Tenant Services Authority Annual report and accounts

2008-09

TSA

TENANT SERVICES AUTHORITY

Tenant Services Authority
Annual report and accounts 2008-09

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

Ordered by the House of Commons to be printed on 5 November 2009

HC 1061

London: The Stationery Office

£19.15

ISBN: 9780102962680

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID PO2329976 11/09

Printed on paper containing 75% recycled fibre content minimum.

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Foreword by the Chairman and Chief Executive

We are the Tenant Services Authority, the new regulator for affordable housing. We launched on 1 December 2008, having taken over the regulatory powers of the Housing Corporation. Our goal is to work with landlords and tenants to improve services for existing and prospective tenants.

We launched in challenging economic times for the social housing sector. In regulating the sector, one of our key priorities has been to help it through the financial turbulence of recent months successfully. In doing so we have kept a close watch on the financial position of the housing associations and other bodies we regulate.

We want to be a modern and effective regulator, one that focuses its attention on the poor performers and frees the best landlords to innovate and deliver excellent services. We have spent time in our first ten months listening to tenants and landlords to determine the areas where we need to set standards and in developing our approach to operating the new regulatory system that we will switch on in April 2010. We have been working closely with local authorities, their tenants and their representative bodies to ensure that we are able to extend our remit next April to regulate all affordable homes in England effectively.

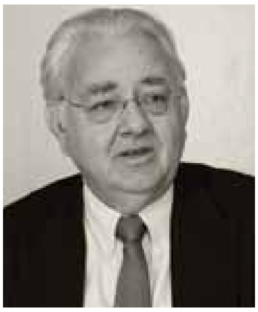
We believe we need to create a new relationship between the regulator and landlords that ensures that the prime focus of housing associations' boards and local authorities' councillor committees is with their tenants. We don't believe it is our role to tell providers how to run their services, but we do believe we have an important role to play in defining the outcomes that tenants should expect and in intervening when tenants are not getting the deal they deserve. We call this co-regulation, as originally suggested by Professor Martin Cave in his review of social housing in 2007, Every Tenant Matters, and enshrined in the Housing and Regeneration Act 2008 which set us up.

In the following pages we present some of our key activities in our first ten months under the headings of ten objectives set for us by Parliament. We have made significant progress already, but there is still a considerable amount of work to be done. This annual report shows that we have a sound basis on which to move forward to meet future challenges, including how:

- we ensure all tenants have an appropriate opportunity to influence their landlord and that landlords provide services that are tailored to and responsive to the diverse needs of their customers

- we ensure that all landlords continue to be viable and, where appropriate, an attractive place for private investment
- we maintain a healthy supply of new affordable homes, given forecast falls in government capital spending
- we ensure that homes are made available – and remain used by – people in need, including the most vulnerable and also those who simply cannot afford to access housing on the open market
- we help landlords and tenants to improve the environmental performance of existing homes, and so reduce fuel poverty and carbon emissions
- providers demonstrate that every pound they spend delivers economy, efficiency and effectiveness in a transparent and accountable way

Most importantly of all, we know that the work we've begun will help all social housing tenants receive the very highest standards of service in the future.



Anthony Mayer
Chairman

Peter Marsh
Chief Executive

Part one
Key achievements, 1 December 2008 to 30 September 2009

Our first 300 days

This section sets out some of our key activities against the ten objectives set for us by Parliament in the Housing and Regeneration Act 2008.

To ensure that tenants of social housing have the opportunity to be involved in its management

Too often in the past, executives at housing associations have looked to the inspector and the regulator for guidance, codes and prescription on how to deliver services. We believe that this top-down approach has had its day. We want to ensure the prime relationship between providers is between their boards and councillors and their tenants. We have been working throughout the last ten months to explain what this means for providers and we've been practising this ourselves through an unprecedented range of discussions and debates with tenants and their landlords up and down the country.

January

The first stage of our National Conversation was launched – ensuring tenants took centre stage in defining the priorities for the TSA and helping us to shape and develop the new standards framework for social housing providers.

As part of our Tenant Empowerment Programme, new assessors began work with 21 tenant groups who are looking to set up Tenant Management Organisations.

March

We published the Understanding Tenant Involvement guide, which gave practical recommendations on how to get tenants more involved in decision making. It said that:

- a clear understanding of how the mechanisms of participation function, along with being given the power to make decisions, can mean that standards in housing are raised
- measures such as financial transparency are beneficial, so tenants know how providers are spending money, can control budgets and be involved in decisions on how budgets were spent
- if tenants have a good relationship with their provider, they feel empowered and much more positively involved. Satisfaction with housing providers is a very strong influence on positive perceptions of involvement, and this is equally true where dissatisfaction is felt.

June

The findings of the first stage of our National Conversation were published and we set out our initial thoughts on what the future standards framework might look like – which included proposals for tenant choice and customer service standards. Feedback from tenants included:

- landlords shouldn't just ask questions, they should listen to the answers and provide feedback on what they're doing in response
- when you've given us a choice, provide feedback – we want to feel our contribution has been taken seriously.

August

We announced our support for 37 Local Standards Pilots – where landlords work on projects that will help us to develop and shape a co-regulatory approach and the new regulatory framework.

September

The Existing Tenants Survey 2008 – a series of eight reports setting out the findings on social housing tenants' views on a range of issues – was published. We found that housing association tenants are more satisfied with the quality of their homes, their neighbourhoods and their landlords than ten years ago, with eight out of ten tenants preferring renting from a social landlord to home ownership or renting in the private sector. The numbers of tenants who want to own their own home had fallen from 32% to just 12% in the last ten years.

To ensure that registered providers of social housing are financially viable and properly managed

In our interim corporate plan we made it clear that viability would be a key priority for the TSA in our first year. At the end of our first ten months, not a single provider has faced insolvency, not a single home has been put at risk and we have ensured that the £32.7 billion of taxpayers' money and £34.1 billion of private finance held by housing associations remains safe and secure.

Between December 2008 and March 2009, TSA financial appraisal staff reviewed the business plans and financial forecasts of all providers with more than 1,000 homes (360 organisations, owning more than two million social homes) and concluded on the viability of the organisation. In a small minority of cases this necessitated further action by us to ensure the ongoing viability of the organisation.

Since we were set up in December, we have also published 82 regulatory judgements, communicating our revised views on organisations on management, governance and viability. The results are set out below:

	Viability
Judgement 1 - Satisfactory	**36**
Judgement 2 – Satisfactory, but areas of exposure noted	44
Judgement 3 – Some concerns	2
Judgement 4 – Serious concerns	0
	82

	Governed	Managed
Judgement 1 – Exceeds expectations	**2**	**4**
Judgement 2 – Satisfactory	76	72
Judgement 3 – Some concerns	4	5
Judgement 4 – Serious concerns	0	1
	82	**82**

December

We published our first set of Regulatory Judgements, which assess how individual landlords are performing in terms of their governance, viability and management

With unprecedented turbulence in global financial markets, we agreed a protocol with the Council of Mortgage Lenders on how to handle a landlord that might face viability issues. This helped ensure that tenants' and lenders' interests remain protected.

February

We published the first TSA quarterly survey of housing associations' financial performance. It reported that associations, while not immune to the economic downturn, are demonstrating resilience and can help meet the unprecedented demand for affordable homes for rent.

March

We published the 2008 Global Accounts of Housing Associations, which reported on the financial health of the housing association sector in 2007-08 and found that turnover had exceeded £10 billion for the first time.

Credit rating agency Moody's said, "Moody's ratings in this sector continue to benefit from a strong regulatory framework." It went on to say that "were government policies to be less involved with the sector in terms of oversight… the ratings could fall significantly".

April

Our second quarterly survey of housing associations' financial performance found that associations have made a promising start in clearing the backlog of unsold shared ownership properties, with the number of unsold homes having fallen by 16%.

May

Our 2008 Annual Review of Housing Association Private Finance report showed that, despite the recession, housing associations remain an attractive investment to lenders.

We published Treasury Management for Housing Associations, a guide to help providers during the recession.

July

Our discussion papers on viability and governance were published to canvass in-depth views on these aspects of work as part of our development of a new standards framework.

To ensure that actual or potential tenants of social housing have an appropriate degree of choice and protection

We came into being during a period of significant economic downturn. With high street banks facing collapse and house builders in mothball, we have paid particular attention to ensuring that the security of existing tenants' homes is not threatened. Despite the turmoil facing the wider economy, we are pleased to report that the protection afforded by the regulatory system has helped to protect tenants' homes.

During the year we've started work on identifying best practice and promoting the wider take up of choice in affordable housing too.

February

We sponsored the publication of a report by Housemark, Choosing Choice, which found that giving tenants greater choice, if supported by effective regulation, could radically improve the delivery of services within social housing. Examples include the development of Local Management Agreements by City West Homes, where tenants in a block of flats were given the budget for a specific service and manage it themselves, including cleaning, grounds maintenance and major works construction.

April

We concluded our statutory inquiry into the affairs of the Novas Scarman Group. We concluded that there had been a collective failure of management of the group. As a result of our work, we agreed to transfer all the affordable homes from the group to another housing association ensuring that tenants' homes and public investment were protected in the process.

June

We published the findings of the first stage of our National Conversation and our initial thoughts on what the future standards framework might look like – which included proposals for tenant choice and customer service standards.

To encourage and support a supply of well-managed social housing, of appropriate quality, sufficient to meet reasonable demands

During our first ten months, we've worked hard to support housing associations to build new homes for rent and shared ownership, to ensure that all tenants are on course to live in a home that meets the Decent Homes Standard and to develop our approach to regulation from April 2010 which will include a focus on how homes are allocated.

February

We signed a memorandum of understanding with the Homes and Communities Agency (HCA), the government's housing and regeneration agency. We have developed effective relationships with the HCA at board, executive and officer level. During our first ten months, we have worked closely together, sharing information on the financial position of registered providers and supporting the continuation of development programmes during the economic downturn.

March

We monitor how well landlords are performing against the government's Decent Homes Standard. Our data showed that 91.7% (2,012,740 out of 2,195,195) of housing association homes met the standard this year. Our analysts estimate that over 95% of all housing association homes will meet the standard by the December 2010 deadline.

Our report on low-cost home ownership and the credit crunch described the effect of the recession on regional markets and competition with private developers. We found that although the market was generally depressed, there were significant variations between and within regions. Sales prospects remained relatively good for houses and larger homes, while the market in flats was slower everywhere. In many places, private developers were offering shared equity terms on flats, which generated some competition for low-cost home ownership providers. Housing associations, however, considered their position as ultimately stronger, as they offered a better product and longer-term support to purchasers.

To ensure that registered providers of social housing perform their functions efficiently, effectively and economically

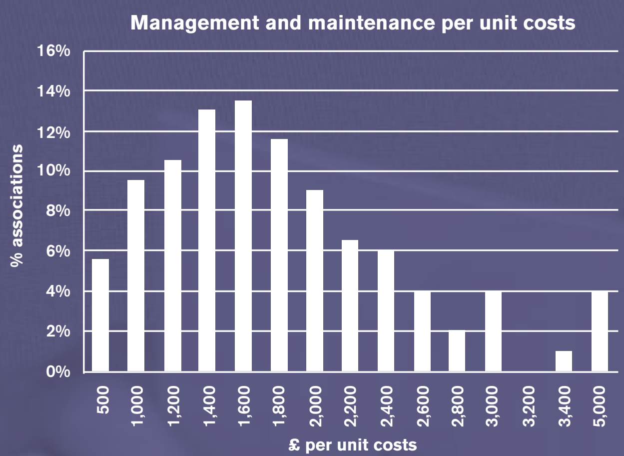
Our review of housing associations' accounts for 2008-09 showed an annual turnover of £10.1 billion. Associations spend £6.0 billion on managing and maintaining homes and £2.2 billion on the interest costs of funding the building of new homes and the refurbishment of existing homes. As not-for-profit organisations, all the surpluses made by housing associations are re-invested into their work. We care about value for money and in these difficult economic times, it is more important than ever that every pound spent delivers the best possible outcomes for tenants today and in the future.

December

We published our first set of Regulatory Judgements, which assess how individual landlords are performing and use information sources such as financial forecasts, business plans, annual performance indicators, self-assessment compliance statements and board papers.

January

We published the performance indicators for 2007-08, showing that the average number of days taken to re-let social housing dwellings has been cut from 40.4 days in 2007 to 40.2 days in 2008. We challenged providers to improve their levels of satisfaction and critically assess the cost of their services against the level of satisfaction they achieve. We expect landlords to provide services which represent value for money. Where we believe there is scope to improve we use inspection to focus on the poorest performers.



We published Location, Location, Location, a guide explaining how housing associations can achieve efficiencies by rationalising their stock. This was based on the experience of a number of associations that had found pragmatic ways of overcoming the barriers to rationalisation. The case studies demonstrate how collaboration between landlords and local authorities, working with their tenants and communities, can deliver more coherent and better quality management of their homes.

To encourage registered providers of social housing to contribute to the environmental, social and economic well-being of the areas in which the housing is situated

Housing providers do more than build and maintain homes. In many parts of the country their wider work with neighbourhoods and communities is fundamental to the quality of life in those places. We don't think it's our job to tell providers what they should do where – but we do want to recognise excellent work and encourage all providers to work with the other partners in their neighbourhoods to promote the very best quality of life for their tenants.

April

We shared best practice from the 2008 Gold Award for Excellence – allowing providers to learn from others in the sector.

The winners were:

Building cohesive communities
Ashram Housing Association, Old Ford Housing Association and The Papworth Trust

Delivering joined-up development
- Great Places Housing Group
- Newlon Housing Trust
- Nomad E5 Housing Association

Tackling worklessness
- Accent Group
- Derwent and Solway Housing Association
- Places for People Group

June

We published the Growing Up in Social Housing in Britain research report, which found that the gap between children growing up in social housing and their peers is now wider than ever.

We signed a memorandum of understanding with the Audit Commission, which identifies making life better for tenants through improved services and places to live as being top of our joint agendas.

We published the findings of the first stage of our National Conversation and our initial thoughts on what the future standards framework might look like – which included proposals for a standard on local area co-operation.

January

March

To encourage investment in social housing (including by promoting the availability of financial services to registered providers of social housing)

Housing associations are one of the most successful public-private partnerships in Europe, holding over £34 billion of private finance. The vast majority of the investment in new affordable homes and in meeting the Decent Homes Standard is now funded from resources raised by housing associations. We have made it a priority of our first ten months to ensure that banks keep lending to the sector and that we promote housing association businesses as among the safest, most stable, secure places to make long-term investments in England today.

We spoke to institutional fund managers and investors, many of whom have supported over £1.35 billion of bonds issued by housing associations into the capital markets since August 2008. This has helped associations such as Places for People, Sanctuary and Sovereign raise finance by issuing bonds since our inception.

Bond issuance since December 2008

Issuer	Value of bonds	Cost
Places for People	£180 million	6.92%
Sanctuary HA	£200 million	6.64%
The Housing Finance Corporation	£191 million	6.35%
Sovereign HA	£175 million	5.70%
Total	£746 million	

We continued to monitor conditions and availability in the funding markets to ensure associations have access to sufficient funding to meet their business plan objectives and commitments to tenants and other stakeholders.

Our work led to two more lenders, Yorkshire Building Society and Triodos Bank, joining the list of those that fund housing associations to build new homes.

August

Our third quarterly survey of housing associations' financial performance reported that associations have £4.7 billion of the £5 billion borrowing needed over the next 12 months already in place. The survey also showed that in the nine months to 30 June 2009, housing associaations had increased their loan facilities by £6.7 billion either to refinance existing debt or in the form of new loans – a further indication that the sector remains attractive to investors.

September

Research with a number of banks and institutional investors suggested the value of regulation, expressed in terms of lower loan margins, to be in the region of 100-150 basis points. This represents an annual saving of £350-525 million in interest costs.

To avoid the imposition of an unreasonable burden (directly or indirectly) on public funds and to guard against the misuse of public funds

Throughout the last ten months we have targeted our regulatory work on the basis of our view of the changing risk profile of the sector. We have not adopted a one-size-fits-all or a light-touch approach. Instead, we have increased our regulatory engagement where providers have presented higher levels of risk exposure to the financial and housing markets and/or weaker performance in core service delivery areas.

We have ensured compliance with the government's rent-restructuring formula, which ensures that all social tenants are treated equitably and that the burden on the Housing Benefit bill is reduced. The past capital investment made by government through the Housing Corporation and now the Homes and Communities Agency continues to support the provision of homes made available at affordable rents.

Our work on financial viability has, and continues to ensure that taxpayers' past investment in affordable homes delivers public value for tenants today.

On 1 December, we inherited 250 staff from the Housing Corporation. Over the last ten months, we have reorganised the TSA and built a new organisation to deliver under our new objectives, with regulation staff organised in three teams: Risk and Assurance, Tenant Services and Market Development.

To regulate in a manner which minimises interference, and is proportionate, consistent, transparent and accountable

From 1 December, we have operated using the older regulatory powers of the Housing Corporation. Throughout the period, we have been developing and consulting on our approach to the use of our new powers contained in the 2008 Act. We call our new approach 'co-regulation', which is based on a more mature relationship between landlords and the regulator and one that requires landlords to involve their tenants in decisions affecting their services and to hold themselves open to account.

We have ourselves been held to account by tenants through our National Conversation, by the National Audit Office, who are the auditors of the TSA appointed by Parliament, and by the Communities and Local Government Select Committee, which has heard evidence from the TSA on three occasions since we were created.

Part two
The statutory annual report and accounts for the period 1 April 2008 to 31 March 2009

The annual report and accounts of the social housing regulator, the Tenant Services Authority

1 Introduction to the annual report and accounts

This annual report and accounts covers the period from 1 April 2008 to 31 March 2009. These accounts combine the activities and expenditure of the Tenant Services Authority from 1 December 2008 until 31 March 2009 and a share of the activities and expenditure of the regulation functions of the Housing Corporation from the period from 1 April 2008 to 30 November 2008. This makes this somewhat of a unique document. Readers can find a full copy of the combined accounts of the investment and regulation activities of the Housing Corporation, which were laid before Parliament in July 2009, on the Tenant Services Authority's website.

For the first eight months included in this report (April to November 2008), the Housing Corporation regulated using the powers granted to it under the 1996 Housing Act. The TSA took over those same powers in December and, in parallel, has also been working towards regulating according to the powers given to us under the Housing and Regeneration Act 2008.

2 Chief Executive's review for the year ended 31 March 2009

2.1 Our history and statutory background

The Office of Tenants and Social landlords, known as the Tenant Services Authority (TSA), is a Non-Departmental Public Body sponsored by the Department for Communities and Local Government (CLG). It was constituted under the Housing and Regeneration Act 2008 and commenced business on 1 December 2008.

Our regulation functions were transferred from the Housing Corporation which ceased its operational activities on 30 November 2008. The investment function of the Housing Corporation was transferred to the Homes and Communities Agency on the same date. As a result, the property, rights and liabilities of the Housing Corporation were transferred by the Secretary of State under a transfer scheme, using the powers conferred by sections 51 and 65 of and schedule 6 to the Housing and Regeneration Act 2008, to the new bodies.

Because the TSA was created partway through a financial period, these accounts for the TSA are prepared from 1 April 2008, with the first eight months being the financial information and performance relating to regulation activities undertaken by the Housing Corporation for the period to 30 November 2008, which have been identified as being the responsibility of the TSA. The four months of transactions from 1 December are those of the TSA in its own right.

2.2 Our powers

The TSA is the regulator of social housing and is independent of government. We are, however, subject to supervision and direction by the Secretary of State. Under section 197 of the Housing and Regeneration Act 2008, the Secretary of State is able to direct the TSA in relation to the substance of standards affecting rents, the quality of accommodation and tenant engagement.

The Secretary of State cannot direct the TSA in relation to enforcement action or other powers, such as disposal consents.

The Secretary of State exercises financial control because the TSA receives public money and needs to be held accountable for it. How this works is set out in our Framework Document which is available on the TSA website:
www.tenantservicesauthority.org

The Housing and Regeneration Act 2008 sets the statutory framework for the TSA. When the Act is fully implemented from 1 April 2010, we will have a clear, well-focused set of powers to regulate social housing providers.

We will set standards for social housing, across local authorities and housing associations, following extensive consultation with tenants and landlords.

The standards set will generally aim to encourage landlords and tenants to agree, at a local level, on the level of performance they should expect. So the TSA will set national standards to provide a framework under which landlords and tenants agree service standards locally.

For our first 16 months of operation, to 31 March 2010, we are regulating housing associations using the older powers of the Housing Corporation, which are set out in the 1996 Housing Act.

3 Financial health of the social housing sector in England

In England, local authorities and registered social landlords own or manage more than 4.1 million homes, of which 1.8 million are local authority homes and 2.3 million are housing association homes.

In March 2009, we published a review of the financial health of the sector, the Global Accounts of Housing Associations. It analyses the aggregate financial performance of those associations that manage 1,000 or more homes – which represent 96% of the total. The analysis is based on annual financial returns submitted by associations. The publication provides sector-wide and sub-sector level analysis of financial performance, highlights trends in key ratios and discusses the impact of external factors on the sector's financial outlook.

The financial performance for the period to March 2008 shows the sector, overall, to be in sound financial health, with solid rates of growth. The number of homes increased by 10% and turnover by 10.7% over 2007 levels, reflecting new stock transfer associations entering the sector and new homes having been built.

Highlights of the sector's financial statements include:

- the gross cost/valuation of housing properties is £85.2 billion
- the sector balance sheet remains relatively lowly geared. Using adjusted net leverage, gearing stands at 40.8%, up slightly from last year's figure of 39.5%
- external debt increased to £34.9 billion, of which £22.3 billion is attributable to traditional associations, up 12.3% on the previous year
- turnover exceeded £10 billion for the first time – up almost £1 billion on 2007 levels
- levels of voids and bad debts reported by associations remain at historic lows, suggesting continued strong demand for their properties, together with good performance on rent collection. Overall void levels were 2.1% (slightly below the previous year) and bad debts stayed constant at 1.0%
- the operating surplus, at almost £1.6 billion, has increased by 11.2% on the previous year's level
- pre-tax surplus is £0.3 billion, up 24% on the previous year

More information can be found on our website at: www.tenantservicesauthority.org/server/show/ConWebDoc.17678

We have continued to monitor the financial health of housing associations since then. This has been particularly important, given the recession. We publish our findings on a quarterly basis, and the latest report, which covers the period to July 2009, shows that housing associations:

- have continued to cope with the fall out from the housing market slowdown. In this quarter unsold low-cost home ownership homes have fallen by seven per cent to 8,173 and those unsold over six months have fallen three per cent to 3,640
- have continued to convert some of their unsold shared ownership homes to other rental tenures, often with the help of the Homes and Communities Agency. However, this quarter has seen the volume of conversions fall significantly, with conversions to general needs rent falling by 85% and conversions to intermediate rent falling by 51%, compared to the April survey
- have over a third of unsold low-cost home ownership homes currently reserved and it is hoped that these will be converted to final sales
- have plans to achieve asset sales of £1.4 billion over the next 12 months, compared to £1.1 billion in April
- enjoy good access to finance, with £4.7 billion of the £5.0 billion loans needed over the next 12 months already in place
- are attractive to funders, with £7.1 billion new loan facilities being arranged in the financial year April 2008 to March 2009

4 Our approach to housing regulation – What we want to achieve

4.1 Our statutory objectives

Under the Housing and Regeneration Act 2008, Parliament has set us ten statutory objectives which set out clearly what we are expected to do:

- encourage and support a supply of well-managed social housing, of appropriate quality, sufficient to meet reasonable demands
- ensure that actual or potential tenants of social housing have an appropriate degree of choice, and protection
- ensure that tenants of social housing have the opportunity to be involved in its management
- ensure that registered providers of social housing perform their functions efficiently, effectively and economically
- ensure that registered providers of social housing are financially viable and properly managed
- encourage registered providers of social housing to contribute to the environmental, social and economic well-being of the areas in which the housing is situated
- encourage investment in social housing (including by promoting the availability of financial services to registered providers of social housing)
- avoid the imposition of an unreasonable burden (directly or indirectly) on public funds
- guard against the misuse of public funds
- regulate in a manner which minimises interference, and is proportionate, consistent, transparent and accountable

4.2 Our chief aims

We believe housing matters and that access to good quality housing improves lives. Our goal is to raise the standard of services for tenants, and as such we are a consumer-based regulator.

We are developing a future standards framework that will be written from the tenants' point of view and apply equally across all registered social housing providers. It will be a national framework with flexibility to set specific standards to meet local needs.

Our aim is to achieve a 'co-regulatory' approach to housing services – where landlords, the regulator and tenants work together, rather than simply where the regulator prescribes all the rules. We recognise that in the past, the relationship between housing associations and their regulation has been one where the associations have expected the regulator to set out detailed rules and directions over a wide range of activities. We want to develop a new model of regulation that puts the responsibility for running housing services firmly with the boards, committees or members that – rightly – are responsible for their performance.

The government has indicated that the TSA should regulate all social housing in England, and in the Housing and Regeneration Act 2008, Parliament provided for a legislative process that will allow the TSA to regulate social housing provided by local authorities, not just homes provided by housing associations.

The Cole Report on regulating all kinds of social housing said that the new regulatory system must be consistent with the principles of the local performance framework for local authorities. We cannot ignore the fundamental difference in how providers are constituted. However our regulatory approach must be developed from the perspective of tenants' experience of social housing, regardless of who their landlord is.

The TSA will work with registered providers, Communities and Local Government (CLG) and the Local Government Association to address the issues from the Cole report to ensure that the way we work meets Professor Cave's vision that "every tenant matters".

Once the new regulatory framework is in place, inspection will be a key way we assess the service tenants are receiving and providers' compliance with standards. Inspections commissioned by us will be targeted at specific performance issues. In future, we will make greater use of inspection as an investigatory tool, with more short-notice inspections and fewer full-service inspections. Tenant-led self-inspection as part of self-assessment will become more important too.

4.3 Our future standards framework

To develop a standards framework, we have begun a year-long consultation with tenants and landlords, known as the National Conversation. More information about this can be found on our website at:
www.tenantservicesauthority.org/nc

Based on what we heard during the first phase of our National Conversation, we expect to develop three broad types of national standard that relate to how social housing is provided, the financial viability and governance of landlords, and the economic, efficient and effective delivery of services.

The first type would be about how social housing is provided. These are standards that relate to the services that landlords provide to their tenants, and might include, for example, repairs and maintenance or levels of rent. These particular standards would apply to all social housing landlords we regulate.

The second type of national standard would relate to financial viability and the governance of landlords. By governance, we mean the structures and systems that landlords have to make sure that they are properly managed, eg by having effective leadership and oversight, with good internal control procedures. These standards are important to tenants, because without good governance and financial management, their landlords will not be able to provide good quality housing services in the long term. However, we would not expect our national standards in these areas to apply to local authority landlords because they are public sector organisations which have other rules on governance and financial matters.

The third area would relate to the economic, efficient and effective delivery of services. We do not think it is our role to prescribe how landlords organise themselves to meet our standards regime but we are clear that the difference in the average cost of managing and maintaining homes to a good level in England is difficult to explain and the scope for improved efficiency is significant.

Issues relating to diversity and to tenants with care and support needs are so integral that they may merit being included within individual national standards, to ensure they are considered as part of any work, rather than as separate issues.

A copy of our discussion document Building a New Regulatory Framework, can be found on our website at:
www.tenantservicesauthority.org/server/show/ConWebDoc.18499

From mid-November 2009 we will be carrying out formal statutory consultation on our regulatory framework, with a view to starting work with our new powers and across all social housing landlords from 1 April 2010.

5 Reporting our key progress and activities this year

5.1 Registration of social housing providers

During the year, we registered 12 new housing associations. The new registrations comprised:

- six large-scale whole or partial stock transfers from local authorities
- two new parent bodies of a group structure
- two amalgamations
- two other general registrations

The six transfer registrations as part of the government's approved programme of large-scale voluntary transfers resulted in a further 35,500 local authority homes becoming part of the regulated sector.

The registrations of Berwick Borough Housing, Gedling Homes, Three Oaks Homes and Sedgefield Borough Homes enabled whole stock transfers to take place from Berwick-upon-Tweed Borough Council, Gedling Borough Council, Blaby District Council and Sedgefield Borough Council. The registrations of City South Manchester Housing Trust and City West Housing Trust enabled partial stock transfers to take place from Manchester City Council and Salford City Council.

Where stock transfers involve an increase in size of a group structure, we look for efficiencies in the proposed running costs of the organisation which will bring future benefit to tenants.

Two non-stock-owning parent associations were registered to create group structures, with newly registered stock transfer associations as subsidiaries. Two of the five stock transfer associations were independent (not part of a group structure), and one became a subsidiary of an existing registered social landlord (RSL) group.

During the year, we de-registered 15 RSLs and removed 46 from the register.

Consents

During the year, we issued 3,109 sealed statutory consents to RSLs. This comprised 193 constitutional consents, of which 111 were to amend or update RSL governing instruments. We also issued one consent for a Deed of Postponement, two consents to RSL dissolutions and eight consents for amalgamations, and 12 Transfer of Engagement consents.

We issued 2,894 Section 9 consents during the year, of which 869 were for private finance secured against RSL properties and 2,025 were for RSL disposals or the transfer of properties between RSLs.

Submission of annual accounts

A total of 1,295 RSLs logged their accounts with us during the year. These accounts are for financial periods ending October 2007 to September 2008, for which the required date for submission fell between 1 April 2008 and 31 March 2009.

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

In 2008-09, the TSA issued 36 special determinations for exemptions from Paragraph 2(1), Part 1 of Schedule 1 of the above Act. In total, 78 were issued in the previous year.

5.2 Supervision of providers – Where we have intervened

Where we find that housing associations do not comply with the Regulatory Code in a significant way we intervene to deal with the underlying concerns. In the most serious cases of under-performance we place associations under supervision. There were six housing associations under supervision at 31 March 2009. Over the previous five years, 32 new cases were identified and 77 cases were resolved.

There were only two new cases added since 1 April 2008. The trend towards fewer supervision cases reflects a change to a more risk-based approach, which aims to be appropriate and proportionate to the risks that associations face.

We continue to emphasise the importance of governance and management performance in our regulatory assessments. In many of the most serious cases of under-performance we use our power to make statutory appointments to the governing bodies of housing associations. These bring in additional skills and expertise to help to resolve the problems as quickly as possible.

At 31 March 2009, six associations had statutory appointees on their boards. These were:

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

- Presentation Housing Association

In October 2008, the Housing Corporation instigated a statutory inquiry into the affairs of Novas Scarman Group using the power contained in paragraph 20 of schedule 1 to the Housing Act 1996. The Corporation appointed two senior partners from accountancy firm BDO Stoy Hayward to conduct the inquiry. The final report of the inquirers will, in accordance with the legislation, be considered by the board of the Tenant Services Authority in 2009-10.

During 2008 we undertook a new initiative to expand the pool of experts who are available to act as statutory appointees to housing association governing bodies. Following a successful recruitment drive, we now have a pool of around 90 potential statutory appointees, with a reasonable spread in terms of coverage around the country.

5.3 Freedom of information

The TSA is a public authority subject to the right of access under the Freedom of Information Act 2000. Our website is the main way we proactively publish information in accordance with the Information Commissioner's new publication scheme requirements.

The Executive Team reviews and monitors compliance with the Act on a quarterly basis. In addition, the Audit and Risk Committee monitors compliance bi-annually.

From 1 December 2008 to 31 March 2009, the TSA received 48 requests. In 33 cases we disclosed the information in full, in four cases the information was partially withheld, in three cases the information was withheld in full and in eight cases the information was not held. Of these requests, one was subject to a request for internal review.

	2008-09	2007-08	2006-07	2005-06	2004-05
Number of cases brought forward	**8**	17	23	42	51
New cases	**2**	4	3	8	15
Cases resolved	**(4)**	(13)	(9)	(27)	(24)
Number of cases carried forward	**6**	8	17	23	42

There is one request for review with the Information Commissioner which has transferred to the TSA from the Housing Corporation. This case has been with the Commissioner since January 2007 and relates to two Freedom of Information requests made by the same person and responded to by the Housing Corporation in December 2005 and January 2006.

Complaints about registered providers, December to March

Complaint category	Number of complaints
Allocations	13
Anti-social behaviour	31
Complaint handling	34
Estate services	25
Home ownership	25
Occupancy rights	25
Other	20
Rents/service charges	58
Repairs and maintenance	156
Staff	9

Outcome of complaints about registered providers, December to March

Refer to Housing Ombudsman	18
TSA Regulation follow up	12
Referred to RSL/Ombudsman complaints procedures	337
RSL/Legal (no recourse to Ombudsman)	19
Other	10

5.4 Complaints about registered providers

Section 92 of the Housing and Regeneration Act 2008 states that our annual report should "contain a general description of complaints made to the regulator in that year about the performance of registered providers and of how those complaints have been dealt with".

Since December, we have been logging the complaints we receive about registered providers and the action/advice we have given.

From the period December to March, we logged a total of 396 complaints about registered providers. The biggest single category of complaint was in relation to repairs and maintenance, which accounts for 39% of the complaints received.
Of all the complaints received, 85% of complainants had not concluded the housing association's complaints procedures or referred their complaint to the Housing Ombudsman. Only three per cent of the complaints brought to our attention required any regulatory follow-up action by us.

5.5 Complaints about the TSA

Our complaints procedures are designed to address failures in a service we provide. Unlike complaints received about registered providers, we do not have a statutory duty to publish statistics on complaints made about us.

We operate a three- stage complaints procedure. Complaints are first investigated by our Customer Service Team. If the complainant is unhappy with the response they receive, they can progress to stages two and three, culminating in an independent review.

- Stage one complaints are investigated by our Customer Service Team in conjunction with the relevant officer
- Stage two complaints are investigated by the Information and Complaints Manager/Assistant and are signed off by the Chief Executive
- Stage three complaints are investigated by the Independent Complaints Reviewer

Stage one complaints

A total of six complaints were investigated by the Customer Service Team from December to March.

The areas of complaint covered in this period include:

- dissatisfaction that the TSA could not intervene in complaints about landlords, eg in relation to repairs (two complaints)
- contractual dispute between a private company and an RSL in which the TSA said it could not intervene
- availability of TSA staff – the complainant was dissatisfied that they could not speak to the Regulation Account Manager at the time they called
- the TSA's failure to update its contacts database despite having been advised on more than one occasion

Stage two complaints

We have investigated a total of nine complaints under stage two of our complaint procedures. In addition, there were eight complainants who previously had their complaints investigated by the Housing Corporation and who resubmitted their complaints to the TSA for investigation. These cases were reviewed. However, since no new substantive evidence was presented and the complaints date back a number of years/months, it was decided that little could be gained by investigating these complaints. They had been fully investigated by the Corporation and the Corporation and/or the Independent Complaints Reviewer had already given a view. Since some of these complainants have continued to correspond with the TSA about their complaints, the persistent complainants policy has been applied.

The areas of complaint covered in this period include:

- not being kept up to date in relation to allegations made
- the TSA not intervening in a dispute with an RSL
- concerns about the gas safety inspections conducted at the RSL

Stage three complaints

One complaint has been considered at stage three in this period. However, it relates to a complaint made to the Housing Corporation, not the TSA.

5.6 Our responsibility to the environment

Demonstrating its commitment to the environment, the TSA has been awarded the internationally recognised ISO14001 certificate.

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

We are committed to improving our own environmental performance continually by complying with relevant legislation, ensuring that prevention of pollution remains an integral part of our working practice. The award during the year of ISO14001 status was also in respect of improving environmental standards in all our offices. As part of our ongoing commitment to maintaining this standard we will continue to:

- ensure all employees are aware of our environmental policy and fully understand their responsibilities within it
- reduce office waste (for example, by increasing our use of computers for information storage, editing of documents and printing on both sides of paper when possible)
- use recycled and/or environmentally friendly paper and favour those suppliers of office materials who are committed to environmental good practice, ideally through BS8555 or ISO14001
- recycle, or reuse waste where practicable
- use energy efficiently throughout our offices
- minimise fuel consumption by careful planning of journeys and favour the use of environmentally friendly vehicles (during the year we introduced the Cycle to Work scheme)
- encourage greater use of public transport where possible

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

5.7 Human resources and organisational development

At the end of March 2009, the TSA employed just under 250 staff. Of these, 59% are women and 17% from a black or minority ethic (BME) background. Fifty-four per cent of managers are female and ten per cent are BME.

Five per cent of the TSA's workforce have indicated they have a disability under the terms of the Disability Discrimination Act. We believe that the disadvantage experienced by many disabled people stems from attitudinal and environmental barriers and we remain committed to achieving disability equality by working to dismantle these wherever possible. Any employee who becomes disabled will receive support to ensure, wherever possible, they are able to continue in their role. Through positive action, the TSA is committed to work to achieve a diversity profile that matches that of England as a whole and these statistics will be monitored and reviewed regularly.

The Forum Representing Ethnic Minority Staff in Housing (FRESH), an integral part of the Housing Corporation since it was launched four years ago, was embraced by the TSA. Its purpose is to enhance the participation made by BME staff within the TSA. It achieves this by working with senior management through a number of sub-groups focusing on human resources, learning and development, and policy and communications.

The People with a Disability Group provides an opportunity for disabled people to engage directly with the TSA to ensure that improvements are continuous and sustainable.

Sickness monitoring and personal data

We have policies and procedures in place to monitor absence as a result from sickness, both long and short term. This information is reported regularly to the Executive Team and to the TSA board. During 2008-09, sickness absence (excluding long-term sickness absence) averaged 4.85 days per person.

Personal data

As an independent regulator, the TSA is committed to being open about any incidents which lead to the loss of personal data. This is part of a wider government commitment to greater transparency on information risk management that was first published by the Cabinet Office on 17 December 2007.

An incident is the loss, unauthorised disclosure or insecure disposal as described in the table opposite. Protected personal data is defined as data that meets the definition of the minimum scope of personal protected data or data that departments consider should receive a similar level of protection because it would put those affected at significant risk of harm or distress. If the disclosure of an incident would itself create an unacceptable risk of harm, it may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

No such incidents occurred during 2008-09.

5.8 Better payment practice code

The TSA fully supports the CBI Better Payment Practice Code and aims to pay all undisputed invoices within 30 days of receipt and at least 90% of invoices whether disputed or not within these timescales when paying for goods and services. This target was achieved in 2008-09 as over 95% of invoices were paid within these timescales. We also introduced making payments to small businesses within ten working days where applicable. It is 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.

5.9 Changes in fixed assets

The TSA invested £2.823 million in tangible and intangible assets. Of this, £1.655 million was spent on developing software for our regulation systems. This has increased the value of intangible assets within the balance sheet to £2.134 million. These development costs have been capitalised under FRS13. During the year we completed the transition of our ICT infrastructure to our new third party supplier, spending a further £877,000 on hardware and project management. A further £291,000 was spent on refurbishments in a number of our offices and the purchase of office equipment. The value of fixed assets held by the TSA is disclosed in Notes 11 and 12 to the Financial Statements.

6 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 board members who, together with the Chair, formed the committee to 31 August 2009 were: Julie Fawcett and Dennis Rees. At its meeting in September 2009 the Board agreed to extend membership of the Remuneration Committee to all non-executive board members.

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 which 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.

The following information includes details of senior managers who were employed by the Housing Corporation but whose role was dedicated to regulation activities and who transferred to TSA. There were a number of other senior managers employed by the Housing Corporation, who although involved in part with regulation activities, did not transfer to TSA and, therefore, their costs have been excluded from the report. The costs attributed to these individuals are reported in the

Housing Corporation's final set of accounts. A proportion of their costs have been included in TSA staff costs at Note 3 to the Financial Statements. Comparatives for 2008 are included for senior managers who transferred from the Housing Corporation to the TSA. Where the Executive Director is a new appointment and the post did not exist in the Housing Corporation, no comparatives are available.

Individual remuneration is set out in the table on pages 42-43.

Bonus payments

The bonus payments disclosed above relate to payments made in the 2008-09 period. For staff who transferred from the Housing Corporation, this includes bonus payments made for the full year of operation 2007-08 plus any bonus entitlement in respect of the eight-month period to 30 November 2009.

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, received a bonus entitlement to 30 June 2008 only.

The post of Chief Executive carries an entitlement to a performance-related bonus of up to ten per cent. His bonus is recommended by the Chairman and is subject to CLG approval. 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 will not be considered until January 2010 and as such no provision has been made within the accounts.

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

Individual remuneration for the year ended 31 March 2009

	Salary		Bonus	
	2009 £	2008 £	2009 £	2008 £
Chief Executive				
Peter Marsh from 1 December 2008 (d) (e)	160,939	121,975	17,351	1,150
Deputy Chief Executive of the Housing Corporation to 30 November 2008				
Director members of the Executive Team				
Clare Miller	108,833	95,715	16,159	1,765
Executive Director , Governance and Viability From 1 December 2008 Director Regulation Housing Corporation To 30 November 2008				
Richard Moriarty	28,225	n/a	-	-
Executive Director Market Development From10 January 2009				
Phil Morgan	25,000	n/a	-	-
Executive Director Tenant Services From 1 January 2009				
Claer Lloyd-Jones	10,583	n/a	-	-
Executive Director Corporate Services From 1 March 2009				
Fiona Fisher	22,728	n/a	-	-
Executive Director HR and OD From 5 January 2009				
Rona Nicholson	99,783	101,957	21,746	1,765
Interim Executive Director Tenants Services From 1 December to16 March 2009 Field Director, London Housing Corporation to 30 November2008				
Andrew Wiles	81,020	82,554	17,239	1,765
Interim Executive Director Corporate Services From 1 December to 17 March 2009 Field Director, South West Housing Corporation to 30 November 2008				

(a) The Corporation's Remuneration Committee and the Permanent Secretary of CLG agreed a series of retention payments for Directors to mitigate the risks of non-delivery of corporate targets and to ensure business continuity is maintained in the transitional period leading up to the creation of the Homes and Communities Agency and the Office for Tenants and Social Landlords. The payments reflect the additional workload and responsibilities connected with the transfer of the Corporation's activities to the new agencies and, for Directors who have agreed to do so, an extension of their resignation notice period from three to six months.

(b) Taxable benefits are the value of cars stated at their taxable value net of personal contribution for private use.

Additional responsibility payment (a)		Taxable Benefits (b)		Employer's pension fund contributions		Total	
2009 £	2008 £	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
4,440	13,012	-	-	29,097	11,426	211,827	147,563
5,675	11,549	2,258	3,124	18,501	9,358	151,426	121,511
-	-	-	-	4,798		33,023	n/a
-	-	-	-	4,250		29,250	n/a
-	-	-	-	1,799		12,382	n/a
-	-	-	-	2,864		25,592	n/a
14,967	11,486	-	-	16,963	9,957	153,459	125,165
12,153	9,279	3,949	3,515	13,773	8,095	128,134	105,208

(c) An interim Director of Human Resources was recruited through an agency on 3 December 2007 to provide senior support during the transition period leading up to the creation of the new agencies. Fees for the Director's services paid to the agency in the period ended 30 November 2008 amount to £77,000, including VAT.

(d) The salary figure for Peter Marsh includes a cash allowance in lieu of a company car.

(e) 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.

table below. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service.

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their

	Real increase in pension	Real increase in related lump sum	Accrued annual pension at 31 March 2009	Total accrued related lump sum 31 March 2009	Cash equivalent transfer value at 31 March 2008	Cash equivalent transfer value at 31 March 2009	Real increase in CETV after adjustment for inflation, market condition & employee contributions
	£	£	£	£	£	£	£
Peter Marsh	8,985	19,058	21,657	64,971	236,460	403,318	143,190
Claer Lloyd-Jones	179	-	-	-	-	2,382	1,589
Richard Moriarty	462	-	-	-	-	3,538	1,975
Clare Miller	3,393	4,737	18,985	56,955	258,799	368,362	88,461
Phil Morgan	411	-	-	-	-	4,941	3,065
Fiona Fisher	373	-	-	-	-	5,113	3,332
Rona Nicholson	230	-4,300	20,112	60,336	309,121	400,920	68,858
Andrew Wiles	-309	-4,980	22,879	68,637	398,396	554,532	130,140

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 Housing 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.

A rate of inflation of 5.0% (2008: 3.9%) 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 £41.8 million at 31 March 2009. The negative increases in the lump sums are linked to the change in regulations. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 which came into effect from 1 April 2008 meant that no automatic lump sum is accrued so the lump sum at 2008 would be exactly the same as 2009 if the member were on the same salary. However because allowance for RPI is included, the 2008 figure has been increased by 3.33%. If salary increases are less than 3.33%, the increase will show as a negative.

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 appointments usually for three 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 3 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, other details relating to their appointment are set out below and any related party transactions are disclosed in Note 25 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 three years. The holder of the post of Chief Executive is also a board member. The remuneration of Peter Marsh is disclosed above.

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. 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 HM Treasury 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. Past Chairs of the Corporation have their pensions paid by CLG so no costs appear in the TSA accounts.

Capitalised value of accrued pension benefits

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

	Date of first appointment	Appointment lapses	2009	2008
			£	£
Anthony Mayer, Chairman	1 May 2008	30 April 2011	**57,221**	n/a
Julian Ashby, vice chairman (appointed September 2009)	1 October 2008	30 September 2012	**6,500**	n/a
Jim Coulter	1 October 2008	30 September 2012	**6,500**	n/a
Sheila Drew Smith OBE	1 October 2008	30 September 2011	**6,500**	n/a
Julie Fawcett MBE	1 October 2008	30 September 2011	**6,500**	n/a
Donald Hoodless OBE	1 October 2008	30 September 2011	**6,500**	n/a
Pauleen Lane	1 October 2008	30 September 2011	**6,500**	n/a
Dennis Rees	1 October 2008	30 September 2012	**6,500**	n/a
Total remuneration			**102,721**	n/a
Social security costs			**8,402**	n/a

(a) Donald Hoodless, Sheila Drew Smith and Julie Fawcett were board members of the Housing Corporation and continued that role until the accounts of the Housing Corporation were laid before Parliament on 20 July 2009. Details of their emoluments for that role can be found in the Remuneration Report of the 2008-09 Housing Corporation accounts.

(b) All board members salaries were paid by TSA from 1 October, except Anthony Mayer who was paid by CLG from the date of his appointment until 30 November 2008. The costs in the above table include the total remuneration of Mr Mayer, although £29,000 is recorded in the accounts of CLG for the period up to 30 November 2008 as TSA only paid £28,000 from 1 December.

(c) Two additional board members were appointed on 6 May 2009 and are Peter Letley and Ranjit Sondhi.

	2009	2008	2007
Rate of inflation	**2.75%**	2.75%	2.75%
Rate of increased in salaries	**4.29%**	4.30%	4.30%
Rate of increase for pensions in payment and deferred pensions	**2.75%**	2.75%	2.75%
Discount rate for scheme liabilities	**6.04%**	5.30%	4.60%

Members do, however, make a contribution at the rate of 6% of gross salary. Pensions are currently in pay for four ex-Chairs.

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

Arrangements for compensation for redundancy or premature loss of office

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

The 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.

6.1 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. The liabilities for both the funded and unfunded schemes have increased by £23.3 million, from £18.5 million to £41.8 million. This actuarial loss has been debited to the General Reserve and is disclosed in the Statement of Recognised Gains and Losses. The employers' contribution rate for the year was 17%. A full disclosure of the pension scheme performance is contained in note 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. This is a statutory appointment under the Housing and Regeneration Act 2008. During the year, the NAO undertook no non-audit work for TSA.

The TSA manages a small portfolio of loans. These were funded by a similar borrowing from the National Loans Fund until 28 November. 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 and the borrowing from the National Loans Fund are disclosed in notes 14 and 19 to the Financial Statements.

We have made no disclosures regarding financial instruments other than at note 21 to the Financial Statements. No significant post balance sheet events have occurred.

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.

7 Corporate governance report

Governance arrangements since 1 December 2008

Here we set out the governance arrangements in place since 1 December 2008. The names of committees have changed since 30 November when regulation was the responsibility of the Housing Corporation. However, here we concentrate on current governance arrangements. Where existing TSA board members were involved in the transition arrangements, this is referred to in the 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 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 TSA are described in its Framework Document issued by CLG. This document is available both on the CLG website and in paper copy from the TSA.

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 2008-09 were:

- Julian Ashby
- Jim Coulter
- Sheila Drew Smith
- Julie Fawcett
- Donald Hoodless
- Pauleen Lane
- Peter Marsh
- Anthony Mayer
- Dennis Rees

The board comprises a Chairman, a Vice Chairman and 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.

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 25 to the Financial Statements.

Ordinary meetings of the full board are held at least eight times a year. There were four 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 (ARC), 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.

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 OBE)

Board members: Julian Ashby, Jim Coulter, Sheila Drew Smith OBE, 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 Corporation'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 which the ARC considers and advises the board on include:

- the strategic processes and policies for risk control, corporate governance and the content of the Statement on Internal Control
- assurances relating to the adequacy and effectiveness of risk control and governance processes
- the promotion, co-ordination and monitoring of risk management activities, including the regular review and input to the corporate risk profile
- 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)

Board members: Dennis Rees, Julie Fawcett

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.

Transition governance

The TSA was constituted on 1 December 2008. Peter Marsh, TSA Chief Executive, was appointed as Accounting Officer of the Housing Corporation from that date to enable the Corporation to be wound up as a corporate body. The Housing Corporation ceased to exist on 31 March 2009 and its final set of accounts were laid before parliament on 20 July 2009. Three TSA board members who were previously members of the Corporation's board had their membership extended until the Corporation's annual accounts were laid before Parliament. All issues to do with the Corporation in the period post 1 December were considered by the Chief Executive and three board members independently to the normal business of TSA.

TSA set up team

In the period prior to 1 December, the TSA set up team reported on a regular basis to the CLG transition team. This team was chaired by Kate Barker and its members were Clare Miller, Peter Marsh and Peter Ruback. It was responsible for informing CLG of the progress on all work streams that had been put in place to ensure all the necessary procedures were in place to enable the Housing and Regeneration Act 2008 to come into effect. It also reported on the progress of the allocation of the Housing Corporation's assets and liabilities to both TSA and HCA.

7.1 Board members' disclosures

These can be found in note 25 to the Financial Statements and in the register of interest, which is on our website:
www.tenantservicesauthority.org

8 Going concern

The balance sheet at 31 March 2009 shows net liabilities of £37 million (2008: £17.6 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 £19.4 million is due to the increase in the funded pension deficit at 31 March 2008 of £23 million to £37.1 million at 31 March 2009 offset by an increase in the General Reserve of £3.8 million. Funds to meet the forecast increase in employers' pension contributions in future years have been recognised by CLG as a resource pressure.

Grant in aid for the year ending 31 March 2010, taking into account the amounts required by the TSA's liabilities falling due in that year, has already been included in CLG's estimates for that year, which have been approved by Parliament, and there is no reason to believe that CLG's future sponsorship and future parliamentary approval will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements as the TSA is a new entity with guaranteed funding under the CSR07 until March 2011.

Should the TSA be dissolved, the Secretary of State will ensure through such legislation (or secondary legislation made under it) the transfer of all the liabilities of the TSA that relate to the Pension Fund to the Department for Communities and Local Government (or to its successor department) which will then be legally responsible for the discharge of those liabilities. Alternatively, the Secretary of State may, with the written consent of the administering authority, transfer of all the liabilities of the TSA that relate to the Fund to any new body which replaces it.

This report was approved by the board on 13 October 2009.

Anthony Mayer
Chairman

Peter Marsh
Chief Executive and Accounting Officer

9 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 Income and 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.

10 Chief Executive and Accounting Officer's statement on internal control

10.1 Background

I was appointed the Chief Executive of the TSA on 1 July 2008 and Accounting Officer from August 2008. I combined this role with that of Deputy Chief Executive of the Housing Corporation until 30 November 2008. From 1 December 2008 I stopped being Deputy Chief Executive of the Housing Corporation as it ceased operational activities on that date, but was appointed its Accounting Officer until its corporate body status ceased in March 2009. Until that date, I combined the role of Housing Corporation Accounting Officer with that of Chief Executive and Accounting Officer of the TSA. With this Statement on Internal Control covering the period from 1 April 2008 until the date the accounts are signed, I am relying on the assurances given to me by Steven Douglas, Chief Executive and Accounting Officer of the Housing Corporation until 30 November 2008, for the period prior to that date that the systems of internal control operated by the Housing Corporation were an adequate and effective system of risk management, control and governance.

10.2 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.

10.3 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 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.

10.4 The purpose of the system of internal control

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 nature and extent of those risks and to manage them efficiently, effectively and economically
- a set of governance arrangements designed to:
- ensure that the decisions taken by the 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
- a system of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review

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

The system of internal control is based on 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 has been in place within the TSA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

10.5 Capacity to handle risk

The TSA's updated Risk Management Strategy was published in December 2008. The TSA inherited a number of risks from the Corporation but 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 significant new risks that were identified in the year. The most significant 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. Throughout the year and in particular the transition period 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 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

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

10.6 The risk and control framework

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

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

Risks are reviewed and reported regularly through the maintenance of a rolling risk profile document which is reviewed at least quarterly by the Executive 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. A Fraud Response Plan was approved by the board in March 2009.

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.

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.

10.7 Structures

The board has been formally constituted and as at 31 March 2009 comprised eight 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 years, and the level of their emoluments is set by the Secretary of State.

10.8 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 2008-09 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

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.

10.9 Significant internal control issues

No serious internal control issues have arisen since April 2008 to the date at which the accounts are signed.

Peter Marsh
Chief Executive and Accounting Officer
13 October 2009

11 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 2009 under the Housing and Regeneration Act 2008. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Office for Tenants and Social Landlords, Chief Executive and auditor

The Office for Tenants and Social Landlords and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Tenant Services Authority's (TSA's) and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Chief Executive's Annual Review', 'Our approach to housing regulation', 'Reporting our key progress and activities this year', Corporate governance report', and 'Going concern' is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Office for Tenants and Social Landlords has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the 'Introduction', the 'Financial health of the social housing sector' and the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Office of Tenants and Social Landlords and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of Tenants and Social Landlords circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Housing and Regeneration Act 2008 and directions made thereunder by the Secretary of State, of the state of the Office for Tenants and Social Landlords' affairs as at 31 March 2009 and of its net expenditure for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions made thereunder
- information, which comprises the 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, is consistent with the financial statements

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

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

12 Operating cost statement
for the year ended 31 March 2009

	Notes	2009	2008
Expenditure		**£'000**	**£'000**
Revenue grants and research	2	**6,721**	9,873
Staff costs	3	**15,494**	15,604
Administration expenditure	4	**11,223**	8,825
Transition costs	5	**4,644**	486
		38,082	34,788
Income			
Other income	8	**(607)**	(538)
		(607)	(538)
Net expenditure before tax, finance and notional cost		**37,475**	34,250
Finance costs	7	**1,323**	551
Finance income	6	**(119)**	(155)
Notional cost of capital (credit)		**(1,036)**	(583)
Net operating cost of ordinairy activities before taxation		**37,643**	34,063
Taxation	10	**7**	4
Net operating cost of ordinairy activities before taxation		**37,650**	34,067
Reversal of notional cost of capital (debit)		**1,036**	583
Net expenditure for the financial year		**38,686**	34,650

Tenant Services Authority's grant payments and operating costs are funded by grant in aid voted by Parliament. Grant in aid received is credited directly to the General Reserve, note 20 of the accounts.

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

	Notes	2009	2008
		£'000	£'000
Actuarial loss (2008:gain) from staff pension fund	9	**23,249**	(8,561)
Total recognised losses/gains since last Financial Statements		**23,249**	(8,561)

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

13 Balance sheet
as at 31 March 2009

	Notes	2009	2009	2008	2008
Fixed assets		**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	11	**2,134**		998	
Tangible assets	12	**2,578**		2,130	
			4,712		3,128
Investments					
Share in The Housing Finance Corporation Ltd	13	**-**		-	
Loans	14	**670**		782	
			670		782
Total fixed assets			**5,382**		3,910
Current assets					
Debtors	15	**531**		737	
Cash at Bank and in Hand	16	**3,951**		1,756	
		4,482		2,493	
Creditors: amounts falling due within one year	17	**(5,063)**		(4,809)	
Net current liabilities			**(581)**		(2,316)
Total assets less current liabilities			**4,801**		1,594
Advances from the National Loans Fund	19		**-**		(700)
Provision for unfunded pensions liability	9		**4,630**		(4,391)
Net assets/(liabilities) excluding funded pension liability			**171**		(3,497)
Funded Pension scheme liability	9		**(3,7180)**	(37,180)	(14,118)
Total assets less total liabilities			**(37,009)**		**(17,615)**

	Notes	2009	2009	2008	2008
Reserves		£'000	£'000	£'000	£'000
General Reserve	20		**(2,931)**		(913)
Pension Reserve	20		**(41,810)**		(18,509)
Specific reserve	20		**1,870**		1,807
			37,009		(17,615)

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

The financial statements on pages 67 to 104 were approved by the Board on 13 October 2009 and were signed on its behalf by:

Chairman	Anthony Mayer
Chair, Audit and Risk Committee	Donald Hoodless
Chief Executive and Accounting Officer	Peter Marsh

14 Cash flow statement
for the year ended 31 March 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Net cash outflow from operating activities	ii		**(37,559)**		(33,478)
Return on investment and servicing of finance					
Interest received on loans		**54**		65	
Interest received on deposit of specific reserve		**60**		83	
Interest paid on loan from NLF		**(56)**		(39)	
			58		109
Taxation					
Corporation tax paid			**(3)**		(12)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		**(1,592)**		(188)	
Purchase of tangible fixed assets		**(723)**		(1,096)	
Sale of tangible fixed assets		**23**		6	
Loan repayments		**170**		270	
			(2,122)		(1,008)
			(39,626)		(34,389)
Financing					
Grant in aid		**42,521**		32,639	
Advances from the NLF		**1,400**		1,400	
Repayments to the NLF		**(2,100)**		(1,400)	
Net cashflow from financing			**41,821**		32,639
Increase (2008: decrease) in cash	iii		**2,195**		(1,750)

15 Notes to the cash flow statement
For the year ended 31 March 2009

i Reconciliation of net cash flow to movement in net funds

	2009	2008
	£'000	£'000
Increase (2008:decrease) in cash for the period	**2,195**	(1,750)
Cash outflow from NLF loan	**700**	-
	2,895	(1,750)
Net funds at 1 April	**1,056**	2,806
Net funds at 31 March	**3,951**	1,056

ii Reconciliation of operating cost to net cash flow from operating activities

		2009	2008
	Notes	£'000	£'000
Net operating cost before tax, finance and notional costs		(37,475)	(34,250)
Adjustments for non-cash transactions:-		-	-
Pension costs	3	1,497	2,850
Depreciation and amortisation	4	1,192	856
Loss on disposal of fixed assets	4	25	1
Decrease in provisions for liabilities and charges	18	-	(56)
Decrease in debtors (2008:increase)		205	(194)
Decrease in creditors (2008: increase)		(266)	334
Adjustments for cash transactions:-			
Employer's contributions to pension fund	9	(2,426)	(2,710)
Unfunded pensions paid to retired employees	9	**(311)**	(309)
Net cash outflow		**(37,559)**	(33,478)

iii Analysis of changes in net funds

	31 March 2008 £'000	Cash Flows 2009 £'000	31 March 2009 £'000
Cash at bank and in hand	1,756	2,195	3,951
NLF debt due within one year	(700)	700	-
	1,056	**2,895**	**3,951**

Notes to the financial statements
For the year 31 March 2009

1 Accounting policies

Basis of accounting

The financial statements have been prepared in a form directed by the Secretary of State, with the consent of HM Treasury, in accordance with the Housing and Regeneration Act 2008. The financial statements are prepared in accordance with: generally accepted accounting practice in the United Kingdom (UK GAAP), 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 Tenant Services Authority (TSA) and are in force for the financial year for which the statements are prepared.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be 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.

Merger accounting

The TSA was created on the 1 December 2008 by the Housing and Regeneration Act 2008. The Housing Corporation's Regulation functions were transferred to the TSA at that date. The Housing Corporation's Investment function was transferred to HCA at the same time. For the first 8 months of the financial year both functions were delivered by the Housing Corporation and the costs of those functions appear in the Housing Corporation's accounts for 2008/09. These costs were apportioned between TSA and HCA in agreed proportions. 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 has been classified as a Machinery of Government Change and has, therefore been accounted for as a merger applying FRS 6 Acquisitions and Mergers. Prior year comparatives have been restated as if the transfer occurred one year earlier. Therefore, as required by FRS 6, the 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 the 2007-08 financial year.

Government grants receivable

The TSA's activities in 2008-09 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. They are treated as financing and are credited to the General Reserve, because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the TSA.

The proportion of the grant-in-aid recognised for the TSA for the period 1 April 2008 to 30 November 2008 was based on the proportion of the costs relevant to TSA incurred by the Housing Corporation in that period.

Grants payable

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

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 the Disposal Proceeds Fund 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.

Administration expenditure and interest receivable and payable

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

Financial Instruments

TSA has adopted the UK accounting standards relating to financial instruments from 1 April 2008. These standards are:

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

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

Financial assets and liabilities are recognised on the TSA's balance sheet 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 NLF, short term-trade and other creditors.

Financial assets

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

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

Cash and cash equivalents: Cash and cash equivalents for cash flow purposes includes cash in hand and cash at bank. Bank deposits have an original maturity of three months.

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.

Fixed assets

Tangible fixed assets comprise furniture, fixtures and fittings, information technology, office equipment and motor cars. Intangible fixed assets comprise software development of TSA's

Core Regulation systems. All assets are valued at cost less depreciation (net book value) and are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets over their estimated useful lives. Expenditure in excess of £1,500 is capitalized (untill 1 December the threshold was £500). Development costs are capitalised as the asset under construction is anticipated to have a life in excess of a year and therefore the costs of developing that asset are chargeable over the same life cycle as the asset. Investments are shown in the Balance Sheet as assets. These are loans made to both individuals and organisations for property purchase or refurbishment where the life of the asset is greater than one year. The relevant depreciation rates applicable to each category of asset are as follows:

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

Leasing rentals

All leases are considered to be operating leases and are charged 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. The Administration expenditure stated is inclusive of VAT.

Pensions

The TSA accounts for pension costs in accordance with FRS 17 Retirement Benefits. As a result, the Operating Cost Statement now recognises the movements in the scheme liability during the year analysed between the current service costs, the interest on pension liabilities and the expected return on scheme liabilities.

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.

2 Revenue grants and research

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 enabling 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 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.

A main element of the Government's climate change strategy is the application of minimum standards of energy performance for new and renovated buildings. During 2007-08 the Government arranged a pilot scheme, for which a number of housing associations participated and were awarded of Energy Performance Certificates. Implementing the standard became compulsory for social housing from October 2008.

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 £437k and is included in note 8, Other Income.

	2009 £'000	2008 £'000
Innovation and Good Practice grants	3,072	4,155
Tenant Empowerment grants	2,124	2,229
Energy Performance Certificate grant	-	1,785
Research and Housing Projects	1,525	1,704
	6,721	9,873

3 Staff costs

	2009 £'000	2008 £'000
Staff salaries	**10,306**	9,940
Social security costs	**957**	912
Pension costs	**1,497**	2,850
Temporary and contract staff	**1,900**	1,103
Staff on inward secondment	**77**	169
Travel and subsistence	**521**	428
Other costs	**236**	202
	15,494	15,604

These costs represent staff costs of ongoing activities. Additional staff costs incurred as a result of the transition from the Housing Corporation to the TSA are shown in Note 5 to the Financial Statements.

Income received in relation to staff on outward secondment is shown in Note 8 to the Financial Statements. No staff costs were capitalised in year (2008: nil).

Average number of persons employed analysed by category of employment:

	Tenant Services, Risk and assurance, Market Development	Corporate Services and Support	**2009 Total**	2008 Total
Staff	158	86	**244**	255
Temporary, agency and contract staff	5	2	**7**	16
Staff on inward secondment	4	2	**6**	3
Staff on outward secondment	(1)	-	**(1)**	(3)
	166	**90**	**256**	271
Average number of persons expressed as full-time equivalent	**163**	**89**	**252**	267

The comparitive figures represent those staff employed by the Housing Corporation who were engaged in regulation activities and an equal share of those employed in the support functions.

4 Administration expenditure

	2009	2008
	£'000	£'000
Accommodation costs	**1,543**	1,539
Office running costs	**1,064**	1,090
Professional fees	**5,823**	4,011
Recruitment, training and publicity	**1,576**	1,343
Provision for liabilities and charges	**-**	(15)
Depreciation and amortisation	**1,192**	856
Loss on disposal of fixed assets	**25**	1
	11,223	8,825

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

	2009	2008
	£'000	£'000
Rental in respect of leased offices	**848**	833
Rental of office equipment	**364**	352
Auditors' remuneration, Audit fees (a)	**120**	100

Included within the administration costs is expenditure incurred by TSA for which no economic benefit was derived by TSA. This relates to the costs of hosting the IT service, for which 100% of the cost was borne by TSA although 250 staff who are supported by this infrastructure worked for HCA in the year. No recharges for this service were made. The Housing Corporation office leases were transferred to both TSA and HCA; however staff of both agencies continued to work in all offices during the year resulting in about 100 TSA staff occupying HCA office space and 60 HCA staff occupying TSA office space. No recharges have been made within the accounts to reflect this.

(a) The audit fee of £120,000 includes the Housing Corporation audit fee of £80,000 and TSA audit fee of £40,000. The audit fee for 2007-08 relates solely to the Housing Corporation.

5 Transition costs

During the year TSA incurred costs associated with the transfer of functions from the Housing Corporation. Transition costs relating to 2008 were those incurred by the Housing Corporation at the commencement of the transition process. 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 (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 Corporations assets and liabilities. Additional resources were made available from CLG to fund these costs.

	2009	2008
	£'000	£'000
Staff costs		
Salary related costs	**491**	367
Staff seconded in	**229**	-
Restructuring	**1,876**	-
Total staff costs	**2,596**	367
Administration costs		
Premises related	**381**	-
Office running costs	**224**	
Professional fees	**648**	119
Tenant engagement	**397**	-
Recruitment, training and publicity	**398**	-
Total administration costs	**2,048**	119
Total transition costs	**4,644**	486

6 Interest receivable

	2009	2008
	£'000	£'000
Loans - Completed schemes	**58**	64
Short term deposits of specific reserve	**61**	91
	119	155

7 Interest payable

	2009	2008
	£'000	£'000
Borrowings from the National Loans Fund	**31**	40
Pension commitments (Financing costs)	**1,292**	511
	1,323	551

8 Other income

	2009	2008
	£'000	£'000
Research (contribution from CLG)	**437**	491
Staff on secondment	**19**	43
Other	**151**	4
	607	538

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 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 TSA on 1 December was £19.6 million. The deficit had risen to £37.18 million at 31 March 2009. The increase in the deficit is due to the change in actuarial assumptions and a dramatic change in market conditions between 30 November 2008 and 31 March 2009. The discount rate determined from AA corporate bond yields declined from 6.8% to 6.5%. 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% to 3.6%. It is the difference between the discount rate and inflation assumption that is important and it can be seen that the difference reduced by 0.8%. Each 1% increase in the net discount rate can increase liabilities by just under 20%. The loss on assets above that expected 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 severe impact on the deficit recorded on the fund.

The most recent triennial valuation of the Fund as at 31 March 2007 has been updated by independent actuaries to the City of Westminster Pension Fund to take account of the FRS17 disclosure requirements for the year to 31 March 2009. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The employer's contribution rate for the year ended 31 March 2009 was based on the recommendation contained in the valuation report of the fund as at 31 March 2007.

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 TSA on 1 December 2008 was £4.18 million which had risen to £4.63 million at 31 March 2009.

The pension charge for the period is shown below.

The main assumptions used by the actuary

	2009	2008	2007
Rate of inflation	**3.6%**	3.7%	3.2%
Rate of general long-term increase in salaries	**5.1%**	5.2%	4.7%
Rate of increase for pensions in payment and deferred pensions	**3.6%**	3.7%	3.2%
Discount rate for scheme liabilities	**6.5%**	6.3%	5.3%

The assets of the fund and the expected rate of return

	Expected long-term rate of return	2009 £'000	Expected long-term rate of return	2008 £'000	Expected long-term rate of return	2007 £'000
Equities	**7.0%**	**31,829**	7.6%	41,537	7.7%	41,309
Government Bonds	**4.0%**	**5,361**	4.6%	7,020	4.7%	10,827
Corporate Bonds	**5.8%**	**4,607**	6.8%	6,020	-	-
Other assets	**1.6%**	**83**	6.0%	80	5.6%	2,200
Total market value of assets	**6.5%**	**41,880**	7.1%	54,657	7.1%	54,336
Present value of scheme liabilities:						
Funded	**(79,060)**		(68,775)		(75,530)	
Unfunded	**(4,630)**		(4,391)		(2,382)	(77,912)
		(83,690)		(73,166)		
Deficit in the scheme		**(41,810)**		(18,509)		(23,576)

Analysis of amount shown as staff costs	Unfunded pensions	Funded pensions	2009 Total	Unfunded pensions	Funded pensions	2008 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	**-**	**1,199**	**1,199**	-	2,266	2,266
Past service cost	**-**	**298**	**298**	-	584	584
Total operating charge	**-**	**1,497**	**1,497**	-	2,850	2,850
Analysis of the amount debited to finance costs						
Expected return on pension scheme assets	**-**	**3,522**	**3,522**	-	4,301	4,301
Interest on pension scheme liabilities	**(280)**	**(4,534)**	**(4,814)**	(240)	(4,572)	(4,812)
Net return	**(280)**	**(1,012)**	**(1,292)**	(240)	(271)	(511)
Analysis of amount in the statement of recognised gains and losses						
Actual return less expected return on pension scheme assets	**-**	**(18,242)**	**(18,242)**	-	(4,919)	(4,919)
Experience gain/(loss) arising on the scheme liabilities	**(270)**	**-**	**(270)**	120	(1,061)	(941)
Changes in assumptions underlying the present value of the scheme liabilities	**-**	**(4,737)**	**(4,737)**	-	14,421	14,421
Loss (2008: gain)	**(270)**	**(22,979)**	**(23,249)**	120	8,441	8,561

Analysis of amount shown as staff costs	Unfunded pensions	Funded pensions	2009 Total	Unfunded pensions	Funded pensions	2008 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Movement in the FRS 17 liability during the year						
1 April, Deficit in schemes	**(4,391)**	**(14,118)**	**(18,509)**	(4,580)	(22,148)	(26,728)
Current service cost	**-**	**(1,199)**	**(1,199)**	-	(2,266)	(2,266)
Employer's contributions to pension fund	**-**	**2,426**	**2,426**	-	2,710	2,710
Unfunded pensions paid to retired employees	**311**	**-**	**311**	309	-	309
Past service costs	**-**	**(298)**	**(298)**	-	(584)	(584)
Other finance costs	**(280)**	**(1,012)**	**(1,292)**	(240)	(271)	(511)
Actuarial loss (2008: gain)	**(270)**	**(22,979)**	**(23,249)**	120	8,441	8,561
31 March, Deficit in schemes	**(4,630)**	**(37,180)**	**(41,810)**	(4,391)	(14,118)	(18,509)

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 FRS 17 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 2009. During the year the deficit for both the funded and unfunded parts of the scheme increased by £23.3 million (2008: Decrease of £8.2 million).

Normal employer contributions to the fund for the current year were set at 17% of pensionable pay, (2008: 9.6%). An additional payment of £0.8 million into the fund in March 2009 has enabled the TSA to set the employer contribution rate equivalent to 17.5% of pensionable pay for the year ended 31 March 2010.

Using similar assumptions to arrive at the current valuation, the actuaries have forecast for the year ending 31 March 2010 current service costs of £1.45 million and a net charge to finance costs of £2.55 million. Both figures are contingent on the continuation of the TSA's continued existence throughout the year ended 31 March 2010.

	2009	2008	2007
History of experience gains and losses in the funded part of the scheme	**£'000**	**£'000**	**£'000**
Difference between expected and actual return on scheme assets:			
Amount (£)	**(18,242)**	(4,919)	(785)
percentage of scheme assets	**(44.4%)**	(9.0%)	(1.4%)
Experience gain arising on scheme liabilities:			
Amount (£)	**(390)**	(940)	(130)
percentage of the present value of scheme liabilities	**(0.5%)**	(1.4%)	(0.2%)
Changes in assumptions underlying the present value of the scheme liabilities:			
Amount (£)	**(20,430)**	14,421	702
Funded	**24.4%**	18.9%	0.9%
Total amount recognised in the statement of recognised gains and losses			
Amount (£)	**(23,249)**	8,561	(213)
percentage of the present value of scheme liabilities	**(28.7%)**	10.6%	(0.3%)

10 Taxation

	2009	2008
	£'000	£'000
Corporation tax at 21% (2008: 20%) on taxable transactions	**7**	3
Adjustment to Corporation Tax provision for the year ended 31 March 2008	**-**	1
	7	4

11 Intangible fixed assets

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

	Software	Other intangible assets	Total
	£'000	£'000	£'000
Cost			
At 1 April 2008	1,250	437	**1,687**
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)**
Amortisation	(263)	(256)	**(519)**
Disposals	188	-	**188**
At 31 March 2009	(732)	(288)	**(1,020)**
Net book value as at 1 April 2008	593	405	**998**
Net book value as at 31 March 2009	410	1,724	**2,134**

12 Tangible fixed assets

Tangible fixed assets are shown at cost less depreciation which is not considered to be significantly different from their net current replacement cost.

	Cars	Office Equipment	Information Technology	Furniture and Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	117	368	2,607	1,651	**4,743**
Additions	-	40	877	251	**1,168**
Disposals	(83)	(47)	(630)	(770)	**(1,530)**
At 31 March 2009	34	361	2,854	1,132	**4,381**
Depreciation					
At 1 April 2008	(67)	(292)	(1,056)	(1,198)	**(2,613)**
Depreciation	(26)	(39)	(445)	(163)	**(673)**
Disposals	68	47	598	770	**1,483**
At 31 March 2009	(25)	(284)	(903)	(591)	**(1,803)**
Net book value as at 1 April 2008	50	76	1,551	453	**2,130**
Net book value as at 31 March 2009	9	77	1,951	541	**2,578**

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 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

	31 March 2009	31 March 2008
£1 ordinary share, fully paid	**£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 7.98% (2008: 6.88%).

	2009 Completed schemes principal £'000	2008 Completed schemes principal £'000
At 1 April	**782**	997
Loans advanced	**-**	-
Interest	**58**	64
	840	1,061
Repayments	**(170)**	(279)
At 31 March	**670**	782

15 Debtors

	2009 £'000	2008 £'000
Trade receivables	**127**	31
Prepayments	**344**	636
Other trade receivables	**60**	70
	531	737

Amounts owed by public sector entities are as follows: central government £4,568 (2008: £7,092); NDPBs £115,123 (2008: Nil), local authorities nil (2008: £5,122).

16 Cash at bank and in hand

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

	2009	2008
	£'000	£'000
Cash at bank and in hand	**3,951**	1,756
	3,951	1,756

17 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Taxation and social security	**369**	287
Accruals	**4,686**	4,027
Other creditors	**8**	495
	5,063	4,809

The taxation and social security creditor relates to a balance with another central government body. No amounts included in accruals or other creditors are due to public sector bodies at 31March 2009, (2008: £40,000).

18 Provision for liabilities and charges

	2009 £'000	2008 £'000
At 1 April	**-**	56
Provision utilised	**-**	(41)
Reduction in provision	**-**	(15)
At 31 March	**-**	-

19 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 NLF was repaid on 28 November and no subsequent borrowing has been made by TSA. However, TSA has powers to borrow under section 102 of the Housing and Regeneration Act 2008. The weighted average rate of interest for the year was 5.25% (2008: 5.66%)

	2009 £'000	2008 £'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

20 Reserves

General Reserve

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 of the TSA. This means that the only income credited to the operating cost statement is income generated from business activities of TSA. Net operating costs for the year are debited to the General Reserve to be offset by the grant in aid received which is 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 the ownership of a RSL, after meeting the claims of creditors and any other liability following its dissolution or winding up, is transferable to the 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 into place.

	General reserve £'000	Pension reserve £'000	Specific reserve £'000
1 April 2008	**(913)**	**(18,509)**	**1,807**
Net expenditure	**(38,686)**	**-**	**-**
Actuarial loss from staff pension fund	**(23,249)**	**-**	**-**
Grant in aid received from CLG	**42,521**	**-**	**-**
Transfer to reflect Pension Fund transactions	**23,301**	**(23,301)**	**-**
Transfer of interest net of costs	**(43)**		**43**
Cash received from a supervision case	**-**	**-**	**20**
31 March 2009	**2,931**	**(41,810)**	**1,870**

	General reserve £'000	Pension reserve £'000	Specific reserve £'000
1 April 2007	763	(26,728)	1,800
Net expenditure	(34,650)	-	-
Actuarial gain from staff pension fund	8,561	-	-
Grant in aid received from CLG	32,639	-	-
Transfer to reflect Pension Fund transactions	(8,219)	8,219	-
Transfer of interest net of costs	(7)	-	7
31 March 2008	(913)	(18,509)	1,807

21 Financial instruments and risk management

Overview

Like all organisations, 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.

Assets and liabilities

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

Funding

The TSA net operating costs are funded by grant in aid voted annually by Parliament (Notes 2, 3, 4 and 5 refer). 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 development schemes that meet Government targets and published criteria for development. Financial information in relation to funding is contained in note 20 to the Financial Statements.

Loans

The TSA loans, which can only be advanced where permitted by statute, are disclosed in note 14 to the Financial Statements. During the year these were financed by both short-term fixed interest rate borrowings from the NLF and the TSA reserves. 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 our borrowing. The TSA reviews its loans annually and provides for any doubtful debts by a charge to the operating cost statement. At 31 March 2009 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	936	67	7.14%

Cash

The Office of the Paymaster General (OPG) provides the banking service for TSA. Apart from the investment of the non-exchequer funds referred to below and in note 20, the investment of surplus cash on current account is now handled by OPG for the direct benefit of the Treasury. 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. TSA holds an amount of non-exchequer funds, explained in note 19, which until June 2007 was invested with the National Loans Fund. Since June 2007 the funds have been held in an interest bearing deposit account with the OPG.

Invested £'000	Average daily value interest £'000	Average interest rate
1,768	90	5.11%

Liabilities

The borrowing powers for 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. At 31 March, the TSA had no borrowings, as the NLF loan was repaid on 28 November 2008. Details are disclosed in note 19 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.

22 Losses and special payments

TSA did not incur any major losses or special payments during the year. (2008: There were no major losses or special payments relating to regulatory activities.)

23 Commitments under operating leases

	31 March 2009			31 March 2008		
	Offices £'000	Equipment £'0000	Total £'000	Offices £'000	Equipment £'000	Total £'000
Leases which expire						
Within 1 year	**-**	**158**	**158**	-	79	79
Between 1 and 5 years	**-**	**-**	**-**	-	40	40
After 5 years	**955**	**-**	**955**	853	-	853
	955	**158**	**1,113**	853	119	972

24 Capital commitments

There were £40,000 worth of capital commitments as at 31 March 2009 (2008: nil).

25 Related party commitments

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 2009, grant in aid received amounted to £42.5 million (2008: £32.6 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 TSA received £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 TSA's duties.

Related party transactions

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

Related party transaction name	RSL or other related body	Appointment	Transaction	Value £'000
Jim Coulter	Ashram HA Ltd	Patron	Gold Award	**25**
	East Thames HG	Son an employee	Staff on outward secondment	**28**
Dennis Rees	TAROE	Treasurer	Grants paid	**17**
	TPAS	Executive Director	Purchase of services	**14**
			Consultancy	**5**
			Grants	**38**
			Purchase of services	**11**

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 seven appointments of TSA employees to an RSL Board during the year (2008: 7). At 31 March 2009, these appointments, together with three appointments made to another RSL Board, made in earlier years, were still in place (2008: 13). The appointments were made to facilitate the orderly running of these RSLs after their assets and liabilities had been transferred. The employees neither received any additional remuneration for their services nor was any housing grant paid to the RSLs during the year.

Transactions with employees

The 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.

	2009 £'000	2008 £'000
At 31 March, Principal outstanding included in Debtors	**60**	**153**

26 Date of authorisation for issue and post balance sheet events

The Financial Statements of TSA are laid before the Houses of Parliament by the Secretary of State for CLG. Financial Reporting Standard 21 requires the TSA to disclose the date on which the accounts were authorised for issue and any material post balance sheet date events not disclosed in the Financial Statements. The authorised date for issue is 22 October 2009. There have been no material post balance sheet date events.

Office for Tenants and Social Landlords (Tenant Services Authority)

Accounts direction given by the Secretary of State in acccordance 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, in addition to the information required to be disclosed by paragraph 1 of this direction.

The notes to the annual accounts shall disclose:

(a) an analysis of grants from:
- (i) Government departments
- (ii) European Community funds
- (iii) other sources identified as to each source

(b) an analysis the total amount of grant from the Department for Communities and Local Government, showing how the grant was used

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

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

- (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Office, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
- (ii) the total amount of loans to employees
- (iii) employee costs during the year, showing separately:

  - (1) wages and salaries
  - (2) early retirement costs
  - (3) social security costs
  - (4) contributions to pension schemes
  - (5) payments for unfunded pensions
  - (6) other pension costs
  - (7) amounts recoverable for employees on secondment or loan to other organisations

(The above analysis shall be given separately for the following categories:

I employed directly by the Office
II on secondment or loan to the Office
III agency or temporary staff
IV employee costs that have been capitalised);

(e) in the note on debtors, prepayments and payments on account shall each be identified separately
(f) a statement of debts written off and movements in provisions for bad and doubtful debts
(g) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Office's operations
*(h) particulars of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Office), between the Office and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:

(i) transactions and balances of £5,000 and below are not material
(ii) parties related to board members and key managers are as notified to the Office by each individual board member or key manager
(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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ISBN 978-0-10-296268-0

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