

# **Independent Housing Ombudsman Limited**

## **Annual Report and Accounts 2009-10**

*Ordered by the House of Commons to be printed 22 July 2010*

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The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies)  
Order 2009 (S.I. 2009/476), articles 3, 6(2)(b) and the Schedule

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# A word from the Chair of IHO Limited

I was delighted to be appointed Chair of the Housing Ombudsman Board in February 2010 following the resignation of my predecessor, Paul Acres. I should like to take this opportunity to thank Paul on behalf of my fellow directors for the contribution he made to the Board and the Company during his four years in office.

There have been other changes to the Board in the year. Katie Roodner retired from the Board after six years service. On behalf of the non-executive directors with whom she worked during that time, I should like to thank her for her dedication and commitment. I am very pleased to welcome Frank Chersky as a new member of the Board.

This is an exciting time to be joining the Ombudsman Service. The Ombudsman and his team can be proud of the significant improvements in performance they have achieved despite the dramatic increase in demand described in this report. Overall, this amounts to a cost-per-case saving of nearly 5% and this performance has enabled us to reduce the subscription in 2010/11.

This year's report is further evidence of the joint commitment of the Ombudsman and the Board to ensure that this trend continues. I am looking forward to working with the Board to support the Ombudsman and his team in sustaining these levels of improvement so that we can continue to demonstrate an organisation that is striving for excellent service delivery in terms of customer care, quality, and value for money.

Every public sector organisation faces challenges ahead but I believe a specialist Housing Ombudsman Service, funded entirely by its subscriptions and with no grant aid, is well placed to both work with tenants and landlords to enable fair and early dispute resolution in housing.

**Nick Hardwick**

# Ombudsman's Foreword

This year there has been yet another substantial increase in demand for our service. We have not recruited additional staff but still we have shown further improvements in performance against targets. We made a record number of determinations but also achieved a cost-per-case saving of more than double the figure we set ourselves to achieve. Additionally, we decided to reduce the annual subscription for 2010-11. These successes have been achieved against the background of increased burdens of compliance and in the context of tight budgetary management, a pervasive performance culture, and a focus on customer care and user and stakeholder engagement.

The appetite for, and the nature of, regulation in rented housing changes from time to time but the presence of an Ombudsman is an essential constant to any regulatory environment whether mandatory or voluntary. Access to the Housing Ombudsman entitles complainants to free, independent, impartial, and expert dispute resolution. It also gives residents, providers, and other stakeholders an external, objective test of the application, appropriateness, and continued relevance of the regulatory standards. It provides the opportunity for feedback and review of the effectiveness of the standards and contributes to their periodic revision.

This is one of the key features of the contribution that we make to the sector. We do not take our role for granted. We deliberately seek to continue to justify our value and relevance.

I believe that the evidence set out in this report demonstrates that the Service's performance has been excellent 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**

This year we have more than lived up to the primary strategic intent in our Business Plan by continuing to improve the quality and effectiveness of our service delivery. In a nutshell, we aim to ensure that our resources are applied to support the people in my team who provide the service to tenants and landlords. All of the objectives and actions in the Business Plan drive improved performance to enable fair dispute resolution in housing within my statutory remit. 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 2009-10, the Dispute Resolution Team dealt with 5,519 complaints. This was a 42.61% increase on the number dealt with in 2008-09 (3,870) which was itself a 20.71% increase on 2007-08 when the rise was 10.74% (3,206). The leap in the number of complaints from then to 2007-08 to 2009-10 was 72%.

In addition to complaints, the number of enquiries received by the Service in 2010 was 2,841. This was similar to the number received in 2009 (2,884). We met our service standard of response within 3 days in 97% of enquiries.

Despite the increase in volumes, during 2009/10 we met our target to respond to new complaints within 15 days in 99% of cases. Performance against this target was consistent throughout the year.

Over the course of the year we closed 4,824 complaints. 20% were outside jurisdiction compared with 22% in 2009 and the remainder were referred to other agencies. The number of complaints closed at this stage of the process was a 43% increase on the figure for 2009. 63% of the complaints were closed after we gave assistance to the parties in progressing through landlords' internal complaints processes. This is exactly the same percentage as for 2008-09.

One of the other ways in which we resolve disputes is by investigation. In 2009-10, we issued 458 determinations. The record performance in this category was a 15% increase over the previous record in 2008-09 (398) and a 62% increase over 2007-08 (283). This improvement in performance is accounted for by the final embedding of a leaner dispute resolution process, 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 2009-10, 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 2009–10 was 23 weeks. It represents an improvement of 15% on comparative performance in 2008 (27 weeks). The average for the final month of 2010 was 17 weeks.

So far we have managed to achieve year on year improvements in performance by improving our core process and being more efficient rather than increasing resources. To crown these achievements we made a cost per case saving of nearly 5% against our planned yearly target of 2%.

For 2010–11, even though we are predicting a 20% rise in complaints to 6,623 and have dropped the subscription to members from 1.34 per unit to 1.33, we are planning yet more improvements in performance. This is based on certain factors. The Dispute Resolution Team is now fully staffed with new team members. Managers are concentrating not only on performance but also active development of all individuals in their teams. We have recruited temporary resources and further reviewed the efficiency of the Dispute Resolution process. Various activities focused on improved performance under the ‘cultural’ agenda in the business plan have produced results.

### ***More and more complaints:***

There seem to be several reasons why there are more complaints from tenants. Part of the vision of the Housing Ombudsman Service is to raise residents’ awareness of it and we have been working very hard to do that. Also, we have improved accessibility to the Service and have improved the ways in which we record and report activity. Our free training programme for tenants and providers has been running for several years now and has been very popular. We encourage providers to encourage and welcome complaints, comments, and compliments in the spirit of positive learning that contributes to better service delivery and customer care. Consequently, many providers have become more confident about moving complaints swiftly through their internal complaints processes and then on to me by making explicit reference to the Housing Ombudsman in their literature, procedures, and, in some instances, their tenancy agreements.

Awareness of the right to complain has also been raised by the Tenant Service Authority and their ‘National Conversation’. Additionally, anecdotal feedback from ombudsmen and other complaint services indicates that many people are reacting to the economic downturn by ‘kicking the cat’ and often the nearest and easiest ‘cat’ for residents to kick is their housing provider. In today’s economic climate housing providers may have to make tough choices about spending. If this should cause any reduction in service provision or its quality the number of complaints may go up even more and high-volume year-on-year increases may become the norm.

### ***Outreach:***

Dealing with rising volumes is a challenge. The instinctive reaction is to

recruit more staff. We will do this if necessary but we also need to be sure that our processes are as efficient as they can be. We are constantly seeking ways further to refine our dispute resolution process. So far, this has enabled us to manage increased volumes without increasing staff levels but this is unlikely to meet demand indefinitely. Accordingly, we are committed to working with providers and residents to help them resolve disputes and grievances locally. Our free training and prevention programme is a hugely important feature of our mission which is to 'enable' fair dispute resolution in housing. In 2008-09 we set ourselves the target to deliver 29 training events but the demand was so high that by the end of the year we had completed 69. In 2009-10 the target was 54 and we completed 63. We also took part in 62 promotional, information, and stakeholder events having set ourselves the target of 16. These targets had been predicated on having a team of 3 full-time people servicing these activities. In the event, they were achieved with the equivalent of 1.5.

We support providers who encourage complaints, comments, and compliments and who treat that kind of feedback positively as an opportunity to improve services and good relations with customers. We support speedy escalation to my Service in appropriate cases so that a line can be drawn under grievances and lessons can be learnt to improve future service provision and customer care. Ultimately, however, we believe that the answer to managing increasing numbers of complaints is to work with providers to enable them to be better at dealing with complaints so that fewer need to reach the Ombudsman. Prevention and training will therefore continue to be important features of our 'enabling' role in dispute resolution.

### **Money:**

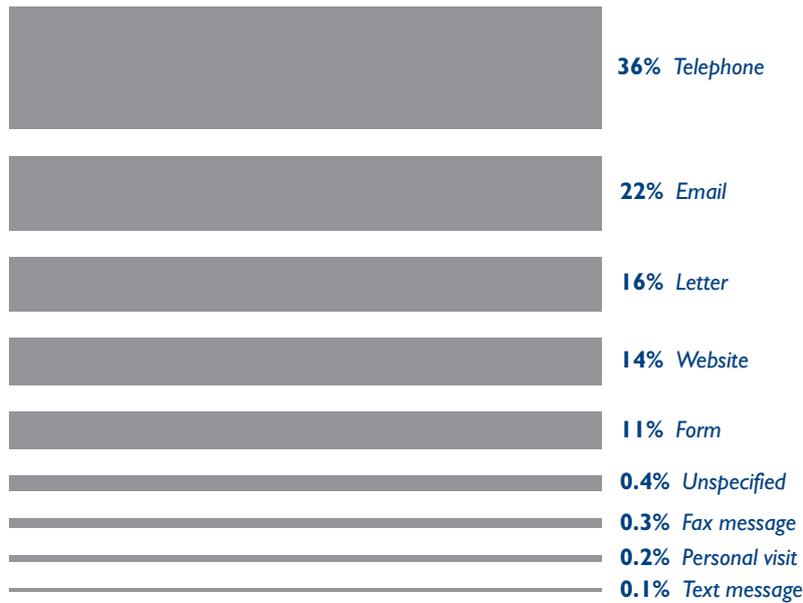
My Service is funded by a levy which, in 2009-10, was £1.34 per unit in jurisdiction. This amounted to an income of £3,523,262 which was a mere 0.15% more than our budgeted figure and demonstrated the precision of our income forecast. Income was significantly increased by an 80% business rates rebate backdated to 2006 amounting to £140,000. Our sponsoring department, Communities and Local Government confirmed that we could treat as income £39,000 that we had been holding separately since 2003-04 in respect of the tenancy deposit scheme pilot that we ran for them.

When it came to actual expenditure on operational activities the total we spent was £3,311,787; only 0.66% less than we had budgeted for.

# Casework statistics 2009-10

**Total number of complaints received** 5,519

## Complaints by type (Origin)



## Target one

**Average time from formal registration of complaint to determination** 23 weeks

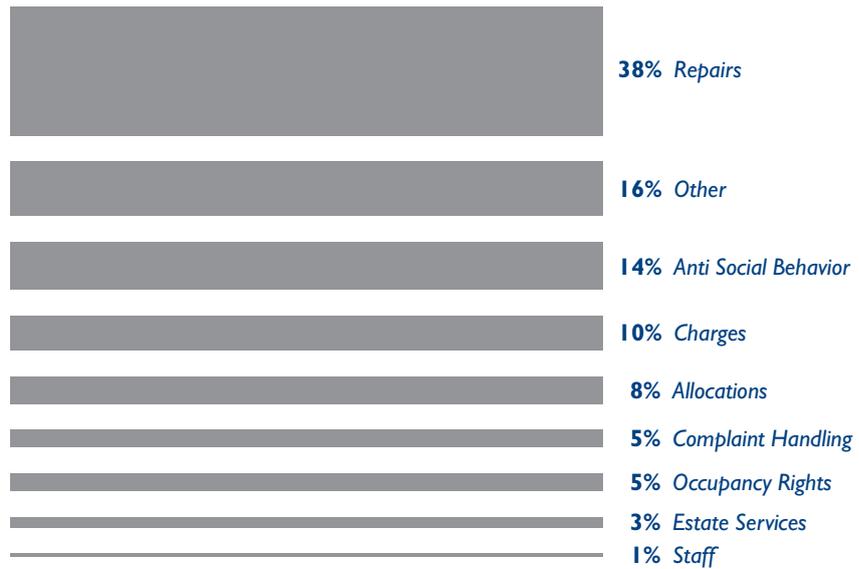
## Target two

**Percentage of complaints determined within 43 weeks** 95%

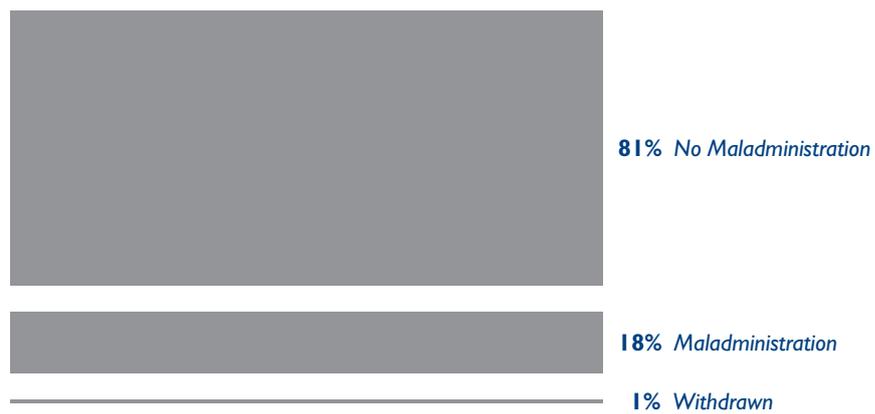
## Target three

**New complaints responded to within 15 business days** 99%

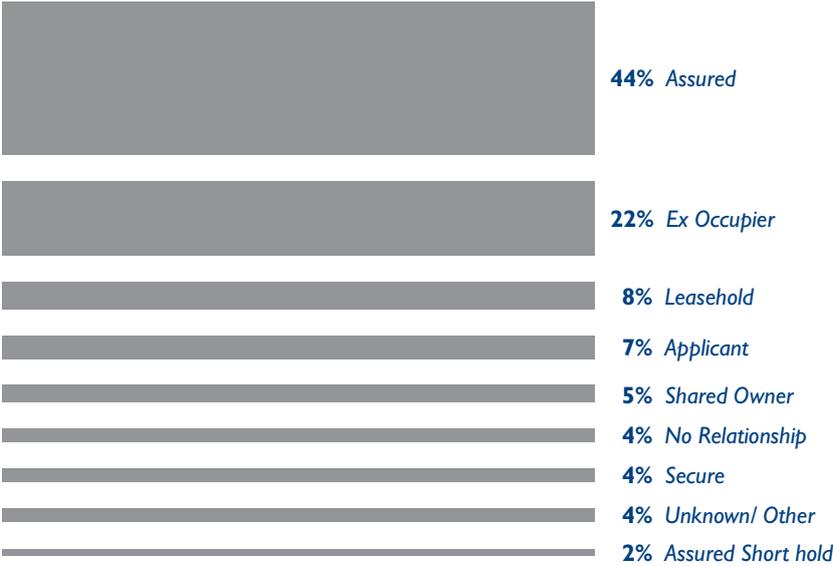
### New complaints by main problem



### Outcome of complaints following investigation



**New complaints by main tenure**



**New complaints by geographical origin**



## Complaints against the Service

Between April 2009 and March 2010 we received 77 complaints against the Service. In 20 of those cases (26%), at least one element of the complaint was upheld. Complaints are recorded as having no outcome specified if they had not completed our complaints procedure at the time of reporting.

Complaints are received from customers at all stages of the dispute resolution process, from those that have no eligibility to use the Service through to those that have had full use of the investigation process. All complaints are processed in the same way.

## Categories of complaints received

Complaints against the Service are divided into 7 broad categories:

- *Review* – complaints seeking to challenge the judgment or decision of the Ombudsman in the conduct of his statutory duty. These complaints are dealt with under the appropriate review mechanisms incorporated in the dispute resolution process.
- *Delay* – complaints about the time taken to carry out casework. Expectations are based on our casework targets but managers carry out a case by case assessment on whether the actual timescales of a case can be reasonably justified. This approach amounts to a very strict interpretation of compliance with targets and is used as a driver for improved performance.
- *Customer care* – these complaints are measured against compliance with our dispute resolution customer care standards. Examples are; acknowledgement of all correspondence within 3 days, response to written correspondence within 2 weeks or provision of information. Again, compliance against the standards is strictly interpreted. This helps to embed the ethos of customer care and drive improvement of performance against the standards.
- *Administration* – these complaints relate generally to minor administrative issues, for example our handling of correspondence in different formats.
- *Staff conduct* – complaints about the way that individual members of staff behave, ranging from allegations of rudeness to complaints of racial discrimination.
- *Process* – complaints about our process or jurisdiction, the most common of which is expressed as a complaint about having to go through the landlords internal complaint procedure.
- *Other* – we introduced improved categorisation of complaints part way through the reporting year. Before that, a number of complaints were uncategorised and fell within a category of ‘other’ that has since been removed.

# Administration and financial report

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## **Independent Housing Ombudsman Limited**

(A company limited by guarantee not having share capital)

## **Directors and advisers**

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### **Independent Directors**

Nick Hardwick (*Chairman, appointed 12/02/10*)

Paul Acres (*resigned 20/01/10*)

Maxine Freerk

Susan Thomas

### **Tenant Directors**

Michael Johnson

Katie Roodner (*retired 04/12/09*)

Terry Stacy

Frank Chersky (*appointed 05/12/09*)

### **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 2010*

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The directors present their report together with audited financial statements for the year ended 31 March 2010. 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 (CLG) 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 who join voluntarily.

The Independent Housing Ombudsman Limited (IHOL) has been designated as an executive Non Departmental Public Body (NDPB) and Dr Biles was appointed by the CLG's Principal Accounting Officer as IHOL's Accounting Officer with effect from 10 April 2008. We have an ongoing working relationship with the CLG 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 CLG, 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 who join the Scheme on a voluntary basis.

### ***Directors***

Details of directors are set out on pages 18-20.

### ***Operational and Financial Review***

At 31 March 2010, 2,120 landlords (2,152 in 2009) were in membership, representing 2,651,181 (2,583,597 in 2009) housing units, an increase of 2.6%. 2,034 were registered social landlords (RSLs), representing 2,594,816, housing units. A further 86 were private landlords, representing 56,365 housing units, who had joined voluntarily. It is anticipated that the number of RSL units in membership will continue to increase at the similar levels in the coming year. In addition the company is actively encouraging membership of the Scheme to landlords in the private rented sector who are not under a statutory obligation to join.

The casework management system software (HOSCA) became operational in the previous financial year in support of the dispute resolution process and has been further developed in 2009-10. We are able to report in more detail on an ongoing basis on the work we have undertaken over the year. We are now able to 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.

## **Directors' Report** *for the year ended 31 March 2010*

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During the year the service responded to 2,841 enquiries (2009: 2,884), investigated 5,519 complaints (2009: 3,870) and issued 458 final determination decisions following formal intervention (2009: 398). In the year 99% of cases were evaluated within our target of fifteen working days (2009: 100%) and 95% of final determination decisions were issued within our revised 43 week target (2009: 100% within a 52 week target). The average time taken to issue a final determination decision was 23 weeks (2009: 21 weeks).

The surplus for the year after taxation and adoption of IAS 19 Employee Benefits was £401,844 (2009: surplus £316,434 Restated following adoption of IFRS). In year we received an exceptional rates rebate of £140,000 plus an 80% reduction in business rates year on year. We also received income of £39,000 in regard to the tenancy deposit scheme that operated in 2003-04, that we had previously been holding on behalf of our sponsoring department (CLG). We have had a number of initiatives in place in 2009-10 which has meant expenditure has increased accordingly. This result was after incorporating the Company's pension scheme deficit into the accounts. There were also actuarial losses in the year of £450,000 reflected in the Statement of Changes in Reserves. After including the net pension deficit, the accumulated liabilities carried forward total £410,109 (2009; accumulated liabilities £361,953 restated following adoption of IFRS). Although IHOL does have an accumulated liability at year end the directors do not consider this to affect its going concern status. 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 may include the need to meet higher pension contribution rates in the future. At 31 March 2010 the net current assets of the company amounted to £1,614,030 (2009: Assets of £1,097,656 restated following adoption of IFRS). 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 £120,000 from its general fund as part of its review of the pension deficit funding strategy. 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 will 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 that there is no successor organisation, the assets and liabilities would be transferred to the sponsor, as detailed in the framework document agreed by CLG and the company. The triennial actuarial valuation was last undertaken as at 31 March 2007 and the results of the next formal review, which will reflect the position at March 2010, is due in January 2011.

## **Directors' Report** for the year ended 31 March 2010

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### **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 judgements 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### **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 in 2009-2010.

### **Signed on behalf of the Board**



**M Colwell**

*Acting Company Secretary*

Approved by the Board on 7 July 2010

## **Directors' Report** *for the year ended 31 March 2010*

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### **Directors**

Directors during the period were as follows:

#### **Independent directors**

**Paul Acres** (*Chair to 20/01/10*)

*Retired Chief Constable*

*Appointed 04/04/05*

*Resigned 20/01/10*

Paul Acres was Chief Constable of Hertfordshire from 2000–2004 and previously Deputy Chief Constable of Merseyside. During more than 36 years' police service he became widely experienced in the development of community relations and professional standards and complaints systems. He served on several committees, developing national policing policies in these areas. He has been involved in a wide range of public/private sector partnerships. He now holds a number of public appointments

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**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 Committee.

---

**Nick Hardwick** (*Chair*)

*Her Majesty's Chief Inspector of Prisons*

*Appointed 12/02/10*

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 Centrepont – 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

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**Susan Thomas**

*Management Consultant*

*Appointed 05/12/06*

Susan Thomas' consultancy specialises in leadership and organisational 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. 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, and is currently on the Organisational Development Faculty of the Chartered Institute of Personnel Development. Susan chairs the IHOL HR Committee.

## **Directors' Report** for the year ended 31 March 2010

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### **Tenant directors**

#### **Frank Chersky**

*Appointed 05/12/09*

*London & Quadrant Housing Association*

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.

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#### **Michael Johnson JP**

*Appointed 09/02/09*

*Two Castles Housing Association*

Michael is a tenant of Two Castles Housing Association located in the North of England. He is also chairman of Derwent and Solway Housing Association based in Workington and a director of Harvest Housing Ltd in Manchester, where he serves on the Audit Committee. He is employed as a clerk and Executive officer by Lakes Parish Council, serving the communities of Ambleside, Grasmere, Rydal, Troutbeck and the Langdales, all situated in the beautiful English Lake District. Michael served his country for sixteen years in the Royal Navy and on leaving the service he spent the next eighteen years in the Post Office in various management roles. Appointed in 1980, Michael is a serving magistrate, an approved Bench Chairman for the Criminal Court and Deputy Chairman of the Family Proceedings Court.

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#### **Katie Roodner**

*Appointed 05/12/03*

*Paddington Churches Housing Association*

*Retired 04/12/09*

Until 2000, when her first child was born, Katie was the Director of Tottering Bipedes, a theatre company that toured in Britain and abroad and which undertook community projects. From 1992 Katie was active in New Court Residents' Association. She helped prepare a joint bid with West Hampstead Housing Association (WHHA) which secured Housing Corporation funding and English Heritage consent to refurbish New Court's 19th century buildings. In 2002, following the collapse of WHHA and the scheme, as Chair of the Residents Association Katie led a campaign which safeguarded her community by achieving a revised refurbishment project under Paddington Churches Housing Association. In 2006 Katie joined the Metropolitan Police Service.

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#### **Terry Stacy JP**

*Appointed 05/12/07*

*Circle 33 Housing Trust*

Terry is a tenant of Circle 33 Housing Trust in London; he has been a Councillor for over ten years, first in Tower Hamlets in East London and now in Islington in North London. In May 2009 he became Leader of the Council until May 2010. Terry was Chair of Old Ford Housing Association, which is part of the Circle Anglia Group which he retired from to take up a new post as Chair of Island Homes, part of the One Housing Group. He is a member of the London Housing Board which is a part of the Homes and Communities Agency and a Tenant Inspection Adviser to the Audit Commission. Terry was a freelance Consultant with a London based Regeneration Consultancy, before becoming a Councillor, where he headed up over £25 million worth of Regeneration funds across a number of Boroughs in the Capital.

## **Directors' Report** *for the year ended 31 March 2010*

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### **Landlord directors**

#### **Brian Cronin**

*Appointed 22/09/05*

*Group Chief Executive, Arena Housing Association*

Brian Cronin is Group Chief Executive of Arena HA and has worked for Residential Social Landlords (RSL) in Merseyside, Manchester and Leeds at senior level for over 20 years. A qualified accountant by profession he has developed an interest in procurement across the sector. He was the founding Chair of Fusion21 procurement and is now chair of 'Procurement for Housing', the Housing Associations national procurement agency. In addition he sits on the Boards of the Steve Biko Housing Association and Liverpool Mutual Homes Housing Association.

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#### **Margaret May**

*Appointed 22/09/05*

*Chair, Certification Committee, Quality Housing Services*

Margaret is an accountant, whose career spans the private and public sectors, moving into general management, then consultancy and training, writing publications, including FT Executive Briefings. She is a fellow of the Chartered Institute of Management Accountants (CIMA) and a member of the CIMA Council and Executive Committee, chairing Member Services. Margaret is currently a lay member of the Management Board of the Royal Institute of Chartered Surveyors (RICS); a Board Member of the Guinness Northern Counties Housing Association; Chairman of the Certification Committee at Quality Housing Services; a Member of the Valuation Tribunal Service (CLG); and an independent member of the Audit Committee of both the Standards Board for England (CLG) and Animal Health (Defra).

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#### **Peter Robinson**

*Appointed 09/02/09*

*Vice Chair, West Kent Housing Association*

Peter is Vice Chair of West Kent Housing Association and Independent Chair of the Service Improvement Panel at Swan Housing Group. After a long career in local government, including responsibility for the housing service in the London Borough of Greenwich, he set up a housing consultancy, PRHC, in 1990, advising over sixty housing sector clients at strategic and business planning levels as well as on operational and service delivery matters. He holds the professional qualification of the Chartered Institute of Housing (CIH) and has previously been a statutory appointee to the Board of the Amicus Horizon Housing Group as well as holding various Board positions and chairing subsidiaries of the L & Q Housing Group.

## **Corporate Governance Statement**

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### **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 is 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. In 2009-10 the Board appointed a new Independent Chair via an external recruitment exercise for the first time, following the resignation of the existing Chair. Directors are appointed for an initial term of no more than three years and may be appointed for a second time, 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 ongoing strategic direction of IHOL, approving major developments and the terms of reference and delegated powers of its committees. The responsibility for the day-to-day operations of IHOL is delegated to the Ombudsman. The Board meets four times a year and has three standing committees (Audit, Human Resources (HR) and Resources). One of its key responsibilities is to actively monitor the performance of the service, taking into account its users and stakeholders. 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.

## **Corporate Governance Statement**

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### **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 ongoing process; where controls are not in place the Board agrees and reviews a timetable for implementation.

The system of internal control is based upon:

- An ongoing process designed to identify and prioritise the principal risks to the achievement of IHOL'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 accountability of staff and managers through internal structures and networks of delegated powers; and
  - encourage staff and managers to act in an appropriate 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.

### **Financial Reporting**

There is a comprehensive business planning system with a five year business plan, strategy document and forecast budgets for a five year period 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 Operational Management Team and quarterly by the Board at its meetings

IHOL's Board, the Ombudsman and his Operational Management Team examine on a continual basis the major strategic, business and operational risk which IHOL faces and have been developing in 2009-10 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 now reviewed regularly as an integral part of the business planning as part of the development of a new risk management framework and structure in 2009-10.

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.

The Board sets internal policy on risk and internal control to 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;
- IHOL maintains a risk framework and strategic and operational registers in accordance with the Treasury's Orange Book;
- There is appropriate Board involvement in the risk management system with the Operational Management Team now reviewing risk registers and the full Board reviewing those risks considered to be strategic;

## **Corporate Governance Statement**

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- An effective system of programme, project and contract management is maintained;
- An effective Business Continuity Management system is in place;
- The ICT Strategy, approved by the Board, is aligned to the current business plan;
- A Fraud Management Policy is in place and adequate internal management and financial controls are maintained by IHOL, including effective measures against fraud and theft;
- All funds available to IHOL are used for the purpose intended, and that such monies, together with IHOL assets, equipment and staff, are used economically, efficiently and effectively;
- IHOL reviews its system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- Effective human resources policies and employee relations are maintained.

### **Controls and Procedures**

The Independent Housing Ombudsman Scheme sets out authorities delegated from the Board to the Ombudsman. 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 requirement 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 system of internal control during 2009-10 included:

- Regular meetings of the Operational 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 operational management team;
- The establishment and 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;
- Putting in place a Data Handling Policy and procedures that meets mandatory Cabinet Office requirements and that has been agreed by the Board and its internal auditors.

## **Accounting Officer's Statement on Internal Control**

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### **Monitoring of controls**

The Board regularly reviews IHOL's accounting and financial reporting practices, its internal financial controls, the work of the auditors and compliance with all relevant legislation and takes appropriate action to deal with areas of improvement which come to its attention.

### **Scope of responsibility**

The Company administers the Independent Housing Ombudsman Scheme. The company operates in accordance with the Scheme which is approved by the Secretary of State (currently Communities and Local Government (CLG)) under the terms of the Housing Act 1996.

The Independent Housing Ombudsman Limited (IHOL) has been designated as an executive Non Departmental Public Body and I was appointed by the CLG's Principal Accounting Officer as IHOL's Accounting Officer with effect from 10th April 2008. We have an ongoing working relationship with CLG on setting the appropriate levels of additional reporting in administering the Housing Ombudsman Scheme which are consistent with the obligations of the company in being accountable to CLG, in compliance with company law and protecting the independence of the Ombudsman whilst recognising that the company does not receive any grant-in-aid. The company continues to receive all of its funding from members of the Scheme.

As Accounting Officer of IHOL, 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 Principal Accounting Officer for the Department for Communities and Local Government (CLG) and work closely with the Board, whilst safeguarding the funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government accounting, the accounting officer designation letter and in the agreed Framework Document.

### **The purpose of the system of internal control**

The purpose of the system of internal control is to facilitate the successful achievement of IHOL aims and objectives and is based upon the areas detailed in the Corporate Governance Statement. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of staff, the operational management team and our internal and external auditors.

I consider that all areas of the system of internal control, with the exception of the Data Handling Policy and Procedures, were fully in place during the year. The Data Handling Policy and Procedures were agreed in March 2010 and put in place by the end of the financial year.

### **Capacity to handle risk**

As detailed in the Corporate Governance Statement we updated our risk strategy and framework and methods of maintaining risk registers on a regular basis and it is reviewed by the operational management team and as appropriate by the Board. This was done to ensure that the organisation adapted to changes in the risk environment. As Accounting Officer I discharge my responsibilities in relation to risk management by:

- Providing leadership and direction over the risk management process;

## **Accounting Officer's Statement on Internal Control**

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- Regularly reviewing the risk management framework and registers to effectively manage risk;
- Learn from good practice to improve performance and in managing risk;
- Reviewing the effectiveness of the system of internal control.

### **The risk and control framework**

In 2009-10 the Management Team introduced a new risk management strategy and framework that better identified risk and managed it more effectively. Risk is now identified by the members of management team being responsible for the ongoing management of the strategic and operational risk registers. They discuss risk management in monthly meetings and agree any amendments to be made to risk, such as additions, deletions and amendments. Risk is evaluated by management team through a 4 x 4 matrix that identifies the probabilities of likelihood and consequence. Risk is controlled via embedded monitors within the organisation and by mitigating actions by management team. There is also an improvement plan for each individual risk so that we are able to mitigate risk to its lowest possible level. There have been no significant changes to the risk environment in year.

The Board are responsible, via the Audit and Risk Committee, for ensuring that risk is adequately managed by the management team. 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 review 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 would assess appetite on the basis of impact versus probability. Risk has been embedded within the organisation by the provision of training to members of our management team and in giving them the tools, such as specific operational risk registers and guidance via the framework for risk. It has also been embedded by regular monthly meetings on managing risk. In 2010-11 we plan to embed risk management further into the organisation by building it into individual job roles.

As part of our risk management strategy we have built into risk management and the risk registers the need for effective management of risk with our significant delivery partners. We aim to better understand one another's approach to risk and work together to mitigate risk in to IHOL by ensuring these delivery partners have in place effective and relevant risk management procedures that we can test from time to time. This work included our public stakeholders, such as our sponsoring department, the National Audit Office and our member landlords.

### **Review of effectiveness**

I as Accounting Officer have responsibility for reviewing the effectiveness of the system of internal control. Assurance is provided to assist me in my review of the effectiveness by the work of CLG IAS as our internal auditors, my management team and our external auditors, the National Audit Office. The Board and its Audit Committee also advise me on the implications of the result of my review of plans to address weaknesses and to ensure continuous improvement of systems. The Audit Committee met three times during 2009-10. Its membership is made up of three non Executive Directors, one from each of the three groups, Independent, landlord and tenant. The aims of the committee are to provide an objective view on the effectiveness of internal controls and to ensure there are effective processes to identify and manage risk.

## **Accounting Officer's Statement on Internal Control**

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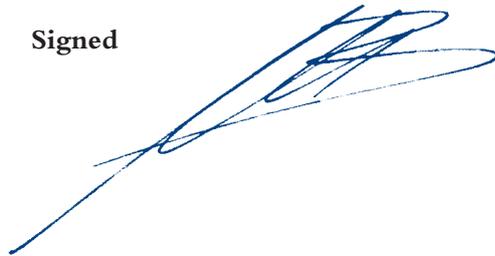
In 2009-10 we revised our risk management framework, strategy and risk registers so that we may have in place effective risk management framework going forward and also business planning procedures that we review on a monthly basis. The new framework and strategy is still in the process of being fully rolled out but has resulted in a new focus on risk management and the development of a strategic risk register and operational risk registers. This is a good start and in 2010-11 risk management will be further embedded within the culture of the organisation so that it increasingly contributes to the achievement of our objectives and targets in the future. The management team also meet twice a month to address relevant issues. By these actions and by having effective internal controls we have in place plans to address weaknesses and ensure continuous improvement.

### **Significant internal control issues**

In my opinion no significant internal control issues have arisen in the financial year and since the financial statements for the year ended 31st March 2010 were 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 business plan
- The advice provided by the Audit Committee
- The formal opinion of the Head of CLG Internal Audit Services in providing substantial assurance in regard to internal controls and taking in to account other guidance provided by internal and external audit services
- Any issues that may attract significant public interest, or seriously damage the reputation of the organisation.

**Signed**



**Dr M. Biles**

*Accounting Officer*

Dated 7 July 2010

**Remuneration Report** for the year ended 31 March 2010  
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 28. Quarterly invoices totalling £3,784 were received from Arena Housing Association for services rendered by a non executive director (Brian Cronin) throughout the financial year. Please refer to note 2b in the table on page 28.

With regard to pension benefits, these are also detailed in the table on page 28. There were no contributions to a money purchase scheme. No compensation was paid to any former director.

**Board members attendance’**

	<b>Board meetings</b>		
	<b>Maximum possible</b>	<b>Actual attendance</b>	<b>Days in attendance at meetings<sup>1</sup></b>
<b>Non Executive Directors</b>			
Nick Hardwick (Chair)	0	0	0
Paul Acres (Former Chair)	4	3	5
Frank Chersky	1	1	2
Brian Cronin	4	2	4
Maxine Frerk	4	3	8
Michael Johnson	4	4	8
Margaret May	4	4	8
Peter Robinson	4	4	11
Katie Roodner	3	2	4
Terry Stacy	4	2	7
Susan Thomas	4	4	12

*Days in attendance at meetings includes Board meetings, Committee meetings, Awaydays and Board recruitment panels.*

## Independent Housing Ombudsman Limited

(A company limited by guarantee not having share capital)

### Remuneration Report for the year ended 31 March 2010

in accordance with part 3 of schedule 8 of statutory instrument 2008, number 410

The following sections of the remuneration report have been audited

### Remuneration Report

	Salaries and fees				Pension benefits				
	Notes	Salary and fees £	Allowances £	Totals £	Accrued benefits during year In bands of £250	Accrued benefits at end of year In bands of £2,500	Transfer value of accrued benefits at start of year In bands of £5,000	Transfer value of accrued benefits at end of year In bands of £5,000	Difference between the two transfer values, less any employee contributions In bands of £5,000
<b>Non Executive Directors</b>									
Nick Hardwick (Chair)	2e	3,145	-	3,145	-	-	-	-	-
Paul Acres (Former Chair)	2a	12,579	-	12,579	-	-	-	-	-
Frank Chersky	2d	1,287	-	1,287	-	-	-	-	-
Brian Cronin	2b	-	-	-	-	-	-	-	-
Maxine Frerk		3,860	-	3,860	-	-	-	-	-
Michael Johnson		3,860	-	3,860	-	-	-	-	-
Margaret May		3,860	-	3,860	-	-	-	-	-
Peter Robinson		3,860	-	3,860	-	-	-	-	-
Katie Roodner	2c	2,895	-	2,895	-	-	-	-	-
Terry Stacy		3,860	-	3,860	-	-	-	-	-
Susan Thomas		3,860	-	3,860	-	-	-	-	-
<b>Senior Managers</b>									
Dr Mike Biles (Ombudsman)		128,719	-	128,719	5,001- 5,250	202,501- 205,000	1,245,001- 1,250,000	1,310,001- 1,315,000	5,001- 10,000
Wilma Jarvie (Director of Corporate Services)		74,650	-	74,650	5,001- 5,250	52,501- 55,000	280,001- 285,000	325,001- 330,000	5,001- 10,000
Helen Megarry (Director of Casework)		80,581	-	80,581	5,251- 5,500	40,001- 42,250	145,001- 150,000	175,001- 180,000	5,001- 10,000
Rafael Runco (Deputy Ombudsman)		80,581	-	80,581	7,001- 7,500	80,001- 82,500	405,001- 410,000	465,001- 470,000	5,001- 10,000
<b>Notes</b>									
1	The columns in regard to Bonuses, Compensation and Non cash benefits have been deleted, as they are not applicable								
2a	Resigned 20/01/10								
2b	Fees payable of £3,784 in regard to Directors entitlements were paid to the employer on submission of an invoice								
2c	Retired 04/12/09								
2d	Appointed 05/12/09								
2e	Appointed 12/02/10								

## **The Certificate and Report of the Comptroller and Auditor General to the members of the Independent Housing Ombudsman Limited**

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I certify that I have audited the financial statements of the Independent Housing Ombudsman Limited for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company'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 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 company's affairs as at 31st March 2010 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

## **The Certificate and Report of the Comptroller and Auditor General to the members of the Independent Housing Ombudsman Limited**

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### **Opinion on other matters**

In my opinion:

the part of the Directors' 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, the Corporate Governance Report and the Remuneration 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 which I report to you if, in my opinion:

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; 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.

### **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

Date 12/7/2010

**Independent Housing Ombudsman Limited**

(A company limited by guarantee not having share capital)

**Income Statement** *at 31 March 2010*

	Notes	2010 £	2009 £
<b>Revenue</b>			
Subscriptions	1b	<b>3,523,262</b>	3,233,623
Exceptional business rates rebate	2a	<b>140,235</b>	-
Other operating income	2a	<b>42,444</b>	8,250
		<b>3,705,941</b>	3,241,873
<b>Expenditure</b>			
Administrative expenses	2c	<b>(1,081,459)</b>	(1,021,959)
Staff costs	2b	<b>(2,109,795)</b>	(1,982,944)
		<b>514,687</b>	236,970
Interest (payable)/receivable	3a	<b>(105,619)</b>	108,562
		<b>409,068</b>	345,532
<b>Surplus before taxation</b>			
Taxation	6	<b>(7,224)</b>	(29,098)
		<b>401,844</b>	316,434

All operations are classified as continuing.

The comparative Income Statement has been restated to account for the impact of IFRS. See note 18 for the reconciliation from UK GAAP to IFRS.

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 35 to 53 form part of these financial statements.*

**Independent Housing Ombudsman Limited**

(A company limited by guarantee not having share capital)

**Statement of Financial Position at 31 March 2010**

	Notes	2010 £	2009 £	2008 £
<b>Non-current assets</b>				
Intangible assets	7	<b>72,384</b>	94,280	24,679
Property, plant and equipment	8	<b>293,477</b>	296,111	351,107
		<b>365,861</b>	390,391	375,786
<b>Current assets</b>				
Trade receivables and other current assets	9	<b>2,343,618</b>	2,279,840	2,157,097
Cash and cash equivalents	10	<b>3,278,151</b>	2,792,236	2,226,512
<b>Total current assets</b>		<b>5,621,769</b>	5,072,076	4,383,609
<b>Total assets</b>		<b>5,987,630</b>	5,462,467	4,759,395
<b>Current liabilities</b>				
Trade payables and other current liabilities	11	<b>4,000,515</b>	3,945,279	3,474,608
Current tax liabilities		<b>7,224</b>	29,141	24,760
<b>Total current liabilities</b>		<b>4,007,739</b>	3,974,420	3,499,368
<b>Non current assets plus net current assets</b>		<b>1,979,891</b>	1,488,047	1,260,027
<b>Non-current liabilities</b>				
Net pension deficit	12	<b>2,390,000</b>	1,850,000	460,000
<b>Total non-current liabilities</b>		<b>2,390,000</b>	1,850,000	460,000
<b>Assets less liabilities</b>		<b>(410,109)</b>	(361,953)	800,027
<b>Reserves</b>				
General Fund reserve		<b>(650,109)</b>	(481,953)	800,027
Pension Fund reserve	21	<b>240,000</b>	120,000	-
<b>Accumulated reserves</b>		<b>(410,109)</b>	(361,953)	800,027

The financial statements were approved by the Board of Directors and authorised for issue on 7 July 2010 and signed on its behalf by:



Chairman

Company number: 03290221

*The notes on pages 35 to 53 form part of these financial statements.*

**Statement of Changes in Reserves** *for the year ended 31 March 2010*

	Notes	General fund £	Pension fund £	Total £
<b>Balance as at 1 April 2008</b>				
<b>(UK GAAP)</b>		<b>800,075</b>	<b>-</b>	<b>800,075</b>
2008 IFRS adjustments		(58,462)	-	(58,462)
Surplus for the financial year		316,434	-	316,434
Actuarial loss on defined benefit pension scheme assets	12	(1,420,000)	-	(1,420,000)
Transfer to pension reserve fund		(120,000)	120,000	-
<b>Balance as at 31 March 2009</b>		<b>(481,953)</b>	<b>120,000</b>	<b>(361,953)</b>
Surplus for the financial year		401,844	-	401,844
Actuarial loss on the defined benefit pension reserve	12	(450,000)	-	(450,000)
Transfer to pension reserve fund	12	(120,000)	120,000	-
<b>Balance as at 31 March 2010</b>		<b>(650,109)</b>	<b>240,000</b>	<b>(410,109)</b>

In 2009 the company created a dedicated reserve in regard to its pension fund liabilities by transferring £120,000 from its general fund pending a review of 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.

**Independent Housing Ombudsman Limited**

(A company limited by guarantee not having share capital)

**Statement of Cash Flows** *for the year ended 31 March 2010*

	Notes	2010 £	2009 £
<b>Cash flows from operating activities</b>			
Surplus from operations		514,687	236,970
Depreciation and amortization charges		94,787	90,505
Loss on sale of property, plant and equipment		-	986
Pension scheme service cost		190,000	160,000
Pension scheme contributions		(240,000)	(220,000)
Increase in receivables		(63,778)	(122,743)
Increase in payables		55,242	412,257
		<b>550,938</b>	<b>557,975</b>
Corporation tax paid		(29,147)	(24,717)
		<b>521,791</b>	<b>533,258</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7,8	(70,257)	(106,096)
Bank and other interest receivable	3a	34,381	138,562
		<b>(35,876)</b>	<b>32,466</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>485,915</b>	<b>565,724</b>

**Reconciliation of net cash flow to movement in net funds***for the year ended 31 March 2010*

	2010 £	2009 £
Net increase in cash and cash equivalents in the period	<b>485,915</b>	565,724
Cash and cash equivalents at the beginning of the period	<b>2,792,236</b>	2,226,512
Cash and cash equivalents at the end of the period	<b>3,278,151</b>	2,792,236

*The notes on pages 35 to 53 form part of these financial statements.*

## **Notes to the Financial Statements** *for the year ended 31 March 2010*

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### **1 Accounting policies**

#### **a) Basis of accounting**

The financial statements are the company's first financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS) and as interpreted for the public sector context with a transitional date of 1 April 2008 and are prepared in accordance with the Government Financial Reporting Manual (FReM) where this exceeds and does not conflict with the requirements of the Companies Act 2006. Reconciliation of the UK GAAP financial statements to those prepared in accordance with IFRS as at 1 April 2008 (the opening balance sheet as at the date of transition to IFRS) and for the financial years ended 31 March 2010 and 2009 are set out in note 18. 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.

As shown in note 14, the only subsidiary of the company is dormant and has nil net assets, therefore these financial statements present information about the company as an individual undertaking and not about its group. The board at its meeting of 12th May 2010 agreed to voluntarily strike off IHO Resolve Limited from the Companies Register.

#### *Going concern*

Although IHOL does have an accumulated 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 2010. 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.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

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**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:

Leasehold improvements	– Period of lease
Computer equipment	– 4 years
Office equipment and fixtures and fittings	– 5 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 (between two and 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.

In prior years, this category of intangible assets was included in other equipment forming part of property, plant and equipment. The comparative figures have been reclassified.

**e) Cash and cash equivalents**

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

**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 2010 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 Company has fully adopted IAS 19 – Employee Benefits for the year ended 31 March 2010. The effect of this accounting policy is to recognize 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.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

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 amortized evenly over the period of the lease.

<b>2a Other operating income</b>	<b>2010</b>	2009
	£	£
Sundry income	<b>3,450</b>	8,250
Tenancy Deposit Scheme Unclaimed Deposits	<b>38,994</b>	-
	<b>42,444</b>	8,250

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 in 2003-04. Ownership of the funds transferred to IHOL during the year. Note 20 details the possibility of contingent liabilities.

During the financial year to 31 March 2010 the Company received a rates rebate from Westminster City Council of £140,235 covering the period from 1 April 2005 to 31 March 2009. The amount has been disclosed as an exceptional item.

<b>2b Staff costs</b>			<b>2010</b>	2009
	Permanent staff	Temporary staff	<b>Total</b>	Total
			£	£
Wages and salaries	1,659,892	88,757	1,748,649	1,669,122
Social security costs	158,415	-	158,415	148,451
Pension service costs	202,731	-	202,731	165,371
	<b>2,021,038</b>	<b>88,757</b>	<b>2,109,795</b>	<b>1,982,944</b>

The average number of employees (excluding directors) but including part-time employees and secondees during the year was 37 (2009: 38), engaged in the following duties:

	<b>2010</b>	2009
	<b>No.</b>	No.
Ombudsman	<b>1</b>	1
Caseworkers	<b>22</b>	24
Service User Relations	<b>2</b>	2
Support staff	<b>9</b>	9
Temporary staff	<b>3</b>	2
	<b>37</b>	38

**Notes to the Financial Statements** for the year ended 31 March 2010

<b>2c Administrative Expenses</b>	2010	2009
	£	£
Board remuneration	47,490	40,545
Professional subscriptions and welfare	6,408	3,302
Health scheme	7,907	4,448
Travel and subsistence	36,605	38,502
Accommodation	370,579	422,664
Office running costs	88,972	83,422
External dispute resolution	24,748	17,158
Other fees	100,743	73,790
Publicity and promotions	103,644	70,915
Training and recruitment	149,439	123,746
Information technology	50,137	51,976
Depreciation and amortization	94,787	90,505
Loss on disposal of asset	-	986
	<b>1,081,459</b>	<b>1,021,959</b>

<b>3a Interest receivable/(payable)</b>	2010	2009
	£	£
Bank and other interest receivable	34,381	138,562
Expected return on pension scheme assets	160,000	230,000
Interest on pension scheme liabilities	(300,000)	(260,000)
	<b>(105,619)</b>	<b>108,562</b>

**3b Key management's compensation**

The directors have identified 15 (2009: 15) key management personnel whose compensation was as follows:

	2010	2009
	£	£
Total salaries and benefits of:		
Directors	47,490	41,490
Senior management	366,681	348,843
	<b>414,171</b>	<b>390,333</b>

<b>4 Operating surplus</b>	2010	2009
	£	£
This is stated after charging:		
Auditor's remuneration – audit services	14,700	14,390
– non audit services	-	6,759
Depreciation and amortisation	94,787	90,505
Operating lease rentals – property, plant and equipment	233,138	228,104
Loss on disposal of property, plant and equipment	-	986
	<b>342,625</b>	<b>340,744</b>

**Notes to the Financial Statements** for the year ended 31 March 2010

**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**

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% (2009:21%).

	2010	2009
Interest received before corporation tax	<b>34,381</b>	138,562
	<hr/>	<hr/>
Tax on investment income	<b>7,224</b>	29,098

**7 Intangible assets**

	Computer Software	Total
Cost	£	£
At 1 April 2007	39,509	39,509
Additions	10,765	10,765
Disposals	-	-
	<hr/>	<hr/>
<b>At 31 March 2008</b>	<b>50,274</b>	<b>50,274</b>

**Amortisation:**

At 1 April 2007	15,614	15,614
Charge for the year	9,981	9,981
Disposals	-	-
	<hr/>	<hr/>
<b>At 31 March 2008</b>	<b>25,595</b>	<b>25,595</b>

**Net book value:**

<b>At 31 March 2008</b>	<b>24,679</b>	<b>24,679</b>
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	Computer Software	Total
Cost	£	£
At 1 April 2008	50,274	50,274
Additions	97,819	97,819
Disposals	-	-
	<hr/>	<hr/>
<b>At 31 March 2009</b>	<b>148,093</b>	<b>148,093</b>

**Amortisation:**

At 1 April 2008	25,595	25,595
Charge for the year	28,218	28,218
Disposals	-	-
	<hr/>	<hr/>
<b>At 31 March 2009</b>	<b>53,813</b>	<b>53,813</b>

**Net book value:**

<b>At 31 March 2009</b>	<b>94,280</b>	<b>94,280</b>
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**Notes to the Financial Statements** for the year ended 31 March 2010

<b>7 Intangible assets</b> (continued)	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>
At 1 April 2009	148,093	148,093
Additions	14,227	14,227
Disposals	-	-
<b>At 31 March 2010</b>	<b>162,320</b>	<b>162,320</b>
<b>Amortisation:</b>		
At 1 April 2009	53,813	53,813
Charge for the year	36,123	36,123
Disposals	-	-
<b>At 31 March 2010</b>	<b>89,936</b>	<b>89,936</b>
<b>Net book value:</b>		
<b>At 31 March 2010</b>	<b>72,384</b>	<b>72,384</b>

**8 Property, plant and equipment**

	<b>Leasehold improvements fixtures and fittings</b>	<b>Information technology</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2007	320,845	237,661	65,045	623,551
Additions	-	12,225	2,267	14,492
Disposals	-	(12,004)	(835)	(12,839)
<b>At 31 March 2008</b>	<b>320,845</b>	<b>237,882</b>	<b>66,477</b>	<b>625,204</b>
<b>Depreciation:</b>				
At 1 April 2007	5,623	170,221	42,594	218,438
Charge for the year	32,801	26,203	8,371	67,375
Disposals	-	(11,382)	(334)	(11,716)
<b>At 31 March 2008</b>	<b>38,424</b>	<b>185,042</b>	<b>50,631</b>	<b>274,097</b>
<b>Net book value:</b>				
<b>At 31 March 2008</b>	<b>282,421</b>	<b>52,840</b>	<b>15,846</b>	<b>351,107</b>

**Notes to the Financial Statements** for the year ended 31 March 2010**8 Property, plant and equipment** (continued)

	Leasehold improvements fixtures and fittings	Information Technology	Plant & Machinery	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2008	320,845	237,882*	66,477	625,204
Additions	-	6,695	1,582	8,277
Disposals	-	(2,556)	-	(2,556)
<b>At 31 March 2009</b>	<b>320,845</b>	<b>242,021</b>	<b>68,059</b>	<b>630,925</b>
<b>Depreciation:</b>				
At 1 April 2008	38,424	185,042*	50,631	274,097
Charge for the year	32,801	22,565	6,921	62,287
Disposals	-	(1,570)	-	(1,570)
<b>At 31 March 2009</b>	<b>71,225</b>	<b>206,037</b>	<b>57,552</b>	<b>334,814</b>
<b>Net book value:</b>				
<b>At 31 March 2009</b>	<b>249,620</b>	<b>35,984</b>	<b>10,507</b>	<b>296,111</b>
	Leasehold improvements fixtures and fittings	Information Technology	Plant & Machinery	Total
	£	£	£	£
<b>Cost:</b>				
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>At 31 March 2010</b>	<b>328,013</b>	<b>161,948</b>	<b>56,133</b>	<b>546,094</b>
<b>Depreciation:</b>				
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 from account assets no longer in use	7,168	(135,392)	(12,637)	(140,861)
<b>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>At 31 March 2010</b>	<b>216,819</b>	<b>69,942</b>	<b>6,716</b>	<b>293,477</b>

**Notes to the Financial Statements** for the year ended 31 March 2010**9 Trade receivables and other current assets**

	2010	2009	2008
	£	£	£
Subscriptions	<b>2,183,886</b>	2,052,849	2,086,897
Staff loans: season tickets	<b>10,766</b>	11,292	8,365
Prepayments	<b>147,477</b>	128,584	53,639
Other receivables	<b>1,489</b>	87,115	8,196
	<b><u>2,343,618</u></b>	<u>2,279,840</u>	<u>2,157,097</u>

The directors consider that the carrying value of these assets is approximate to their fair value. In 2009 a prepayment of £62,210 in regard to rent was incorrectly included in other receivables and accrued income when in fact it should have been included in prepayments.

**10 Cash and cash equivalents**

	2010	2009	2008
	£	£	£
Cash on hand and balances with bank	<b>378,151</b>	342,236	326,512
Short term cash deposits	<b>2,900,000</b>	2,450,000	1,900,000
	<b><u>3,278,151</u></b>	<u>2,792,236</u>	<u>2,226,512</u>

**11 Trade payables and other current liabilities**

	2010	2009	2008
	£	£	£
Subscriptions in advance	<b>3,526,007</b>	3,473,166	3,199,608
Trade payables	<b>58,037</b>	100,801	62,116
Pension costs	<b>35,892</b>	27,957	24,798
Other payables (see footnote)	<b>-</b>	39,409	-
Accruals and deferred income	<b>380,579</b>	303,956	188,086
	<b><u>4,000,515</u></b>	<u>3,945,279</u>	<u>3,474,608</u>

Other payables in 2009 related to funds held by IHOL as a custodian at the request of CLG in regard to a pilot private landlords tenancy deposit scheme that originally operated some years ago. IHOL was instructed to take this amount in to their funds by CLG in 2009-2010 and it is shown in other operating income (Note 2a). Note 20 details the possibility of contingent liabilities.

**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

**Notes to the Financial Statements** *for the year ended 31 March 2010*

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**12 Pension** (continued)

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 Hewitt Associates Ltd. 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 2007 showed the returns from investment markets to be significantly better than expected, the return on long dated gilts to be broadly the same as expected with index linked gilt yields having fallen. Pay and pension increases were slightly higher than forecast. Overall these factors have had a significant positive impact on the financial position of the Fund. The key assumptions used for the actuarial valuation as at 31 March 2007 are that general pay will increase by 5.2% per annum and that pensions will increase by 3.7% per annum. For Admitted Bodies the funding target is 6.2% for members in active service and 5.2% otherwise. The value placed on the Fund's assets as a whole was £664.1M representing 79% of the funding target required to cover the liability for benefits under the valuation method used.

Following the 2007 actuarial review the actuary recommended that the Company's contribution rate of pensionable salaries increases as follows:

<b>Year ended 31 March</b>	<b>Contribution Rate %</b>
2009	17.2
2010	17.9
2011	18.6

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 balance sheet and the actuarial gains or losses in the statement of total recognized gains and losses.

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.

**Notes to the Financial Statements** for the year ended 31 March 2010

**12 Pension** (continued)

**The principal assumptions used by the actuary were:**

	At 31.03.10 %	At 31.03.09 %	At 31.03.08 %
Inflation	3.9	3.6	3.7
Rate of increase in salaries	5.4	5.1	5.2
Rate of increase of pensions in payment/deferred pensions	3.9	3.6	3.7
Discount rate	5.5	6.5	6.8
Post retirement mortality (future lifetime years)			
<i>Males (PNMA00)</i>	22.3-24.7	22.2-24.5	21.3-23.2
<i>Females (PNFA00)</i>	24.3-26.5	24.2-26.4	23.4-24.8

**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 31.03.10 %	Value at 31.03.10 £'000	Rate of return At 31.03.09 %	Value at 31.03.09 £'000
Equities	8.0	2,924	7.0	1,762
Government Bonds	4.5	194	4.0	197
Corporate Bonds	5.5	903	5.8	546
Cash	0.7	8	-	-
Other	8.0	21	1.6	85
<b>Total assets</b>	<b>7.3</b>	<b>4,050</b>	<b>6.3</b>	<b>2,590</b>
<b>Estimated liabilities</b>		<b>(6,440)</b>		<b>(4,440)</b>
<b>Net pension deficit</b>		<b>(2,390)</b>		<b>(1,850)</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 2010.

	2010 £000	2009 £000
Current service cost	190	160
Past service cost	-	-
<b>Total</b>	<b>190</b>	<b>160</b>

**Notes to the Financial Statements** for the year ended 31 March 2010

**12 Pension** (continued)

<b>Analysis of net finance charges on pension scheme</b>	2010	2009
	£000	£000
Expected return on pension scheme assets	160	230
Interest on pension scheme liabilities	(300)	(260)
<b>Net charge included in note 3a</b>	<b>(140)</b>	<b>(30)</b>
<b>Analysis of amount recognised in the statement of changes in reserves</b>	2010	2009
	£000	£000
Actual return less expected return of fund assets	1,010	(1,130)
Experience gains and losses on liabilities	30	-
Changes in assumptions	(1,490)	(290)
<b>Actuarial loss recognised</b>	<b>(450)</b>	<b>(1,420)</b>
<b>Changes in the present value of liabilities during the period</b>	2010	2009
	£000	£000
Opening present value of liabilities	(4,440)	(3,690)
Current service cost	(190)	(160)
Interest cost	(300)	(260)
Contributions by participants	(100)	(90)
Actuarial (losses)/gains based on actuarial assumptions	(1,460)	(290)
Past service	-	-
Benefits paid	50	50
<b>Closing present value of liabilities</b>	<b>(6,440)</b>	<b>(4,440)</b>
<b>Changes in the fair value of scheme assets during the accounting period</b>	2010	2009
	£000	£000
Opening fair value of scheme assets	2,590	3,230
Expected return	160	230
Actuarial gain/(loss)	1,010	(1,130)
Employer contributions	240	220
Employee contributions	100	90
Benefits paid	(50)	(50)
<b>Closing fair value of scheme assets</b>	<b>4,050</b>	<b>2,590</b>
<b>Movements in deficit during the year</b>	2010	2009
	£000	£000
Deficit in scheme at beginning of the year	(1,850)	(460)
Movement in year:		
<i>Current/past service cost</i>	(190)	(160)
<i>Contributions</i>	240	220
Net finance cost	(140)	(30)
Actuarial loss	(450)	(1,420)
<b>Deficit in scheme at end of year</b>	<b>(2,390)</b>	<b>(1,850)</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, £270,000 in regard to the year ending 31 March 2011.

**Notes to the Financial Statements** for the year ended 31 March 2010

**12 Pension** (continued)

**Reconciliation of funded status to statement of financial position**

	Value as at 31/03/10 £000	Value as at 31/03/09 £000	Value as at 31/03/08 £000
Fair value of assets	4,050	2,590	3,240
Present value of funded defined benefit obligation	6,440	4,440	3,700
Unrecognised actuarial (gain)/loss	-	-	-
Unrecognised past service cost	-	-	-
Asset/(liability) recognised on the balance sheet	(2,390)	(1,850)	(460)

**History of experience gains and losses**

	2010 £000	2009 £000	2008 £000	2007 £000
Difference between expected and actual return on assets:	<b>1,010</b>	(1,130)	(220)	(40)
% of assets	<b>25%</b>	(44%)	(6.8%)	(1.5%)
Experience gains and (losses) on scheme liabilities:	<b>30</b>	0	(10)	(10)
% of present value of the liabilities	<b>0.5%</b>	(0%)	(0.3%)	(0.3%)
Changes in assumptions:	<b>(1,490)</b>	(290)	760	70
% of present value of the liabilities	<b>23%</b>	7%	20.5%	1.8%
Total amount recognised in statement of changes in reserves:	<b>(450)</b>	(1,420)	530	20
% of present value of liabilities	<b>7%</b>	31.2%	14.3%	0.5%

**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 2010 the company had 9 members (2009: 9).

**14 Subsidiary undertaking**

IHO Resolve Limited (a company limited by guarantee not having a share capital) is a subsidiary undertaking of the company by virtue of common membership and control. The company was dormant throughout the year and its reserves as at 31 March 2010 were £NIL. 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.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

**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:

<b>Property</b>	<b>2010</b>	<b>2009</b>
	£	£
Total rentals payable on leases expiring:		
Within one year	<b>254,251</b>	251,096
Within two to five years	<b>1,017,004</b>	1,017,004
After five years	<b>343,413</b>	593,252
	<b>1,614,668</b>	1,861,352

Other operating leases are not material and are therefore not detailed in this note.

**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.

During 2009-10 the Department for Communities and Local Government (CLG) formally transferred funds of £39,409 to IHOL that related to the tenancy deposit scheme that was in existence in 2003-04. CLG is our sponsoring department and we are a non departmental public body within their area of responsibility.

IHOL's transactions with related parties are detailed below.

	<b>Expenditure</b>	<b>Income</b>
	£	£
Arena Housing Association (Brian Cronin)	3,784	14,722
Centrepoint (Nick Hardwick)		168
CIMA (Margaret May)	757	
Department for Communities and Local Government	12,248	
Guinness Northern Counties HA (Margaret May)		37,934
Harvest Housing Group (Michael Johnson)		21,967
Homezone (Margaret May)		6,675
Island Homes (Terry Stacy)		2,723
Liverpool Mutual Homes (Brian Cronin)		21,551
London and Quadrant (Frank Chersky)		75,920
Paddington Churches Housing Association (Katie Roodner)		18,225
Steve Biko HA (Brian Cronin)		357
Swan Housing Group (Peter Robinson)		5,455
Two Castles HA (Michael Johnson)		4,375
West Kent HA (Peter Robinson)		7,851

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 18 to 20 in regard to relationship to related party.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

**17 Events after the reporting period**

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Independent Housing Ombudsman Limited provides to employees.

The financial statements were authorised for issue on 12 July 2010.

**18 First time adoption of IFRS**

18a Reconciliation of Surplus for the year ended 31 March 2009

	UK GAAP	Effect of transition	IFRS
	£	£	£
<b>Revenue</b>			
Subscriptions	3,233,623	-	3,233,623
Other operating income	8,250	-	8,250
	<hr/>	<hr/>	<hr/>
	3,241,873	-	3,241,873
Staff Costs	(1,904,687)	(19,363)	(1,924,050)
Administrative expenses	(1,054,707)	(26,146)	(1,080,853)
	<hr/>	<hr/>	<hr/>
	282,479	(45,509)	236,970
Interest receivable	108,562	-	108,56
	<hr/>	<hr/>	<hr/>
<b>Surplus before taxation</b>	391,041	(45,509)	345,532
Taxation	(29,098)	-	(29,098)
	<hr/>	<hr/>	<hr/>
<b>Surplus before cost of capital</b>	361,943	(45,509)	316,434
Notional cost of capital	(9,486)	-	(9,486)
	<hr/>	<hr/>	<hr/>
<b>Surplus after cost of capital</b>	352,457	(45,509)	306,948
Add back: cost of capital	9,486	-	9,486
	<hr/>	<hr/>	<hr/>
<b>Surplus for the year</b>	361,943	(45,509)	316,434
	<hr/>	<hr/>	<hr/>

The impact of the transition to IFRS is an increase in the net administrative expenses of £26,146 and £19,363 for staff costs in relation to leave entitlement.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

18b Reconciliation of the surplus for year ended 31st March 2008

	UK GAAP	Effect of transition	IFRS
	£	£	£
<b>Revenue</b>			
Subscriptions	2,979,930	-	2,979,930
Other operating income	3,526	-	3,526
	<hr/>	<hr/>	<hr/>
	2,983,456	-	2,983,456
 Administrative expenses	 (2,852,891)	 (29,751)	 (2,882,642)
	<hr/>	<hr/>	<hr/>
	130,565	(29,751)	100,814
 Interest receivable	 113,774	 -	 113,774
	<hr/>	<hr/>	<hr/>
<b>Surplus before taxation</b>	244,339	(29,751)	214,588
 Taxation	 (24,760)	 -	 (24,760)
	<hr/>	<hr/>	<hr/>
<b>Surplus before cost of capital</b>	219,579	(29,751)	189,828
 Notional cost of capital	 (14,883)	 -	 (14,883)
	<hr/>	<hr/>	<hr/>
<b>Surplus after cost of capital</b>	204,696	(29,751)	174,945
 Add back: cost of capital	 14,883	 -	 14,883
	<hr/>	<hr/>	<hr/>
<b>Surplus for the year</b>	219,579	(29,751)	189,828
	<hr/>	<hr/>	<hr/>

The impact of the transition to IFRS is an increase in the net administrative expenses of £29,751.

**Notes to the Financial Statements** for the year ended 31 March 2010

18c Reconciliation of net assets for the year ended 31 March 2009

	UK GAAP	Effect of transition	IFRS
	£	£	£
<b>Non-current assets</b>			
Intangible assets	94,280	-	94,280
Property, plant and equipment	296,111	-	296,111
	<u>390,391</u>	<u>-</u>	<u>390,391</u>
<b>Current assets</b>			
Trade and other receivables	2,279,840	-	2,279,840
Cash and cash equivalents	2,792,236	-	2,792,236
	<u>5,072,076</u>	<u>-</u>	<u>5,072,076</u>
<b>Total current assets</b>	<u>5,072,076</u>	<u>-</u>	<u>5,072,076</u>
<b>Total assets</b>	<u>5,462,467</u>	<u>-</u>	<u>5,462,467</u>
<b>Current liabilities</b>			
Trade and other payables	3,841,356	103,923	3,945,279
Current tax liabilities	29,141	-	29,141
	<u>3,870,497</u>	<u>103,923</u>	<u>3,974,420</u>
<b>Total current liabilities</b>	<u>3,870,497</u>	<u>103,923</u>	<u>3,974,420</u>
<b>Non-current liabilities</b>			
Net pension deficit	1,850,000	-	1,850,000
	<u>5,720,497</u>	<u>103,923</u>	<u>5,824,420</u>
<b>Total liabilities</b>	<u>5,720,497</u>	<u>103,923</u>	<u>5,824,420</u>
<b>Net liabilities</b>	<u>(258,030)</u>	<u>(103,923)</u>	<u>(361,953)</u>
<b>Reserves</b>			
General Fund reserve	(378,030)	(103,923)	(481,953)
Pension Fund reserve	120,000	-	120,000
	<u>(258,030)</u>	<u>(103,923)</u>	<u>(361,953)</u>
<b>Accumulated reserves</b>	<u>(258,030)</u>	<u>(103,923)</u>	<u>(361,953)</u>

The impact of implementing IFRS is to amortise the rent free period over the full term of the lease in relation to our Aldwych office and to accrue for staff costs in relation to leave entitlement, resulting in a decrease in net assets by £103,923.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

18d Reconciliation of net assets for the year ended 31 March 2008

	UK GAAP	Effect of transition	IFRS
	£	£	£
<b>Non-current assets</b>			
Property, plant and equipment	375,786	-	375,786
<b>Current assets</b>			
Trade and other receivables	2,157,097	-	2,157,097
Cash and cash equivalents	2,226,512	-	2,226,512
<b>Total current assets</b>	4,383,609	-	4,383,609
<b>Total assets</b>	4,759,395	-	4,759,395
<b>Current liabilities</b>			
Trade and other payables	3,474,608	41,170	3,515,778
Current tax payable	24,760	-	24,760
<b>Total current liabilities</b>	3,499,368	41,170	3,540,538
<b>Non-current liabilities</b>			
Net pension deficit	460,000	-	460,000
<b>Total liabilities</b>	3,959,368	41,170	4,000,538
<b>Net assets</b>	800,027	(41,170)	758,857
<b>Reserves</b>			
General Fund reserve	800,027	(41,170)	758,857
Pension Fund reserve	-	-	-
<b>Accumulated reserves</b>	800,027	(41,170)	758,857

The impact of implementing IFRS is to amortise the rent free period over the full term of the lease in relation to our Aldwych office, resulting in a decrease in net assets by £41,170.

## **Notes to the Financial Statements** *for the year ended 31 March 2010*

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### **19 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 have been dropping steadily, particularly in the second half of 2008. 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.

### **20 Contingent liabilities**

In 2009/10 the Department for Communities and Local Government (CLG) gave permission to IHO Limited to retain funds of £39,409 that it had previously been holding at CLG's request in regard to the Tenancy Deposit Scheme. This permission was given on the proviso that IHO limited would meet any claims for reimbursement from any depositor who had originally made a deposit into the scheme in 2003 – 2004. It is considered extremely unlikely that any such claim would be made.

**Notes to the Financial Statements** *for the year ended 31 March 2010*

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**21 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.

## **Accounts direction issued by the Secretary of State for Communities and Local Government**

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- 1 The annual financial statements of the Independent Housing Ombudsman Limited (hereafter in this accounts direction referred to as “the Ombudsman”) shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the year end. Subject to this requirement, the financial statements for 2009/10 and for subsequent years shall:
- (a) be prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006;
  - (b) follow the principles in the *Government Financial Reporting Manual* issued by the Treasury (“the FReM”), as amended or augmented from time to time;
  - (c) provide the additional disclosures required by the FReM where these go beyond the Companies Act 2006;
  - (d) follow any other relevant guidance that the Treasury may issue from time to time in respect of the financial statements of non-departmental public bodies;
  - (e) include the other disclosure requirements of the Secretary of State as set out in Schedule 1 to this direction;

In so far as the above are appropriate to the Ombudsman and are in force for the year for which the financial statements are prepared, and except where agreed otherwise with the Secretary of State or the Treasury in which case the exception shall be described in the notes to the financial statements.

- 2 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State for Communities and Local Government

Matthew Bailes

An officer in the Department for Communities and Local Government  
Date 31 March 2010

## **Accounts direction issued by the Secretary of State for Communities and Local Government**

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### Schedule 1: additional disclosure requirements

The following information shall be disclosed in the financial statements, as a minimum, and in addition to the information required to be disclosed by the Companies Act 2006 and by accounting standards.

- (a) Details of employees, other than directors, showing:
  - (i) the average number of persons employed during the year, including part-time employees and secondees, analysed between appropriate categories
  - (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.
  
- (b) 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 company's operations

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*Independent Housing Ombudsman Limited  
is the administrative company for the  
Housing Ombudsman Service.*

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