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**Independent Housing  
Ombudsman Limited**

**Annual Report and Accounts  
2010-11**

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# **Independent Housing Ombudsman Limited**

## **Annual Report and Financial Statements 2010-11**

Presented to Parliament pursuant to Article 6(2) (b) of the Government Resources and Accounts Act 2000  
(Audit of Non-profit-making Bodies) Order 2009.

*Ordered by the House of Commons to be printed on 13 July 2011*

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## Contents

	<b>Page</b>
Foreword	1 – 4
Directors' Report	5 – 11
Remuneration Report	12 – 13
Corporate Governance Statement	14 – 15
Statement of Accounting Officer's Responsibilities	16
Accounting Officer's Statement of Internal Control	17 – 19
The Certificate and Report of the Comptroller and Auditor General	20 – 21
Statement of Comprehensive Income	22
Statement of Financial Position	23
Statement of Changes in Reserves	24
Statement of Cash flows	25
Notes to the Financial Statements	26 – 41

## Annual Report

### A word from the Chair of IHO Limited

The Localism Bill was published in 2010 together with the announcement that the Housing Ombudsman's jurisdiction will be expanded from 1 April 2013 to include not only tenants of housing associations but also tenants of Local Housing Authorities. This presented the Board and the Ombudsman with the significant challenge of realigning our agreed strategic direction to prepare for what will be a fundamental change and the most significant event in the Service's development since its statutory inception on 1 April 1997. Accordingly, we have worked together to create a new mission, vision, and business plan to ensure that the Ombudsman will be supported by appropriate processes and resources so that he can continue to deliver an independent, impartial and efficient service in his new, wider jurisdiction.

The three strategic priorities of the Board this year were therefore to continue to deliver improved performance, cost effectiveness, value for money, and added value; further to support and develop the people and development culture that has been such a crucial catalyst for the sustained improvements in performance over the past five years; and to support the Ombudsman in ensuring Ministers and officials understood his independent role so that this could continue to be fully exercised within his new legislative mandate.

Despite these major changes, the Ombudsman and his team continued to deliver impressive improvements in performance throughout the year. This year's report sets out the evidence for that success. The Board, the Ombudsman, and his team are determined to ensure that the current high levels of performance continue through the period of transition. The Board will also be particularly vigilant to fulfil its duty under the approved Scheme to ensure that the independence of the Ombudsman is maintained and protected and that the Service is adequately resourced to deliver an effective service in accordance with the criteria endorsed by the Cabinet Office as the essential characteristics of an ombudsman.

I would like to thank the Ombudsman, his staff and my fellow Board members for all their hard work this year. Michael Johnson resigned from the Board during the year and I would like to pay particular thanks to him for his contribution.

Over the coming months we will make changes to the governance structure to reflect the Ombudsman's new jurisdiction.

**Nick Hardwick**

## OMBUDSMAN'S FOREWORD

This year there has been yet another substantial increase in demand for my Service reflecting the steady trend of the last ten years. Again, my team has achieved further improvements against targets building on previous record performance. The number of determinations made after investigation surpassed last year's record-beating out-put. Our activity-based costing model demonstrates improvements in efficiency and cost effectiveness. These successes have been achieved in the context of our continued commitment to tight budgetary management, a pervasive performance culture, and a focus on customer care and user and stakeholder engagement, and against the background of additions to the already increased burdens of compliance that came in the wake of the coalition government.

The Localism Bill was published in the reporting year. I was very pleased that ministers had such confidence in the Housing Ombudsman Service that they made provision in the Bill for the whole of the social rented housing sector to come within my jurisdiction with effect from 1 April 2013. The factors that contributed to this outcome were our continuous improvement in performance and efficiencies, commitment to value for money and added value, the reputation of the Service in the sector, the express wishes of tenants, and the Service's unique, non-grant-in-aid funding model. I am encouraged by the Secretary of State's approval of two separate requests that we made for exemptions from the government's recruitment freeze. This is further evidence of ministers' confidence in the Ombudsman and is an important element in ensuring adequate resourcing to deliver their statutory objectives for the single Ombudsman for housing in April 2013.

In response to this statutory development we completely reviewed our strategy for the future and reflected our ambition successfully to deliver the Ombudsman's new role in our new mission and vision statements and our five-year business plan. In preparation for the new role we have been working closely at various levels with the Department for Communities and Local Government, the Tenant Services Authority, the Homes and Communities Agency, and the Local Government Ombudsmen.

I believe that the evidence set out in this report demonstrates that the Service's performance has been excellent again this year. It has been the result of focused management, dynamic teamwork, and individual effort. I should like to thank my team for their hard work and commitment to our shared cause of continuing service improvement and performance appropriate to and worthy of the duties that statute requires of me as Ombudsman.

**Dr Mike Biles**

## PERFORMANCE AND PLANNING

Last year I reported significant improvement in performance across the Service and I am very pleased, once again, to record further, substantial improvements in all of the key functions.

### **Dispute resolution:**

In 2010-11, my Dispute Resolution Team dealt with 5,377 complaints. This was an 11% increase on the number dealt with in 2009-10 (4,837).

In addition to complaints, the number of enquiries received by the Service in 2010-11 was 3,266. This was a 15% increase compared with the 2009-10 (2,841). We met our service standard of response within 3 days in 98.5% of enquiries (97% in 2009-10). Despite the increase in volumes, during 2010-11, we met our target to respond to new complaints within 15 days in 99.5% of cases (99% in 2009-10). Performance against this target was consistent throughout the year.

Over the course of the year we closed 5,662 complaints. This was a 17% increase compared with 2009-10 (4,824) and represents an increase of 107% over the past three years. The percentage of cases closed after assistance was given to the parties during the course of the provider's internal complaints procedure was 62%. 12% of cases were outside jurisdiction compared with 20% in 2009-10 and 22% in 2008-09.

One of the other ways in which we resolve disputes is by investigation. In 2010-11 we issued 559 determinations compared with 458 in 2009-10. This was another record performance in this category amounting to a 22% increase compared with the previous year which itself was a 15% increase over the previous record in the year before that. This amounts to a 98% increase in out-put in this category since 2007-08 (283). The continuation of these impressive upward trends in performance is accounted for by our sustained investment in an explicit performance management and people-focused culture, further turnover of low performing staff, development and improved performance of individual team members, casework management focus on team working, improved monitoring of workflows, and the commitment and hard work of team members.

In 2010-11, our target for the monthly average length of investigations reaching determination was 20 weeks. This area of performance has been the subject of successive targets in recent years to keep bringing down the average. The overall average for length of investigations throughout 2010-11 was 15 weeks. The 15 week average represents an improvement of 35% on comparative performance in the previous year (23 weeks). The average for the final quarter of 2010-11 was 14 weeks.

Overall, these results are so consistent and so impressive that my executive team and I feel not only vindicated by our people management and development culture but also determined to consolidate and further invest in and develop it by continuing to support managers to concentrate not only on performance but also active development of all individuals in their teams continually looking to expand discretionary behavior and self-motivation in line with our values and in pursuit of the role and purpose of the statutory Housing Ombudsman. In doing so we are especially mindful of the need to re-shape our core process and our corporate offer so that we adapt to provide a high-performing, efficient, cost-effective, and relevant service to all of our stakeholders, existing and new, in my expanded jurisdiction.

Our activity based costing system allows us to calculate function and unit costs and to be able to break costs down by value added and elements of non value added. We are also able further to break down costs into elements so that we may examine where processes can be improved and costs reduced.

### **Planning for the future:**

Our strategic planning is firmly focused on the effect that clause 158 of the Localism Bill will have on my role, jurisdiction, powers, and discretion from 1 April 2013. After that date a complaint to me against a social landlord will only be duly made if it is made to me in writing by a designated person by way of referral of the complaint made to that designated person. A designated person for these purposes will be an MP, a

member of the local housing authority for the district in which the property concerned is located, or a designated tenant panel. The Housing Ombudsman Service has always supported the resolution of disputes locally as a significant means of sustaining positive relations between landlords and tenants. Many of the details concerning those functions have yet to be worked out but my colleagues and I remain committed to supporting and encouraging local settlements and shall continue to work with Department of Communities and Local Government to ensure that the expertise and experience that my Service has built up over 15 years will be available to assist the designated persons to help them carry out their functions effectively.

**Company Number: 03290221**

**INDEPENDENT HOUSING**

**OMBUDSMAN LIMITED**

**(A company limited by guarantee  
not having a share capital)**

**Financial Statements**

**31 March 2011**

## Directors and advisers

### Independent Directors

Nick Hardwick (Chairman)

Maxine Frerk

Susan Thomas

### Tenant Directors

Michael Johnson (Resigned 28 March 2011)

Terry Stacy

Frank Chersky

### Landlord Directors

Brian Cronin

Margaret May

Peter Robinson

### Registered Office

81 Aldwych

London

WC2B 4HN

### Registered Number

3290221

### Statutory Auditor

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

## Directors' Report for the year ended 31 March 2011

The directors present their report together with audited financial statements for the year ended 31 March 2011. The Company was incorporated on 5 December 1996 and began operating an Independent Housing Ombudsman Service on 1 April 1997.

### Principal Activity

The Company administers the Independent Housing Ombudsman Scheme. The purpose of the Scheme is to investigate complaints against certain landlords by their tenants and others and to award compensation or other remedy when appropriate.

The company operates in accordance with a Scheme approved by the Secretary of State (currently Communities and Local Government (DCLG)) under the terms of the Housing Act 1996. The Scheme applies to social landlords registered, regulated or operating in England, as well as to other landlords and managing agents who join voluntarily.

The Independent Housing Ombudsman Limited (IHOL) has been designated as an executive Non Departmental Public Body (eNDPB) and Dr Biles was appointed by the DCLG's Principal Accounting Officer as IHOL's Accounting Officer with effect from 10 April 2008. We have an on-going working relationship with the DCLG on setting the appropriate levels of additional reporting and new governance structures which are consistent with the obligations of the Company to be accountable to the DCLG, in compliance with company law and protecting the independence of the Ombudsman and the Company, whilst recognising that the Company does not require or receive any grant-in-aid. The Company continues to receive all of its funding from registered social landlords through compulsory subscriptions and from private sector landlords and managing agents who join the Scheme on a voluntary basis.

### Directors

Details of directors are set out on pages 3 to 5.

### Operational and Financial Review

At 31 March 2011, 2,067 landlords (2,120 in 2010) were in membership, representing 2,779,356 (2,651,181 in 2010) housing units, an increase of 4.8%. 1,975 were registered providers (RP's), representing 2,672,861 housing units. A further 92 were private landlords or managing agents representing 106,495 housing units, who had joined voluntarily. It is anticipated that the number of RP units in membership will continue to increase in the coming year. In addition the company actively encourages membership of the Scheme to landlords and managing agents in the private rented sector who are not under a statutory obligation to join.

The casework management system software (HOSCA) became operational in July 2008 and supports the dispute resolution process and has been further developed in 2010-11. We are able to report in more detail on an on-going basis on the work we have undertaken. We can better measure performance at different stages of the dispute resolution process and understand performance against targets so as to allow us to improve on delivery.

During the year the Service responded to 3,266 enquiries (2010: 2,841), investigated 5,377 complaints (2010: 4,837) and issued 559 final determination decisions following formal intervention (2010: 458). In the year 99.5% of cases were evaluated within our target of fifteen working days (2010: 99%) and 100% of final determination decisions were issued within our revised 43 week target (2010: 95%). The average time taken to issue a final determination decision was 15 weeks (2010: 23 weeks).

The surplus for the year after taxation and adoption of IAS 19 Employee Benefits was £867,157 (2010: restated deficit (£48,156)). This result was after incorporating the Company's pension scheme deficit into the accounts.

After including the net pension deficit, the accumulated assets carried forward total £457,048 (2010: accumulated liabilities £410,109). The technical accounting adjustments required by IAS19 relating to its pension fund liabilities, that do not fall due in the short term, have the effect of distorting the financial position at year-end. Changes in pension fund liabilities are liable to fluctuation year-on-year, dependent on economic circumstances and investment performance.

The Board sets the level of subscriptions by reference to its budgeted cash requirements, including a prudent provision for contingencies. This includes the need to meet higher pension contribution rates in the future. At 31 March 2011 the net current assets of the Company amounted to £2,037,318 (2010: Assets of £1,614,030). This takes account of cash, and debtors less amounts falling due for payment within one year.

In the financial year the Company increased its dedicated reserve in regard to its pension fund liabilities and transferred £152,319 from its general fund as part of its review of the pension deficit funding strategy. In the event that the sponsor department (DCLG) introduced legislation which effectively caused IHOL to be wound up, or if the Scheme's approval were to be withdrawn and another body approved under the Housing Act 1996, the sponsor department would be obliged to put in place arrangements to ensure the orderly winding up of IHOL. In particular, it would ensure that the assets and liabilities of IHOL were formally transferred to any successor organisation and accounted for in accordance with Managing Public Money requirements. In the event of there being no successor organisation, the assets and liabilities would be transferred to the sponsor, as detailed in the Framework Document agreed by DCLG and the Company. The triennial actuarial valuation was last undertaken as at 31 March 2010 and the results of that formal review, which represents the position at 31 March 2010, are reflected in these financial statements.

The Company has an environmental working group made up of employees across the organisation. It meets monthly to find ways to be more environmentally efficient and provide value for money, taking into account guidance provided by DCLG and best practice. Reports are produced in regard to energy consumption, recycling and paper usage. In accordance with its Business Plan, Mission, and Vision, the Company supports working with stakeholders not only to shape and improve the Service but also to share lessons learnt with the sector to contribute to improved provider service delivery and good practice.

During the year employee sickness levels were recorded as 1% in respect of short term absence and 4% in respect of long term absence. There were no instances of personal-data-related incidents in year.

### **Statement of Directors Responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditor**

The Companies Act 2006 enables the Comptroller and Auditor General (C&AG), to undertake the audit of Limited Companies. Under the terms of the Government Resources and Accounts Act 2000, the C&AG became responsible for the Company's annual audit commencing in the financial year 2009-2010.

Insofar as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Signed on behalf of the Board**

**M Colwell**

**Company Secretary**

Approved by the Board on 27 June 2011

## Directors' Report for the year ended 31 March 2011

### DIRECTORS

Directors during the period were as follows:

### INDEPENDENT DIRECTORS

Maxine Frerk                      *Director, Governance, Consumer and Social Affairs, Ofgem*                      Appointed 05/12/07

Maxine Frerk is Director of Governance and Consumer and Social Affairs at Ofgem. In that role she is responsible for setting the criteria for and approving a statutory ombudsman scheme in energy and more broadly for the complaint handling standards to be adopted by the industry. She is also responsible for Ofgem's relationships with a range of government departments and for governance issues. Prior to joining Ofgem she was Head of Regulation at BT where, among other things, she was BT's representative on the industry group which established the original ombudsman scheme in telecoms. Maxine chairs the IHOL Audit and Risk Committee.

Nick Hardwick                      *Her Majesty's Chief Inspector of Prisons*                      Appointed 12/02/10  
(Chair)

Nick Hardwick was appointed as Her Majesty's Chief inspector of Prisons from July 2010. He was the first Chair of the Independent Police Complaints Commission from 2003 to 2010. His earlier career was in the voluntary sector. From 1986 to 1995 he worked as Chief Executive of Centrepoin – a charity and housing association for young homeless people. Nick was also the Chief Executive of the Refugee Council from 1995 to 2003. Nick has been Chair of the European Council on Refugees and Exiles, a member of the Social Security Advisory Committee, the Prince's Trust Ethnic Minorities Advisory Group and the Holocaust Memorial Day Steering Group. He is currently a trustee of New Horizon Youth Centre. Nick has a BA (Hons) from Hull University in English Literature and has an Honorary Doctorate in Social Sciences from the University of Wolverhampton.

Annual Report - Directors' Report for the year ended 31 March 2011

Susan Thomas                      *Management Consultant*                      Appointed 05/12/06

Susan Thomas' management consultancy works with senior leaders in the areas of organisation development and change and leadership development. She has held executive Board positions in all 3 tiers of government, and was for 6 years Director General, Corporate Services and Development, at the Department for Education and Skills, where she was Director of HR. She served on several national and local government bodies and committees, including Government Skills (Sector Skills Council), and the Department of Health Committee of Inquiry into recruitment in residential care. She is currently a Non Executive Board member of St. George's University of London. Susan chairs the IHOL HR Committee.

### TENANT DIRECTORS

Frank Chersky                      *London & Quadrant Housing Association*                      Appointed 05/12/09

Frank is a tenant of London & Quadrant (L&Q), the largest Housing Association in London & the South East. He was appointed to the L&Q Group Board in 2007 and is Chair of L&Q's Resident Board. He is also a Board member of the Ujima Foundation, which aims to address the barriers to inclusion faced by diverse communities.

Frank was the founding Chair of Green Horizons Community Board for a number of years, fronting a major regeneration scheme in Edmonton, North London. Green Horizons has won a number of national awards including most recently the Homes & Community Agency Academy Award (for 'Leadership of Place') in 2009. The HCA judges highlighted the creation of the Community Board as a particularly successful outcome and for the way it worked as the delivery vehicle for the project.



## Remuneration Report for the year ended 31 March 2011 in accordance with part 3 of schedule 8 of statutory instrument 2008, number 410

The Independent Housing Ombudsman Ltd (IHOL) does not have a remuneration committee. However the HR Committee assumes such a role within its responsibilities. Remuneration is linked to the annual staff cost of living award and is reviewed independently as appropriate. There are no performance conditions related to remuneration. Senior Managers are members of staff and have an annual appraisal and any progression is based on merit.

Non executive directors are appointed for an initial term of no more than three years and then appointment is renewable for another period of the same length, the maximum service being two terms. No notice period is required. All senior managers are permanent employees with three month notice periods. The Ombudsman's notice period is also three months. No significant awards were made to any director. No element of remuneration is non cash. Information in regard to salary and fees paid to each director is detailed in tabular form on page 7. Quarterly invoices totalling £13,332 were received from Arena Housing Association and the New Horizon Youth Centre for services rendered by a non executive director Brian Cronin and Nick Hardwick respectively throughout the financial year. Please refer to notes 2a and 2b in the table on page 7.

With regard to pension benefits, these are also detailed in the table on page 7. There were no contributions to a money purchase scheme. No compensation was paid to any former director.

### Board members attendance

	Board meetings		Days in attendance at meetings
	Maximum possible	Actual attendance	
<b>Non Executive Directors</b>			
Nick Hardwick (Chair)	4	4	6
Frank Chersky	4	4	6
Brian Cronin	4	3	5
Maxine Frerk	4	4	7
Michael Johnson	4	4	7
Margaret May	4	4	7
Peter Robinson	4	4	8
Terry Stacy	4	3	7
Susan Thomas	4	4	8

Days in attendance at meetings include Board meetings, Committee meetings, strategic review days and Board recruitment panels.

## Remuneration Report (subject to audit)

	Notes	Salaries and fees			Pension benefits				Diff between the two transfer values, less any employee contribs
		Salary and fees	Allow- ances	Totals	Accrued benefits during the year	Accrued benefits at end of year	Transfer value of accrued benefits at start of year	Transfer value of accrued benefits at end of year	
		£	£	£	In bands of £2,500	In bands of £2,500	In bands of £1,000	In bands of £1,000	
<b>Non Executive Directors</b>									
Nick Hardwick (Chair)	2a	3,145	–	3,145	–	–	–	–	–
Frank Chersky		3,898	–	3,898	–	–	–	–	–
Brian Cronin	2b	–	–	–	–	–	–	–	–
Maxine Frerk		3,898	–	3,898	–	–	–	–	–
Michael Johnson	2c	3,898	–	3,898	–	–	–	–	–
Margaret May		3,898	–	3,898	–	–	–	–	–
Peter Robinson		3,898	–	3,898	–	–	–	–	–
Terry Stacy		3,898	–	3,898	–	–	–	–	–
Susan Thomas		4,677	–	4,677	–	–	–	–	–
<b>Senior Managers</b>									
Dr Mike Biles (Ombudsman)		128,723	–	128,723	0 – 2,499	205,000 – 207,499	1,252,000 – 1,252,999	1,299,000 – 1,299,999	(1,000 – 1,999)
Wilma Jarvie (Director of Corporate Services)	2d	29,783	–	29,783	5,000 – 7,499	60,000 – 62,499	284,000 – 284,999	328,000 – 328,999	33,000 – 33,999
Helen Megarry (Director of Casework)		84,453	–	84,453	0 – 2,499	42,500 – 44,999	162,000 – 162,999	179,000 – 179,999	5,000 – 5,999
Rafael Runco (Deputy Ombudsman)		84,453	–	84,453	2,500 – 4,999	87,500 – 89,999	437,000 – 437,999	483,000 – 483,999	26,000 – 26,999
Martin Colwell (Company Secretary)		75,561	–	75,561	0 – 2,499	7,500 – 9,999	42,000 – 42,999	59,000 – 59,999	10,00 – 10,999
Paul Neville (Head of People and Development)		61,823	–	61,823	0 – 2,499	7,500 – 9,999	29,000 – 29,999	39,000 – 39,999	5,000 – 5,999

**Notes**

1. The columns in regard to Bonuses, Compensation and Non cash benefits have been deleted, as no relevant payments were made in year.

2a. As from 1 July 2010 fees payable of £9,434 in regard to Directors entitlements were paid to New Horizon Youth Centre on submission of an invoice.

2b. Fees payable of £3,898 in regard to Directors entitlements were paid to Arena Housing Association on submission of quarterly invoices.

2c. Resigned 28/03/11.

2d. Deceased 10/10/10.

## Corporate Governance Statement

The Independent Housing Ombudsman Limited (IHOL) fully supports the report of the Financial Reporting Council Committee on Corporate Governance and that Committee's Revised Combined Code of Best Practice. It welcomes the Committee's guidance on internal control and the going concern basis for preparing annual accounts.

The guidance is regarded as mandatory for listed companies registered in the UK. Whilst IHOL does not fall within the regulations of the London Stock Exchange, being a company limited by guarantee and as such not obliged or able to follow it completely, the Board is committed to the highest standards of corporate governance and, therefore, to implementing it as far as is applicable.

### Going Concern

The Board confirms that, after making appropriate enquiries, it is of the opinion that IHOL has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going-concern basis in preparing these accounts.

### General

The Board comprises nine members, all of whom are non-executive. The directors are appointed from three groups drawn from member landlords, tenants, and independents. This provides a balance whereby the Board's decision-making cannot be dominated by an individual or group. Selection to the Board is based on merit by the choice of individuals who through their abilities, experience, and qualities match the needs of the Company. Each appointment panel is supported by an independent assessor. Directors are appointed for an initial term of no more than three years and may be appointed for a second term, again for no more than three years. Each director's performance is appraised annually and taken into account when they are being considered for re-appointment to the Board. Board remuneration is reviewed periodically by independent external consultants.

The role of the Ombudsman is separated from the role of the Board and he is not a member of the Board. The Board is responsible for taking decisions on the on-going strategic direction of IHOL, approving major developments and the terms of reference and delegated powers of its committees. Under the Scheme approved by the Secretary of State, the Company has a responsibility to raise funds from member landlords, administer the Scheme, submit amendments of the Scheme from time to time to the Secretary of State for approval, appoint the Ombudsman subject to the approval of the Secretary of State, and determine the annual budget of the Service. The Board has a duty to protect and maintain the independence of the Ombudsman and must not play any part in the investigation and determination of complaints submitted to the Ombudsman. The Ombudsman is responsible on behalf of the Company for the day-to-day administration of the budget, the administration of the Scheme, the staff, and property. The Board is responsible for approving the arrangements for the maintenance of banking, investment, accounting, internal audit, insurance, and pensions. The Board meets four times a year and has three standing committees (Audit and Risk, Human Resources (HR), and Resources). One of its key responsibilities is to actively monitor the performance of the Service in relation to the administration generally of the casework, the management of its finances, and the meeting of performance criteria and targets. All standing committees are formally constituted with terms of reference and include three Board directors. The standing committees meet and report to the Board regularly.

### Employee Involvement and Development

IHOL recognises that effective employee involvement and development leads to increased engagement of employees in meeting the objectives and the successful delivery of continual performance improvement. Several approaches are utilised that are compatible with our size, structure and culture.

### Internal Controls

The Board acknowledges its responsibility for the systems of internal control within IHOL and for ensuring these systems maintain the integrity of accounting records and safeguard its assets. The purpose of these systems is to facilitate the successful achievement of IHOL's aims and objectives and to provide reasonable assurance as

to the reliability of financial information and to maintain proper control over income, expenditure, assets and liabilities of IHOL. No system of control can, however, provide absolute assurance against material misstatement or loss. The Board's review of the effectiveness of IHOL's systems of internal control is an on-going process; where controls are not in place the Board agrees and reviews a timetable for implementation.

### Financial Reporting

There is a comprehensive business planning system with a five year business plan and forecast budgets for a five-year periods which are reviewed and recommended to the Board by the Resources Committee. Monthly actual income and expenditure are reported against budget and revised forecasts for the year are prepared. These are reviewed monthly by the Ombudsman and his Management Team and quarterly by the Board at its meetings.

IHOL's Board, the Ombudsman and his Management Team examine on a continual basis the major strategic, business, and operational risks which IHOL faces and continuously develop a system that ensures that risks are reviewed and reported regularly, and that appropriate action is in place to mitigate the significant risks. In addition, all risks are reviewed regularly as an integral part of the business planning as part of the development of the risk management framework and structure.

At year-end the risk registers include significant new risks identified in the year. The most significant were in regard to pension fund liabilities, reputational standing, and the effect of changing priorities of Government.

### Controls and Procedures

The Independent Housing Ombudsman Scheme sets out authorities delegated from the Board to the Ombudsman. The IHOL Board has established a strong control framework within which the company operates including an organisation structure with clearly defined lines of responsibility, delegation of authority and reporting requirements and maintains a comprehensive set of financial regulations and all material breaches are reported to the Board. The financial controls and procedures are reviewed regularly and compliance with them verified by the work of the auditors.

Processes applied in maintaining and reviewing the effectiveness of the organisation during 2010-11 included:

- Regular meetings of the Management Team to consider risk, internal control, and the organisation's risk profile;
- The use of comprehensive planning, forecasting and budgeting systems which enable the monthly management report, annual budgets and latest projections to be reviewed by the Board and Management Team;
- The practical application of a counter-fraud policy and fraud response plan;
- Adequate procedures to control both logical and physical information systems are in place;
- Consideration of the internal and external audit function and its findings and management letters;
- Rolling forecasts of expenditure for the current and future financial years so as to determine future subscription rates and affordability, and
- Maintaining a Data Handling Policy and procedures that meets mandatory Cabinet Office requirements and that have been agreed by the Board and its internal auditors.

**Nick Hardwick (Chair)**

Dated 27 June 2011

**Dr Mike Biles**

Dated 27 June 2011

## **Statement of Accounting Officer's responsibilities with regard to the preparation of the Financial Statements**

The Secretary of State of the Department of Communities and Local Government (DCLG) has directed The Independent Housing Ombudsman Limited to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Independent Housing Ombudsman Limited and of its net expenditure, financial position, changes in reserves and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The DCLG's Principal Accounting Officer has appointed Dr Mike Biles, the Ombudsman, as Accounting Officer of the Independent Housing Ombudsman Limited. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding The Independent Housing Ombudsman Limited's assets, are set out in the Articles of the company and its financial regulations and the Framework Document agreed with the DCLG.

## Accounting Officer's Statement on Internal Control

### 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Independent Housing Ombudsman Limited's (IHOL's) policies, aims and objectives, whilst safeguarding its funds and assets for which I am personally responsible. I also share responsibility with the Board for ensuring that IHOL continues to operate within the Housing Ombudsman Scheme and Framework Document as specified by the Secretary of State and the Department of Communities and Local Government (DCLG).

### 2. The purpose of the system of internal control

IHOL's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failing to achieve IHOL's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. IHOL's system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of IHOL'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 in IHOL for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts.

### 3. Capacity to handle risk

I recognise that IHOL is both an executive Non Departmental Public Body (eNDPB) and a Company limited by guarantee. A calculated appetite for risk to achieve our desired outcomes is fundamental to our way of working. At the same time we are a public body, accountable to Government and our key stakeholders, and operating in a governance framework set and monitored by the Treasury and DCLG as our sponsoring department. This rightly requires us to comply with high standards on legal and financial matters, and to be able to account for our decisions and actions. Leadership in the Risk Management process is provided by the Audit and Risk Committee and the Board through the review of IHOL's Risk Management Strategy and at an executive level, the management team have responsibility to maintain an effective risk management system. The way we have sought to achieve this across IHOL is to integrate risk management processes into our core business processes. By providing guidance, training, and equipping our employees to deal effectively and efficiently with their every-day duties, I believe the key risks we face will be properly managed.

### 4. The risk and control framework

IHOL's management of risk is embedded in policymaking, planning and delivery by consideration of risk by the executive management team in establishing strategy and in managing operational activities. IHOL undertakes regular reviews of risk management in which the Board play a key role. The Audit and Risk

Committee review the strategic risk register each time it meets and the operational risk registers by rotation, usually two registers are reviewed at each meeting. The Board reviews the strategic risk register each time it meets.

Risk appetite is determined by deciding which risks we will not accept and what level of risk we are prepared to take on new initiatives. We assess appetite on the basis of impact versus probability. In 2009-10 we revised our risk management strategy, framework and risk registers in order to ensure that we would have in place an effective risk management framework going forward and also business planning procedures that we review on a monthly basis. This is now fully embedded into the culture of the organisation so that it increasingly contributes to the achievement of our strategic objectives and targets. Risks are identified initially by the management team in accordance with the Risk Management Framework it has in place. The management team consider risk as an agenda item at its meetings once a month. It takes into account strategic aims as defined by its business plan and considers operational performance which may affect risk. Risk is also reviewed by the Board at a strategic level each time it meets, where it identifies potential and

significant risk factors affecting the organisation. The Audit and Risk Committee also consider strategic and operational risk issues at each of its meetings.

IHOL undertakes regular review in regard to information risk. An assessment is made, using DCLG guidelines that consider actions that have been taken to manage such risks. The key components of assessing information risk are;

- How IHOL has assessed the risk to its information assets;
- How the risks are managed; and
- Its performance in meeting mandatory (minimum) requirements of information risk.

In undertaking regular review of information risk in conjunction with IHOL's Data Handling policy and procedures, issues such as the security, retention, deletion and storage of data are considered. There have been no information risk incidents in year.

IHOL has revised and developed further its policies and procedures including, in particular, those relating to Procurement, Business Continuity, and Health and Safety and this has enabled risk to be better considered in these areas and reduced further.

The Audit and Risk Committee and the Board contribute to the risk management process using their wide experience of different types of organisations. The aim is to exploit their experience and to build on good practice. Decisions on significant projects, strategies, and activities are made by the operational management team working effectively with the Board, dependent upon their scale and nature. The make up of the Board and the operational management team allows for the varying views on the level of risk to be identified and considered. This facilitates the identification of the relevant risk appetite in each case.

## 5. 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 views of the Audit and Risk Committee, the work of the Internal Auditors, the operational management team within IHOL who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their capacity as external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I believe that IHOL has established systems and processes to ensure the achievement of corporate objectives and public accountability and that in the implementation of these we are seeking to improve our organisational performance. IHOL has appropriate guidance in place to allow employees to carry out their responsibilities effectively.

IHOL's systems include checks and balances to ensure accountability, including a formal process for approving projects and strategy development and monitoring and reporting procedures in regard to procurement, including a detailed procurement policy and procedures as agreed by the Board. IHOL has a business continuity plan in place and undertakes regular health and safety assessments of its premises and in regard to its employees.

Significant risks to the company are detailed in its strategic risk register and are detailed below:

- Delivery of transitional arrangements in regard to extended remit from April 2013;
- Pension fund liabilities being adequately managed;
- Government directives and restrictions hindering delivery of the business plan;

- Stakeholder understanding of the role of the single Ombudsman for Housing and the effect of the democratic filter;
- Loss or absence of key senior staff in regard to the transitional work to be undertaken before April 2013.

In my opinion no significant internal control issues have arisen in the financial year and since the financial statement for the year ended 31 March 2011 was issued. I am of this opinion as a result of considering:

- Potential issues that might seriously prejudice or prevent achievement of targets;
- Any issues that may have a material impact on the financial statements;
- Anything that may divert resources from another important aspect of the strategic business plan;
- The advice provided by the Audit and Risk Committee;
- The formal opinion of the Head of DCLG Internal Audit Services in providing substantial assurance in regard to internal controls and taking into account other guidance provided by internal and external audit;
- Any issues that may attract significant public interest, or seriously damage the reputation of the organisation.

**Signed**

**Dr M.Biles**

**Accounting Officer**

27 June 2011

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE INDEPENDENT HOUSING OMBUDSMAN LIMITED**

I certify that I have audited the financial statements of the Independent Housing Ombudsman Limited for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Income and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Independent Housing Ombudsman Limited's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Independent Housing Ombudsman Limited's affairs as at 31 March 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

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

*29 June 2011*

**Statement of Comprehensive Income for the year ended 31 March 2011**

	Notes	2011 £	2010 £ (restated)
<b>Revenue</b>			
Subscriptions	1b	<b>3,633,726</b>	3,523,262
Exceptional business rates rebate		–	140,235
Other operating income	2a	<b>3,971</b>	42,444
		<hr/>	<hr/>
		<b>3,637,697</b>	3,705,941
<b>Expenditure</b>			
Administrative expenses	2c	<b>(1,001,393)</b>	(1,081,459)
Staff costs	2b	<b>(2,232,178)</b>	(2,109,795)
Past pension service cost	12	<b>780,000</b>	
		<hr/>	<hr/>
		<b>1,184,126</b>	514,687
Interest (payable)/receivable	3	<b>(10,847)</b>	(105,619)
		<hr/>	<hr/>
<b>Surplus before taxation</b>		<b>1,173,279</b>	409,068
Taxation	6	<b>(6,122)</b>	(7,224)
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
Net actuarial loss on pension fund	12	<b>(300,000)</b>	(450,000)
		<hr/>	<hr/>
<b>Surplus for the year</b>		<b>867,157</b>	(48,156)
		<hr/>	<hr/>

All operations are classified as continuing.

There is no difference between the surplus before taxation and the retained surplus for the year stated above and their historical cost equivalents.

The notes on pages 26 to 41 form part of these financial statements.

Restatement is due to change in method of displaying pension fund movements. The restatement has no net impact on opening balances and is for information purposes.

**Statement of Financial Position at 31 March 2011**

	Notes	2011 £	2010 £
<b>Non-current assets</b>			
Intangible assets	7	106,006	72,384
Property, plant and equipment	8	283,726	293,477
		<hr/>	<hr/>
		389,732	365,861
<b>Current assets</b>			
Trade receivables and other current assets	9	2,375,308	2,343,618
Cash and cash equivalents	10	3,916,899	3,278,151
		<hr/>	<hr/>
<b>Total current assets</b>		6,292,207	5,621,769
		<hr/>	<hr/>
<b>Total assets</b>		6,681,939	5,987,630
<b>Current liabilities</b>			
Trade payables and other current liabilities	11	4,248,765	4,000,515
Current tax liabilities		6,126	7,224
		<hr/>	<hr/>
<b>Total current liabilities</b>		4,254,891	4,007,739
		<hr/>	<hr/>
<b>Non-current assets plus net current assets</b>		2,427,048	1,979,891
<b>Non-current liabilities</b>			
Net pension deficit	12	1,970,000	2,390,000
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		1,970,000	2,390,000
		<hr/>	<hr/>
<b>Assets less liabilities</b>		457,048	(410,109)
		<hr/>	<hr/>
<b>Reserves</b>			
General fund reserve		64,729	(650,109)
Pension fund reserve	19	392,319	240,000
		<hr/>	<hr/>
<b>Accumulated reserves</b>		457,048	(410,109)
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2011 and signed on its behalf by:

**Dr Mike Biles**

**Accounting Officer**

Company number: 03290221

The notes on pages 26 to 41 form part of these financial statements.

## Statement of Changes in Reserves for the year ended 31 March 2011

(restated)	Notes	General fund £	Pension fund £	Total £
Balance as at 1 April 2009		(481,953)	120,000	(361,953)
Surplus for the financial year		(48,156)	–	(48,156)
Transfer to pension fund reserve		(120,000)	120,000	–
<b>Balance as at 31 March 2010</b>		<b>(650,109)</b>	<b>240,000</b>	<b>(410,109)</b>
Surplus for the financial year		867,157	–	867,157
Transfer to pension fund reserve		(152,319)	152,319	–
<b>Balance as at 31 March 2011</b>		<b>64,729</b>	<b>392,319</b>	<b>457,048</b>

In 2009 the company created a dedicated reserve in regard to its pension fund liabilities by transferring funds from its general fund in relation to its pension deficit funding strategy. The purpose of the pension reserve fund is to enable the organisation to meet future increases in the employer's contributions to the City of Westminster Pension Fund, so as not to adversely affect future year's subscriptions rates for member landlords.

The notes on pages 26 to 41 form part of these financial statements.

Restatement is due to change in method of displaying pension fund movements. The restatement has no net impact on opening balances and is for information purposes.

## Statement of Cash Flows for the year ended 31 March 2011

	Notes	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Surplus from operations		1,184,126	514,687
Depreciation and amortization charges		54,298	94,787
Loss on sale property, plant and equipment		2,158	–
Pension scheme service cost		(510,000)	190,000
Pension scheme contributions		(250,000)	(240,000)
Increase in receivables		(31,692)	(63,778)
Increase in payables		248,250	55,242
		<hr/>	<hr/>
Cash generated from operations		697,141	550,938
		<hr/>	<hr/>
Corporation tax paid		(7,220)	(29,147)
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>689,921</b>	<b>521,791</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7,8	(80,325)	(70,257)
Bank and other interest receivable	3	29,153	34,381
Investments	10	(240,000)	–
		<hr/>	<hr/>
<b>Net cash inflow from investing activities</b>		<b>(291,173)</b>	<b>(35,876)</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents in the period</b>		<b>398,748</b>	<b>485,915</b>
		<hr/>	<hr/>

## Reconciliation of net cash flow to movement in net funds For the year ended 31 March 2011

		2011 £	2010 £
Net increase in cash and cash equivalents in the period		398,748	485,915
Cash and cash equivalents at the beginning of the period		3,278,151	2,792,236
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	10	3,676,899	3,278,151
		<hr/>	<hr/>

The notes on pages 00 to 00 form part of these statements.

## Notes to the financial statements For the year ended 31 March 2011

### 1. Accounting policies

#### a) Basis of accounting

The financial statements are prepared in accordance with the Government Financial Reporting Manual (FRoM) where this exceeds and does not conflict with the requirements of the Companies Act 2006. The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and the additional disclosure requirements set out in schedules 1 and 2 of the Accounts Direction issued by the Department for Communities and Local Government. The accounting policies are set out below and have been consistently applied. Management are not aware of any Standard or Interpretation in issue but not yet effective that would materially impact upon the financial statements.

As shown in note 14, the board at its meeting of 12th May 2010 agreed to voluntarily strike off IHO Resolve Limited from the Companies Register, this was formally actioned by Companies House on 11th January 2011.

#### Going concern

Although IHOL does have an accumulated pension's liability at the year end the directors do not consider this to affect its going concern status. This is due to the technical accounting adjustments required by IAS19 relating to its pension fund liabilities, that do not fall due in the short term, having the effect of distorting the financial position at the year end. Changes in pension fund liabilities are liable to fluctuation year on year, dependent on economic circumstances and investment performance. In the event that the sponsor department (CLG) introduced legislation which effectively caused IHOL to be wound up, or if the Scheme's approval were to be withdrawn and another body approved under the Housing Act 1996, the sponsor department shall put in place arrangements to ensure the orderly winding up of IHOL. In particular, it would ensure that the assets and liabilities of IHOL are formally transferred to any successor organisation and accounted for in accordance with Managing Public Money requirements. In the event there is no successor organisation, the assets and liabilities would be transferred to the sponsor department. As an admitted body to the City of Westminster Pension Fund, IHOL is jointly liable for any liabilities other members incur, as are they in regard to IHOL. This provides further assurance in regard to such liabilities and supports a going concern status. Therefore the directors are of an opinion the accounts should be prepared on a going concern basis.

#### b) Subscriptions

Subscriptions are the annual subscriptions payable by landlord members of the Ombudsman Scheme for the year ended 31 March 2011. Subscriptions are calculated by reference to the number of units owned or managed by member landlords, excluding those units managed on behalf of a local authority. Any subscriptions received in advance are treated as deferred income and are included in creditors.

#### c) Property, Plant and Equipment

IHOL invests in enhancements to their rented property which are capitalised as building improvements and valued at depreciated historical cost. Management consider that, in the absence of a readily obtainable market for such items, due to the fact that these assets cannot be marketed separately from the building, this provides a suitable approximation for fair value.

Non property assets are considered to be of sufficiently low value and short useful life for the adoption of depreciated historical cost basis as a proxy for fair value.

Property, plant and equipment are disclosed at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment evenly on a monthly basis at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

The useful economic life of computer equipment was extended from 4 years to 5 years and office equipment from 5 years to 10 years during the year following a revaluation exercise and other changes.

Leasehold improvements	– Period of lease
Computer equipment	– 5 years
Office equipment and fixtures and fittings	– 10 years

#### **d) Intangible assets**

Intangible assets comprise computer software and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (five years). The impairment of intangible assets is considered annually, or whenever events or changes occur. The valuation policy for intangible assets is to use amortised cost as a proxy for fair value as all assets are short life and low value.

The useful economic life of computer software was extended from 4 years to 5 years during the year following a revaluation exercise.

#### **e) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances with banks, and short term deposits in money market instruments. These are liquid investments that are readily convertible to known amounts of cash.

IHOL also makes longer term investments, typically held for between 6 and 12 months, and these are reported separately.

#### **f) Pension costs**

The Company participates in a multi-employer funded defined benefit scheme. Prior to 2008 the Company was unable to identify its share of the underlying assets of the pension scheme, as it participated in the scheme with other organisations. The Company remains exposed to risk by being jointly liable for the liabilities of other bodies admitted to the pension scheme. The Company is exposed to actuarial risks associated with their current and former employees' membership of the fund. The actuary has been able to perform a notional allocation of the Company's share of the Fund and therefore has performed an actuarial valuation at 31 March 2011 using IAS19 principles. As mentioned above as an admitted body to the City of Westminster Pension Fund, IHOL is jointly liable for the liabilities of other member bodies, as are they in regard to those of IHOL.

The effect of this accounting policy is to recognise the pension scheme deficit in the balance sheet. Current service costs, past service costs, gains and losses on settlements and curtailments, interest and the expected return on pension scheme assets are charged to the income statement. Actuarial gains and losses are charged to the statement of changes in reserves.

As detailed in note 12, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high quality corporate bond of equivalent currency and term of the scheme liabilities.

#### **g) Operating lease**

Rental payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Any rent free period is amortised evenly over the period of the lease.

**h) Changes in accounting policy**

IHOL has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the current or prior period, or may have an effect on future periods. IHOL has also reviewed any new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS's that are or will be applicable.

The following changes in accounting policy have been applied by IHOL for the first time in the current period:

IAS 7: Statement of Cash Flows – Only expenditure that results in the recognition of an asset can be classified as a cash flow from investing activities.

FReM changes relevant to the 2010-11 edition

Amendment to terminology – NDPBs shall prepare a Statement of Comprehensive Income.

Income and Expenditure – The removal of Cost of Capital charging from accounts.

We do not anticipate these changes to have any significant impact.

It has been determined that the following new IFRS's are relevant to IHOL but will have no significant impact on the financial statements.

IAS 1: Presentation of financial statements – Minor amendment allowing items of other comprehensive income to be presented in notes.

**2a. Other operating income**

	2011 £	2010 £
Sundry income	3,971	3,450
Tenancy Deposit Scheme unclaimed deposits	–	38,994
	3,971	42,444

Amounts received from the tenancy deposit scheme relate to funds received from CLG in relation to funds held by IHOL as custodian trustee for a scheme that existed since 2003-04.

**2b. Staff costs**

	Permanent staff	Temporary staff	2011 Total £	2010 Total £
Wages and salaries	1,700,753	140,996	1,841,749	1,748,649
Social security costs	161,959	–	161,959	158,415
Pension service costs	228,470	–	228,470	202,731
	2,091,182	140,996	2,232,178	2,109,795

The average number of employees (excluding directors) but including part-time employees and secondees during the year was 38 (2010: 37), engaged in the following duties:

	2011 No.	2010 No.
Ombudsman	1	1
Caseworkers	25	22
Service User Relations	2	2
Support staff	7	9
Temporary staff	3	3
	<hr/>	<hr/>
	<b>38</b>	<b>37</b>
	<hr/>	<hr/>

### 2c. Administrative expenses

	2011 £	2010 £
Accommodation	379,163	370,579
Training and recruitment	120,687	149,439
Office running costs	89,865	88,972
Information technology	79,468	50,137
Consultancy	66,556	48,505
Depreciation and amortisation	54,298	94,787
Board remuneration	44,650	47,490
Publicity and promotion	38,195	103,644
Other Fees	34,729	12,254
Audit Fees	33,813	39,984
Travel and subsistence	33,132	36,605
External dispute resolution	13,765	24,748
Professional subscriptions and welfare	5,997	6,408
Health scheme	5,194	7,907
Loss on disposal asset	1,881	-
	<hr/>	<hr/>
	<b>1,001,393</b>	<b>1,081,459</b>
	<hr/>	<hr/>

**3. Interest receivable/(payable)**

	2011	2010
	£	£
Bank and other interest receivable	29,153	34,381
Expected return on pension scheme assets	290,000	160,000
Interest on pension scheme assets	(330,000)	(300,000)
	<u>(10,847)</u>	<u>(105,619)</u>

Interest income includes £2,319 received from short term deposits, placed using funds from the pension reserve fund.

**4. Operating surplus**

	2011	2010
	£	£
This is stated after charging:		
Auditor's remuneration – audit services	14,500	14,700
– non audit services	–	–
Depreciation and amortisation	54,928	94,787
Operating lease payments – property, plant and equipment	262,454	233,138
Loss on disposal of property, plant and equipment	1,881	–
	<u>333,763</u>	<u>342,625</u>

**5. Statement of losses and special payments during the year**

In the opinion of the directors there were no losses or special payments that require disclosure in the financial statements.

**6. Taxation**

	2011	2010
	£	£
The company, with certain provisos, is only subject to tax on its incidental investment income. The tax assessed for the period is the standard rate of corporation tax in the United Kingdom 21% (2010:21%).		
Interest received before corporation tax	29,153	34,381
Tax on investment income	6,122	7,224

**7. Intangible assets**

	<b>Computer Software</b>
	<b>£</b>
<b>Cost</b>	
As at 1 April 2009	148,093
Additions	14,227
Disposals	–
	<hr/>
<b>As at 31 March 2010</b>	<b>162,320</b>
	<hr/>
<b>Amortisation</b>	
As at 1 April 2009	53,813
Charge for the year	36,123
Disposals	–
	<hr/>
<b>As at 31 March 2010</b>	<b>89,936</b>
	<hr/>
<b>Net book value:</b>	
<b>As at 31 March 2010</b>	<b>72,384</b>
	<hr/>
<b>Cost</b>	
As at 1 April 2010	162,320
Additions	52,258
Disposals	–
	<hr/>
<b>As at 31 March 2011</b>	<b>214,578</b>
	<hr/>
<b>Amortisation</b>	
As at 1 April 2010	89,936
Recalculate useful working life of assets	(17,390)
Charge for the year	36,026
Disposals	–
	<hr/>
<b>As at 31 March 2011</b>	<b>108,572</b>
	<hr/>
<b>Net book value:</b>	
<b>As at 31 March 2011</b>	<b>106,006</b>
	<hr/>

**8. Non-current assets**

	<b>Leasehold Improvements Fixtures and Fittings</b>	<b>Information Technology</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
As at 1 April 2009	320,845	242,021	68,059	630,925
Additions	–	55,319	711	56,030
Adjustment to remove assets no longer in use	7,168	(135,392)	(12,637)	(140,861)
<b>As at 31 March 2010</b>	<b>328,013</b>	<b>161,948</b>	<b>56,133</b>	<b>546,094</b>
<b>Depreciation</b>				
As at 1 April 2009	71,225	206,037	57,552	334,814
Charge for the year	32,801	21,361	4,502	58,664
Adjustment to remove assets no longer in use	7,168	(135,392)	(12,637)	(140,861)
<b>As at 31 March 2010</b>	<b>111,194</b>	<b>92,006</b>	<b>49,417</b>	<b>252,617</b>
<b>Net book value:</b>				
<b>As at 31 March 2010</b>	<b>216,819</b>	<b>69,942</b>	<b>6,716</b>	<b>293,477</b>
<b>Cost</b>				
As at 1 April 2010	328,013	161,948	56,133	546,094
Additions	–	28,068	–	28,068
Disposals	–	(50,392)	–	(50,392)
<b>As at 31 March 2011</b>	<b>328,013</b>	<b>139,623</b>	<b>56,133</b>	<b>523,769</b>
<b>Depreciation</b>				
As at 1 April 2010	111,194	92,006	49,417	252,617
Recalculate useful working life of assets	(2,611)	(10,388)	(13,942)	(26,941)
Charge for the year	32,148	25,535	4,919	62,602
Disposals	–	(48,235)	–	(48,235)
<b>As at 31 March 2011</b>	<b>140,731</b>	<b>58,918</b>	<b>40,394</b>	<b>240,043</b>
<b>Net book value:</b>				
<b>As at 31 March 2011</b>	<b>187,282</b>	<b>80,705</b>	<b>15,739</b>	<b>283,726</b>

**9. Trade receivables and other current assets**

	2011 £	2010 £
Subscriptions	2,219,396	2,183,886
Staff loans: season tickets	13,880	10,766
Prepayments	135,302	147,477
Other receivables	6,730	1,489
	<hr/> 2,375,308 <hr/>	<hr/> 2,343,618 <hr/>

The directors consider that the carrying value of these assets is equivalent to their fair value.

**10. Cash and cash equivalents**

	2011 £	2010 £
Cash on hand and balances with bank	1,676,899	378,151
Short term deposits	2,000,000	2,900,000
	<hr/> 3,676,899 <hr/>	<hr/> 3,278,151 <hr/>
Investments	240,000	–
	<hr/> 3,916,899 <hr/>	<hr/> 3,278,151 <hr/>

**11. Trade payables and other current liabilities**

	2011 £	2010 £
Subscriptions in advance	3,863,244	3,526,007
Trade payables	99,408	58,037
Pension costs	27,264	35,892
Accruals	258,849	380,579
	<hr/> 4,248,765 <hr/>	<hr/> 4,000,515 <hr/>

A balance of £2,916 relating to CLG is included in the accruals amount.

## 12. Pension

The Company is an Admitted Body to the City of Westminster Pension Fund; a defined benefit scheme. The Pension Fund is operated under the Local Government Pension Regulations 1997 (as subsequently amended). The Company pays different contribution rates compared to other employers participating in the Fund, reflecting differences in the Company's demographic profile and experience and is exposed to actuarial risks associated with their current and former employees' membership of the Fund. The contributions are determined by an independent, qualified actuary at AON Hewitt. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, contributions paid to the fund and benefit payments.

A significant number of changes have been made to the benefits of the fund since the previous valuations. The main changes relate to: reinstatement of the Rule of 85 retirement provisions; changes consistent with the Finance Act 2004 e.g. an option to surrender pension for lump sum payments with the introduction of a new scheme from 1 April 2008 and the introduction of tiered employee contribution rates.

The actuarial valuation of the Fund at 31 March 2010 showed the returns from investment markets to be lower than expected. Pay and pension increases were higher than forecast. Overall these factors have had a significant impact on the financial position of the Fund. The key assumptions used for the actuarial valuation as at 31 March 2010 are that general pay will increase by 5.4% per annum and that pensions will increase by 3.9% per annum.

For Admitted Bodies the funding target is 6.25% for members in active service and 4.75% otherwise. The value placed on the Fund's assets as a whole was £670.4M representing 73.8% of the funding target required to cover the liability for benefits under the valuation method used.

Following the 2010 actuarial review the actuary recommended that the Company's contribution rate of pensionable salaries increases as follows:

Year Ended 31 March	Contribution Rate %
2012	22.5%
2013	22.5%
2014	22.5%

Under the new scheme which came into effect on 1 April 2008 employee contribution rates changed from 6% of pensionable salaries to a rate ranging from 5.5% to 7.5% depending on salary. The Actuary has advised the Company that its additional contributions in previous years have been taken into account when determining the Company's share of the assets at the valuation date.

The main reason behind the increase in IHOL's liability to the pension fund is due to a significant fall in the market value of fund investments and increases in actuarial losses on the assessment by the actuaries of scheme liabilities. Results under the IAS19 reporting standard can change dramatically depending on market conditions. The liabilities are linked to yields on AA rated corporate bonds whereas the majority of the assets of the Fund are invested in equities. This will lead to volatility in the net pension asset on the Statement of Financial Position and the actuarial gains or losses in the Statement of Changes in Reserves.

The choice of assumptions is the responsibility of the Directors following advice from the actuary. The assumptions chosen are the best estimates from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

The principal assumptions used by the actuary were:

	At 31.03.11	At 31.03.10	At 31.03.09
	%	%	%
RPI Inflation	3.7	3.9	3.6
CPI Inflation	2.8	–	–
Rate of increase in salaries	5.2	5.4	5.1
Rate of increase of pensions in payment/deferred pensions	2.8	3.9	3.6
Discount rate	5.4	5.5	6.5
Post retirement mortality (future lifetime years)			
– Males (PNMA00)	22.2 to 24.1	22.3 to 24.7	22.2 to 24.5
– Females (PNFA00)	24.4 to 26.4	24.3 to 26.5	24.2 to 26.4

The rate of increase in salaries is based on salaries rising at an average of RPI + 1.5% over the long term, notwithstanding the short term pay restrictions which apply to IHOL as an eNDPB. The method for valuing assets and liabilities changed during the period from using CPI to RPI which created a credit balance of £780k relating to the past service cost.

The company's notional share of the assets in the scheme and the expected rate of return together with the net funding position were:

	Rate of return At 31.03.11	Value at 31.03.11	Rate of return At 31.03.10	Value at 31.03.10
	%		%	£'000
Equities	8.4	3,422	8.0	2,924
Property	7.9	–	8.5	–
Government Bonds	4.4	–	4.5	194
Corporate Bonds	5.1	725	5.5	903
Cash	1.5	223	0.7	8
Other	8.4	–	8.0	21
<b>Total assets</b>		<b>4,370</b>		<b>4,050</b>
<b>Estimated liabilities</b>		<b>(6,340)</b>		<b>(6,440)</b>
<b>Net pension deficit</b>		<b>(1,970)</b>		<b>(2,390)</b>

Independent Housing Ombudsman Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011.

**Analysis of amounts charged to the operating surplus**

	2011 £'000	2010 £'000
Current service cost	270	190
Past service cost	(780)	–
<b>Total</b>	<b>(510)</b>	<b>190</b>

**Analysis of net finance charges on pension scheme**

	2011 £'000	2010 £'000
Expected return on pension scheme assets	290	160
Interest on pension scheme liabilities	(330)	(300)
<b>Net charge included in note 3a</b>	<b>(40)</b>	<b>(140)</b>

**Analysis of amount recognised in other comprehensive income**

	2011 £'000	2010 £'000
Actual return less expected return of fund assets	(270)	1,010
Experience gains and losses on liabilities	(210)	30
Changes in assumptions	180	(1,490)
<b>Actuarial loss recognised</b>	<b>(300)</b>	<b>(450)</b>

**Changes in the present value of liabilities during the period**

	2011 £'000	2010 £'000
Opening present value of liabilities	(6,440)	(4,440)
Current service cost	(270)	(190)
Interest cost	(330)	(300)
Contributions by participants	(100)	(100)
Actuarial (losses)/gains based on actuarial assumptions	(30)	(1,460)
Past service	780	–
Benefits paid	50	50
<b>Closing present value of liabilities</b>	<b>(6,340)</b>	<b>(6,440)</b>

**Changes in the fair value of scheme assets during the accounting period**

	2011 £'000	2010 £'000
Opening fair value of scheme assets	4,050	2,590
Expected return	290	160
Actuarial gain/(loss)	(270)	1,010
Employer contributions	250	240
Employee contributions	100	100
Benefits paid	(50)	(50)
	<hr/>	<hr/>
<b>Closing present value of scheme assets</b>	<b>4,370</b>	<b>4,050</b>

**Movements in deficit during the year**

	2011 £'000	2010 £'000
Deficit in scheme at beginning of the year	(2,390)	(1,850)
Movement in year:		
Current/past service cost	510	(190)
Contributions	250	240
Net finance cost	(40)	(140)
Actuarial loss	(300)	(450)
	<hr/>	<hr/>
<b>Closing present value of scheme liabilities</b>	<b>(1,970)</b>	<b>(2,390)</b>

On best estimates the Director's expect to pay in employees and employers superannuation contributions to the City of Westminster pension fund, as an admitted body, for all staff who are members of the scheme, £410,000 in regard to the year ending 31 March 2012.

**Reconciliation of funded status to Statement of Financial Position**

	Value as at 31/03/11 £'000	Value as at 31/03/10 £'000	Value as at 31/03/09 £'000
Fair value of assets	4,370	4,050	2,590
Present value of funded defined benefit obligation	6,340	6,440	4,440
Unrecognised actuarial (gain)/loss	-	-	-
Unrecognised past service cost	-	-	-
Asset/(liability) recognised on the balance sheet	<b>(1,970)</b>	<b>(2,390)</b>	<b>(1,850)</b>

**History of experience gains and losses**

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between expected and actual return on assets	(270)	1,010	(1,130)	(220)
% of assets	(6%)	25%	(44%)	(6.8%)
Experience gains and (losses) on scheme liabilities	(210)	30	0	(10)
% of present value of the liabilities	(3.3%)	0.5%	0%	(0.3%)
Changes in assumptions	180	(1,490)	(290)	760
% of present value of the liabilities	2.8%	(23%)	(7%)	20.5%
Total amount recognised in statement of changes in reserves	(300)	(450)	(1,420)	530
% of present value of liabilities	(4.7%)	(7%)	(31.2%)	14.3%

**13. Members' liability**

As a company limited by guarantee the company does not have share capital. In the event of the winding up or dissolution of the company the members are liable to contribute an amount not exceeding £1 towards the debts and liabilities of the company. At 31 March 2011 the company had 9 members (2010: 9).

**14. Subsidiary undertaking**

IHO Resolve Limited (a company limited by guarantee not having a share capital) was a subsidiary undertaking of the company by virtue of common membership and control. The company was dormant throughout the year until its voluntary striking off. At a meeting of the Board of Directors on 12 May 2010 it was agreed to voluntarily strike off IHO Resolve Limited from the Companies register in accordance with the requirements of The Companies Act 2006.

**15. Operating leases**

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which are due for payment over the following years:

**Property**

	2011 £	2010 £
Total rentals payable on leases expiring		
Within one year	266,878	254,251
Within two to five years	1,067,511	1,017,004
After five years	86,791	343,413
	1,421,180	1,614,668

## 16. Related Parties

There were no transactions, arrangements, relationships or contracts with Board members. Board members do receive reimbursement for holding office and the cost of expenses incurred in the performance of their duties other than payment of fees for services of a non executive director as disclosed in the remuneration report. The income received by IHOL from member landlords of the scheme relates to annual subscription due to IHOL.

IHOL's transactions with related parties are detailed below.

	Expenditure	Income
Arena Housing Association (Brian Cronin)	£3,898	£14,783
Bromford Group (Margaret May)		£27,957
Circle Anglia Limited (Terry Stacy)		£78,602
Guinness Northern Counties (Margaret May)		£26,713
Harvest Housing Group (Michael Johnson)		£23,130
HomeZone (Margaret May)		£6,610
Island Homes (Terry Stacy)		£2,659
Leasowe Community Homes (Brian Cronin)		£1,306
London and Quadrant (Frank Chersky)		£79,573
National Housing Federation (Terry Stacy)	£2,040	
New Horizon Youth Centre (Nick Hardwick)	£9,435	
Steve Biko Housing Association (Brian Cronin)		£355
Swan Housing Group (Peter Robinson)		£11,529
Two Castles Housing Association (Michael Johnson)		£4,408
West Kent Housing Association (Peter Robinson)		£7,840

All income relates to annual subscriptions due as members of the scheme. Expenditure relate to services provided to IHOL in undertaking the work required to meet the requirements of the business plan and the scheme. Please refer to biographies of directors on pages 3 to 5 in regard to relationship to related party.

## 17. Events after the reporting period

In the UK Budget statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pension schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The government case is that no legitimate expectation exists that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

The financial statements were authorised for issue on 4 July 2011.

## 18. Financial Instruments

The Company uses various financial instruments which include cash, trade and other receivables and trade and other payables that arise directly from its activities. The main purpose of these financial instruments is to raise finance for the Company's activities and manage its working capital requirements.

The existence of these financial instruments exposes the Company to a number of financial risks namely, credit risk, liquidity risk and market risk. The Directors have reviewed and agreed policies for managing each of these risks to ensure that exposure is to an acceptable level. These policies have remained unchanged from previous years.

### Credit Risk

The Company's exposure to credit risk is limited to the carrying amount of financial asset recognised at the balance sheet date. The risk on cash balances and deposits is managed in a risk averse manner, being held with UK clearing banks with high credit ratings assigned by international agencies.

The Directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The trade credit risk is mainly attributable to subscription income. There is no concentration of risk in this area, as income is diversified over a large number of subscribing members.

### Liquidity risk

IHOL's business model, with subscription fees falling due annually on April 1st results in working capital requirements being fully funded in advance. This results in a high proportion of the company's asset base being cash on deposit. These deposits are actively managed to ensure that working capital requirements are met at all times. Non-current liabilities, such as future property lease commitments and the future funding of the pension deficit are dependent on future subscription income as the company does not maintain substantial reserves.

### Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk. UK interest rates may be liable to fluctuation. To maintain healthy investment revenue the company actively seeks advantageous rate of return on bank treasury deposits.

Income and expenditure relating to company's activities are largely sterling dominated and hence exposure to exchange rate volatility is minimal.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

## 19. Pension Fund Reserve

The pension fund reserve was established in 2008-09 to meet future increased employer's contributions to the City of Westminster pension fund in part or in full, to be decided by the Board at a future date.

Directors statement in regard to actuarial assumptions chosen in the Company's IAS 19 report that relates to its pensions assets and liabilities as at 31 March 2011

The directors of the independent Housing Ombudsman Limited (IHOL) have considered the IAS19 report relating to its pensions assets and liabilities, submitted by its actuaries, AON Hewitt, for the year ended 31 March 2011. The directors have reviewed the findings of the report and the assumptions applied by the actuaries in undertaking projections of its assets and liabilities values as an admitted body of the City of Westminster Local Government Pension Scheme.

The directors have noted that the actuaries have applied a rate of increase of salaries of 5.2% as at 31 March 2011 and were concerned that such a rate might conflict with current Treasury guidance in regard to

Government policy on salary increases that is considered applicable to IHOL as an executive Non Departmental Public Body (eNDPB). The directors note the actuaries' statement that this is a long term assumption in regard to salaries that applies over a number of years (up to 40 in some cases) and that they have implicitly allowed for the short term pay restrictions prescribed by Government (but recognising that such short term adjustments do not generally affect the longer term trend).

This figure is consistent with that used for the accounts for the year ended 31<sup>st</sup> March 2010.

The directors also noted that this approach was not significantly out of line with the approach taken by Hymans in their advice to members of the LGPS which was to use a reduced rate of 1% until 2012 or 2013 to account for the restricted rate in short term salary increases followed by the expected rate of RPI inflation plus 1.0% or 1.5%, plus an allowance for promotional salary increases.

The directors are aware that the choice of assumptions is their responsibility following advice from its actuaries. They also understand that the assumptions chosen are required to be the best estimate from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

Having considered all relevant issues the directors consider the assumptions applied by its actuaries to be appropriate for the purposes of assessing IHOL's pension liabilities for the financial year ended 31 March 2011.



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