

The Housing Ombudsman Annual Report and Financial Statements 2014-15

The Housing Ombudsman

Annual Report and Financial Statements 2014-15

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(Audit of Non-profit-making Companies) Order 2009.

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Annual Report

Ombudsman's Report

As the Housing Ombudsman I am pleased to present my report together with audited financial statements for the year ended 31 March 2015.

This has been a year of significant change for the organisation with the departure of the long-standing Ombudsman Mike Biles. Mike had a fantastic reputation in the housing sector and led the organisation successfully for many years. I hope he enjoys his retirement and we wish him well.

Principal Activities

As the Housing Ombudsman (THO) I administer the Housing Ombudsman Scheme. The purpose of the Scheme is to enable tenants and other individuals to have complaints about members investigated by a Housing Ombudsman.

The role of the Ombudsman is to:

- a) resolve disputes involving members of the Scheme, including making awards of compensation or other remedies when appropriate, and
- b) to support effective landlord-tenant dispute resolution by others.

Our service is independent, impartial and free to tenants. The Localism Act 2011 extended our jurisdiction from 2013 to local authorities as well as housing associations. Membership of the Scheme is compulsory for landlords who are registered providers and Local Housing Authorities. There are also some voluntary members who are private, 'for profit' landlords. The Localism Act 2011 also gave "designated persons" a role in dealing with disputes between members of the Scheme and their residents and in referring complaints that have not been resolved in the landlord's procedures to the Housing Ombudsman. Additionally a number of managing agents and private landlords are voluntary members.

The Housing Ombudsman's business objectives

We have four main business objectives which were developed in 2012/13 in close consultation with landlord members and partner organisations:

- *Tenants and landlords have **increased trust** in dispute resolution*
- *Tenant and landlord **relations are improved***
- *Landlords have a **positive view of complaints***
- *Designated persons are able to **play their part** in resolving disputes fairly*

I hope that I can build upon these aims to ensure that the Housing Ombudsman continues to offer an excellent service in resolving disputes and develops further as a catalyst for change in the housing sector.

We now have 2,478 landlords and around five million properties in our jurisdiction. We are in a position to be an exemplar and a champion of good practice.

Since taking up my role on 11 March 2015 I have been reviewing our approach to dispute resolution and the organisation's system of governance, risk management and internal control.

My view is that our general approach to dispute resolution is extremely positive. The focus on local resolution has been very successful. The majority of complaints dealt with by the service are now resolved without our formal intervention. Where possible we facilitate local resolution. This ensures that disputes do not become entrenched, that issues are dealt with in real time and landlord and tenant relationships are preserved. It is equally important that if disputes cannot be resolved through early or local resolution, that we investigate them thoroughly and impartially. From 2015-16 we will be able to monitor customer feedback against our key performance indicators to assess the value of our service more effectively.

This year we saw a 28% increase in the volume of complaints and enquiries from the previous year, continuing the trend of increased volumes established over the past five years. This increase in volume is testament to our accessibility but it brings its own challenges. As an Ombudsman service we have high visibility amongst landlords and tenants and we need to continue to ensure that we reach all the customers requiring our services. We want to provide a quality service providing the right support to landlords and tenants. However we are an extremely lean organisation with a delegated full time equivalent headcount of 55 (and we are subject to headcount controls). The fact that we were able to facilitate the resolution of so many of these complaints locally helped the organisation cope with this increase in volumes without increasing staff or subscriptions. In fact our subscription rates have reduced from £1.47 per unit in 2012-13 to £1.02 in 2014-15 and £0.96 in 2015-16. Over the next year we will continue to review our processes and to consider how best to manage these volumes.

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Our ambition is to help landlords to resolve complaints better themselves to reduce dependency on our service.

Our Sector Development work with landlords; to facilitate improvements in complaint handling processes and to use feedback from complaints to improve service delivery has been very well received. We provide good practice advice and guidance and tools and support to tenants, landlords and designated persons. Together with their understanding of local issues this supports them in resolving disputes effectively. We work through examples to show how a fair, accessible complaints process can help improve service delivery and has benefits for the business as whole. Tenants generally have a long term relationship with their landlord. A feature of complaints is often a breakdown in trust or communications. If not dealt with effectively those aspects of a complaint can have a long term impact. Even good service generates complaints. They cost time and money whether or not they are dealt with effectively. Seeing complaints as an opportunity for feedback gives a landlord the chance to engage with its tenants and to use that time and money to improve service provision. A landlord with a positive view of complaints is more likely to treat its tenants fairly and to resolve complaints quickly and without escalation.

Those attending our member landlord engagement and peer learning events report an average 4.7 out of 5 score for value to landlords and tenants. Over time this should reduce the volume of complaints we deal with. The key will be to ensure effective programme and project management and to ensure that we target our resources effectively. We often work in partnership with others, such as Housemark or The Chartered Institute of Housing (CIH), in delivering these services to ensure the most efficient use of our resources. My aim is to ensure that we focus our resources where we can most add value. The lesson on behavioural economics is that a small organisation in a critical position can “nudge” very effectively.

This was all achieved at a time when the organisation was coping with a great deal of change, with the departure of Mike Biles and more recently, the prospect of reform of Public Services Ombudsmen.

In 2014-15 the service had a great deal of work to do to meet the standards required by the Department for Communities and Local Government (DCLG) for managing public money and Cabinet Office Spending Controls exemption applications. In order to maintain consistency during the period, the Deputy Ombudsman Helen Megarry was appointed the Interim Accounting Officer. Helen did a great deal to ensure compliance with central government controls and processes. This has been acknowledged by DCLG and the National Audit Office (NAO). I have made further changes including reviewing the governance arrangements, proposing new risk mapping arrangements and introducing new financial delegations and procurement processes.

In terms of the organisation's system of governance, risk management and internal control my view is that adequate systems are operating within the organisation but further work is required to bring us up to the standards to which we aspire. We are also committed to being more open and transparent about our processes and procedures in all aspects of our work in order to provide real accountability to parliament and our customers.

In 2015-16 the biggest issue facing the service is the proposed reform of Public Services Ombudsmen. The Cabinet Office issued a Consultation document on 25 March 2015 and subsequently set out its intention in the Queen's Speech to bring forward a draft Bill to introduce a new single Public Services Ombudsman incorporating the Parliamentary and Health Services Ombudsman, the Local Government Ombudsman and possibly the Housing Ombudsman. Following discussions with stakeholders I responded to the consultation. The key for my service is to ensure that any future model would enable us to continue to engage effectively with the sector to resolve complaints locally wherever possible and to improve complaints handling and service delivery. Our view is that this requires the retention of a Housing Ombudsman and specialist staff, though, this could be a separate function within a combined Ombudsman service.

The Annual Report and Accounts also discloses information for the areas set out below:

- Information on senior managers' remuneration can be found on page 7;
- Information on pension liabilities can be found in note 11 on page 28;
- Information on the related parties disclosure can be found in note 14 on page 33;
- Information on the auditors can be found on page 4 and 5;
- Information on staff numbers can be found on page 4;
- Information on financial instruments can be found in note 13 on page 32.

There were no incidents in the year relating to personal data.



Denise Fowler
Accounting Officer and Ombudsman

6 July 2015

Annual Report

Strategic Review

At 31 March 2015, 2,478 landlords (2,473 in 2014) were in membership, representing 4,759,125 (4,560,577 in 2014) housing units, an increase of 4% which is mainly due to receiving certified returns from Local Authorities for the first time in year and new build mainly within Housing Associations. 2,049 members were Housing Associations (Registered Providers) representing 2,910,647 housing units. There are 1,813,108 units relating to 349 Local Housing Authorities (including leaseholds). A further 80 were private, for-profit landlords or managing agents representing 35,370 housing units, who had joined voluntarily. THO actively encourages membership of the Scheme to landlords and managing agents in the private, for-profit, rented sector who are not under a statutory obligation to join.

During the year the Service responded to 9,600 enquiries and 6,737 complaints, the total of which is 16,337 (total complaints and enquiries for 2014: 12,782). We also reached local resolution in 441 cases and formally resolved 138 cases following intervention in accordance with the Scheme. The total number of cases resolved or determined was 579 (2014: 520). In year there was an increase in volume of new demand of 28% over the previous year. The number of cases entering our formal remit, having completed the landlord's internal complaints process, was 1,130 in year (increased from 860 in the previous year).

Review of Performance

THO supports working with stakeholders to shape and improve the Service and to share learning with the sector to contribute to improved provider service delivery and good practice.

Supporting effective local resolution

During 14/15 work continued to support all parties using our dispute resolution principles (the Principles) as a way of helping tenants and landlords to resolve disputes effectively at a local level, enabling them rather than creating a dependency on others. The aim is that over time this will result in less escalation of inappropriate or avoidable complaints to the Ombudsman, thus freeing up resources to further support access to the service by vulnerable complainants.

The Principles form the basis of much of our day to day work with landlords and tenants when considering individual complaints. Our approach to local resolution in individual cases involves, in the main, supporting the parties in their communication and either helping them to identify solutions, or to agree them with our support. We also use the Principles to give information and advice to tenants on; how to make their complaints more effectively, and understanding what it is reasonable to expect. During the course of the year we have taken action to improve our reporting on the intervention that we carry out and the outcomes that we help to achieve. This will help us to understand and report on the activity that we carry out, and to identify where our activity achieves the best outcomes in terms of positive outcomes for tenants.

The Dispute Resolution Team have been piloting a new approach to stakeholder management with some of our larger member landlords. We held a series of meetings throughout the year with landlords throughout the country to build better understanding and more productive relationships. This proactive engagement has generally been well received and in some cases has led directly to more effective relationships between ourselves and landlords. In our engagement with both LHA and HA landlords we are seeing high levels of commitment to improving dispute resolution, rather than focussing on processing complaints. Many of the landlords that we meet are very receptive to our approach based on the Principles and are themselves engaging in an outcome based approach.

Following the success of the Dispute Resolution Principles – e-learning for landlords in 14/15 (208 individuals, 51 organisations) we launched a free e-learning resource for tenants. Work will continue in 15/16 to increase awareness of the availability of this self-help resource.

By invitation, THO participated in a number of tenant empowerment events run by the Tenant Participation Advisory Service (TPAS) across England and spoke at the Housing Quality Network's (HQN) residents' network annual conference.

Eight Dispute Resolution Principles (DRP) engagement and peer learning events took place across England. At these 69 member landlords, mixed HA and LHA audiences (59% HA, 41% LHA), 139 individuals considered the Principles and shared best practice around dispute resolution and complaint handling. Attendee landlords reported the value of those events as 4.7 out of 5.

Mindful of budgetary pressures, THO also piloted the use of virtual action learning sets, connecting landlords using IT to problem solve together. 12 member landlords took part (64 landlords expressed an interest in participating) and 86% of participants recommended the approach.

We provided training to member landlords on the use of the Principles in action through a pilot 'Mind-set and Behaviour Change Programme' run in Q4 14/15 reaching 214 landlord representatives. Feedback was that 91% of participants would use what they learnt and 89% would recommend the courses to others.

Development of a 'customer segmentation' approach to better understand dispute resolution performance in the sector and to target resources effectively to support local resolution continues. This is now supported by the establishment of a performance team who report directly to me.

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Work continues to give back data to landlords to provide insight on their complaints and dispute resolution performance, with 50 member landlords participating in a regular data reporting pilot.

At mid-year, very early analysis of data suggests that there is a correlation between completing training and development activities and effective early resolution between tenant and landlords – on average approx. 9% improvement in case closure at early stages of the complaint process. In 15/16 further analysis will be undertaken to track improvement in landlord dispute resolution and complaint handling practices. We will carry out more work to ensure tenants and landlords within jurisdiction are aware and able to access the free local resolution support available to them.

Customer feedback

During the year we introduced a systematic process for measuring customer feedback on our dispute resolution performance. We approach a sample of customers, both tenant and landlord shortly after a case is closed (at any stage of our workflow) and ask for feedback on our customer service (how did we treat you?), the impact that our service had for them (did we help?) and any other feedback that they wish to give. We now sample 160 customers a month (approximately 17% of cases closed). The feedback is used directly for developing key performance indicators and operational measures. We are using the data at all levels of the organisation to identify action plans to improve performance, directly linked to the customer feedback.

Review of financial performance

The deficit for the year after taxation was £591,407 (2014: surplus of £774,348). After including the net pension deficit, the total assets less liabilities carried forward a total of £1,525,268 (2014: £2,116,675). Changes in pension fund liabilities are liable to fluctuation year-on-year, dependent on economic circumstances and investment performance.

In accordance with para.13 of the Scheme approved by the Secretary of State, the Ombudsman sets the level of subscriptions by reference to budgeted cash requirements, including a prudent provision for relevant contingencies. This includes the need to meet pension contribution liabilities now and in the future and to support expenditure in accordance with the business plan. At 31 March 2015, the net current assets of THO amounted to £3,378,482 (2014: £2,859,092). This takes account of cash and investments and debtors less amounts falling due for payment within one year.

In the event that the sponsor department (DCLG) introduced legislation which effectively caused THO to be wound up, or if the Scheme's approval were to be withdrawn and another body approved under the Housing Act 1996, the sponsor department would be obliged to put in place arrangements to ensure THO's orderly winding up. In particular, it would ensure that the assets and liabilities of THO were formally transferred to any successor organisation and accounted for in accordance with Managing Public Money requirements. In the event of there being no successor organisation, the assets and liabilities would be transferred to the sponsor Department, as detailed in the Framework Document agreed by DCLG and the Ombudsman. The triennial actuarial pension fund valuation was last undertaken as at 31 March 2013, which represents the position of the fund at 31 March 2013. The actuaries have produced a IAS19 Report for the benefit of THO as at 31 March 2015 and those assumptions and figures are reflected in these financial statements.

Auditor Remuneration

The audit fee for 2014-15 is £29,000 (2013-14 £30,500). No remuneration was paid to the auditors in regard to non-audit work.

Staff Numbers and absence

THO had five employees classified as senior managers during 2014-15, as detailed in the Remuneration Report. THO had a total of 48 employees as at 31 March 2015, of which 31 were female and 17 male.

During the year employee sickness levels were recorded as 1% in respect of short-term sickness and 0% in respect of long-term absence

People & Organisational Development

Employee engagement levels at THO are high, with the latest Employee Engagement survey launched in Feb 2015 and closed in March 2015 reporting a 91% response rate and 69% level of engagement.

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Sustainability reporting

THO is exempt from sustainability reporting requirements as it does not meet the *de minimis* thresholds regarding size and employee numbers.

Political Donations or Expenditure

No charitable or political donations were made in the financial year.

Website

The maintenance and integrity of THO's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Auditor

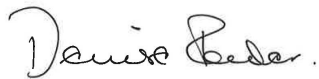
The C&AG is responsible for the Corporation Sole's annual audit in the financial year 2014-15.

As far as the Accounting Officer is aware:

- there is no relevant audit information of which THO's auditor is unaware; and
- The Accounting Officer has taken all steps that she ought to make herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Since the end of the reporting period: Further to on-going re-structure of the senior leadership team the role of Head of Corporate Services will be redundant and recruitment will commence to an enhanced role of Director of Finance & Performance. The business case for the redundancy was approved by the DCLG.

As detailed in note 1(a) of the Financial Statements I am of the opinion that THO should adopt a going concern status as at 31 March 2015.



Denise Fowler
Accounting Officer and Ombudsman

6 July 2015

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Remuneration Report

THO does not have a remuneration committee. Remuneration is linked to the salary scales of THO and to contractual entitlement and is reviewed independently as appropriate. There are no performance conditions related to remuneration. Senior Managers are employees of THO and have an annual appraisal and any pay progression is based on merit. The Ombudsman is a public appointment and her terms and conditions are set by the Secretary of State.

All senior managers are permanent employees with three-month notice periods. The Ombudsman's notice period is also three months. The previous Ombudsman gave such notice to the Secretary of State by a letter dated 4 August 2014 which had the effect of terminating his appointment on 3 November 2014. The Interim Ombudsman was appointed for the period 4 November 2014 to 10 March 2015 as a public appointment by DCLG on behalf of the Secretary of State. No significant awards were made to any senior manager or committee member. In particular, no allowances, bonuses, or compensation were paid to senior management in year. No element of remuneration is non-cash. Information in regard to salary and fees paid to each senior manager and committee member is detailed in tabular form on page 7.

Pension benefits are also detailed in the table on page 7. There were no contributions to a money purchase scheme. No compensation was paid to any former senior manager, committee member or the Ombudsman.

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Table (subject to audit)

	N o t e s	Single total figure of remuneration				Pension entitlement details				
		Salary and fees	Pension benefits	Totals 2015	Totals 2014	Accrued benefits during the year & related lump sum	Accrued benefits at end of year & related lump sum	Cash Equivalent Transfer Value (CETV) at start of year	CETV at end of year	Real increase in CETV
		In bands of £5,000	In bands of £1,000	In bands of £5,000	In bands of £5,000	In bands of £2,500	In bands of £5,000	In bands of £1,000	In bands of £1,000	In bands of £1,000
Senior Managers										
Denise Fowler (Ombudsman)	1	5,000 – 9,999	-	5,000 – 9,999	-	-	-	-	-	-
Dr Mike Biles (Ombudsman)	2	75,000 – 79,999	16,000 – 16,999	90,000 – 94,999	140,000 – 144,999	0 – 2,499 (0- 2,499)	65,000 – 69,999 150,000 - 154,999	1,389,000- 1,389,999	1,395,000- 1,395,999	(19,000 – 19,999)
Helen Megarry (Deputy Ombudsman)	3	90,000 – 94,999	23,000 – 23,999	110,000 – 114,999	110,000 – 114,999	0 – 2,499 (0-2,499)	20,000 – 24,999 30,000 – 34,999	276,000 – 276,999	304,000 – 304,999	14,000 – 14,999
Martin Colwell (Head of Corporate Services)		75,000 – 79,999	21,000 – 21,999	95,000 – 99,999	90,000 – 94,999	0 – 2,499 (0-2,499)	10,000 – 14,999 0 – 4,999	118,000 – 118,999	141,000 – 141,999	15,000 – 15,999
Paul Neville (Organisation and Sector Development Lead)		70,000 – 74,999	43,000 – 43,999	110,000 – 114,999	75,000 – 79,999	2,500 – 4,999 0-2,499	10,000 – 14,999 5,000 – 9,999	86,000 – 86,999	114,000 – 114,999	19,000 – 19,999
Band of highest paid individual's remuneration (£)			2015	2014						
Median remuneration of staff (£)			115,000 – 119,999	130,000 -134,999						
Ratio between median remuneration and mid-point of banded remuneration of highest paid individual			40,884	40,884						
			2.9:1	3.2:1						

Notes

1. Denise Fowler began her appointment on 11 March 2015. The full time equivalent is in the range £115,000 – £119,999. No pension figures are disclosed because the provider is unable to perform a calculation as Denise has been a member of the pension scheme for less than 3 months.
2. Dr Mike Biles resigned with effect from 3 November 2014. The full time equivalent was in the range £130,000 – £134,999.
3. Helen Megarry was Interim Ombudsman between 4 November 2014 and 10 March 2015, during this time the full time equivalent was in the range £100,000 - £104,999. The full time equivalent for her substantive role as Deputy Ombudsman is in the range £85,000 – £89,999.

The members' of the Audit and Risk Assurance Committed referred to on page 11 are not senior managers of THO in the current or prior year.

There were no payments to former senior managers.

There were no payments in respect of allowances, bonuses, compensation and non-cash benefits during the year.



Denise Fowler
Accounting Officer and Ombudsman

6 July 2015

Governance Statement

The Accounting Officer of THO is responsible for the management and control of the resources used in the organisation. Dr Mike Biles was appointed as Accounting Officer of THO with retrospective effect from 1 April 2013 by the Permanent Secretary of DCLG. Following Dr Biles retirement on 3 November 2014, Helen Megarry was appointed Ombudsman (Interim) and Accounting Officer with effect from 4 November 2014 until 10 March 2015. I was appointed as Accounting Officer and Ombudsman as from 11 March 2015. Assurance was provided to me by Helen Megarry in her Governance Statement that she signed on 28 November 2014 in regard to the 2013-14 Annual Report and Accounts and post year end events to the date of her signing. Helen remains as Deputy Ombudsman and has worked with me in the preparation of this Governance Statement, providing me with assurance up to 10 March 2015 in her role as Accounting Officer in regard to her complying with her responsibilities under Managing Public Money. Helen has confirmed that she is happy with the content of this Statement and that she does not feel that anything else needs to be included.

Scope of responsibility

My responsibilities as Accounting Officer are set out in 'Managing Public Money' (Chapter 3) and THO's Framework Agreement with its sponsor, the Department for Communities & Local Government. My accountability for use of public funds is subject to the authority of the Permanent Secretary of DCLG who is Accounting Officer for that Department.

As Accounting Officer I am personally responsible for safeguarding the funds of the Housing Ombudsman and for ensuring regularity and propriety in the handling of those funds. I am required to ensure that the organisation is run on the basis of the requirements, in terms of governance, decision-making and financial management, set out in Managing Public Money. I must be able to assure Parliament and the public of high standards of probity in the management of public funds.

This Governance Statement relies on contributions from the Audit and Risk Assurance Committee and colleagues, which include:

- A review of our processes, performance and policies, such as our fraud and whistle-blowing policy, informed by the views of the Audit and Risk Assurance Committee with regard to the quality of assurance;
- Insight into the organisation's performance from both internal and external audit, including an internal audit opinion from the Head of Internal Audit on the quality of the systems relating to governance, risk management, and internal control; and
- Input from colleagues and from key stakeholders about our outcomes-focused performance, our use of resources, the value we add and provision of value for money, our responses to risks, our budget management, and how we meet our outcomes-focused objectives.

This Governance Statement is presented by me as part of the Annual Accounts.

Governance framework

The Housing Act 1996 provides (Sch. 2, para.10) that a Scheme approved by the Secretary of State may be administered either by a "body corporate" or by a "corporation sole". Until 31 March 2013, the Scheme was administered by the former; the Independent Housing Ombudsman Limited (IHO Limited). With effect from 1 April 2013, the Scheme has been administered by the latter; The Housing Ombudsman (THO). This change was effected by Statutory Instrument 2013 No.722 (C.33) by order of the Secretary of State for Communities & Local Government. Accordingly, on 1 April 2013, the transfer and assumption of assets and liabilities of the IHO Limited was made to THO.

THO operates in accordance with the Scheme which was approved by the Secretary of State (currently the Department for Communities for Local Government (DCLG)) under the terms of the Housing Act 1996. The latest Scheme takes into account changes to the Ombudsman's jurisdiction made by the Localism Act 2011. The Scheme applies to social landlords registered, regulated or operating in England (including all local housing authorities) as well as to other landlords and managing agents who join voluntarily. THO receives its funding via annual per housing unit subscriptions from these organisations.

A Corporation Sole is a distinct legal entity with legal capacity. As a corporate body it can make legally binding contracts, employ staff, and enter leases. It is typically created to allow the corporate entity to pass without interval in time from one office holder (in THO's case, the Ombudsman) to the next successor-in-office, giving the positions legal continuity with subsequent office-holders having identical powers to their predecessors. Corporations sole do not have a board of directors; that role and function and all property, rights, assets, and liabilities are vested in the person who is the corporation sole who, in the case of THO, is the Ombudsman as statutory office- holder.

Governance Statement

From April to October 2014 the Senior Leadership team consisted of the Ombudsman, the Deputy Ombudsman, Head of Corporate Services and Director of Organisation and Sector Development. Management team meetings were scheduled to take place monthly and considered progress against both strategic and operational objectives. From November 2014 to March 2015 the Deputy Ombudsman was appointed as interim Ombudsman and formed an interim leadership team, also supported by the Performance Improvement Manager, a Dispute Resolution Manager and the Communications Lead. This team met at least monthly and activity was focused on development of the business plan, assurance, and KPIs for 2015/16. From 11 March when I was appointed I instituted weekly Senior Leadership team meetings and monthly Management team meetings. The Senior Leadership team consists of the Ombudsman, the Deputy Ombudsman, the Head of Corporate Services and the Director Of Organisation Development and Sector Development. The Management team includes all senior line managers within the organisation. This ensures that all managers within the organisation have input into key decisions and can cascade information throughout the organisation. The Communications Manager and the Performance Manager also attend Senior Leadership team meetings when necessary.

THO has an on-going working relationship with DCLG to set appropriate levels of additional reporting and governance structures which are consistent with its obligations in terms of appropriate accountability to DCLG under the current Framework Document, and the importance of protecting the independence of the Ombudsman. As Accounting Officer, the Ombudsman reports to DCLG in accordance with the Framework Document. 'Accounting Officer meetings' are held at least quarterly with senior DCLG officials, with agendas that include financial management, risk, compliance with the Framework Document, and corporate and business planning. As the quasi-judicial statutory appointee, the Ombudsman reports to DCLG in accordance with the statute, the Scheme, and her Terms of Appointment.

The Framework Document provides that the Secretary of State must approve THO's business plan, budget, and subscription rate. For 2014/15, this approval was given in August 2014, reflecting a number of issues that had to be resolved between THO and DCLG. For 2015/16, approval was given in February 2015, reflecting a significant improvement in governance and business planning.

Key Performance Indicators

The Organisation's performance during the year has been consistently high. We have had to deal with a 28% increase in the volumes of complaints and enquiries from the previous year, continuing the trend of increased volumes established over the past five years. During the latter part of 2013/14 we introduced a new outcome focused performance management framework. Implementation in all parts of the organisation took place throughout 2014/15. This framework enables us to set targets and measure performance using the same data. It integrates customer feedback (both landlord and tenant) into our measurement of performance and impact on the sector. For 2014/15 we agreed KPIs with the DCLG, these were discussed at Accounting Officer meetings at the DCLG and management meetings throughout the year. We simultaneously developed our data and our use of the framework to produce a new set of KPIs, which triangulate performance metrics with customer feedback to agree with the DCLG for 2015/16. We continue to develop our reporting and a more comprehensive set of KPIs and will monitor performance against a range of KPIs at monthly management team meetings.

Compliance and Spend Control Activity

THO's assurance framework is developing to ensure on-going compliance with relevant guidance, including that issued by Cabinet Office and DCLG in relation to spend controls. Following issues identified by THO management, DCLG, and the NAO in 2013/14, THO worked closely with DCLG to fully understand their requirements for compliance with these controls, and carried out a comprehensive review of spend against the Cabinet Office spend controls in October and November of 2014, and where appropriate, retrospective approvals were sought and received. Training on application of spend controls was delivered by DCLG in January 2015 which was attended by the Accounting Officer and all managers with authority to spend.

The NAO has not identified issues of non-compliance in 2014-15.

Since my arrival on 11 March 2015 THO control procedures have been reviewed and further changes are being planned and implemented. For example a new scheme of delegations and new financial and procurement regulations are being introduced including references to the controls.

Panel of Advisers

THO has yet to establish a Panel of Advisers, but the Housing Ombudsman Scheme provides that the Ombudsman may from time to time decide, following consultation with such persons as she considers necessary, to appoint such a Panel. The Panel, once appointed, will assist the Ombudsman in such matters as are considered relevant and as set out in its terms of reference in the Framework Document. As the internal auditors have noted in the past the Panel is not a formal part of governance. The rationale and intention behind it is to give the Ombudsman the discretion to appoint the appropriate advisors to advise and support according to the situation.

Governance Statement

Risk Management

The strategic risk register was refreshed during the year. This provided adequate assurance but, in my view and that of the Audit and Risk Assurance Committee and GIAA, needed to be adapted to more clearly identify strategic risks and accountabilities. I have now proposed a new approach to the Audit and Risk Assurance Committee, one that DCLG support.

Current key risks are:

- We may be unable to manage casework volume in the face of increasing demand and restrictions on resource and headcount. The volume is increasing on average by between 25 to 30% year on year. This is mitigated by; our learning and sector development work to reduce dependency on our service, on-going revision of dispute resolution processes, performance management and training to staff to enable ongoing improvements in efficiency. Whilst headcount numbers are restricted we also seek opportunities to outsource some activity to cope with volumes.
- That the Cabinet Office review into public sector ombudsman in England may make proposals which do not meet the needs of social tenants and landlords. This is being mitigated by ongoing engagement with Government, landlords, tenants and other Ombudsmen including developing collaborative working with PHSO and LGO out with any legislative change.
- That governance and assurance frameworks require further improvement. This is being mitigated by the introduction of new systems of governance and control. The introduction of the new post of Director of Finance and Performance will play a key role in developing and enforcing these controls.
- That we may have difficulty finding alternative accommodation when the lease at 81 Aldwych expires in August 2016. THO is working with DCLG to mitigate this.
- Changes in policy direction in regard to housing and public sector reform in the light of shifting social and economic pressures. This is mitigated by our ongoing stakeholder strategy, our ongoing dialogue with our sponsoring department and our engagement with the sector.

The Audit & Risk Assurance Committee

THO has refreshed its appointments to its Audit and Risk Assurance Committee. It has an independent Chair and three other members. The Committee meets at least four times a year. The Committee meetings are attended by representatives of internal and external audit, and senior DCLG and THO officials. The Audit and Risk Assurance Committee receives an Annual Report from the internal auditors on the effectiveness of internal controls

In accordance with its terms of reference, and as set out in the Framework Document, the Audit and Risk Assurance Committee advises the Ombudsman, as Accounting Officer on:

- Policies and procedures for risk, control and governance and the wording of the Governance Statement;
- Accounting policies and the Annual Report and Accounts of THO, including the process for review of the accounts prior to submission for audit, levels of error identified, and the Accounting Officer's letter of representation to the external auditors;
- Planned activity and findings of both internal and external audit;
- Adequacy of management responses to issues identified by audit activity, including external audit's management letter;
- Assurances relating to the corporate governance requirements for the organisation;
- Proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and
- Counter-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Audit and Risk Assurance Committee has oversight concerning risk management and advises the Ombudsman of any concerns or suggestions in this regard. The Committee receive a quarterly assessment of key risks, alternating between strategic and operational. I am in the process of introducing a new approach to risk management with the support of the Committee.

Members of the Audit and Risk Assurance Committee are aware of and uphold the seven principles of public life (the "Nolan principles") and acknowledged the Corporate Governance Code as providing a framework designed to facilitate good decision-making.

Governance Statement

So that the Committee is effective in discharging its responsibilities it:

- allowed sufficient time for it to discharge its collective responsibilities effectively;
- ensured timely provision of information in a form and of a quality that enabled the Committee to discharge its duties effectively;
- benefited from a dedicated support function with appropriate skills and experience.

The attendance record of individual members for the year ended 31 March 2015 is detailed below and covers the 4 meetings of the Audit and Risk Assurance Committee.

Name of Member

Frank Chersky	1
Maxine Frerk (Chair)	1
Andrew Greenhill	1

The above members resigned on 30 September 2014.

Sue Harvey (Chair)	3
Julie Parker	3
Simon Sweetinburgh	3
Nicola Wood	3

The above members were appointed on 1 October 2014.

The Audit and Risk Assurance Committee supports me as Accounting Officer in the discharge of my obligations that are set out in Managing Public Money for the proper conduct of business and maintenance of ethical standards and is fully effective in its performance and in adding value.

I have reviewed the evidence provided to me by external and internal audit, and other reviews. I am satisfied that THO has maintained a sound system of internal control and governance.

Annual Report & Accounts

THO's statutory accounts for 2013/14 were not signed off by the NAO until December 2014. In addition the NAO identified areas for significant improvement, which were addressed in 2014-15. These improvements have largely been achieved.

Internal Audit (Government Internal Audit Agency opinion)

The internal audit function has been undertaken by the Government Internal Audit Agency (GIAA) on our behalf. As at the date of the Audit and Risk Assurance Committee meeting on 2 June 2015, the Head of Internal Audit provided a moderate level of assurance with regard to internal controls and risk management. GIAA undertakes reviews of the internal controls we have in place. The Audit and Risk Assurance Committee seeks assurance not only from the Senior Leadership Team but also from the auditors on a regular basis. It also provides assurance to the Ombudsman as Accounting Officer. The Head of Internal Audit's summary opinion in his report to THO's ARAC on 2 June 2015 was as follows:

In my opinion, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control

It has been a challenging year for The Housing Ombudsman with the additional work needed to meet the standards required by DCLG for managing public money, Cabinet Office Spending Controls exemption applications, as well as the departure of the long standing Ombudsman. In order to maintain consistency during the period, the Deputy Ombudsman was appointed the Interim Accounting Officer and drove forward progress towards compliance with central government controls and processes. This has been acknowledged by DCLG and the NAO. The new Ombudsman and Accounting Officer took up post on 11th March 2015. Since her arrival, she has made a number of changes including reviewing the governance arrangements, and introducing new financial delegations and procurement processes (which we will examine as part of our 2015/16 audit programme).

Governance Statement

Our audit work broadly found that a satisfactory system of governance, risk management and internal control is operating within the organisation. However, with that said, a number of weaknesses have been identified that may be a symptom of a lack of focus on the basic processes and resource shortages (THO is a lean organisation).

The strategic risk register has been refreshed during the year, but it is the opinion of the ARAC and GIAA that the risks need some work to more clearly identify what the actual risks to the organisation are and how management is addressing those. At an operational level, the risk registers are of a suitable standard but there appears to be no visible link between them and the strategic register.

A key issue we reported on during the year was the non-compliance with Cabinet Office spending controls in 2013/14, which was originally detected by the National Audit Office as part of their year-end audit in 2013/14 (and which was referenced in the 2013/14 THO Governance Statement). Our review of the Cabinet Office Spending Controls was assigned a Limited assurance opinion as a result of control weaknesses in the 2013/14 year. THO has worked with DCLG to fully understand their requirements for compliance with these controls, and our review found no further exceptions in 2014/15.

This assessment reflects the situation within THO overall last year but significant work was done in the latter part of 2014-15 to improve the organisation's approach to dealing with the controls. A significant amount of work was undertaken by THO staff in regard to member landlord unit number verification in conjunction with the NAO, to establish a basis for similar exercises in the future. The NAO has not identified any issues of non-compliance for 2014-15. Since my arrival on 11 March 2015 I have been working with the team to tighten up our systems and working with me to ensure that these continue to develop and are enforced will be a key task for our new Director of Finance and Corporate Performance. Our business continuity plan and processes were severely tested in early April 2015 when our internet access capabilities were initially put out of action by the Holborn fire that shut down most of the area around Aldwych and many organisations in the area. Thanks to the robustness of our back up systems we were able to resume our service within a day and get back to close to normal service levels within a week. I take comfort that our business continuity processes and THO staff were able to achieve what they did in difficult circumstances.

There were no incidents in year relating to personal data.

In conclusion, THO continues to perform its core functions of dispute resolution and enabling others to resolve disputes, particularly in relation to facilitating local resolution, well. It is also making strong progress in developing its internal governance and assurance systems.

Compliance with the Corporate Governance Code

The detailed provisions of the Corporate Governance Code (the Code) published by HM Treasury and the Cabinet Office relate to Ministerial departments. However, this statement details THO compliance as far as appropriate with the principles set out in the Code. I am satisfied that it gives a fair picture of THO's governance in 2014-15.



Denise Fowler
Accounting Officer and Ombudsman

6 July 2015

Statement of Accounting Officer's Responsibilities

The Secretary of State for the Department for Communities and Local Government (DCLG) has directed the Accounting Officer to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of THO and of its surplus or deficit, financial position, changes in taxpayers' equity and cash flows for the financial year.

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

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

DCLG's Principal Accounting Officer appointed Denise Fowler, the current Ombudsman, as Accounting Officer for THO with effect from 11 March 2015. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding THO's assets, are set out in the Accounting Officer's memorandum issued by the Treasury and published in Managing Public Money.

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

I certify that I have audited the financial statements of The Housing Ombudsman for the year ended 31 March 2015 under the Housing Ombudsman Service Scheme as approved by the Secretary of State under Schedule 2 to the Housing Act 1996. The financial statements comprise the Statements of: Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Ombudsman and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Ombudsman is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Housing Ombudsman Service Scheme as approved by the Secretary of State under Schedule 2 to the Housing Act 1996. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of The Housing Ombudsman's affairs as at 31 March 2015 and of the net surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with Framework Agreement between the Department for Communities and Local Government and The Housing Ombudsman, and the Government Financial Reporting Manual.

Opinion on other matters

In my opinion:

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

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

6 July 2015

Statement of Comprehensive Income for the year ended 31 March 2015

	Notes	2015 £	2014 £
Revenue			
Subscriptions	1b	4,844,285	4,195,690
Other operating income	2a	190	8,647
		<u>4,844,475</u>	<u>4,204,337</u>
Expenditure			
Administrative expenses	2c	(1,507,530)	(1,457,437)
Staff costs	2b	(2,935,454)	(2,779,462)
		<u>401,491</u>	<u>(32,562)</u>
Interest receivable/(payable)	3	<u>(23,123)</u>	<u>(73,863)</u>
Surplus/(Deficit) before taxation		378,368	(106,425)
Taxation	5	<u>(4,775)</u>	<u>(3,227)</u>
Surplus/(Deficit) after taxation		373,593	(109,652)
Other comprehensive income			
Net actuarial gain/(loss) on pension fund	11	<u>(965,000)</u>	<u>884,000</u>
Total Comprehensive Income		<u>(591,407)</u>	<u>774,348</u>


All operations are classified as continuing. Items of other comprehensive income are not potentially reclassifiable to profit or loss.

The notes on pages 20 to 33 form part of these financial statements.

Statement of Financial Position as at 31 March 2015

	Notes	2015 £	2014 £
Non-current assets			
Property, plant and equipment	7	188,996	285,881
Intangible assets	6	145,790	207,396
Trade Receivables	8b	-	140,446
		334,786	633,723
Current assets			
Trade receivables and other current assets	8a	4,360,630	4,945,194
Cash and cash equivalents	9	4,140,200	1,056,965
Investments	9	-	2,000,000
		8,500,830	8,002,159
Total current assets			
Current liabilities			
Trade payables and other current liabilities	10a	5,117,591	5,139,837
Current tax liabilities		4,757	3,230
		5,122,348	5,143,067
Total current liabilities			
Total assets less current liabilities		3,713,268	3,492,815
Non-current liabilities			
Net pension liability	11	2,188,000	1,234,000
Trade payables	10b	-	142,140
		2,188,000	1,376,140
Total non-current liabilities			
Assets less liabilities		1,525,268	2,116,675
Reserves			
General fund reserve		988,494	1,579,901
Pension fund reserve		536,774	536,774
		1,525,268	2,116,675
Accumulated reserves			

The notes on pages 20 to 33 form part of these financial statements.



Denise Fowler
Accounting Officer and Ombudsman

6 July 2015

Statement of Cash Flows for the year ended 31 March 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Surplus/(Deficit) from operations		401,491	(32,562)
Depreciation and amortisation charges	6,7	182,492	184,718
Loss on sale property, plant and equipment		-	-
Pension scheme service and admin costs		324,000	344,000
Pension scheme contributions	11	(382,000)	(472,000)
(Increase)/Decrease in receivables	8	725,010	(2,282,643)
Increase/(Decrease) in payables	10	(164,386)	662,499
Cash generated from operations		1,086,607	(1,595,988)
Corporation tax paid		(3,248)	(18,665)
Net cash inflow/(outflow) from operating activities		1,083,359	(1,614,653)
Cash flows from investing activities			
Purchase of property, plant and equipment	6,7	(24,000)	(142,180)
Bank and other interest received	3	23,876	16,137
Investments	9	2,000,000	(2,000,000)
Net cash inflow/(outflow) from investing activities		1,999,876	(2,126,043)
Cash flows from financing activities			
Grant in aid received from DCLG		-	630,000
Net cash inflow/(outflow) from financing activities		-	630,000
Net increase/(decrease) in cash and cash equivalents in the period		3,083,235	(3,110,696)
Cash at end of period	9	4,140,200	1,056,965

Reconciliation of net cash flow to movement in net funds For the year ended 31 March 2015

		2015 £	2014 £
Net increase/(decrease) in cash and cash equivalents in the period		3,083,235	(3,110,696)
Cash and cash equivalents at the beginning of the period		1,056,965	4,167,661
Cash and cash equivalents at the end of the period	9	4,140,200	1,056,965

The notes on pages 20 to 33 form part of these statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	Notes	General Fund £	Pension Fund £	Total £
Balance as at 1 April 2013		210,082	502,245	712,327
Total comprehensive income		774,348	-	774,348
Grant in aid received from DCLG		630,000	-	630,000
Transfer to pension fund reserve		(34,529)	34,529	-
Balance as at 31 March 2014		1,579,901	536,774	2,116,675
Total comprehensive income		(591,407)	-	(591,407)
Transfer to pension fund reserve		-	-	-
Balance as at 31 March 2015		988,494	536,774	1,525,268

This equity has accumulated since the inception of the statutory ombudsman service in 1997 and derives from the subscription contributions of member landlords.

In 2009 IHOLimited created a dedicated reserve in regard to its pension fund liabilities by transferring funds from its general fund in relation to its pension deficit funding strategy. The reserve was transferred to the Corporation Sole (THO) on 1 April 2013. 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.

The notes on pages 20 to 33 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2015

1. Accounting policies

a) Basis of accounting

The financial statements are prepared in accordance with the Government Financial Reporting Manual (FReM). The accounts have been prepared under the historical cost convention. The accounting policies are set out below and have been consistently applied.

Going concern

Although THO does have an accumulated pension liability at the year end the Ombudsman does not consider this to affect THO's going concern status going forward. 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 (DCLG) introduced legislation which effectively caused THO 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 the Corporation Sole. In particular, it would ensure that the assets and liabilities of THO 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, the Corporation Sole is liable for any liabilities other members incur. This agreement provides further assurance in regard to such liabilities and supports a going concern status. Therefore the Ombudsman is of the opinion the accounts should be prepared on a going concern basis.

On 25 March 2015 the previous Government published a report by Robert Gordon called, 'Better to serve: proposals to restructure, reform, renew and reinvigorate public services ombudsmen'. In parallel with that report they launched, 'A public service ombudsman: a consultation', to seek views about the future of public ombudsman services in England. The current Government subsequently set out its intention in the Queen's Speech to bring forward a draft Bill to establish a single public services ombudsman. Any changes that arise from these proposals may possibly have implications for the future of the Housing Ombudsman. These proposals are however still subject to Ministers' consideration of the consultation responses, and would require the passage of primary legislation through the full parliamentary process. It is therefore too early at this stage to know either the timetable or nature of any changes that may follow, or to make any meaningful assessment of their implications for the future of THO. I have considered the issues set out in the report, the consultation, and the Queen's Speech in forming my judgement about the overall status of the organisation. I am satisfied that this does not give rise to a material uncertainty around the going concern status of THO at this stage and our accounts have therefore been prepared on a going concern basis. We will continue to monitor, and engage with, these proposals as they develop.

b) Subscriptions

Subscriptions are the annual subscriptions payable by landlord members of the Ombudsman Scheme for the year ended 31 March 2015. Subscriptions are calculated by reference to the number of units owned or managed by member landlords. All subscriptions are payable on receipt of a THO invoice. Any subscriptions invoiced in advance of the year to which they relate are treated as deferred income and are included in Trade Payables and other Current Liabilities as subscriptions in advance and as Trade Receivables and other Current Assets as subscriptions.

Subscriptions invoiced in advance are based on the best information available to management at the time of issuing invoices. The actual income will be confirmed in the next reporting period, based on returns from member landlords.

c) Property, Plant and Equipment

THO invests in enhancements to its 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 are being depreciated over 3.5 years, the period remaining on the lease at the time of the improvements (2012/13).

Leasehold improvements (fixtures and fittings)	- Period of lease
Computer equipment	- 5 years
Office equipment	- 10 years

Notes to the financial statements

For the year ended 31 March 2015

d) **Intangible assets**

Intangible assets comprise computer software and website development and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (five years) and website (three 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.

e) **Cash and cash equivalents**

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

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

f) **Pension costs**

The Corporation Sole participates in a multi-employer funded defined benefit scheme. The Corporation Sole remains exposed to risk by being jointly liable for the liabilities of other bodies admitted to the pension scheme. The Corporation Sole 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 Corporation Sole's share of the Fund and therefore has performed an actuarial valuation at 31 March 2014 using IAS19 principles.

The effect of this accounting policy is to recognise a pension liability in the Statement of Financial Position. 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 Statement of Comprehensive Income. Actuarial gains and losses are charged to the Statement of Changes in Taxpayers' Equity. As detailed in note 11, 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 leases**

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight-line basis over the lease term. Any rent free period is amortised evenly over the period of the lease.

h) **Changes in accounting policy**

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

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

None

i) **Provisions**

There were no provisions in 2014-15.

Notes to the financial statements

For the year ended 31 March 2015

2a. Other Operating Income

	2015 £	2014 £
Sundry Income	(190)	(8,647)
	<u>(190)</u>	<u>(8,647)</u>

2b. Staff costs

	Permanent staff £	Temporary staff £	2015 Total £	2014 Total £
Wages and salaries	1,881,487	551,462	2,432,949	2,155,871
Social security costs	182,998	-	182,998	192,135
Pension service costs	319,507	-	319,507	240,222
Additional pension payment	-	-	-	116,000
Redundancy costs	-	-	-	75,233
	<u>2,383,992</u>	<u>551,462</u>	<u>2,935,454</u>	<u>2,779,462</u>

The additional pension payment in 2014 was made to City of Westminster to reduce the net pension fund liability.

The average number of THO employees including part-time employees and secondees during the year was 51 (2014: 49), engaged in the following duties:

	THO 2015 No.	THO 2014 No.
Ombudsman	1	1
Caseworkers	32	34
Organisation and Sector Development	5	4
Support staff	4	5
Temporary staff	9	5
	<u>51</u>	<u>49</u>

Reporting of exit packages

Exit package cost bands (£)	Number of compulsory redundancies	Number of other departures agreed	2015 Total	Number of compulsory redundancies	Number of other departures agreed	2014 Total
0 – 9,999	-	-	-	-	-	-
10,000 – 24,999	-	-	-	2	-	2
25,000 – 49,999	-	-	-	1	-	1
50,000 – 99,999	-	-	-	-	-	-
100,000+	-	-	-	-	-	-
Total number of exit packages	-	-	-	3	-	3
Total Cost (£)	-	-	-	75,233	-	75,233

Notes to the financial statements

For the year ended 31 March 2015

2c. Administrative expenses

	2015 £	2014 £
Accommodation	411,936	423,939
Training and recruitment	194,700	257,354
Depreciation and amortisation	182,493	184,718
Office running costs	217,406	222,721
Consultancy	12,961	27,465
Information technology	186,105	133,906
Organisation & Sector Development	153,001	79,783
ARAC remuneration	8,810	17,645
Travel and subsistence	14,916	15,552
NAO audit fees	29,000	30,500
Other professional fees	54,423	25,211
DCLG internal audit fees	22,935	20,359
Professional subscriptions and welfare	7,798	7,975
External dispute resolution	-	673
Health scheme	11,046	9,636
Loss on disposal of assets	-	-
	1,507,530	1,457,437

No remuneration was paid to the external auditors for non-audit work in 2014-15 (2013-14: nil).

3 Interest receivable/ (payable)

	2015 £	2014 £
Bank and other interest receivable	23,877	16,137
Interest cost on pension obligation	(385,000)	(394,000)
Interest on pension scheme assets	338,000	304,000
	(23,123)	(73,863)

4. Statement of losses and special payments during the year

There were no losses or special payments that require disclosure in the financial statements.

5. Taxation

The Ombudsman, with certain provisos, is only subject to tax on its interest received.

The tax assessed for the period is the standard rate of corporation tax in the United Kingdom 20% (2014:20%)

	2015 £	2014 £
Interest received before corporation tax	23,876	16,137
Tax on interest received	4,775	3,227

Notes to the financial statements

For the year ended 31 March 2015

6. Intangible assets

	Computer Software £	Website £	Total £
Cost			
As at 1 April 2014	313,534	132,000	445,534
Additions	24,000	-	24,000
Disposals	-	-	-
As at 31 March 2015	337,534	132,000	469,534
Amortisation			
As at 1 April 2014	191,688	46,450	238,138
Charge for the year	41,606	44,000	85,606
Disposals	-	-	-
As at 31 March 2015	233,294	90,450	323,744
Net book value:			
As at 31 March 2015	104,240	41,550	145,790

	Computer Software £	Website £	Total £
Cost			
As at 1 April 2013	301,006	88,200	389,206
Additions	12,528	43,800	56,328
Disposals	-	-	-
As at 31 March 2014	313,534	132,000	445,534
Amortisation			
As at 1 April 2013	145,654	2,450	148,104
Charge for the year	46,034	44,000	90,034
Disposals	-	-	-
As at 31 March 2014	191,688	46,450	238,138
Net book value:			
As at 31 March 2014	121,846	85,550	207,396

Notes to the financial statements
For the year ended 31 March 2015

7. Property, Plant and Equipment

	Leasehold Improvements Fixtures and Fittings £	Information Technology £	Office Equipment £	Total £
Cost				
As at 1 April 2014	256,712	241,511	64,587	562,810
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31 March 2015	256,712	241,511	64,587	562,810
Depreciation				
As at 1 April 2014	141,531	108,944	26,453	276,928
Charge for the year	48,625	42,806	5,455	96,886
Disposals	-	-	-	-
As at 31 March 2015	190,156	151,750	31,908	373,814
Net book value:				
As at 31 March 2015	66,556	89,761	32,679	188,996

	Leasehold Improvements Fixtures and Fittings £	Information Technology £	Office Equipment £	Total £
Cost				
As at 1 April 2013	256,712	158,627	61,619	476,958
Additions	-	82,884	2,968	85,852
Disposals	-	-	-	-
As at 31 March 2014	256,712	241,511	64,587	562,810
Depreciation				
As at 1 April 2013	92,906	69,597	19,741	182,244
Charge for the year	48,625	39,347	6,712	94,684
Disposals	-	-	-	-
As at 31 March 2014	141,531	108,944	26,453	276,928
Net book value:				
As at 31 March 2014	115,181	132,567	38,134	285,881

Notes to the financial statements

For the year ended 31 March 2015

8a. Trade receivables and other current assets

	2015 £	2014 £
Subscriptions	4,162,547	4,775,152
Staff loans	18,082	20,865
Prepayments	179,536	148,919
Other receivables	465	258
	4,360,630	4,945,194
Represented by		(restated)
Central Government	-	-
Local Authorities	1,518,100	1,633,914
Public Corporations	109,392	202,714
External Bodies	2,733,138	3,108,566
	4,360,630	4,945,194

The 2014 re presented figures have been restated due to the categorisation of ALMO's from Local Authorities to Public Corporations.

8b. Non-current receivables

	2015 £	2014 £
Subscriptions	-	140,446
	-	140,446
Represented by		(restated)
Central Government	-	-
Local Authorities	-	47,467
Public Corporations	-	5,889
External Bodies	-	87,090
	-	140,446

The 2014 Re-presented by figures have been restated due to the recategorisation of ALMO's from Local Authorities to Public Corporations.

9. Cash and cash equivalents

	2015 £	2014 £
Cash on hand and balances with bank	1,290,200	1,056,965
Short term deposits	2,850,000	-
	4,140,200	1,056,965
Investments held with commercial banks	-	2,000,000
	4,140,200	3,056,965

Notes to the financial statements
For the year ended 31 March 2015

10a. Trade payables and other current liabilities

	2015	2014
	£	£
Subscriptions in advance	4,710,900	4,832,760
Trade payables	65,438	112,670
Other payables	43,754	-
Tax & NI payables	52,572	-
Accruals	244,927	194,407
	5,117,591	5,139,837
Represented by		(restated)
Central Government	16,369	9,256
Local Authorities	1,700,193	1,633,355
Public Corporations	113,053	202,645
External Bodies	3,287,976	3,294,581
	5,117,591	5,139,837

The 2014 Re-presented by figures have been restated due to the recategorisation of ALMO's from Local Authorities to Public Corporations.

10b. Non-current payables

	2015	2014
	£	£
Subscriptions in advance	-	142,140
	-	142,140
Represented by		(restated)
Central Government	-	-
Local Authorities	-	48,040
Public Corporations	-	5,960
External Bodies	-	88,140
	-	142,140

The 2014 Represented by figures have been restated due to the recategorisation of ALMO's from Local Authorities to Public Corporations.

Notes to the financial statements

For the year ended 31 March 2015

11. Pension

THO 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). THO pays different contribution rates compared to other employers participating in the Fund, reflecting differences in the Corporation Sole'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 Barnett Waddingham. 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.

The actuarial valuation of the Fund at 31 March 2015 for IAS19 purposes calculated the accumulated net liability relating to THO to be £2,188,000 (2014 : £1,234,000). All further figures in this note are disclosed to the nearest thousand.

Following the 2013 triennial review the actuary recommended that the Corporation Sole's contribution rate of pensionable salaries increases as follows:

Year Ended 31 March	Contribution Rate %
2015	25%
2016	25%
2017	25%

Under the 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 12.5% depending on salary. The Actuary has advised THO that its additional contributions in previous years have been taken into account when determining the THO's share of the assets at the valuation date.

The main reason behind the increase in THO's liability to the pension fund is the change in financial assumptions due to the reduction in bond yields. Results under the IAS19 reporting standard can change dramatically depending on market conditions. 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 liability on the Statement of Financial Position and the actuarial gains or losses in the Statement of Comprehensive Income.

The choice of assumptions is the responsibility of the Accounting Officer 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 2015

11. Pension (continued)

The principal assumptions used by the actuary were:

	At 31.03.15	At 31.03.14	At 31.03.13	At 31.03.12
	%	%	%	%
RPI Inflation	3.3%	3.7%	3.4%	3.6%
CPI Inflation	2.5%	2.9%	2.6%	2.6%
Rate of increase in salaries	4.3%	4.7%	4.8%	5.1%
Rate of increase of pensions in payment/deferred pensions	2.5%	2.9%	2.6%	2.6%
Discount rate	3.4%	4.5%	4.7%	5.8%
Post retirement mortality (future lifetime years, retirement age 65)				
- Males (PNMA00)	22.1 to 24.2	22.0 to 24.1	22.5 to 24.3	22.4 to 24.2
- Females (PNFA00)	25.2 to 27.6	25.1 to 27.4	24.6 to 26.6	24.5 to 26.5

Salaries are assumed to increase at 1.8% per annum above CPI in addition to a promotional scale over the long term. The Accounting Officer considers this to be reasonable.

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

	Value at 31.03.15 £'000	Value at 31.03.14 £'000
Equities	6,554	5,534
Property	724	291
Government Bonds	143	219
Corporate Bonds	1,058	801
Cash	110	437
Other	-	-
Total assets	8,589	7,282
Estimated liabilities	(10,777)	(8,516)
Net pension deficit	(2,188)	(1,234)

THO 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 2015.

a) Analysis of amounts charged to the operating surplus

	2015 £'000	2014 £'000
Service cost	318	339
Total	318	339

This charge is included within Note 3.

b) Net finance charge on pension scheme

	2015 £'000	2014 £'000
Net interest on the defined liability (asset)	47	90
Net charge included in note 3.	47	90

Notes to the financial statements
For the year ended 31 March 2015

11. **Pension (continued)**

c) **Re-measurements in other comprehensive income**

	2015 £'000	2014 £'000
Return on plan assets in excess of interest	505	174
Other actuarial gains/(losses) on assets	-	75
Change in financial assumptions	(1,470)	(374)
Change in demographic assumptions	-	215
Experience gain/(loss) on defined benefit obligation	-	794
Changes in effect of asset ceiling	-	-
Actuarial (loss) gain recognised	(965)	884

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

	2015 £'000	2014 £'000
Opening present value of liabilities	(8,516)	(8,354)
Current service cost	(318)	(339)
Interest cost	(385)	(394)
Changes in financial assumptions	(1,470)	(374)
Changes in demographic assumptions	-	215
Experience loss/(gain) on defined benefit obligation	-	794
Estimated benefits paid net of transfers in	40	59
Past service costs, including curtailment	-	-
Contributions by Scheme participants	(128)	(123)
Closing present value of liabilities	(10,777)	(8,516)

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

	2015 £'000	2014 £'000
Opening fair value of scheme assets	7,282	6,198
Interest on assets	338	304
Return on assets less interest	505	174
Other actuarial gains/(losses)	-	75
Administration expenses	(6)	(5)
Contributions by employer	382	472
Contributions by Scheme participants	128	123
Benefits paid	(40)	(59)
Closing present value of scheme assets	8,589	7,282

Notes to the financial statements

For the year ended 31 March 2015

11. Pension (continued)

f) Movements in deficit during the year

	2015 £'000	2014 £'000
Deficit in scheme at beginning of the year	(1,234)	(2,156)
Movement in year:		
Current service cost	(318)	(339)
Net interest cost	(47)	(90)
Change in financial assumptions	(1,470)	(374)
Change in demographic assumptions	-	215
Experience gain/(loss) on defined benefit obligation	-	794
Return on assets	505	174
Settlements and Curtailments	-	-
Other actuarial gains/(losses)	-	75
Administration expenses	(6)	(5)
Contributions by employer	382	472
Closing present value of scheme liabilities	(2,188)	(1,234)

The projected pension expense in regard to the year ending 31st of March 2016 is expected to be £389,000.

Reconciliation of funded status to Statement of Financial Position

	Value as at 31/03/15 £'000	Value as at 31/03/14 £'000	Value as at 31/03/13 £'000	Value as at 31/03/12 £'000	Value as at 31/03/11 £'000
Fair value of assets	8,589	7,282	6,198	4,830	4,370
Present value of funded defined benefit obligation	10,777	8,516	8,354	7,630	6,340
Unrecognised actuarial (gain)/loss	-	-	-	-	-
Unrecognised past service cost	-	-	-	-	-
Asset/(liability) recognised on the balance sheet	(2,188)	(1,234)	(2,156)	(2,800)	(1,970)

History of experience gains and losses

	2015 £'000	2014 £'000	Restated 2013 £'000	2012 £'000	2011 £'000
Difference between expected and actual return on assets	505	249	495	(230)	(270)
% of assets	5.9%	3.4%	8.0%	(4.8%)	(6%)
Experience gains and (losses) on scheme liabilities	-	794	-	(20)	(210)
% of present value of the liabilities	-	9.3%	-	(0.3%)	(3.3%)
Changes in assumptions	(1,470)	(159)	156	(610)	180
% of present value of the liabilities	(13.6%)	(1.9%)	1.9%	8%	2.8%
Total amount recognised in Statement of Taxpayer's Equity	(965)	884	651	(860)	(300)
% of present value of liabilities	9.0%	10.4%	6.4%	11.3%	(4.7%)

Notes to the financial statements

For the year ended 31 March 2015

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	10,559	10,777	11,000
Projected Service Cost	384	393	402
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	10,398	10,777	11,159
Projected Service Cost	379	393	407

12. Operating leases

At the Statement of Financial Position date, THO had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which are due for payment over the following years:

			2015	2014
			£	£
Total rentals payable on leases expiring				
	Buildings	Other	Total	Total
Within one year	259,661	10,051	269,712	269,712
Within two to five years	91,059	10,889	101,948	369,147
After five years	-	-	-	-
			371,660	638,859

13. Financial Instruments

THO 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 THO's activities and manage its working capital requirements.

The existence of these financial instruments exposes THO to a number of financial risks namely, credit risk, liquidity risk and market risk. The Audit and Risk Assurance Committee has 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

THO exposure to credit risk is limited to the carrying amount of financial assets recognised at the Statement of Financial Position 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 Accounting Officer considers that all of the financial assets that are not impaired for 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.

Notes to the financial statements

For the year ended 31 March 2015

13. Financial Instruments (continued)

Liquidity risk

THO's business model, with subscription fees falling due annually in April results in the majority of working capital requirements being received in the first quarter of the financial year. This results in a high proportion of the organisation'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

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

Income and expenditure relating to THO's activities are fully Sterling dominated and hence exposure to exchange rate volatility is nil.

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

14. Related Parties

THO is a Non-Departmental Public Body sponsored by DCLG. Hence any other bodies sponsored by DCLG are considered to be related parties. During the year, THO has had no material transaction with DCLG. In 2013-14, THO was partly funded by receipt of £630,000 of grant-in-aid funding from DCLG.

Under IAS 24, the Local Government Pension Scheme is defined as a related party to THO. For details of transactions with this body, refer to note 11.

The Remuneration Report (see page 7) contains details of compensation payments made to key management personnel.

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