



Department for
Communities and
Local Government

Future Funding of the Housing Ombudsman

Analysis of Consultation Responses

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Contents

Introduction

About the Responses

Summary of Responses to the Future Funding of the Housing Ombudsman Consultation

Annex A: List of Respondents

Introduction

The single Housing Ombudsman was launched on 1 April 2013 with an extended jurisdiction to cover both housing associations and local authority landlords. A new Housing Ombudsman Scheme (setting out the Ombudsman's terms of reference) ("the Scheme") came into effect on 1 April.

The Housing Ombudsman now provides a simple and easily understandable route of redress for all tenants and leaseholders of social landlords, providing a centre of expertise on social housing matters.

The consultation aimed to seek views from both local authority landlords and other member landlords of the Scheme on the proposal to extend the Housing Ombudsman's existing fee charging model to local authority landlords from April 2014. We also sought preliminary views on an alternative funding model from 2016.

The Housing Ombudsman Scheme will need to be amended to extend the fee charging model to local authority landlords. The government considered that this would be a 'significant amendment', and so, in accordance with paragraph 3 of the Scheme, the consultation sought members' views before it is made.

The consultation posed four questions related to the proposed changes as set out in the consultation document:

Question 1: Do you agree that the current subscription funding model that already applies to housing associations should be extended to local authorities?

Question 2: Are there any aspects of this proposal that you do not agree with? Please explain why.

Question 3: Do you have any comments on the effectiveness of the current charging system?

Question 4: Do you have any comments on such a potential future alternative model?

About the Responses

The closing date for receipt of responses was 30 January 2014.

A total of 115 responses from a variety of organisations, mainly local authorities and registered housing providers, were received in time and an analysis of these responses is contained in this report. Two responses were received after the closing date. These are not included in the main analysis but were considered in developing a final position.

A full list of the respondents to this consultation is given in the Annex.

Summary of Responses to the Future Funding of the Housing Ombudsman

Generally respondents welcomed the proposal to extend the Housing Ombudsman's funding mechanism to local authority landlords from 2014/15 as in their view this would provide a fairer and more equitable system with all member landlords contributing to the funding of the Ombudsman on an equal basis.

A summary of responses to each question and the government's response are outlined below:

Question 1: Do you agree that the current subscription funding model that already applies to housing associations should be extended to local authorities?

There was unanimous support from respondents representing registered housing providers who were members of the Housing Ombudsman Scheme before 1 April 2013 (such as housing associations, registered charities and Almshouses), on the proposal to extend the Housing Ombudsman's current funding model to local authorities from April 2014. They felt that this provision would ensure there is consistency across the housing sector in the way the Housing Ombudsman is financed.

There was a mixed response to our proposal from respondents representing local authority landlords. A large number of local authorities (47% respondents) supported the government's proposal recognising that this would provide a more equitable model for financing the Housing Ombudsman, and a level of fairness by applying the same rules to all member landlords to the Ombudsman' Scheme.

Those local authorities not supportive of the proposal (39%) argued for the costs to local authorities from using the Housing Ombudsman' services to continue to be financed through grant-in-aid as, in their view, this constitutes a new charge that will put pressure on their budgets with additional costs passed to tenants and leaseholders. Some local authorities (13%) were unclear in their response.

In relation to the proposed fee levels for 2014/15, some local authorities were of the view that the Housing Ombudsman seems to provide a more expensive service than the equivalent provided by the Local Government Ombudsman scheme, based on the grant funding transferred from the Local Government Ombudsman to the Housing Ombudsman for 2014/15.

Other views raised by local authorities included:

- the need for a better understanding of the Housing Ombudsman's budget setting process, in order to ensure transparency

- whether the Housing Ombudsman's current funding model offers value for money, particularly for landlords with low level of complaints; and
- whether the Housing Ombudsman's independent and impartial role in the handling and determination of complaints by tenants about their landlords might be undermined if financed directly by landlords.

There was also a general welcome across all respondents to the proposal to carry out a review of the Housing Ombudsman's funding model in 2016.

Question 2: Are there any aspects of this proposal that you do not agree with? Please explain why.

As outlined above, a large proportion of respondents supported the proposal for local authority landlords to contribute towards the funding of the Housing Ombudsman. However, some respondents particularly representing local authorities gave conditional support dependent upon:

- greater clarity on the value for money and benefits to local authorities offered by the Housing Ombudsman, and
- greater clarity regarding the Housing Ombudsman's annual fee setting process

A local authority suggested that the grant funding to be paid to local authority landlords in 2014/15 be paid directly into their Housing Revenue Accounts.

Question 3: Do you have any comments on the effectiveness of the current charging system?

There was a general recognition among respondents that the Housing Ombudsman's current charging system offers a transparent and simple to administer model, providing certainty to landlords with regard to costs.

Despite this positive response, there was a shared view raised by most respondents on whether the annual fee charge represents a proportionate cost to landlords, particularly in the case of landlords with low levels of complaints.

Some respondents, representing both local authorities and housing associations, suggested that the Housing Ombudsman could benefit from having in place a Service Level Agreement setting out a standard for the handling of complaints (with specific targets and timescales), hence offering member landlords a transparent mechanism to assess the Housing Ombudsman's performance and demonstrate the value of the service it provides to its members.

Several respondents indicated that they were not aware of the wider services offered by the Housing Ombudsman, and called for these to be properly publicised to all member landlords. In addition, a number of respondents questioned whether the Housing Ombudsman should be providing training on dispute resolution as part of their core

services, as this is not applicable to all member landlords and can be outsourced locally to third parties. It was suggested that this should be offered as a buy-in option.

There were two responses from housing associations suggesting ways to improve the Housing Ombudsman's fee collection process, such as

- reducing the annual fee collection costs to landlords, for example, through the use of direct debit, and
- allowing landlords more flexibility in providing data on housing stock counts, for example, through self-certification

As part of the forthcoming review in 2016, some respondents suggested reviewing the following issues:

- to consider the effectiveness of the new complaint process introduced by the Localism Act 2011, which places a strong focus on early resolution at local level, and the effect that this might have on the level of complaints handled by the Housing Ombudsman and, hence, its overall costs; and
- to review the Housing Ombudsman's current membership requirements in relation to, for example, leaseholders, Almshouses and private market accommodation managed by registered housing providers.

Question 4: Do you have any comments on such a potential future alternative model?

There was a mixed reaction among all respondents regarding the potential future alternative model post -2016. As set out in the consultation paper, the proposal is to introduce a two tier charging model, with a fixed annual subscription fee for all member landlords and a variable case fee specific to the costs of the Ombudsman in dealing with enquiries and complaints.

Those respondents supportive of the proposed alternative funding model believed that it would provide a fairer system, by taking account of the impact of individual landlords on the Ombudsman's workload, with those landlords generating more complaints paying more of the Ombudsman's casework service costs. Some respondents also suggested that it would provide a positive incentive by encouraging landlords to resolve more complaints locally, hence reducing the number of complaints going to the Housing Ombudsman.

Those against the alternative model argued that it would be a significantly more complex and costly system to administer, with increased costs in the collection of data and invoicing to landlords. It could also increase financial uncertainty for landlords. In addition, some respondents were of the view that this model might encourage landlords to pay high level of compensation to prevent complaints going to the Housing Ombudsman or to be less proactive in advising tenants about their right to apply to the Housing Ombudsman.

A small number of respondents, particularly representing inner-city landlords, commented on the additional burden that the alternative model might place on them given the specific nature of their stock and tenants (more likely to live in high density housing estates, with residents likely to have more specialist needs or other type of vulnerability, and with a higher likelihood of anti-social behaviour/gang-related crime).

In considering the alternative funding model, the following issues were also raised:

- Need to clearly define the services funded by the fix and the variable 'per case' charge
- Regarding the variable 'per case' charge, to provide more clarity on what will constitute a complaint; and whether different charges should apply based on the nature of the complaint and the final outcome
- To consider a reduction of the fixed unit charge for smaller landlords (below a minimum threshold – with suggestions ranging from 1,000 to 100 units of stock)

However, the majority of respondents felt that more information was needed regarding the alternative model in order to provide an informed response. The majority of respondents, hence, welcomed the government's commitment to carry out a further review of the Housing Ombudsman's financing model in 2016.

Response and Next Steps

In view of the support for this proposal from across the housing sector the Housing Ombudsman's current funding model will be extended to local authorities from April 2014.

The Secretary of State has approved the subsequent amendment to the Housing Ombudsman Scheme to reflect this change and to remove the provision for the Secretary of State to provide Grant-in-Aid to the Housing Ombudsman.

The Scheme requires the Housing Ombudsman to publish a business plan including projected annual budget, performance criteria, and targets at the start of each financial year. Recognising comments from respondents we will work with the Housing Ombudsman to consider how best to increase awareness of the publication of this information among Scheme members.

Responses to questions three and four will be taken into account as part of the government's commitment to undertake a further review of the Housing Ombudsman's funding model in 2016 once comprehensive data on local authority landlord and housing association use of the Ombudsman's service is available.

Responses expressing views regarding the grant funding transferred from the Local Government Ombudsman to the Housing Ombudsman for 2014/15 argued that the Housing Ombudsman seems to provide a more expensive service than the equivalent provided by the Local Government Ombudsman scheme. The amount of grant transferred represented the government's view of the additional costs to the Housing Ombudsman of

handling responses from local authority landlords. The Housing Ombudsman's fixed costs remained and will be reflected in the subscription rate paid by all member landlords.