
| **Interest payable** | | |
| Borrowings from the National Loan Fund | - | 31 |
| Pension finance costs | 2,750 | 1,292 |
| | **2,750** | **1,323** |
| | **12,791** | **12,087** |

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Rental in respect of leased offices | 1,007 | 848 |
| Rental of office equipment | 371 | 364 |
| Auditors' remuneration | 54 | 120 |

Included within the administration costs for 2009 is expenditure incurred by TSA for which no economic benefit was derived by the TSA. This related to the costs of hosting the IT service, for which 100% of the cost was borne by the TSA although 250 staff who are supported by this infrastructure worked for the HCA in the year. No recharges for this service were made before 1 April 2009. In addition, the Housing Corporation office leases were transferred to both the TSA and HCA and staff of both agencies continued to work in all offices with a phased reduction being made, culminating in only three offices being shared in 2009-10. Prior to 1 April 2009 about 100 TSA staff occupying HCA office space and 60 HCA staff occupying TSA office space for which no recharges were made within the accounts to reflect this. From 1

April 2009 recharges were made between the organisations to reflect the use of shared facilities. The HCA made contributions to the TSA for using the IT infrastructure and the Manchester office space and the TSA made contributions to the HCA for using office space at Leeds and Cambridge.

The audit fee for 2009-10 was £54,000 and includes £5,000 in relation to the audit of the TSA's 2008-09 IFRS compliant financial statements. The audit fee reported in the 2008-09 accounts of £120,000 in the TSA's final accounts includes £80,000 for the audit of the Housing Corporation (as the TSA were responsible for this) and the TSA's audit fee of £40,000.

# 7 Transition costs

In 2008-09 the TSA incurred significant transition costs associated with the transfer of functions from the Housing Corporation. Transition costs related to both staff and other operating activities. Additional staff costs were a combination of the appointment of temporary staff for the period ending 30 November, the appointment of senior staff to the new agencies (the TSA and HCA) in advance of them being legally constituted and agency staff.

Other operating costs related to office alterations to enable the TSA and HCA to share office space, work to IT systems required to ensure business continuity and consultants to assist in the legal and financial transfer of the Housing Corporation's assets and liabilities. Additional resources were made available from CLG to fund these costs. The payments made in 2009-10 that related to transition activities were a contribution to the pension deficit inherited from the Housing Corporation and payments arising from further restructuring across the TSA. This is shown at note 9 to the financial statements. This is a payment that will be made for the next 15 years in accordance with the admission agreement between the City of Westminster and the TSA.

| Transition costs | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Staff costs** | | |
| Salary related costs | - | 491 |
| Staff seconded in | - | 230 |
| Restructuring costs | 2,534 | 1,876 |
| **Total staff costs** | **2,534** | **2,597** |
| **Administration costs** | | |
| Premises costs | - | 381 |
| Office running costs | - | 224 |
| Professional fees | - | 648 |
| Tenant engagement | - | 397 |
| Recruitment, training and publicity | - | 398 |
| **Total administration costs** | **-** | **2,048** |
| **Total transition costs** | **2,534** | **4,645** |

# 8 Income

| Income | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Research (contribution from CLG towards CORE) | (698) | (437) |
| Interest receivable | (90) | (119) |
| Other income | (1,077) | (151) |
| | **(1,865)** | **(707)** |

# 9 Superannuation

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

The TSA also inherited the pension liabilities of those staff previously employed by the Housing Corporation who transferred to the TSA 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 the HCA and the TSA 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 the TSA on 1 December was £19.6 million. At 31 March 2010 the fund liabilities exceed the fund assets by £44.55 million. This £7 million increase in the deficit since 31 March 2009 when it stood at £37.19 million is due to the change in actuarial assumptions and a dramatic change in market conditions over the last year. The discount rate determined from AA corporate bond yields declined from 6.5% to 5.5%. 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) increased from 3.6% to 3.9%. It is the difference between the discount rate and inflation assumption that is important and it can be seen that the difference reduced by 1.3%. Each one per cent increase in the net discount rate can increase liabilities by just under 20%. The loss on assets is mainly due to the fact that the Westminster Fund is invested in equities and equity markets have had negative returns during the period. These movements when taken together had a negative impact on the deficit recorded on the fund.

The most recent triennial valuation of the fund that impacts on these financial statements was held at 31 March 2007 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 2010. Liabilities are valued on an actuarial basis using the projected unit method that assesses the future liabilities discounted to their present value. The employer's contribution rate for the year ended 31 March 2010 was based on the recommendation contained in the valuation report of the fund as at 31 March 2007. The most recent triennial valuation at 31 March 2010 will impact on contribution rates from 1 April 2011. The results of this will not be known until later this year.

The TSA 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 the TSA on 1 December 2008 was £4.18 million, which had risen to £5.2 million at 31 March 2010.

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) | 2010 | 2009 |
|---|---|---|
| Rate of inflation | 3.9% | 3.6% |
| Rate of general increase in salaries** | 5.4% | 5.1% |
| Rate of increase for pensions in payment and deferred pensions* | 3.9% | 3.6% |
| Discount rate | 5.5% | 6.5% |

| Principal financial assumptions (unfunded benefits) | 2010 | 2009 |
|---|---|---|
| Rate of inflation | 3.8% | 3.8% |
| Rate of increase for pensions in payment | 3.8% | 3.8% |
| Discount rate | 5.5% | 5.5% |

* In excess of guaranteed minimum pension increase in payment where appropriate.
** In addition, allowance has been made for the same age-related promotional salary scales as used at the actuarial valuation of the fund at 31 March 2007.

## The principal demographic assumptions

The mortality assumptions were derived from using the base table (2007) PNMA00 and PNFA00, making allowance for improvements in line with medium cohort improvement factor to 2007 of 1.25% and scaling factor of 110% 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 | 2010 | 2009 |
|---|---|---|
| Male | 22.3 | 22.2 |
| Female | 24.3 | 24.2 |
| **Retiring after 20 years of the statement of financial position date** | | |
| Male | 24.7 | 24.5 |
| 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.

| | | | | |
|---|---|---|---|---|
| Equities | 8.0 | 72.2 | 7.0 | 76.0 |
| Property | 8.5 | 0.0 | 6.0 | 0.0 |
| Government bonds | 4.5 | 4.8 | 4.0 | 12.8 |
| Corporate bonds | 5.5 | 22.3 | 5.8 | 11.0 |
| Cash | 0.7 | 0.2 | 1.6 | 0.0 |
| Other** | 8.0 | 0.5 | 1.6 | 0.2 |
| **Total** | **7.3** | **100** | **6.5** | **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 this year these will get a return in line with equities.

### The pension charged for the period is shown below

| | Unfunded | Funded | 2010 £'000 Total | 2010 £'000 Total |
|---|---|---|---|---|
| Present value of obligations | (5,200) | (108,830) | (114,030) | (83,690) |
| Fair value of plan assets | - | 64,279 | 64,279 | 41,880 |
| **Liability recognised in statement of financial position** | **(5,200)** | **(44,551)** | **(49,751)** | **(41,810)** |
| **Assets** | | | | |
| Fair value of assets at 1 April | - | 41,880 | 41,880 | 54,657 |
| Expected return on plan assets | | 2,760 | 2,760 | 3,522 |
| Contribution received | 340 | 4,509 | 4,849 | 2,738 |
| Contribution from employees | - | 740 | 740 | 755 |
| Benefits paid | (340) | (1,610) | (1,950) | (1,850) |
| Actuarial gain/(loss) on plan assets | - | 16,000 | 16,000 | (17,942) |
| **Fair value of plan assets at 31 March** | **-** | **64,279** | **64,279** | **41,880** |

| | Unfunded | Funded | 2010 £'000 Total | 2009 £'000 Total |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Present value of obligation at 1 April | (4,620) | (79,070) | (83,690) | (73,166) |
| Interest cost | (300) | (5,210) | (5,510) | (4,814) |
| Current service cost | - | (1,310) | (1,310) | (1,199) |
| Past service costs | (220) | (1,640) | (1,860) | (298) |
| Contribution from employees | - | (740) | (740) | (755) |
| Benefit paid | 340 | 1,610 | 1,950 | 1,850 |
| Actuarial (gain)/loss | (400) | (22,470) | (22,870) | (5,308) |
| **Present value of obligation at 31 March** | **(5,200)** | **(108,830)** | **(114,030)** | **(83,690)** |

| Charge for the year | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Staff cost | | |
| Current service costs | (1,310) | (1,199) |
| Past service cost | (1,860) | (298) |
| | **(3,170)** | **(1,497)** |
| Finance (cost)/return | | |
| Interest cost | (5,510) | (4,814) |
| Expected return on plan assets | 2,760 | 3,522 |
| | **(5,920)** | **(2,789)** |

| Movements in the net liability recognised in the statement of financial position | | |
|---|---|---|
| Opening net liability | (41,810) | (18,509) |
| Expense as above | (5,920) | (2,789) |
| Net actuarial (loss)/gain (fund benefits) | (6,470) | (22,980) |
| Net actuarial (loss)/gain (unfunded benefits) | (400) | (270) |
| Contributions (fund benefits) | 5,249 | 3,182 |
| Contributions (unfunded benefits) | 340 | 311 |
| Contribution from employees | (740) | (755) |
| **Closing net liability** | **(49,751)** | **(41,810)** |

The date of the last full actuarial valuation of the pension fund was at 31 March 2007. Actuaries, acting for the TSA, have used assumptions relevant to IAS 19 to arrive at the TSA's share of the assets of the fund and the TSA's present value of the funded and unfunded scheme liabilities at 31 March 2010. During the year the deficit for both the funded and unfunded parts of the scheme increased by £7.9 million (2009: increase of £23.3 million).

Normal employer contributions to the fund for the current year were set at 10.6% of pensionable pay, (2009: 17%).

Using similar assumptions to arrive at the current valuation, the actuaries have forecast for the year ending 31 March 2011 current service costs of £2.91 million and a net charge to finance costs of £1.37 million. Both figures are contingent on the continuation of the TSA's continued existence throughout the year ended 31 March 2011.

| History of experience gains and losses in the funded part of the scheme | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Experience gains/(losses) | | |
| Amount (£) | 16,000 | (18,242) |
| Percentage of scheme assets | 24.9% | (44.4%) |
| **Experience gain arising on scheme liabilities** | | |
| Amount (£) | 1,010 | (390) |
| Percentage of the present value of scheme liabilities | 0.9% | (0.5%) |
| **Changes in assumptions underlying the present value of the scheme liabilities** | | |
| Amount (£) | 10,140 | (20,430) |
| Funded | 9.3% | 24.4% |
| **Total amount recognised in the statement of changes in reserves** | | |
| Amount (£) | (6,870) | (23,249) |
| Percentage of the present value of scheme liabilities | 6.3% | (28.7%) |

# 10 Taxation

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Corporation tax at 20% (2009: 20%) on taxable transactions | - | 7 |
| | **-** | **7** |

The TSA 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 19. Corporation tax is liable on the net interest of the fund. As a result of the low interest earned, the fund made an operating loss at the year end, therefore no tax is payable at 31 March 2010.

# 11 Property, plant and equipment

| | Information technology £'000 | Motor vehicles £'000 | Office equipment £'000 | Furniture and fittings £'000 | 2010 total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2009 | 2,854 | 34 | 361 | 1,131 | 4,380 |
| Reclassification | 39 | - | (39) | - | - |
| Additions | 13 | - | - | - | 13 |
| Disposals | (67) | (17) | - | - | (84) |
| **At 31 March 2010** | **2,839** | **17** | **322** | **1,131** | **4,309** |
| **Depreciation** | | | | | |
| At 1 April 2009 | (903) | (24) | (284) | (591) | (1,802) |
| Reclassification | 16 | - | - | (16) | |
| Depreciation | (614) | (4) | (25) | (222) | (865) |
| Disposals | 52 | 16 | | | 68 |
| **At 31 March 2010** | **(1,449)** | **(12)** | **(309)** | **(829)** | **(2,599)** |
| **Net book value at 31 March 2010** | **1,390** | **5** | **13** | **302** | **1,710** |
| **Net book value at 31 March 2009** | **1,951** | **10** | **77** | **540** | **2,578** |

## 11 Property, plant and equipment (continued)

| | Information technology £'000 | Motor vehicles £'000 | Office equipment £'000 | Furniture and fittings £'000 | 2010 total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2008 | 2,607 | 117 | 368 | 1,651 | 4,743 |
| Additions | 877 | - | 40 | 251 | 1,168 |
| Disposals | (630) | (83) | (47) | (771) | (1,531) |
| **At 31 March 2009** | **2,854** | **34** | **361** | **1,131** | **4,380** |
| **Depreciation** | | | | | |
| At 1 April 2008 | (1,056) | (67) | (292) | (1,198) | (2,613) |
| Depreciation | (445) | (26) | (39) | (163) | (673) |
| Disposals | 598 | 69 | 47 | 770 | 1,484 |
| **At 31 March 2009** | **(903)** | **(24)** | **(284)** | **(591)** | **(1,802)** |
| **Net book value at 31 March 2009** | **1,951** | **10** | **77** | **540** | **2,578** |
| **Net book value at 31 March 2008** | **1,551** | **50** | **76** | **453** | **2,130** |

# 12 Intangible fixed assets

Software comprised of licences to use software developed by third parties. Other intangible assets relate to the costs of developing the business systems for the TSA.

| | Software £'000 | Other intangible assets £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2009 | 1,142 | 2,012 | 3,154 |
| Additions | 145 | 92 | 237 |
| Disposals | | | |
| **At 31 March 2010** | **1,287** | **2,104** | **3,391** |
| **Amortisation** | | | |
| At 1 April 2009 | (732) | (288) | (1,020) |
| Depreciation | (213) | (437) | (650) |
| **At 31 March 2010** | **(945)** | **(725)** | **(1,670)** |
| **Net book value at 31 March 2010** | **342** | **1,379** | **1,721** |
| **Net book value at 31 March 2009** | **410** | **1,724** | **2,134** |

## 12 Intangible fixed assets (continued)

| | Software £'000 | Other intangible assets £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2008 | 1,250 | 437 | 1,687 |
| Reclassification | | | |
| Additions | 80 | 1,575 | 1,655 |
| Disposals | (188) | | (188) |
| **At 31 March 2009** | **1,142** | **2,012** | **3,154** |
| **Amortisation** | | | |
| At 1 April 2008 | (657) | (32) | (689) |
| Depreciation | (263) | (256) | (519) |
| Disposals | 188 | | 188 |
| **At 31 March 2009** | **(732)** | **(288)** | **(1,020)** |
| **At 31 March, net book value 2009** | **410** | **1,724** | **2,134** |
| **At 1 April, net book value 2008** | **593** | **405** | **998** |

# 13 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 RSLs, unregistered self-build societies and charities having a housing function. This share was transferred to the TSA at 1 December 2008. THFC only seeks to cover its operating costs with income and the TSA 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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| £1 ordinary share, fully paid | £1 | £1 | £1 |

# 14 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 3.29% (2009: 7.98%).

| Loans | 2010<br>Completed schemes<br>£ | 2009<br>Completed schemes<br>£ | 2008<br>Completed schemes<br>£ |
|---|---|---|---|
| At 1 April | 670 | 782 | 997 |
| Loans advanced | - | - | - |
| Interest | 16 | 58 | 64 |
| | **686** | **840** | **1,061** |
| Repayments | (125) | (170) | (279) |
| **At 31 March** | **561** | **670** | **782** |
| **Repayments within one year** | **126** | **102** | **170** |
| **Repayments after more than one year** | **435** | **568** | **612** |

# 15 Trade receivables and other current assets

| Loans | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| **Amounts falling due within one year** | | | |
| Trade receivables | 2,270 | 127 | 32 |
| Prepayments | 404 | 344 | 636 |
| Other debtors | 97 | 60 | 70 |
| | **2,771** | **531** | **738** |

Amounts owed by public sector entities

| | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| **Amounts falling due within one year** | | | |
| Central government | 257 | 4 | 7 |
| NDPBs | 915 | 115 | Nil |
| Local authorities | Nil | Nil | 5 |

Trade receivables include an amount of £1.077 million for DPF balances recoverable by the TSA, which are held for three years or more by RSLs, and have not been approved for recycling in future development schemes.

# 16 Cash and cash equivalents

| Loans | 2010 £'000 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 523 | 2,060 | - |
| Short-term bank deposit | 1,886 | 1,891 | 1,757 |
| **Balance at 31 March** | **2,409** | **3,951** | **1,757** |

During the year the Government Banking Service (GBS) transferred the processing of TSA banking transactions from the Bank of England Office of Paymaster General (OPG) to two commercial banks, namely Citibank and the Royal Bank of Scotland Group. Citibank is mainly responsible for processing the TSA's electronic receipts and direct debits and the Royal Bank of Scotland is mainly responsible for processing the TSA's electronic payments and other manual banking transactions. At 31 March 2010 a small number of transactions were still being processed by OPG. However, the overall responsibility for managing the TSA's bank account remains with GBS.

# 17 Trade payables and other current liabilities

| | 2010 £'000 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| VAT | 38 | 7 | 6 |
| Other taxation and social security | 321 | 361 | 281 |
| Trade payables | 4,363 | 4,873 | 4,219 |
| Other payables | 1,750 | 11 | 495 |
| | **6,472** | **5,252** | **5,001** |

The taxation and social security creditor relates to a balance with another central government body. Included in other payables is an amount of £1.013 million DPF, due to the Homes and Communities Agency at 31 March 2010. No other amounts included in trade payables and other current liabilities were due to other public sector bodies (2009: nil; 2008: £40,000).

# 18 Advances from the National Loans Fund

The TSA's borrowing powers (as applicable to the Housing Corporation) until 30 November 2008 were conferred by section 92 of the Housing Associations Act 1985, section 93, as amended by Statutory Instrument 1990 No. 779, limited the TSA's borrowing from all sources to £2,300 million. The loan from the National Loans Fund (NLF) was repaid on 28 November and no subsequent borrowing has been made by the TSA. However, the TSA has powers to borrow under section 102 of the Housing and Regeneration Act 2008. The weighted average rates of interest for the comparative years were: 2009: 5.25%, 2008: 5.66%.

| Loans | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| At 1 April | - | 700 | 700 |
| Advances made during the year | - | 1,400 | 1,400 |
| | - | 2,100 | 2,100 |
| Repayments on maturity | - | (2,100) | (1,400) |
| **At 31 March** | **-** | **-** | **700** |

# 19 Statement of changes in reserves

## General reserves

All Grant-in-Aid received is used to finance activities and expenditure which support the statutory objectives of the TSA. This income is therefore treated as financing and is credited to the general reserve, as it is regarded as a contribution from a controlling party (CLG) which gives rise to a financial interest in the residual interest in the TSA. This means that the only income credited to the net expenditure account is income generated from business activities of the TSA. Net expenditure for the year was debited to the general reserve to be offset by the Grant-in-Aid received, which was credited there.

## 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 the TSA. 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.

# 20 Financial instruments and risk management

## Overview

Like all organisations, the TSA 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 TSA net operating costs are funded by Grant-in-Aid voted annually by parliament (referred to in notes: 4, 5, 6, 7 and 9). The TSA operates both within this constraint and within budgets set annually by CLG. The TSA's controls over the commitment and payment of revenue grants to RSLs and of administration expenditure are designed to ensure that funding is available to meet obligations as they fall due and that annually voted provisions are not exceeded. Revenue grants are paid to RSLs 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 reserves.

## Loans

The TSA loans, which can only be advanced where permitted by statute, are disclosed in note 14 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 TSA's borrowing. No new loans were issued during the year to 31 March 2010. The TSA reviews its loans annually and provides for any doubtful debts by a charge to the operating cost statement. At 31 March 2010 no provision was required. The fair value of the loans is not considered to be materially different from the book value. Interest is not charged in the operating cost statement on loans subject to a judgement debt. The interest rate profile for the TSA loans is as follows:

| Loan classification | Average interest bearing balance £'000 | Interest £'000 | Average interest rate |
|---|---:|---:|---:|
| Completed schemes | 616 | 16 | 3.29% |

## Cash

The Office of the Paymaster General (OPG) provides some banking service, together with Citibank and the Royal Bank of Scotland Group, to the TSA. Apart from the investment of the non-exchequer funds referred to in note 18, the investment of surplus cash on current account is now handled by OPG for the direct benefit of the Treasury. The TSA adheres to the principle of not drawing cash from CLG in advance of need but there is no limit to the cash that can be held at the OPG. The TSA holds an amount of non-exchequer funds, explained in note 16, which is held in an interest bearing deposit account with the OPG.

| Average daily value invested £'000 | Interest £'000 | Interest rate |
|---|---|---|
| 1,888 | 5 | 0.26% |

### Liabilities

The borrowing powers for the TSA 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. The TSA had no borrowings during the year ended 31 March 2010. Details of borrowings in the previous year with the NLF are disclosed in note 18 to the financial statements.

### Other disclosures

The TSA 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.

# 21 Losses and special payments

The TSA did not incur any major losses or special payments during the year (2009: there were no major losses or special payments relating to regulatory activities).

# 22 Commitments under operating leases

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

| | Offices £'000 | Equipment £'000 | Total £'000 | Offices £'000 | Equipment £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Obligations under operating lease comprise: | | | | | | |
| Within one year | 862 | 77 | 939 | 955 | 158 | 1,113 |
| Between one and five years | 3,051 | - | 3,051 | 4,314 | - | 4,314 |
| After five years | - | - | - | - | - | - |
| | **3,913** | **77** | **3,990** | **5,269** | **158** | **5,427** |

# 23 Capital commitments

There were no capital commitments as at 31 March 2010 (2009: £40,000).

# 24 Related party transactions

The TSA is a non-departmental public body sponsored by the CLG. Its operating activities are funded by Grant-in-Aid received from CLG. For the year ended 31 March 2010, Grant-in-Aid received amounted to £34.5 million (2009: £42.5 million).

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

## Transactions, arrangements and contracts involving board members, senior officers and staff

Under the rules of The Housing Finance Corporation Limited (THFC), the TSA is empowered to appoint a director to its board. Throughout the current year the TSA's head of private finance was the TSA's appointee. No fee was paid to the appointee; however the TSA received £16,000 (2009: £5,000) in fees from THFC. Other than the above no board member or member of staff entered into transactions, arrangements, relationships or contracts with the TSA, except for the payment of fees and salaries. Board members receive reimbursement of the cost of expenses properly incurred in the performance of the TSA's duties.

## Related party transactions

The following transactions, which took place during the year with RSLs 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 TSA's business and there were no pecuniary interest between the parties.

| Related party transaction Name | RSL or other related body | Appointment | Transaction between the TSA and the related party | Value of transaction between related party and related body £’000 |
|---|---|---|---|---|
| £’000 | £’000 | £’000 | £’000 | £’000 |
| **Board members** | | | | |
| Jim Coulter | Audit Commission | Board member | Tenant involvement study and staff on outward secondment | 80 |
| | East Thames Housing | Relative of employee | Staff on outward secondment | 100 |
| Dennis Rees | TAROE | Treasurer | Grants paid | 160 |
| | TPAS | Executive director | Purchase of services Consultancy grants | 195 |
| | Audit Commission | Tenant inspection advisor to Audit Commission | Tenant involvement study and staff on outward secondment | |
| | | | Staff on outward secondment | 80 |
| Sheila Drew Smith | Audit Commission | Board member | Tenant involvement study and staff on outward secondment | 80 |

## Employee interests

There are a number of employees who are related to persons employed by RSLs or other bodies with which the TSA 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 RSLs, other organisations or suppliers in receipt of grants or other payments.

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

There were 17 appointments of TSA employees to four registered providers’ governing bodies during the year (2009: ten). At 31 March 2010, four of these appointments, to one provider’s governing body, were still in place (2009: ten). The appointments were made to facilitate the orderly running of these providers pending dissolution after their 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 providers during the year.

## Transactions with employees

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

| Loans | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| At 31 March, principal outstanding included in debtors | 81 | 60 | 153 |

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

Since the statement of position date we have been made aware that it was announced in the Budget on 22 June 2010 that the government intends to adopt the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), the current method in use, for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of both the funded and unfunded pension schemes that the TSA provides to both its current and past employees. This will potentially impact on the liabilities of the fund, but until the results of the triennial review are available we are not able to assess this ongoing impact.

The Housing Minister announced in a speech at the Chartered Institute of Housing conference on 24 June that that the government intends to review the role and purpose of the Tenant Services Authority and the best framework for regulating social housing. This will consider the full range of options in line with the government's commitment to reduce the number and cost of quangos. We are aware that the terms of reference are likely to be fairly wide ranging. We have reflected this in the Going Concern note and the NAO has also commented upon this in their audit certificate.

The financial statements of the TSA are laid before the Houses of Parliament by the Secretary of State for CLG. International Accounting Standard 10 requires the TSA to disclose the date on which the accounts were authorised for issue. The authorised date for issue is 15 July 2010.

# Office for Tenants and Social Landlords (Tenants Services Authority)

## 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 of 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
(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.

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