

**The Housing Ombudsman  
Annual Report and Accounts  
2016-17**

**Housing Matters:  
Fairness Matters**

1997 - 2017

**20<sup>th</sup>**  
  
Anniversary

**The Housing Ombudsman**

**Annual Report and Accounts**

**2016-17**

Presented to Parliament pursuant to the Housing Ombudsman Scheme as approved by the Secretary of State for Communities and Local Government under section 51 of, and Schedule 2 to, the Housing Act 1996

*Ordered by the House of Commons to be printed on 12 July 2017*



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Print ISBN 9781474145633

Web ISBN 9781474145640

ID 24051708 07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

# Annual Report and Accounts 2016-17

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## Ombudsman's foreword

As Housing Ombudsman up to 4 June I prepared this Annual Report and Accounts which covers my second year in the role. Those two years have seen continuous improvement in the service with a significant increase in productivity and very high levels of positive customer feedback.

We also received excellent feedback from the housing sector when we consulted on our business plan for 2017-18, providing an opportunity to gain further insight into the wider changes likely to impact on the work of the service.

I was very pleased that the 2017-18 business plan was agreed with the Secretary of State before I left. This responds to the key themes identified through the consultation, providing the additional resources that will enable the service to continue to improve. In particular I am pleased that the increased resources should enable a reduction in average determination times.

With ongoing changes in the housing sector, the Ombudsman service is more important than ever. The service has a strong platform to build on that will enable it to go from strength to strength.

I would like to thank everyone who contributed to the development of the service in 2016-17 including the landlords and residents who responded to the consultation. I also want to express my thanks to all the team who have delivered the high levels of performance set out in this report.

**Denise Fowler**  
**Housing Ombudsman and Accounting Officer (until 4 June 2017)**

I am pleased to present this Annual Report and Accounts for the year ended 31 March 2017 which was prepared by Denise Fowler before she moved on to her new role. I wish to record my thanks to Denise whose various assurances I have relied on.

Over this year, we are marking 20 years since the Housing Ombudsman Service was established. The organisation continues to provide an extremely valuable service to both landlords and residents. As Interim Ombudsman my focus will be taking forward the Business Plan 2017-18, building on all the achievements to date.

**David Connolly**  
**Interim Housing Ombudsman and Accounting Officer (from 5 June 2017)**

## Who we are

### Senior Leadership Team



**David Connolly was appointed Interim Housing Ombudsman and Accounting Officer from 5 June 2017**



**Until 4 June 2017 the Housing Ombudsman and Accounting Officer was Denise Fowler**



**Joyce Adu**  
Director of Dispute Resolution



**Emma Foxall**  
Director of Dispute Resolution



**Andrea Keenoy**  
Director of Finance and Corporate Performance

### Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee advises the Ombudsman in their role as Accounting Officer on all activities, policies and procedures for risk, control and governance.

Members of the committee are:



**Sue Harvey**  
Chair



**David Horne**  
Member  
(joined 20 Dec 2016)



**Julie Parker**  
Member



**Simon Sweetinburgh**  
Member

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## What we do

### Our role

Our role is set out in the Housing Act 1996 and the Housing Ombudsman Scheme approved by the Secretary of State. Our remit was extended by the Localism Act 2011 to include local authority landlord functions from April 2013.

The role of the Housing Ombudsman is to:

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

The service is independent and impartial.

### Our membership

Membership of the Scheme is compulsory for social landlords (primarily housing associations who are or have been registered with the social housing regulator) and local authority landlords. Additionally, some private landlords are voluntary members.

As at 31 March 2017, 2,471 landlords were in membership, representing 4,761,158 housing units. This comprised:

- 2,051 housing association members representing 2,957,388 housing units
- 349 local housing authorities relating to 1,785,766 housing units
- 71 voluntary members representing 18,004 housing units.

The scheme is funded by subscription from members on a per housing unit basis. For 2016-17 members of the scheme paid £0.96 per unit per year (the same as 2015-16), generating revenue of £4.6 million.

## Our vision

### Housing Matters: Fairness Matters

We understand the importance of housing to people's lives. We ensure the fair and impartial resolution of housing complaints, locally where possible. When things go wrong we put things right and encourage learning from outcomes. We help improve landlord and resident relationships. We role model the service we expect of others.

#### Our strategic objectives

1. We will deliver an accessible, high quality and timely complaints handling service
2. We will support landlords and residents to resolve more complaints locally
3. Our decisions will be recognised as fair, impartial and effective
4. We will support landlords to learn from outcomes
5. We will be an accountable, well run organisation, using our subscription monies wisely

#### Our core values

- ▶ We will act fairly and impartially
- ▶ We will be open and accountable
- ▶ We will empower and respect those we work with
- ▶ We will be proactive and take responsibility for achieving results
- ▶ We will work as One Team within the Housing Ombudsman Service and collaboratively with others
- ▶ We will be curious, always seeking to learn and improve

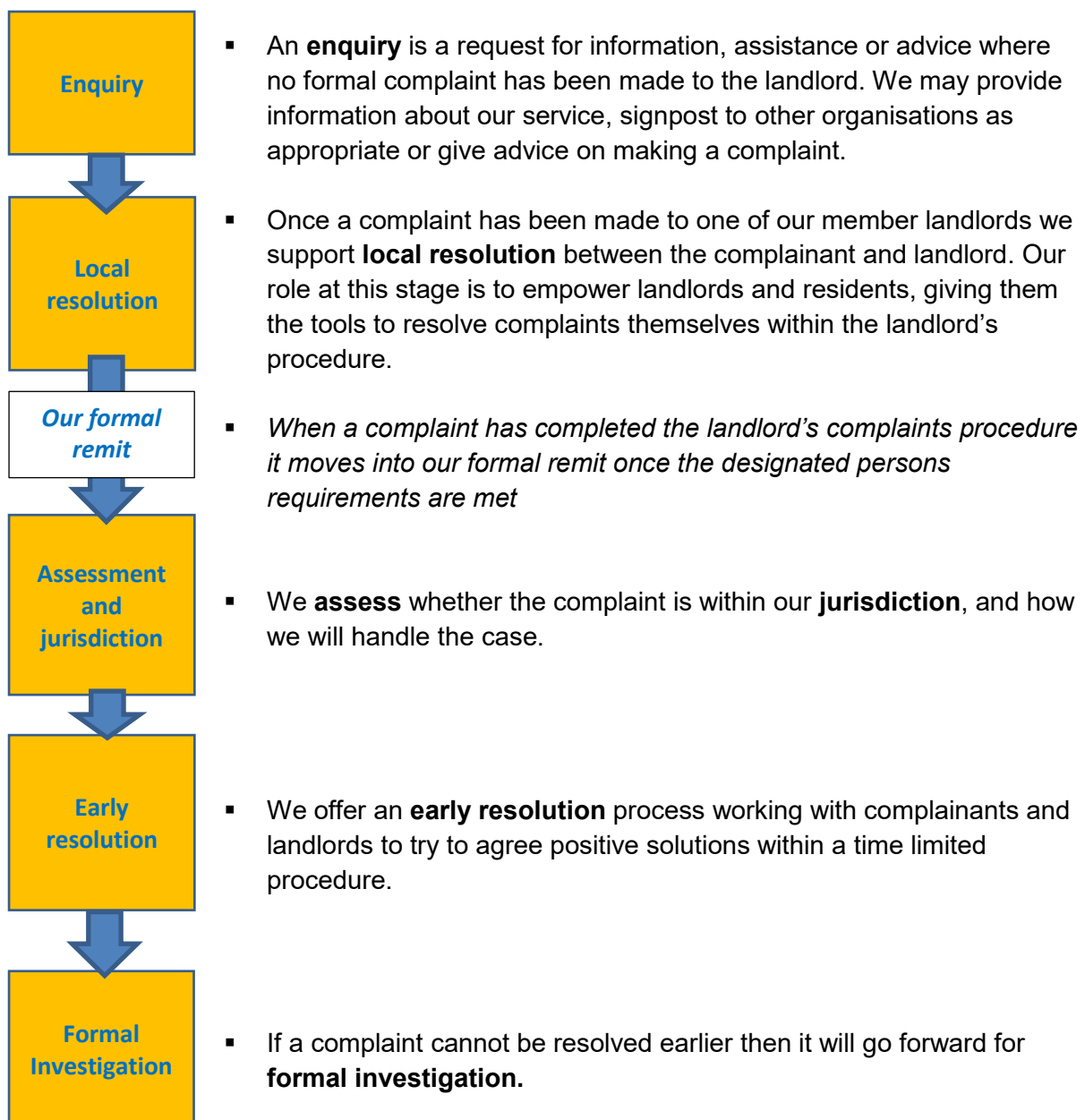


## Our process

We aim to resolve complaints locally and early wherever possible. This ensures the best outcomes for complainants and improves landlord and tenant relationships. Where an agreed solution is not possible or appropriate we investigate and determine cases fairly and impartially.

Our new Dispute Resolution Policy and Process began in April 2016, based upon our existing dispute resolution principles. It clarifies the different stages of our process and has been published on our website, providing improved transparency and openness. The process provides a better service to customers and increases our accountability. Throughout the year we have continued to develop our policies and processes at each stage based on our experience and feedback from our customers.

### *Our Dispute Resolution process*



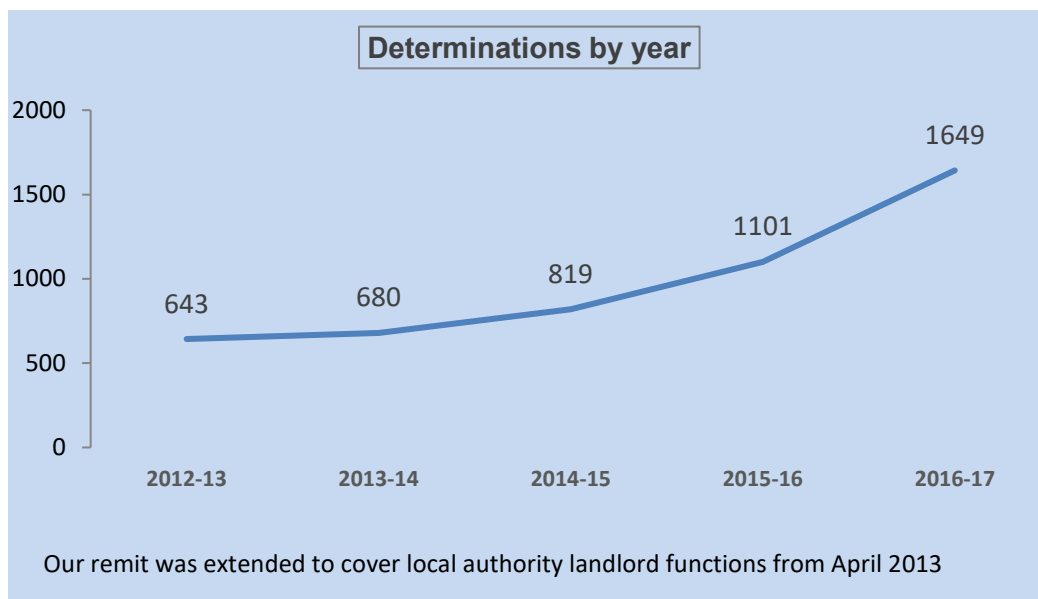
## Performance overview

This overview summarises our performance in-year, both operational and financial, as well as the issues and risks we face in delivering our objectives in 2017-18.

### Key facts and figures

We measure our performance against the five strategic objectives set out on page 4, and are pleased to report that we have performed strongly against all of them in 2016-17.

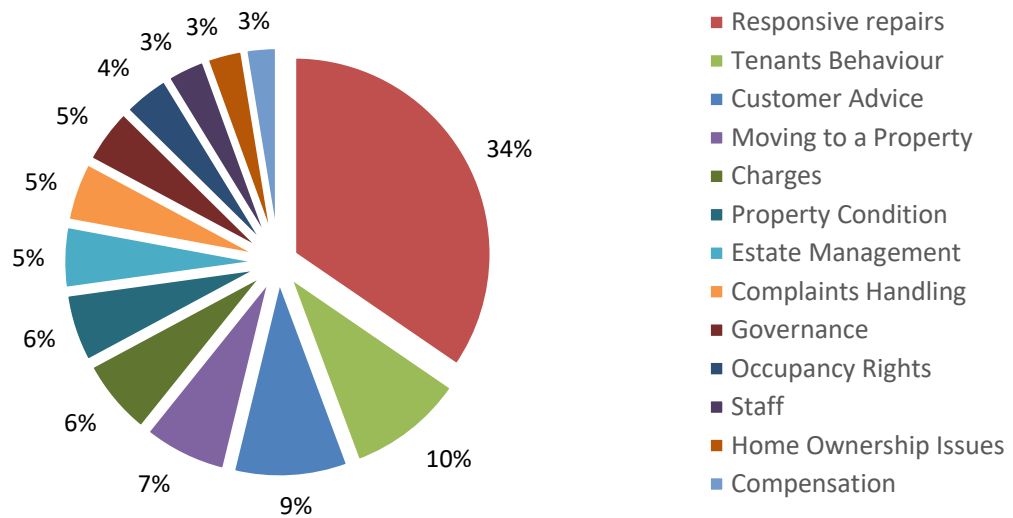
In 2016-17 we received 15,112 complaints and new enquiries, and closed 15,877. Overall this is slightly fewer than last year but there was an 18% increase in cases received within our formal remit. These are the most complex and difficult to resolve. The team formally determined 1,649 cases, resolving 50% more cases than last year.



A key theme this year has been the continued increase in demand for investigation and determination within our formal remit. We have worked hard to keep pace with demand, determining the highest number of complaints ever, as shown above.

## Types of complaints and enquiries

Categories of enquiries & complaints received 2016-17\*



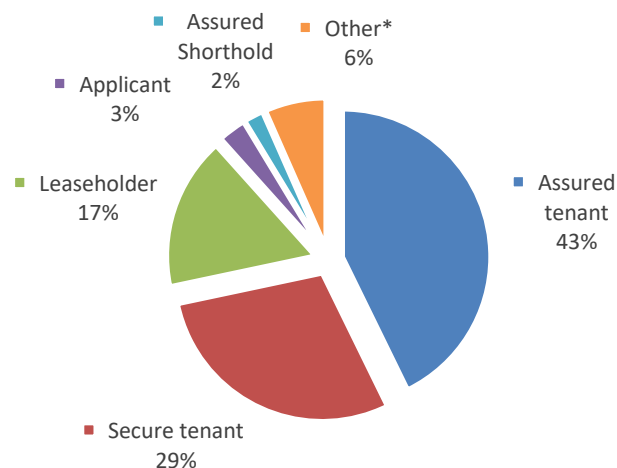
\*Enquiries and complaints can have multiple categories

Responsive repairs continued to be the largest category overall followed by tenants' behaviour. Some types of complaints are more amenable to local resolution and others need more formal investigations. For example, 46% of repairs complaints are resolved locally.

### Tenure of complainants

It is often assumed that the Housing Ombudsman Service only works with tenants but in fact as the chart below shows we also deal with a significant proportion of leasehold complaints.

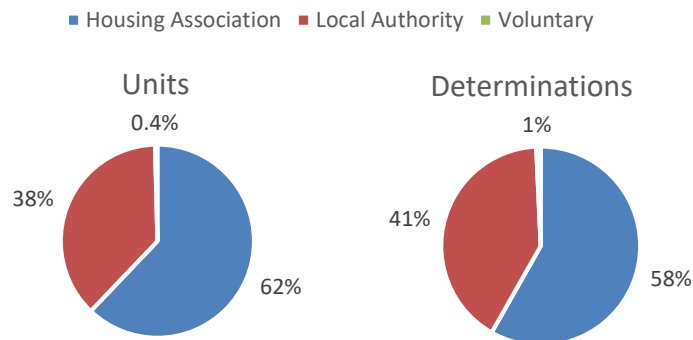
Tenure of complainants - determinations 2016-17



\*Other includes Introductory Tenancy, Assured Shorthold - Fixed-Term, Leaseholder, Licence, Co-operative, Flexible Tenancy and other.

## Breakdown of complaints from local housing authorities and housing associations

### Comparison of landlord types - determinations 2016-17



These charts show that we determine slightly more complaints from local housing authorities (LHAs) relative to the number of units they hold than we do housing associations (HAs). But we uphold roughly the same proportion of LHA and HA complaints (40% and 39%). The numbers of complaints for voluntary members which go through to formal determination are so small as to be statistically insignificant.

### Casework performance summary

In 2016-17 we:

- ▶ closed more cases than we received: 15,877 closed compared to 15,112 received
- ▶ maintained our focus on local resolution: 81% of complaints were closed without a formal investigation
- ▶ received excellent customer feedback, exceeding all targets - overall 89% of our customers thought we treated them well and 75% thought we helped
- ▶ issued 50% more determinations than last year
- ▶ exceeded our target on cases determined within 12 months
- ▶ exceeded our target for compliance with 99.6% of orders implemented and only one instance of partial non-compliance outstanding at the end of the year
- ▶ helped 95% of landlords we worked with to improve their complaint handling or service delivery

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## Financial analysis and going concern

During 2016-17 we kept the subscription rate paid by members at the 2015-16 level while increasing our expenditure. This was part of a reserves strategy, agreed with the Department for Communities and Local Government (DCLG) through our 2015-16 Business Plan, to use our accumulated balance to invest in new IT projects and to mitigate subscription rate rises. This meant we ended 2016-17 as planned with an operating deficit.

Expenditure increased as a result of one-off costs to support our office move and the cost of employing more staff following a small rise in our delegated headcount. The increase in staffing levels enabled us to improve our casework performance as set out above.

Following consultation with the sector, we are increasing our subscription rate in 2017-18 to cover all costs in-year. This also allows for further increases in staff numbers and to meet our casework targets for the year, including determining cases in our formal remit within six months on average. For more details see our [Business Plan](#).

The most significant movement in the Statement of Financial Position is to the pension liability. This increased to £3.3m as at 31 March 2017 following the valuation performed in accordance with International Accounting Standard (IAS) 19. The value of the liability will fluctuate each year and it is very sensitive to changes in the underlying assumptions. For more information, see note 14 to the accounts. We have a letter of comfort from DCLG which confirms that the Department would make sufficient resources available to the Housing Ombudsman should we not be able to meet our pension liabilities as they fall due.

Current assets have decreased largely due to the reduction of cash held at year-end, resulting from the reserves strategy. Current liabilities have decreased over the last year due to a payment run nearer to year-end and use of the dilapidations provision set up in 2015-16. The movement in non-current assets is not significant.

The financial statements in this Annual Report have been prepared on a going concern basis. The going concern nature of the business was assessed by the Senior Leadership Team at its meeting in April 2017. There are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Housing Ombudsman to continue as a going concern.

## Forward look

Continuing changes in the sector are likely to impact on the demand for our service, including the volume and nature of our casework. The sheer volume of change, from landlord structures, new organisations and operating models to the 1% rent reduction and the implications of welfare reform, are likely to drive increases in complaints and concerns over the performance of social landlords. Over the next year we anticipate that the number of enquiries will remain broadly the same but there will be an increase in the number of complaints, particularly those requiring investigation and determination within our formal remit.

A key issue arising from our consultation with the sector was a faster response on formal decisions. Increased productivity in 2016-17 resulted in 50% more cases determined. Over the next year the increase in subscription fee and lifting of the headcount restrictions should enable us to recruit more permanent caseworkers and reduce determination times significantly to six months on average.

To increase transparency and provide greater business insight for landlords we have started to provide individual landlords with performance information and will be considering options for publishing data on landlords' performance during the next year. We will also be developing our analysis of potential systemic issues including work with landlords in need of support and continued collaboration with the Social Housing Regulator.

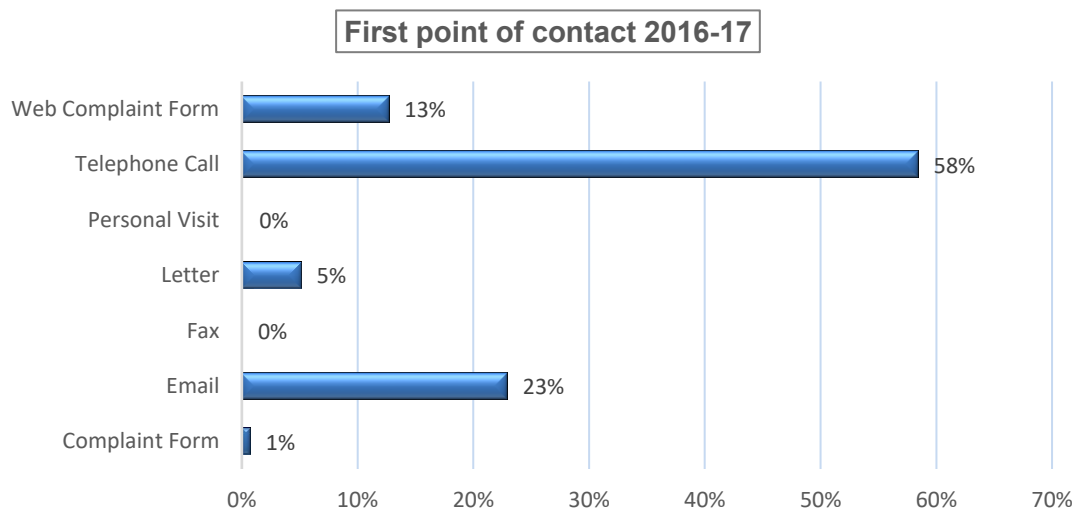
In 2017-18 we will engage as necessary with Government, landlords, residents and other Ombudsmen on relevant housing issues which emerge on the resumption of parliamentary business following the general election.

## Performance analysis

### Strategic objective 1: An accessible, high quality and timely complaints handling service

#### Ensuring access

We want to make sure that all residents can access our service. We enable the widest possible routes of entry to our organisation, including by email, telephone and online. The most popular choice when first contacting us is the telephone. Emails and the web complaint form are the next most popular method of contact:



In 2016-17 we improved our website and social media presence to help complainants understand how to access our service and our role, and we will be introducing a new, improved website over the next year.

The demographic profile of our complainants is close to that for social housing residents as a whole (based on the responses to our monitoring information), except that we have proportionally fewer people over 65 accessing our service. We will continue our commitment to easy access for all and encourage residents to use whatever method they are most comfortable with. As some residents, including a number of older people, are less confident in using the internet we confirmed our policy of continuing to enable access to our services by telephone and in writing, in addition to online.

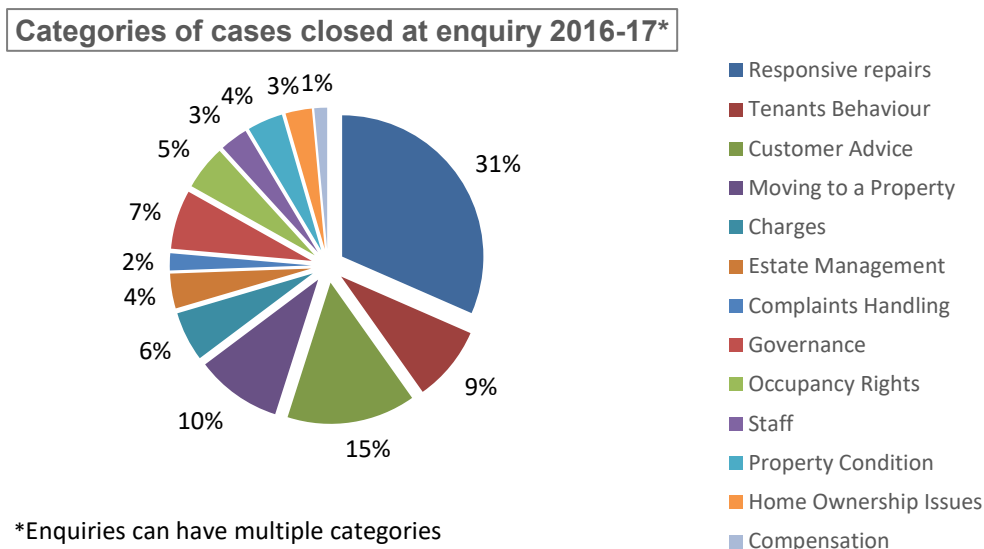
#### **Enquiries case 1**

**Ms A telephoned us asking for advice about the landlord's refusal to agree to her request for a partition wall in a bedroom. Ms A had two teenage sons sharing one bedroom and this was causing problems for the family.**

**We provided Ms A with details of her landlord's complaints procedure and how she could access this, along with information on how to formulate a complaint. We also discussed alternative solutions and provided details on her current landlord's transfer policy and local lettings scheme.**

Member landlords have a part to play in ensuring their residents can find details about our service and how to access it. A condition of membership is that they must publicise details of our scheme to their residents. We may make a finding of maladministration against them and/or refer them to the Social Housing Regulator if we discover that residents are not being properly informed about their right to bring complaints to us.

We take a ‘no wrong door’ approach to enquiries to assist those who contact us to navigate the complaint journey. The range of issues we dealt with at enquiries stage in 2016-17 is shown below.



If the complaint is not one we can consider, we try to find the most effective route to resolution. We signpost complainants to other Ombudsmen, complaint handlers, local authorities, advice agencies or other organisations where appropriate.

In 2016-17 we signposted 473 cases to the three government approved property redress schemes. The majority were to the Property Ombudsman, which has the largest membership of the three schemes. We also signposted 397 cases to the Local Government Ombudsman, 26 to the Scottish Public Services Ombudsman, 24 to the Public Services Ombudsman for Wales and two to the Parliamentary and Health Service Ombudsman.

We have a Memorandum of Understanding with the Local Government Ombudsman which sets out how we work together to offer a seamless service to complainants.

### **Enquiries case 2**

**Mr B contacted us complaining about the use of street parking by a local garage and the level of debris left in the road. Mr B ran a business near to the garage and his customers experienced difficulties finding parking spaces. As this was not a landlord tenant dispute we provided Mr B with details of relevant departments within the local authority which may be able to assist and the contact details for his MP.**



We work with landlords and tenant groups and all those operating as designated persons to support access. For example we ran workshops for tenant panel groups this year which were very well attended, providing opportunities to look at good practice in complaint handling with the aim of supporting local and early resolution of disputes.

We believe that members of the public should have direct and immediate access to the Ombudsman if the member complained about does not resolve their complaint. The “democratic filter” system of designated persons introduced by the Localism Act 2011 can impede that ease and immediacy of access, and we would favour its removal. Designated persons can play a very positive role in complaint resolution, but it need not be a statutory requirement.

We also work closely with the Social Housing Regulator to ensure effective access to each organisation for complainants and co-operate regularly on potential systemic service issues. This year the Housing Ombudsman signed a Memorandum of Understanding with the regulator setting out how this collaboration works.

### **Assessment and jurisdiction case 3**

**Mr C was originally an assured tenant of a housing association. At the point that he contacted the Ombudsman he had purchased the freehold of his home under the Right to Acquire. He wanted to complain about the landlord’s handling of behaviour from his neighbour.**

**The Housing Ombudsman Scheme sets out the categories of complainants who can bring a complaint to the Ombudsman. Generally, only tenants, leaseholders, shared owners and licensees of a landlord who is a member of the scheme can bring a complaint to the Ombudsman.**

**A freeholder does not have a housing relationship with a member landlord and does not therefore have the requisite legal standing to bring a complaint to the Housing Ombudsman.**

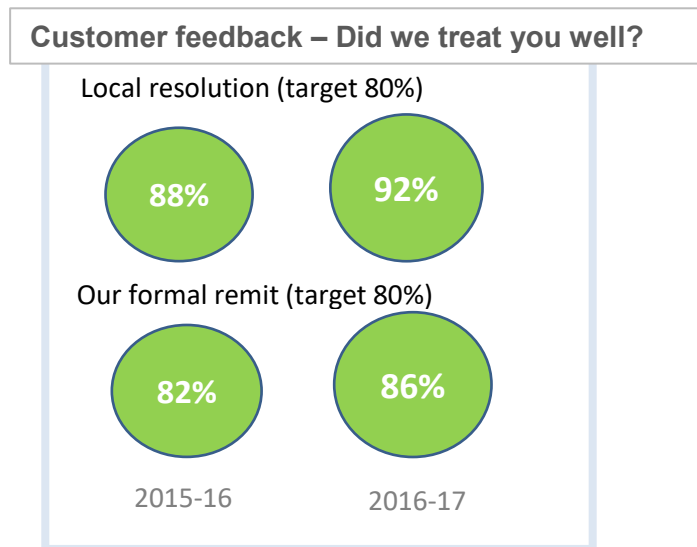
**In this case, had Mr C remained a tenant we could have looked at the complaint and the actions that the landlord took to prevent its residents from being subjected to anti-social behaviour. However, once Mr C became a freeholder we had no authority to consider his complaint. We did however encourage the landlord to continue dealing with the problem neighbour in accordance with its anti-social behaviour policy.**

### **A high quality service**

Our customers assess the quality of the service we provide. To measure the quality of our customer care we ask a sample of our customers whether they think we treat them well after their case closes throughout the year. We seek feedback from half of cases locally resolved, and in relation to all determinations.

We use an external organisation to ask “Did we treat you well?” and “Did we help?”. The first question elicits information about customer care and the second about the substantive outcome of the case. We then give respondents an opportunity to tell us anything they wish about our service. We use this information to drive performance at an organisational, team and individual level.

We have exceeded our targets for the year and improved on last year’s performance as shown below.

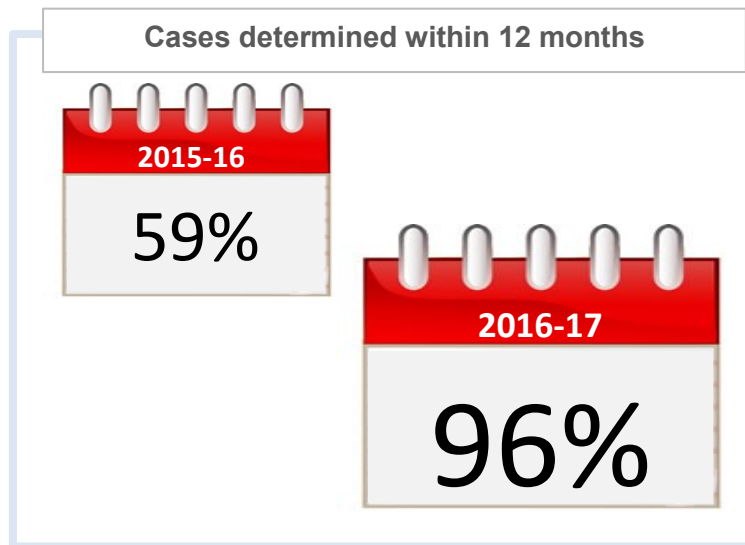


The customer feedback responses show the weighted average from landlords and complainants. Within those overall figures, we were particularly pleased to see that compared to 2015-16 feedback from complainants had been maintained at 86% in respect of local resolution and increased to 72% for our formal remit. We continue to receive a much higher proportion of positive feedback from complainants than the number of complaints we uphold (35% are investigated and found to involve maladministration or partial maladministration and a further 4% are resolved through the early resolution process). This is unusual in the Ombudsman sector.

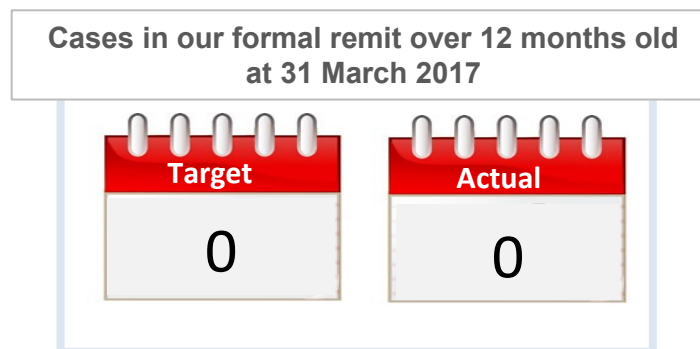
We also monitor the issues raised and the outcomes of complaints against the Housing Ombudsman Service. This year we received 136 complaints and 44 were upheld (this represents 0.3% of the cases we deal with). Almost all the complaints upheld were about process mistakes or delay; there was no evidence of bias. Although we have made a significant improvement in timeliness of complaint handling this year we can work to do more (see below). We were pleased that the quality of decisions and service was not compromised. Our continuing increases in productivity and the significant increase in casework resource in the business plan for 2017-18 should enable us to deal with all our cases faster, providing a swifter, more efficient service.

### Timely complaints handling

Despite the 18% increase in cases within our formal remit, determination times for complaints in our formal remit have significantly improved compared to the previous year. This year 96% of cases were determined within 12 months compared to 59% in 2015-16. The age profile of our cases has also been reduced.



Our targets were to determine 95% of cases within 12 months and to ensure that no cases within our formal remit were more than 12 months old at the end of the year.



Due to the volume of work though, average case time was nine months, an improvement from last year but below our eight-month target for 2016-17.



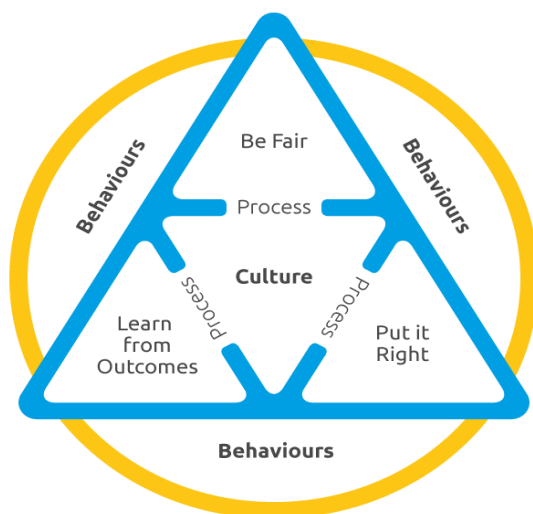
The business plan for 2017-18 includes additional case work resources and funding for infrastructure to support casework and so our target for next year is an average of six months.

## Strategic objective 2: Support landlords and residents to resolve more complaints locally

### Local resolution

Unlike most Ombudsman schemes, we not only investigate complaints but actively support the parties to a dispute to find a resolution between themselves. Once a complaint has been made to one of our member landlords, we support local resolution between the complainant and the landlord.

Our role at this stage is to use our dispute resolution principles to empower landlords and residents, giving them the tools to resolve complaints themselves within the landlord's procedure.



### Our Dispute Resolution principles

- ▶ Be fair
- ▶ Put things right
- ▶ Learn from outcomes

We help complainants access and navigate their landlord's complaints procedure. If a case does not seem to be progressing through a complaints procedure we will intervene to move it along.

We work with landlords on an individual basis and more widely to facilitate improvements in complaint handling processes to encourage local resolution (see Strategic Objective 4).

While a complaint is within a landlord's complaints procedure we can provide advice about potential resolutions for the parties to consider. We are not investigating at this point so do not determine the merits of individual cases but rather seek to identify factors which may help the parties reach a fair outcome. This is the local resolution stage of our process.

#### **Local resolution case 4**

Ms D contacted us in relation to delays in her landlord undertaking repairs to her back door. This had resulted in water entering her home and causing damage to her flooring. The matter had been reported to the landlord on several occasions and the door had been inspected three times. Some remedial action had been taken at one of these visits, and promises to replace the door were made. Ms D advised that she had made a complaint to the landlord but had received no response.

We contacted the landlord and checked that it had registered a complaint. We requested that it respond to the complaint and asked that in its response the landlord provide Ms D with an update in relation to any works planned to her property.

The landlord responded to the complaint at stage one of its complaints procedure. It offered an apology and an appointment date for the repairs. Ms D decided not to pursue the complaint further.

#### **Local resolution case 5**

Mr E was a vulnerable resident who contacted us following a leak at his property. He explained that a repair had not been completed and there was damage and damp in one of his rooms.

We advised the landlord of Mr E's complaint and asked that it deal with the matter under its complaints procedure. The landlord contacted us and confirmed that it had been trying to book an appointment for the repair but had had difficulty in getting a date from Mr E as to when he would provide access. We encouraged Mr E to speak to the landlord to arrange an appointment and discovered that he was reluctant to let the landlord into his home. Mr E confirmed that he had a large volume of possessions at the property and was worried that this would cause a problem. He did not feel able to clear the room or hallway himself as the task was too large.

A support package was offered as part of the landlord's response to the complaint to assist Mr E clear some of the items and to facilitate access to undertake the repairs. We encouraged Mr E to engage with the landlord to get the repair done. We informed him of the next steps he could take if he remained dissatisfied with the service provided or if the repair remained incomplete.

### **Early resolution**

When a case does enter our formal remit we will always consider whether it would be possible to resolve the issues through negotiation between the landlord and the resident.

In April 2016 we introduced a new early resolution process into our formal remit. We explore options for resolution based on our knowledge of housing law and practice and our experience of complaints handling. Any agreed settlement is reflected in a determination and monitored for compliance.

This early resolution process was slow to gain traction but is gaining momentum. By the end of March 2017, 4% of cases (5% of cases within jurisdiction) were resolved using this process. Feedback from residents and landlords during our consultation process was that the process took a while to get established and is not suitable in all cases but, in the right cases, is very helpful.

The advantage of both local and early resolution is that it encourages both residents and landlords to see issues from each other's perspectives, to learn from the experience and to build their relationship. This makes disputes in the future less likely.

### **Early resolution case 6**

**Mr F, a tenant who was registered blind, complained to the landlord about the condition of his property at the start of his tenancy. Mr F took steps to clean and re-decorate the property and requested compensation from the landlord for costs incurred of approximately £4,000. The landlord acknowledged that the property had not met its void standard. It apologised and offered £140 in recognition of service failures associated with the condition of the property; the failure to inform Mr F of its reporting procedures, and the cost of cleaning materials he had purchased. Mr F was dissatisfied with the landlord's offer and brought the complaint to the Ombudsman following completion of the landlord's complaints procedure.**

**The Ombudsman facilitated early resolution of the dispute by exploring with both parties how they had reached their view as to what constituted a reasonable offer that would resolve the dispute using our dispute resolution principles.**

**The Ombudsman facilitated an agreement between the parties through a conference call. The landlord identified a number of ways to learn from the outcome of the complaint, including inviting Mr F to join its local scrutiny panel. It increased its offer of compensation to £1,120 to cover the costs of works that Mr F would not have incurred had the property met the appropriate standards at the start of his tenancy. Mr F accepted this offer and our determination set out the terms of the agreement as resolution of this complaint.**

**Early resolution case 7**

Ms G had complained that the landlord failed to adequately consider and resolve her request for balcony railing repairs at her new home following a mutual exchange. The landlord had considered the matter through its complaints procedure and had not accepted responsibility for the repairs to damaged railings, which it believed had been caused intentionally by the previous tenant. The landlord’s complaint responses relied upon the fact that Ms G had accepted the property as seen; that its contractor did not consider the damage to be a health and safety risk; and that she had only reported the damage six months after she had moved in.

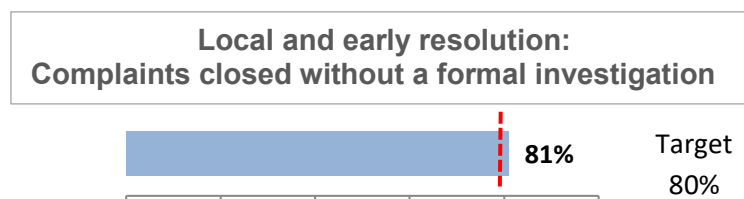
In our conversations with Ms G she reported that she had been unable to report the damage sooner as she had been unwell and unable to work. She believed the damaged railings were a security risk because the property was on the ground floor. This was making her anxious and she reported that she was unable to sleep for fear that someone would access the flat via the gap in the railings.

The Ombudsman supported Ms G and the landlord to discuss the issues further to see if resolution was possible. The landlord agreed to undertake a further review and obtained additional evidence. This included arranging for a surveyor’s inspection of the damage and obtaining medical evidence from Ms G’s doctor. The landlord then accepted that there were extenuating circumstances and offered to undertake the repairs as a goodwill gesture. Ms G accepted this offer as resolution of the complaint.

The Ombudsman determined that the agreement reached had resolved the complaint satisfactorily, subject to the works being completed.

**Information about performance**

Overall in 2016-17, 81% of the complaints we received were closed without the need for a formal investigation, exceeding our target of 80%.



Customer feedback for local and early resolution has always been positive. In 2016-17, 92% of our customers said that we treated them well and 78% of our customers said that we helped resolve their cases. In both cases these figures are 4% higher than last year.

**Local resolution: Did we help?**

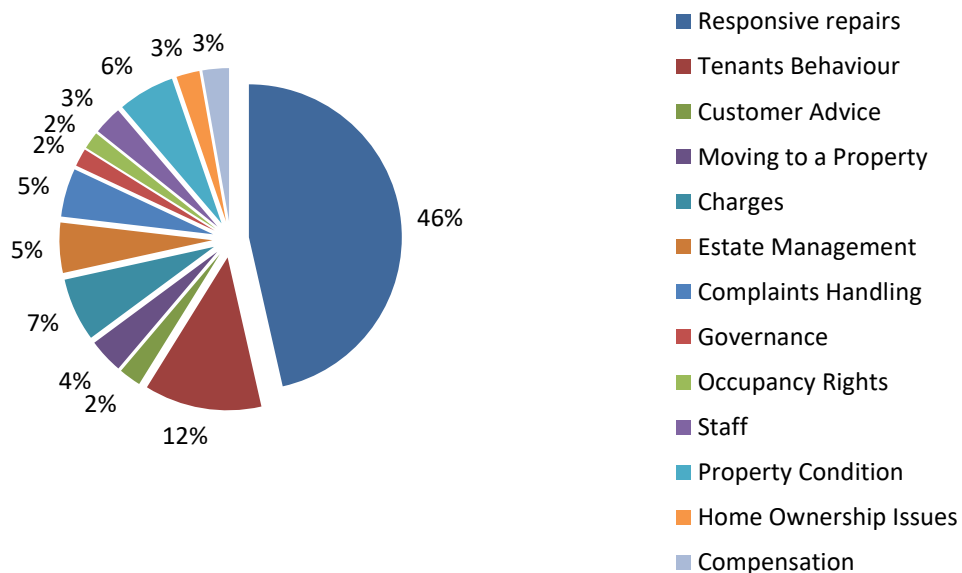


**Local resolution: Did we treat you well?**



Local resolution is particularly helpful for cases where there are ongoing issues at the time the complainant contacts us. For example, 46% of the cases resolved at this stage involve responsive repairs (compared with 28% of complaints within our formal remit).

**Categories of complaints closed at local resolution 2016-17**



Examples of customer feedback at this stage include:



“Your service was helpful. The case was reopened and the dispute is resolved.” (complainant)

“Thank you for your advice and help. The issues you have offered assistance with are now being addressed.” (complainant)

“Your assistance with my complaint against my landlord proved extremely helpful in facilitating an amicable resolution.” (complainant)

“The Housing Ombudsman has helped bring this complaint to an end.” (landlord)

“It gave us the opportunity to settle the complaint at local level, which we did and the complainant is now satisfied with the outcome.” (landlord)



### Strategic objective 3: Our decisions will be recognised as fair, impartial and effective

Fair, impartial and effective complaint resolution recognises the importance of people's homes, treating individuals with dignity and respect. We are impartial so we cannot guarantee an outcome. We do not take sides but look at every complaint with an open mind. We decide what is fair in the individual circumstances of the case.

This year we implemented tighter quality control and quality assurance processes. We introduced a new role of Quality Standards Manager and a new system of quality assurance checks. Quality control reviews and reviews of customer feedback and complaints have not identified any concerns over fairness in our decision-making. No cases have been subject to successful judicial review.

#### Cases subject to successful judicial review 2016-17

Target	Actual
0	0

#### Decisions in our formal remit

Our high levels of positive customer feedback are a strong indicator that our decisions are recognised as fair and impartial.

In 2016-17, 86% of our customers (landlords and residents) said we treated them well at this stage of the dispute resolution process, an improvement from last year at 82%. And in terms of substantive decision making, 72% of our customers said we helped in 2016-17, compared to 65% in the previous year.

Within these average figures, the percentage of positive feedback from both landlords and residents exceeds the numbers of cases determined in their favour. For example as the majority of complaints which can be resolved are closed before this stage, only 39% of complaints within our formal remit are upheld but 49% of complainants agreed that we helped. This represents a 10% increase in positive feedback from complainants in 2016-17 compared to 2015-16. Feedback often commented on the clarity and impartiality of our decisions.

Examples of customer feedback at this stage include:



“In all dealings with the ombudsman I felt our complaint was treated fairly and the questions asked were appropriate and thorough. I was properly informed of the process and that it would take a long time.” (complainant)

“The Housing Ombudsman Service did treat me well. They had a very balanced and respectful approach, being prepared to listen and at the same time not getting bogged down in too much detail.” (complainant)

“I always find that conversations with the Housing Ombudsman Service are productive and their officers look to help to find workable solutions.” (landlord)

“It’s always helpful to have input on complaints we’ve dealt with as this helps in our investigation methods and decision making, where we can learn from additional opinions etc.” (landlord).

### Outcomes of formal determinations

The table below provides a detailed breakdown of the outcomes of our formal determinations over the year 2016-17.

Determination	Cases	
	No	%
Maladministration	443	27%
No maladministration	603	37%
Partial maladministration	134	8%
Redress	180	11%
Early resolution	73	4%
Withdrawn	29	2%
<b>Total determinations excluding outside jurisdiction</b>	<b>1,462</b>	<b>89%</b>
Outside jurisdiction	187	11%
<b>Total determinations</b>	<b>1,649</b>	<b>100%</b>

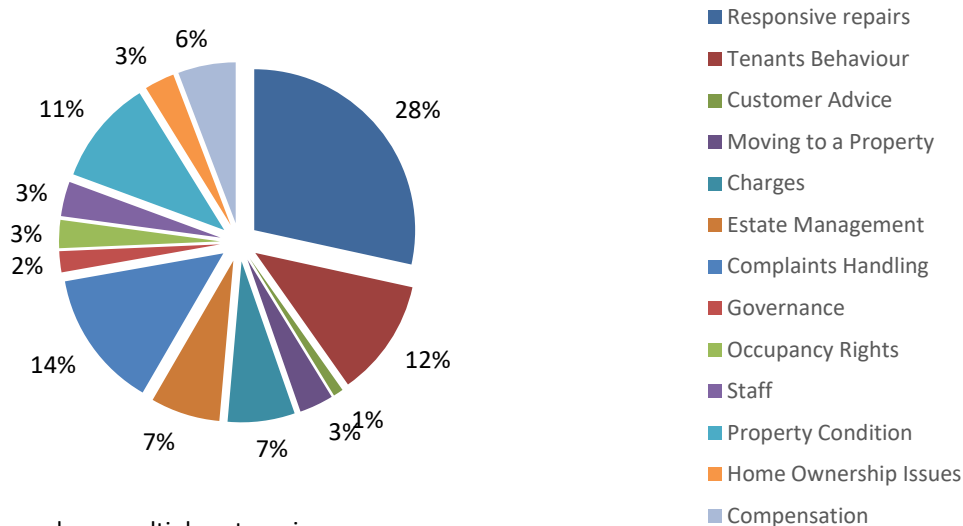
The category of ‘redress’ reflects cases where a landlord has acknowledged that they have made a mistake and offered to put things right in a manner which we feel is reasonable by the time it has come to be investigated.

Where we identify maladministration or a settlement is agreed through our early resolution procedure any compensation or redress required for the complainant will be reflected in an order. These orders may provide individual redress for complaints, for example ensuring that repairs are done or providing compensation, and/or require changes to landlords’ policies and procedures to improve services and avoid future disputes.

In 2016-17, we made an order of compensation in 546 of the 1,649 determinations totalling £205,402. The level of financial compensation awarded ranged from £20 to £8,195. We also made many orders for specific performance e.g. repairs.

The categories of determinations are shown below. As highlighted in Strategic Objective 2, a lower proportion of cases involve responsive repairs at this stage, 28% compared to 46% of cases at local resolution stage. However, cases about complaint handling make up 14% of determinations, compared to 5% at local resolution stage.

Categories of determinations 2016-17\*



\*Complaints can have multiple categories

### Investigation case 8

**Ms H, a tenant, experienced three leaks to her property over the course of two years from the leasehold flat above. The landlord arranged for Ms H to permanently transfer to another property following the third leak due to the scale of the repairs required. Ms H complained that the landlord should have moved her sooner and, having completed the landlord’s complaints procedure, she brought the complaint to the Ombudsman.**

**The Ombudsman carried out a formal investigation, considering the landlord’s obligations in relation to section 11 of the Landlord and Tenant Act, as well as its transfer and repairs policies. She determined that there had been no maladministration in the landlord’s response to the leaks or handling of the transfer. The landlord had repaired the damage caused by the leaks within Ms H’s property within appropriate timescales and had reminded the leaseholder of its responsibility under the lease to carry out repairs in their flat. It was reasonable that the landlord responded to the leaks individually as there was no evidence of a repeat or underlying cause.**

**The landlord was not required under its policies to offer Ms H a permanent move in these circumstances, and it had appropriately used its discretion to do so when carrying out significant works following the third leak.**

### Investigation case 9

Ms J's tenancy agreement stated that rent for the property was set at £106.52 per week. For a period of just over two years Ms J was charged significantly less than this amount. The rent statements and notices of increase sent to her reflected the lower level of rent rather than that detailed in the tenancy agreement.

After two years, the landlord sent a new notice of rent increase stating that an error had been identified and it applied the rent as set out in the tenancy agreement for the previous two years, resulting in arrears of £2,162.88. The landlord warned Ms J that a Notice of Seeking Possession could be served if she didn't clear the arrears immediately or arrange to clear them. When responding to Ms J's complaint about its handling of the account, the landlord did not identify any failure in its service and later served a Notice of Seeking Possession.

The Ombudsman carried out an investigation into the complaint and determined that there had been maladministration in the landlord's administration of the rent account. Ms J's reliance upon the statements and letters sent to her by the landlord and her actions in maintaining her account in accordance with this information was fair in the circumstances.

The landlord's actions once aware of the error failed to acknowledge any level of responsibility regarding the creation of the arrears, or the distress and inconvenience this would have caused Ms J.

The Ombudsman ordered compensation of £2,162.88 to be paid to Ms J and for the landlord to send a written apology for the distress and inconvenience caused by its handling of the rent account.

This year, for the first time, we have monitored compliance with our orders and this has shown that our decisions are effective.



99.6% of our orders were implemented in year, exceeding our target of 95%.

## Strategic objective 4: Supporting landlords to learn from the outcomes of complaints

Information from complaints provides extremely valuable feedback. Learning from the outcome of complaints helps businesses to thrive and improves housing services.

Over the last 20 years we have considered thousands of disputes and seen many examples of good and bad practice. We use that experience to provide a variety of interventions, activities and tools to support landlords to improve the way they handle complaints and to develop their housing services.

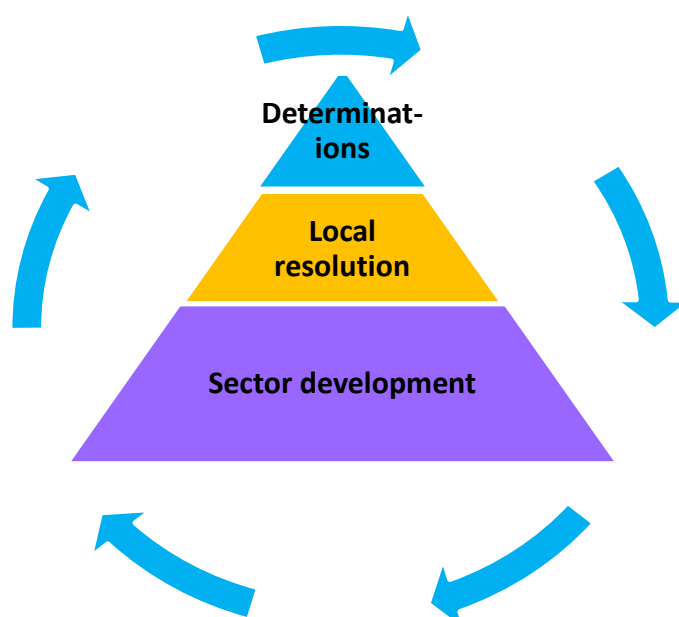
Where an individual complaint highlights issues that could affect more than one resident we may make orders or recommendations for changes to policies or procedures. These orders or recommendations seek to assist landlords and residents learn from outcomes to help prevent the same issues happening again and to improve services.

For example when we find failings relating to a landlord's adherence to the standards set out in its voids and repairs policies we order that, as well as putting things right for the resident, the landlord provide training sessions and guidance for staff on its policy commitments, and its legal and regulatory obligations in relation to repairs. We also recommend changes to its complaint letters to ensure that these advise the complainant correctly about how to use the complaints process.

### Continuous cycle of learning

Our orders and recommendations can be a useful tool for change where issues involved in an individual complaint are relevant to others across the sector. The learning from individual complaints can shape the discussions we have with landlords and residents in other organisations. In this way the learning from complaints is used not only to develop our own understanding and casework, but also forms part of our wider sector development work.

This is a continuous cycle of learning for both us and landlords. It puts us in a strong position to effect the wider organisational conditions such as structure and culture that are necessary to support effective dispute resolution by landlords.



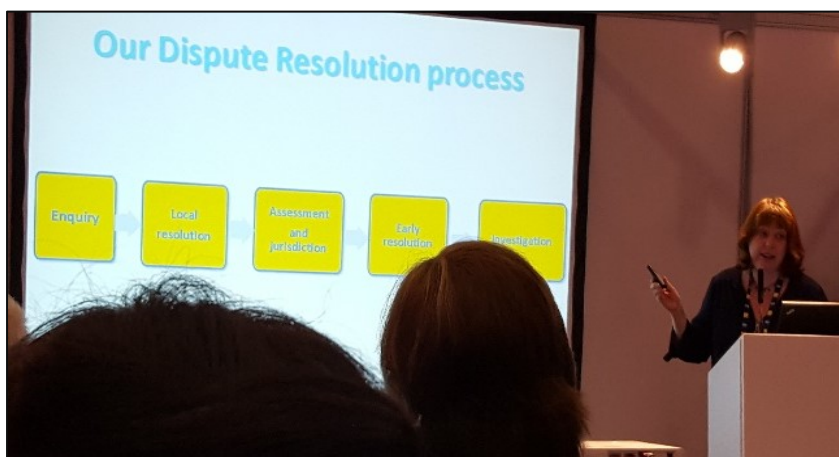
### Learning from complaints: Improving standards

- ▶ Using **our knowledge and expertise** from individual complaints
- ▶ **Maximising impact** through our sector development work
- ▶ A process of **continuous improvement**

We work with landlords to encourage them to use our dispute resolution principles to improve success in resolving disputes, encourage better relationships with their residents and save resources. We also work with residents so that they understand and share our expectations of their landlord in handling their complaint, and so they can also use the principles as a guide to make their complaints more effectively.



*Delegates taking part in one of our dispute resolution workshops run in partnership with the Housing Quality Network*



*Emma Foxall, Director of Dispute Resolution, speaking at the National Housing Federation's Annual Conference and Housing Exhibition 2016*

An organisation's culture must be right for the complaint handling process to resolve disputes effectively and in order to learn from outcomes. While a good procedure and well-trained staff will achieve results, for maximum impact a positive complaints culture is essential. Although the three principles are simple, applying them effectively means having the right culture, process and behaviours.

### **Using business insight**

We can often see patterns or trends in the complaints we receive. For example, this year we noticed a trend whereby some landlords' complaints procedures were being suspended whilst repairs were undertaken. The intention was to allow complaint panels to review their complaint and repairs handling through to completion. However, when the repairs are delayed this approach has often exacerbated the dispute. This scenario has informed discussion at our landlord workshops and our dispute resolution principles have been used as a tool to explore how to achieve a fair outcome.

Complaints may highlight the impact of changes in the economic and political environment in social housing on some of our landlords. For example while some mergers and internal re-organisations have been very successful, others have impacted on an organisation's ability to operate effective complaints handling services. Other organisations have changed their service offer to tenants due to financial pressures.

This year we have developed a standard report for landlords on the complaints we have received in year. This was piloted with a small number of landlords initially and is now being rolled out more widely. Providing this business insight helps landlords to improve and benchmark their performance. We are providing a single point of contact to work with larger landlords and those whose complaint profile indicates a need for support.

We are also exploring options for publishing information on the complaints we receive and landlord performance more widely.

### **Events and workshops**

In addition to our individual engagement with landlords we have provided discussion workshops and training events, and assisted in induction programmes to facilitate effective dispute resolution at a local level for landlords. We provide e-learning and information about complaint handling performance. We also participated in housing complaint forums, including four for the G15 landlord group.

The Ombudsman and staff members spoke at a range of conferences and events in 2016-17 including:

- Chartered Institute of Housing Annual Conference
- National Housing Federation (NHF) Annual Conference
- NHF Voluntary Right to Buy Conference
- HouseMark Excellence Clubs
- Capita Effectively Handling Complaints in Housing Conference
- Tenant Participation Advisory Service (Tpas) National Tenant Conference
- Tpas regional events
- NHF Leaseholder and Tenant Service Charges Conference
- Citizens Advice Housing Conference
- Housing Law Practitioners' Association Housing Advice Conference

We ran a series of landlord and tenant engagement workshops in partnership with others to promote our dispute resolution principles and how to use them to provide good outcomes for residents and landlords. We delivered seven workshops with HouseMark and four workshops with Housing Quality Network. Overall around 200 delegates attended these interactive sessions looking at case studies and best practice examples on issues such as early resolution, compensation and managing resident expectations.

This partnership working approach enabled us to use our in-house resources more effectively during the year, significantly reducing our budget.

## Resident focused events

We also work with resident organisations which includes offering presentations to tenant panel members and running workshops to look at how our dispute resolution principles may assist them when considering a complaint. In 2016-17 we ran workshops at five Tenant Participation Advisory Service (Tpas) regional meetings. These explored residents' views and experiences of good dispute resolution and how these could be captured to improve the service offered by their landlords. Around 200 residents participated in these well attended events providing valuable insight into what really matters to residents.



*Residents taking part in one of our workshops at a Tpas regional event*

Overall, more than 200 residents and 115 landlord organisations took part in our events during 2016-17. We estimate that the landlord representatives were from organisations covering 1,441,378 housing units, which represents 30% of the overall number within our scheme.

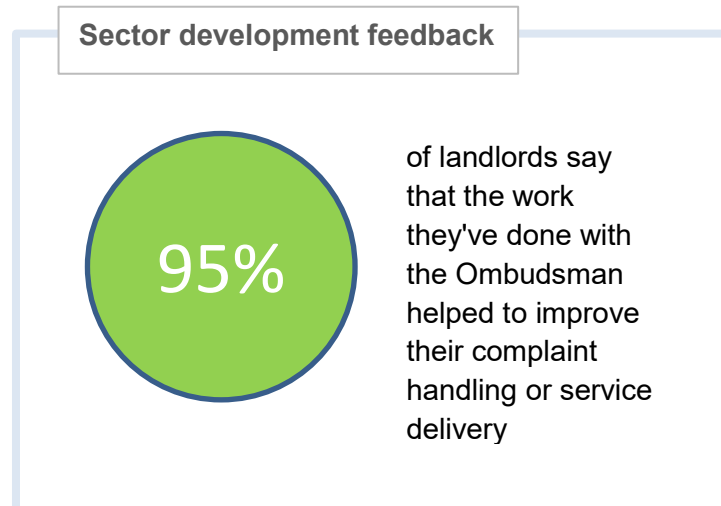
## E-learning

As at 31 March 2017, 3,382 staff from 446 landlord organisations had completed one or more modules in our free, open access e-learning. We also have a resident-focused e-learning resource, and 417 residents and designated persons have completed one or more modules. Over the year we have been developing a new e-learning package which will be more interactive and emphasise the benefits in adopting our dispute resolution principles. We plan to launch it in summer 2017 followed by additional modules later in the year on specific themes such as compensation, complaints about repairs and anti-social behaviour.

## Assessing our impact

We seek feedback from attendees at all our training workshops, open and in-house training, e-learning and individual landlords we work with in order to measure the impact on improving complaint handling or service delivery. As shown below, we have received a very high level of positive feedback.





In 2016-17 we also ran a pilot scheme to assess the impact of our interventions with 25 landlords. These landlords were given a named contact to liaise with regularly about complaint handling. Their staff were offered training in effective complaint handling training through e-learning or workshops including mindset and behaviour change sessions. Landlords in this group showed an improvement in the number of complaints resolved without a formal investigation at 83% compared to the average for all landlords at 81% and a reduction in the proportion of complaints received about complaint handling from 7% in 2015-16 to 6% in 2016-17.

Examples of delegate feedback following events include:



“Valuable learning points – be fair, early resolution, personal contact at early stage, manage expectations.”

“An interesting and thought-provoking session, very useful and lots to take back to staff.”

“Very good seminar and an opportunity to discuss how to deal with complaints, identify good practice, and to network with colleagues as part of the mini exercises.”

“Very interesting presentation, I am new to the industry and refreshing to see an approachable, collaborative ombudsman.”

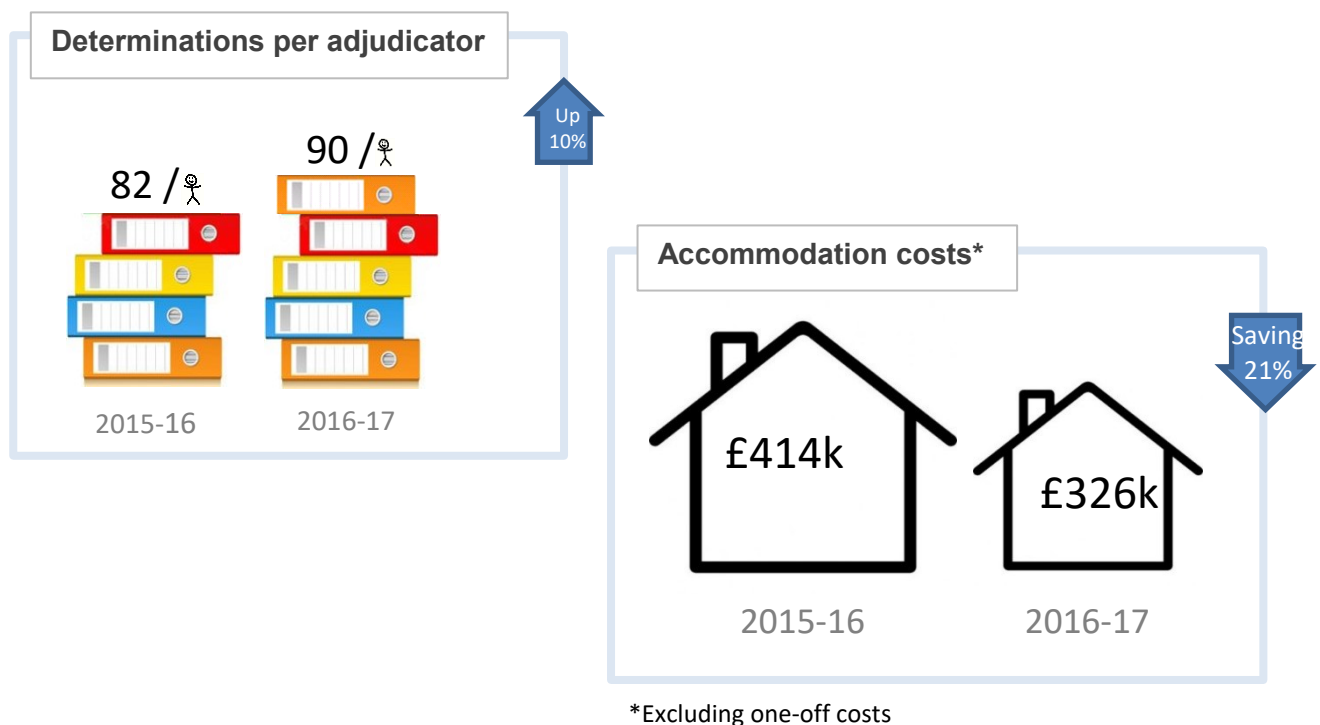
“I enjoyed sharing experiences with others, very clear, well presented and informative.”

## Strategic objective 5: An accountable, well-run organisation, using our subscription monies wisely

In 2016-17 we continued to be accountable and transparent to parliament, government and our customers.

As a public service that is funded by subscriptions from our members, we need to be open and accountable for how we use our resources.

This year our efficiency measures, including significant policy and process changes and our leveraging of greater value from all our contracts, have meant that ongoing operating costs have reduced by 1% (excluding one-off costs) and productivity has continued to increase.



We received substantial assurance opinions on all four internal audits in 2016-17. These looked at:

- Casework KPI reporting
- Information management and data protection
- Pay and reward
- Key financial controls

All internal audit recommendations from 2015-16 were implemented to Internal Audit's satisfaction and to the timescales agreed with the Housing Ombudsman.

For the first time we consulted with the sector on our proposals for our business plan and the subscription fee in 2017-18, asking what is most important to them in delivering our service. This was an extremely valuable exercise giving us an in-depth insight into what our customers, both residents and members, thought of our service.

We held four roundtable discussions with groups of stakeholders and received 47 written responses to our consultation paper. The landlords that responded in writing and/or in a discussion covered 1,045,000 households between them, which represents 22% of the overall number within our Scheme. We also discussed the proposals with tenants at three regional events held by Tpas (Tenants Participation Advisory Service), attended by around 100 tenants.

We drew out some key themes from the consultation to inform our business plan for 2017-18.

The key themes were:

- concern about increasing casework volumes
- recognition of our improving performance
- willingness to pay an increased subscription for continuous service improvement
- a clear desire for a continued focus on local and early resolution
- faster response on formal decisions
- more sharing of best practice
- better customer insight and data, including more targeted work to support the sector.

This consultation enabled us to put forward a detailed Business Plan reflecting these themes for 2017-18. The Secretary of State has approved the plan and an increase to the subscription fee to £1.25 per unit for 2017-18, and our intention is to keep it at that level for the following two years. This will allow us to recruit more caseworkers and invest in infrastructure such as an improved casework management and reporting system and a new website and complaints portal.

**David Connolly**  
**Interim Housing Ombudsman and Accounting Officer**

**23 June 2017**

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## Corporate governance report: Ombudsman's report

### Vision and values

Less than a year after the new vision and values were introduced our staff engagement survey showed that they were supported and understood by 96% of our staff.

“Housing Matters; Fairness Matters” has also achieved resonance within the sector. We received many positive comments about its clarity and how it feeds into people’s understanding of our purpose and approach in the consultation on our 2017-18 business plan.

### Leadership and direction

The Housing Ombudsman is supported by the Senior Leadership Team (SLT). The members of SLT work with the Ombudsman on setting the strategic direction and the framework within which the rest of the organisation operates. The membership of SLT is set out in the *Who we are* section on page 2.

SLT supports the Ombudsman in making strategic decisions for the organisation and these are then implemented through a Dispute Resolution Management Team (DRMT) and an Operational Management Team (OMT). Directors chair OMT and DRMT, and all team managers are invited to attend both meetings.

We set a framework that empowers colleagues to be proactive and take responsibility. It provides clear lines of accountability and responsibility flowing through the line management chain and throughout the organisation. It seeks to ensure engagement and collaboration across the organisation so that decisions are well informed and implemented fairly and effectively. This reflects our values of One Team, collaboration, fairness and impartiality.

Cross-team working is encouraged and supported. For example, dispute resolution managers each have lead responsibility for a stage of the casework process such as enquiries, local resolution or investigation, supporting caseworkers across teams to work consistently and working with colleagues across teams to develop guidance, for example.

The Ombudsman is also assisted by an Audit and Risk Assurance Committee (ARAC) in respect of the Accounting Officer aspects of the role, which is made up of non-executive members and meets quarterly.

### Business Plan and future developments

This was the first year of the Housing Ombudsman’s 2016-19 Corporate Plan which provides a framework to deliver our strategic objectives. Our focus during the year was on embedding the changes initiated in 2015-16. These included ensuring the vision and values underpin all activities and operations, implementing the new dispute resolution policy and process, managing our colleagues through change and continuing to improve our systems and environment.

The 2016-17 Business Plan set out an ambitious suite of actions to support achievement of the strategic objectives. Overall progress against these is set out in the Performance Report section. All activities were regularly reviewed at SLT to monitor progress and key projects were managed and monitored through SLT, OMT and DRMT.

We have made significant progress on a wide range of projects this year. These have been facilitated by an increased focus on project management and skills were developed across the organisation during the year. Projects are monitored through the use of trackers at SLT, OMT and DRMT.

The 2017-18 Business Plan is now available on our [website](#). This includes an increased subscription fee for 2017-18, which should allow us to continue to make significant improvements in our service delivery, as outlined in the response to our consultation summarised on page 31.

### Joint working with other public bodies

This year we continued to work closely with other Ombudsmen to ensure that we offer an accessible and streamlined service for customers.



*Denise Fowler, Housing Ombudsman, speaking at the Property Ombudsman joint event in Parliament*

We held a very well attended joint event with the Property Services Ombudsman in November 2016 in Parliament which highlighted our work to drive up standards in the property sector. It was an opportunity to share insight from our services and discuss how we can work with our stakeholders to improve standards in the housing sector for home owners, leaseholders and tenants. It also highlighted the increasing significance of the private rented sector and what that might mean in terms of complaints.

We continued to work closely with the Local Government Ombudsman on issues relating to local authority statutory services linked to our role, such as homelessness and allocations, and to participate in the Public Sector Ombudsman Group and in activities within the Ombudsman Association.

Most significantly, we signed a Memorandum of Understanding (MoU) with the Social Housing Regulator that formalises and clarifies the arrangements for cooperation and communication between our two bodies in relation to our respective functions.

We have a strong collaborative relationship with the Social Housing Regulator and the MoU helps to provide transparency on how we work with each other.

It confirms how the Regulator signposts tenants, or their representatives, who are seeking resolution of individual complaints, to the Ombudsman. It also sets out how the Ombudsman informs the Regulator of potential systemic issues which may indicate a breach of the Regulator's standards.

We are working hard to ensure that tenants and leaseholders know that they can come to us to deal with individual complaints and that we will work with the Regulator where we identify potential systemic issues. Updated information on both of our websites aims to make that more visible.

### Responding to changes in the sector

We have responded to, or participated in, various consultations and meetings dealing with changes in the sector. Our involvement in initiatives such as new policy development enables us to help landlords anticipate problems before they arise and is part of our role to encourage successful landlord/tenant dispute resolution by others.

We are a member of the Voluntary Right to Buy (VRTB) Sounding Board which is responsible for making recommendations to senior officials and ministers about the effective implementation of the VRTB, and will be participating in the VRTB Steering Group that is planned to work with the housing associations in the extended pilot programme through 2017-18. Lessons learnt from complaints received during the pilot will then inform our sector development work and plans going forward and as and when the policy is rolled out nationally.

We worked with the Department for Communities and Local Government (DCLG) on the possible implementation of the Higher Income Social Tenants (HIST) policy and had discussions with the Mayor of London's policy team exploring the potential for a London-wide landlord letting scheme.

Significant potential changes for the sector were also set out in the provisions of the draft Public Service Ombudsman (PSO) Bill. The Bill, which would establish a single Ombudsman to take on the functions of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman, included provisions enabling social housing complaints to be incorporated in the future. Denise Fowler appeared before the Communities and Local Government Select Committee on this subject on 6 March 2017 and subsequently submitted written evidence that the Bill as drafted would reduce access for many potential housing complainants and change the nature of service offered to landlords and residents. It is not clear whether any legislation will proceed and, if so, whether the housing provisions will be included.

### Our people and policies

This year we employed five additional staff in our casework team and a Procurement and Contract Manager, bringing the total headcount within our service to 61. We continually assess capacity and as a small team we are agile; moving people and working flexibly when required. However, having to manage within a headcount restriction meant that we had a high level of reliance on agency staff to maximise our in-year resources.

In 2017-18 we will be managing to pay budget rather than headcount which will enable more effective workforce management.

We use a strengths-based recruitment and performance management system, which helps us create a positive culture to support continuous improvement and development.

This year also saw the commencement of a project to move colleagues to a new pay and reward structure in line with Civil Service Pay Guidance which will be completed in 2017-18.

As a service, we respect and value the contribution of a diverse workforce to the delivery of our business aims. Our commitment to equality and diversity is translated into practice through our HR and Organisational Development policies and procedures, and the open and transparent way they are applied.

We are committed to ensuring that no discrimination occurs in recruitment or employment and that we provide equality of opportunity in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits. We ensure there is equality of access to employment opportunities for people with disabilities including making any reasonable adjustments for applicants who have a disability to ensure they can give their best in the selection process.

We achieved a score of 3.74 (or 68%) in our colleague engagement survey in November 2016. Fifty seven colleagues responded which is response rate of 92%. Overall the results were positive, with very high scores for our vision and values (96% of staff supported them) and for respect (92% of staff said that their managers respected them). There were other areas, particularly in relation to communications where more work was required. We commissioned an independent facilitator to explore the issues in more detail with staff and are developing an ongoing action plan. This includes more cross-team working and the development of an intranet.

### Accommodation and IT



Our move to new offices, shared with the Financial Ombudsman Service, has had a number of benefits:

- it is considerably cheaper than both our old accommodation and other alternatives available through the government estate
- the shared reception area is suitable for our customers, welcoming and accessible
- the office space is well designed for our needs and supports more flexible working
- we are able to share a range of other services with the Financial Ombudsman Service.

As part of the accommodation move, we transferred our IT to the cloud. Consequently, we now have a more resilient, flexible and cheaper IT provision and we will continue to realise the benefits of this during 2017-18.

Both the accommodation and IT moves were delivered to time and budget, despite very short timescales.

### Performance reporting

Our performance reporting has significantly improved. We now receive a range of information that supports decision-making at organisational, team and individual level. Exception reports ensure our data stays accurate and timely, and improved analysis of customer feedback allows us to react quickly where issues are detected. Internal audit awarded us a substantial assurance rating on our casework KPI reporting system.

We have begun to build reports to gain better insight from our data and we are sharing performance information with our bigger landlords. During 2017-18, we will continue to develop our work in this area, helping to increase our transparency and accountability.

### Information management

We have continued to refine our approach to information management over the year, for example, we have put non-disclosure arrangements in place with the Financial Ombudsman Service now that we are sharing accommodation and we have published a privacy notice on our website in preparation for the General Data Protection Regulations.

We have also applied for accreditation under the government-backed *Cyber Essentials* scheme to assure our stakeholders that we have appropriate security precautions in place.

No incidents were reported to the Information Commissioner's Office in-year.

### Procurement

Our approach to procurement has evolved over the year. We are developing partnerships with our key suppliers and building internal capacity. Some of the key procurements we have undertaken in 2016-17 covered our enquiries service, IT infrastructure and support and e-learning modules.

In 2017-18, we will continue to review and enhance our approach to contract management as well as procuring our new website, portal and casework management system.

### Legal and litigation

During the year, there were no successful judicial reviews of determinations made.

### Events after the reporting period

As noted elsewhere, I took over as Interim Ombudsman and Accounting Officer on 5 June 2017, following the departure of the previous Ombudsman, Denise Fowler. The office of Housing Ombudsman is a public appointment and the Department for Communities and Local Government (DCLG), our sponsor department, has commenced recruitment of a permanent successor. This process is due to complete later in the year.

### Other information

The Housing Ombudsman Service made no political or charitable donations during the year. Our whistle-blowing policies and procedures are effective, and the register of interests is available on our [website](#).



## Statement of Accounting Officer's responsibilities

Paragraph 2(1) of Schedule 2 to the Housing Act 1996 provides that for a scheme to be approved by the Secretary of State it must include provision for the keeping and auditing of accounts and the submission of accounts to the Secretary of State. Under paragraph 69 of the approved Scheme, the Ombudsman must prepare annual accounts in accordance with the accounts direction approved by HM Treasury (and issued, in practice, by DCLG as sponsor Department). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of The Housing Ombudsman (THO) and of its surplus or deficit, financial position, changes in taxpayers' equity and cash flow 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.

The Principal Accounting Officer of the Department for Communities and Local Government has designated the Housing Ombudsman as Accounting Officer of The Housing Ombudsman. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding The Housing Ombudsman's assets, are set out in *Managing Public Money* published by the HM Treasury.

I confirm that, as far as I am aware, there is no relevant audit information of which the entity's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that THO's auditors are aware of that information.

I confirm that the annual report and accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

## Governance statement

Denise Fowler was appointed as Accounting Officer of THO with effect from 11 March 2015 by the Permanent Secretary of DCLG. Following her departure on 4 June 2017, I was appointed Interim Ombudsman and Accounting Officer with effect from 5 June 2017. The Annual Report and Accounts, including this Governance statement, were prepared by Denise Fowler and assurance over these was given to me in an assurance statement signed on 2 June 2017. I also relied on the further sources of assurance set out below.

### Scope of responsibility

My responsibilities as Accounting Officer are set out in *Managing Public Money*. As noted above, I was appointed as Accounting Officer by the Department for Communities and Local Government's Permanent Secretary, who is the Principal Accounting Officer for the Department, on 5 June 2017.

As Accounting Officer, I am personally responsible for safeguarding the Housing Ombudsman Service's funds and for ensuring regularity, propriety and value for money 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 am directly accountable for the Service's performance and its use of resources and must be able to assure Parliament and the public of high standards of probity in the management of public funds.

### Governance framework

#### Legislation and scheme

The Housing Act 1996 (Schedule 2, paragraph 10) provides that a Scheme approved by the Secretary of State may be administered either by a "body corporate" or by a "corporation sole". With effect from 1 April 2013, the Scheme has been administered by the latter; the Housing Ombudsman (THO). This change was effected by The Housing Ombudsman (Corporation Sole) Order 2013, made by the Secretary of State for Communities and Local Government.

As a corporation sole, which is a distinct legal entity with legal capacity, THO can make legally binding contracts, employ staff, and enter into leases. A corporation sole 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.

THO operates in accordance with the Scheme which was approved by the Secretary of State for Communities and Local Government under the provisions of the Housing Act 1996.

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.

Under the legislation and the Scheme, THO is solely responsible for the conduct of dispute resolution and the determination of disputes. THO must be completely independent and reach fair and impartial decisions when exercising these responsibilities. THO employs staff to deliver the responsibilities under the Scheme and, collectively, we are known as the Housing Ombudsman Service (HOS).

### **DCLG oversight and Framework Document**

THO also operates in accordance with the requirements set out in a Framework Document agreed with the Department for Communities and Local Government (DCLG) as sponsor department, Cabinet Office's controls over expenditure and *Managing Public Money*. Any potential conflict between the Framework Document and the Scheme must be resolved in favour of the Scheme.

The Framework Document is currently under review and will be agreed and signed by the two parties in due course.

Quarterly Accounting Officer meetings are held with officials at the Department where performance and policy issues are discussed.

### **Internal governance**

In making decisions about governance, risk management and internal control, THO is advised by a statutory Audit and Risk Assurance Committee (ARAC). To ensure the ARAC provides THO with the assurance needed over the strength of these arrangements, the format of ARAC meetings was clarified this year. Executive directors now report directly to members, and the ARAC then advises and assures THO accordingly.

Internally, THO is supported by a Senior Leadership Team (SLT) who work with THO to set the strategic direction and the framework within which the organisation operates. Membership comprises THO and the Directors, with attendance by other Managers and specialist staff as appropriate. As of January 2017, SLT met monthly.

Supporting SLT are an Operational Management Team (OMT) and a Dispute Resolution Management Team (DRMT), both of which focus on the implementation of SLT decisions as well as performance, delivery and risk management. OMT and DRMT are made up of directors and managers from across the organisation. Both teams may also act as project boards and meet monthly.

The Housing Ombudsman Scheme provides that the Ombudsman may appoint a Panel of Advisors. The terms of reference of the Panel and responsibility for its appointment are set out in the Framework Document. As noted above, the Document is currently under review with clarifications proposed in relation to the Panel. Consequently, a Panel has not yet been appointed and the Interim Ombudsman will consider this further in due course.

## Compliance with Corporate Governance in Central Government Departments: Code of Good Practice

THO and HOS comply with the principles and the majority of the provisions set out in the Code of Good Practice, as far as they apply to a non-executive public body.

As a corporation sole, the provisions relating to the role of the Board cannot be met directly and we have sought to meet the principles by putting in place alternative arrangements to allow THO receive advice on strategic and operational issues, and challenge and scrutiny on performance and policies. The composition and effectiveness of these structures enables alternative compliance with the principles and processes required by the Code, adapted where appropriate for executive post-holders.

THO receives strategic and operational advice, scrutiny and challenge from SLT, ARAC, DCLG (including at the quarterly Accounting Officer meetings) and from the sector, e.g. through our consultation on the 2017-18 business plan. Each of the component parts of HOS' governance arrangements has clear terms of reference and working practices which support this. For example, implementation of strategic decisions made at SLT is delegated to Directors who chair OMT and DRMT. At ARAC, Directors report to Committee Members who then advise THO on audit, risk and assurance.

Overall, these alternative arrangements are sufficient to support THO in the role of corporation sole and allow compliance with the core principles and intentions of the Code.

### Audit and Risk Assurance Committee

Matters covered by the Audit and Risk Assurance Committee (ARAC) in-year were:

- review of the revised draft Framework Document
- risk management assurance through either deep dives into the management of up to two corporate risks at each meeting or detailed review of the risk register, including a discussion of the related risk appetite
- review of the assurance map
- cyclical review of key policies and procedures
- review of accounting policies
- review of reports from internal and external audit and a tracker setting out management's progress in implementing their recommendations
- review of the annual report and accounts.

The Committee was satisfied that its work indicated effective governance, risk management and internal control were in place to assure the Accounting Officer. The Committee met four times during the year and a record of attendance is set out below:

Member	Attendance
Sue Harvey	4/4
Julie Parker	4/4
Simon Sweetinburgh	4/4
David Horne (appointed 20 December 2016)	2/2 (also attended the September meeting as an observer)

## Risk management

Risk management is active and embedded throughout the organisation. Risks are proposed and reviewed at OMT and DRMT meetings with each team capturing these in its own risk register. Risks are escalated from here to the corporate risk register and discussed monthly at SLT meetings.

Corporate risk management is assured at ARAC meetings. Discussions consider whether the risks are correctly defined, the level of appetite for risk, and whether controls and mitigations are appropriate and timely.

Risk management is supplemented by the assurance map which was developed in-year. This is used to identify areas of activity which are under-assured in management's view and put additional support in place.

Our information management is now robust and we received a substantial assurance rating from our internal auditors on our compliance with the Data Protection Act and information security. No incidents occurred in-year which required us to self-report to the Information Commission's Office.

The key risks facing the organisation during the year and their current status are set out below:

- *Dispute resolution*

We have managed large case work volumes, including the significant increase in cases within our formal remit, this year through increased productivity but there is still more to do. We determined 50% more cases in 2016-17 compared to the previous year. This was achieved through the introduction of new more effective policies, guidance and processes and positive engagement, management and support across the team. In line with the outcome of the consultation with the sector, the Secretary of State has approved an increased subscription fee of £1.25 for 2017-18 and headcount restrictions have been lifted. This should enable us to recruit more permanent caseworkers. This, coupled with our increased productivity and investment in other infrastructure to support casework, should enable us to reduce determination times significantly. Our aim is for an average of no more than 6 months.

- *Accommodation*

The lease on our previous accommodation expired on 6 August 2016 and we were given three months' notice in advance of this date that our original offer of accommodation had been withdrawn. This was a very short timeframe in which to identify alternative accommodation that would be acceptable to the Government Property Unit. Despite this, the move project was delivered to time and budget by bringing in interim expertise and drawing on some support from the Department. Our new office space, shared with the Financial Ombudsman Service, brings many benefits: is cheaper than other alternatives; keeps us accessible to our customers; is designed to meet our needs, supports more flexible working and allows us to share a range of services with the Financial Ombudsman.

- *Managing the delivery of business change*

The 2016-17 Business Plan set out a significant amount of business change which was necessary to increase the efficiency and effectiveness of the organisation. To deliver this volume of change in a managed and controlled fashion, key staff across the organisation received project and programme management training and specialist expertise was brought in to support us in key areas on a short-term basis. Re-programming took place following the accommodation move and all projects were delivered in accordance with the revised plans. Staff were engaged and consulted as far as possible throughout relevant changes.

- *Transition to a new Ombudsman*

A new Ombudsman is currently being recruited which gives rise to a potential risk of loss of knowledge and expertise and disruption to business as usual activities. Transitional arrangements have been put in place which include my appointment as Interim Ombudsman and Accounting Officer. I am also aware that much work had been done prior to my arrival to enable a smooth transition. In addition to the preparation of this Annual Report and Accounts the previous Ombudsman had agreed the 2017-18 Business Plan with the Secretary of State in April 2017. I will lead the organisation in accordance with the direction and commitments given in that document during my tenure. Denise and the Senior Leadership Team also provided a full handover and a comprehensive briefing pack and this will be maintained for the permanent appointment.

- *Draft Bill to establish a new Public Service Ombudsman*

The draft Public Service Ombudsman Bill included provisions which could in the future enable some of THO's functions to be transferred into this new body. We were concerned that the drafting of the Bill could reduce the service available to our customers. In the event that a Bill proceeds any risk will be mitigated by ongoing engagement with Government, landlords, tenants and other Ombudsmen ahead of any legislative change.

- *Changes in the housing sector*

Significant changes are occurring in the housing sector and these are driving increases in complaints and concerns over the performance of social landlords. Within this there have been some calls for THO to expand our role and also to provide more information about individual landlord performance. In managing this risk, THO has engaged with the Department to suggest changes to the Scheme that would improve access to the Ombudsman for complainants and to expand our jurisdiction. We have begun to provide individual landlords with information on their performance and this year we are considering options for publishing data on landlords' performance. This year we also did more work to develop our analysis of potential systemic issues. In addition to ourselves working with landlords in need of support we have collaborated with the social housing regulator throughout the year on these issues. In April 2017 the Housing Ombudsman and the Social Housing Regulator signed a Memorandum of Understanding outlining how the two organisations work together.

Overall, the organisation's risk management has continued to improve.

### Internal control

Internal control has been strengthened throughout the year. New assurance processes introduced last year have been embedded, e.g. dispute resolution quality control and quality assurance processes as well as standardised inductions that cover all aspects of compliance. Performance reporting is now robust and provides accurate information for decision-making and, as noted above, information management is effective.

Existing controls have also been reviewed and improved, for example, by the introduction of an electronic purchase order system and further dispute resolution quality control checks.

The internal audit programme was linked to the key risks facing the organisation during the year and provided assurance over internal controls in the following areas: key financial controls; the introduction of a revised pay and reward strategy; dispute resolution KPI reporting; and data protection and information security. THO received substantial assurance opinions for all of these audits.

### Sources of assurance

In preparing this Governance Statement, I have been informed by:

1. a letter of assurance from the outgoing Ombudsman and Accounting Officer;
2. the assurance map and risk register;
3. the service's information management arrangements;
4. regular Accounting Officer meetings with DCLG;
5. the annual report from the ARAC to me on its view of governance, risk management and internal control;
6. statements of assurance from each of the Directors setting out how governance, risk management and internal control have operated within their areas and any significant weaknesses;
7. the annual report and opinion from the Head of Internal Audit; and
8. the NAO's audit completion report and management letter.

The ARAC concluded that it was satisfied that "appropriate governance, risk management and internal control operate within THO".

The Head of Internal Audit concluded that: "based on our assurance work I am able to give a SUBSTANTIAL opinion in respect of the financial year 2016-17".

### Conclusion on governance, risk management and internal control

Based on the assurances I have received, I am content that HOS is operating effective governance, risk management and internal control. The challenges for 2017-18 will be to continue to maintain the significant progress in reducing the age profile of cases in the face of increasing volumes, while at the same time delivering business change and managing the transition to a new Ombudsman. However the Secretary of State's approval of the business plan and an increased subscription for 2017-18 gives me confidence that these challenges can be met.

## Remuneration and staff report

The Ombudsman is a public appointment. Consequently, they are not an employee. The Housing Ombudsman is appointed by the Secretary of State in accordance with Section 51 of the Housing Act 1996 and paragraphs 59-64 of the Housing Ombudsman Scheme. The Ombudsman's salary is set by the Secretary of State in line with public sector pay policy.

THO does not have a remuneration committee. Remuneration of employees is linked to the salary scales of THO and to contractual entitlement. Senior managers are employees of THO and have an annual appraisal and any pay progression is based on merit.

The Director of Finance and Corporate Performance and the two Directors of Casework are permanent employees with three-month notice periods.

No awards were made to the Ombudsman or any senior manager. In particular, no allowances or bonuses were paid to the Ombudsman or senior management in year. No element of remuneration is non-cash. Information in regard to salary paid to the Ombudsman and each senior manager is detailed in tabular form on the next page.

Pension benefits are also detailed in the table. There were no contributions to a money purchase scheme.



Remuneration and Staff Report (subject to audit)

Notes	Single Total Figure of Remuneration				Pension Entitlement Details					
	Salary and fees	Pension benefits	2016 - 2017	2015 - 2016	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	To the nearest £1,000	In bands of £5,000	In bands of £5,000	In bands of £2,500	In bands of £5,000	To the nearest £1,000	To the nearest £1,000
<b>Ombudsman &amp; Senior Managers</b>										
Denise Fowler (Ombudsman)	1	115,000 – 120,000	511,000	625,000 – 630,000	155,000 – 160,000	45,000 – 47,500	45,000 – 50,000	30,000	665,000	240,000
Andrea Keenoy (Director of Finance and Corporate Performance)		80,000 – 85,000	24,000	105,000 – 110,000	60,000 – 65,000	0 – 2,500	0 – 5,000	8,000	24,000	8,000
Joyce Adu (Director of Casework)	2	65,000 – 70,000	96,000	160,000 – 165,000	5,000 – 10,000	2,500 – 5,000	15,000 – 20,000	167,000	215,000	39,000
Emma Foxall (Director of Casework)	2	65,000 – 70,000	82,000	145,000 – 150,000	5,000 – 10,000	2,500 – 5,000	10,000 – 15,000	124,000	178,000	46,000

There were no payments in respect of allowances, bonuses, compensation and non-cash benefits during the year. The members of the Audit and Risk Assurance Committee referred to on page 40 are not senior managers of THO.

- Denise Fowler transferred £381k from her Civil Service Pension Scheme fund into her THO pension fund during the year. Denise ceased to hold her post on 4 June 2017, further disclosure can be found on page 36.
- Joyce Adu and Emma Foxall were acting up into their posts for the full year. They commenced their acting up period on 7 March 2016.

**Fair Pay Disclosure (subject to audit)**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	<b>2016 – 2017</b>	<b>2015 - 2016</b>
Band of highest paid individual's remuneration (£)	115,000 -119,999	115,000 -119,999
Median remuneration of staff (£)	43,904	42,367

Ratio between median remuneration and mid-point of banded remuneration of highest paid individual 2.7:1 2.8:1

The range of staff remuneration is between 24,000 - 82,000 24,000 - 82,000

In 2016-17, nil (2015-2016, nil) employees received remuneration in excess of the highest-paid director.

Total remuneration includes salary and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

**Staff Costs (subject to audit)**

	<b>Permanent staff</b>	<b>Temporary staff</b>	<b>2016 - 2017 Total</b>	<b>2015 - 2016 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,265	836	3,101	2,568
Social security costs	252	-	252	195
Pension service costs	380	-	380	489
Redundancy costs	-	-	-	130
	<b>2,897</b>	<b>836</b>	<b>3,733</b>	<b>3,382</b>

Although not an employee, the Ombudsman's salary costs are included in the permanent staff column above.

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. A 2016 triennial review has been undertaken which sets contributions for the period from 1 April 2017 to 31 March 2020.

Following the 2016 triennial review the actuary recommended that the THO's contribution rate of pensionable salaries is as follows:

Year Ended 31 March	Contribution Rate %
2018	21.5%
2019	21.5%
2020	21.5%

The 2016 triennial review also recommended that THO make additional lump sum contributions to the fund and these are set out below:

Year Ended 31 March	Lump Sum
2018	£84,000
2019	£110,000
2020	£134,000

Employee contribution rates range from 5.5% to 12.5% depending on salary. More details can be found in Note 14.

### **Staff numbers**

The Ombudsman is a public appointment and so not an employee. THO had three employees classified as senior managers during 2016-17, as detailed in the Remuneration Report. Including the Ombudsman, THO had a total of 61 employees as at 31 March 2017, of which 41 were female and 20 male.

### **Average number of persons employed**

The average number of THO employees (including part-time employees and secondees) and the Ombudsman during the year were 61 (2016: 54), engaged in the following duties:

	<b>THO 2016-2017</b>	THO 2015-2016
Ombudsman (not an employee)	<b>1</b>	1
Caseworkers	<b>47</b>	40
Sector Development	<b>4</b>	3
Support staff	<b>9</b>	10
	<hr/> <b>61</b>	<hr/> 54

The disclosure above has been modified to better reflect the operations of THO. Comparative figures have been restated for consistency.

### **Sickness Absence**

During the year employee sickness levels were recorded as 1% in respect of short-term sickness and 0.5% in respect of long-term absence.

### **Staff Policies**

Information on staff policies is included in the Ombudsman's Report.

### **Expenditure on Consultancy**

HOS did not incur any consultancy costs for off-payroll staff during 2016-17.

## Off-Payroll Engagements

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last longer than 6 months.

No. of existing engagements as of 31 March 2017	1
Of which...	
No. that have existed for less than one year at time of reporting.	1
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	1
No. of the above which include contractual clauses giving the right to request assurance in relation to income tax and National Insurance obligations.	1
No. for whom assurance has been requested	1
No. for whom assurance has been received	1

We have completed a risk-based assessment to ensure the above off-payroll engagement pays the correct rate of tax.

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	4

Reporting of exit packages (subject to audit)

Exit package cost bands (£)	2016-17			2015-16		
	Number of compulsory redundancies	Number of other departures agreed	Total	Number of compulsory redundancies	Number of other departures agreed	Total
0 – 9,999	-	-	-	-	-	-
10,000 – 24,999	-	-	-	-	-	-
25,000 – 49,999	-	-	-	-	-	-
50,000 – 99,999	-	-	-	-	-	-
100,000+	-	-	-	-	-	1
Total number of exit packages	-	-	-	-	-	1
<b>Total Cost (£)</b>	-	-	-	-	-	<b>130,364</b>

## Parliamentary Accountability and Audit Report

### Regularity of Expenditure (subject to audit)

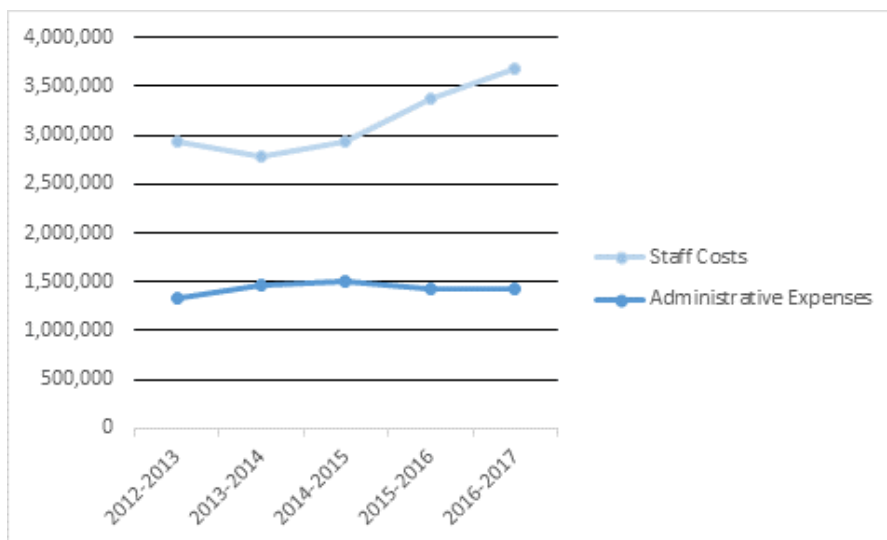
There were no losses or special payments that require disclosure in the Annual Report and Accounts.

### Fees and Charges (subject to audit)

THO is fully funded by a per unit subscription fee on members, and this is set in line with the Housing Ombudsman Scheme.

The annual subscription fee is £0.96 per unit for members and is prorated if a member joins during the year. The total income received in the year from subscriptions was £4.6 million.

### Long-Term Expenditure Trends



Staff costs have seen an upwards trend over the last few years, as staff numbers have increased by 26% from 2012-2013. Staff numbers have increased in response to a higher volume of complaints and work to determine cases in our formal remit within 12 months.

Administration costs have increased in 2016-2017 due to one-off expenses related to THO's accommodation move (£133k). If these are excluded, administrative costs have reduced compared to the prior year. These have been removed in the graphic above.

### Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities

### Auditor Remuneration

The audit fee for 2016-17 is £29,000 (2015-16: £30,500). No remuneration was paid to the auditors for non-audit work.

**David Connolly**  
Interim Ombudsman and Accounting Officer

**23 June 2017**

## The Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Housing Ombudsman for the year ended 31 March 2017 under the Housing Ombudsman Scheme as approved by the Secretary of State for Communities and Local Government under section 51 of and 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 annual report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Housing Ombudsman as both Accounting Officer and a corporation sole 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 and report on the financial statements in accordance with the Housing Ombudsman Scheme as approved by the Secretary of State for Communities and Local Government under section 51 of and 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 report.

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 2017 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Housing Ombudsman Scheme as approved by the Secretary of State for Communities and Local Government under section 51 of and Schedule 2 to the Housing Act 1996 and the Accounts Direction issued thereunder.

### **Opinion on other matters**

In my opinion:

- the parts of the annual report to be audited have been properly prepared in accordance with the Accounts Direction made under the Housing Ombudsman Scheme as approved by the Secretary of State for Communities and Local Government under section 51 of and Schedule 2 to the Housing Act 1996; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 parts of the annual 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**

**28 June 2017**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



Statement of Comprehensive Income for the year ended 31 March 2017

	Notes	2016 - 2017 £'000	2015 - 2016 £'000
<b>Revenue</b>			
Subscriptions	1b	4,567	4,689
		<u>4,567</u>	<u>4,689</u>
<b>Expenditure</b>			
Administrative expenses	2a	(1,556)	(1,437)
Staff costs	2b	(3,733)	(3,382)
		<u>(722)</u>	<u>(130)</u>
Interest receivable/(payable)	3	(44)	(37)
<b>Surplus/(Deficit) before taxation</b>		<u>(766)</u>	<u>(167)</u>
Taxation	4	(3)	(6)
<b>Surplus/(Deficit) after taxation</b>		(769)	(173)
<b>Other comprehensive income</b>			
Net actuarial gain/(loss) on pension fund	14c	(1,553)	506
<b>Total Comprehensive Income</b>		<u><u>(2,322)</u></u>	<u><u>333</u></u>

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

The notes on pages 57 to 70 form part of these financial statements.

Statement of Financial Position as at 31 March 2017

	Notes	31.03.2017 £'000	31.03.2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	142	104
Intangible assets	6	61	92
		<u>203</u>	<u>196</u>
<b>Current assets</b>			
Trade receivables and other current assets	7	69	165
Cash and cash equivalents	8	3,018	3,789
<b>Total current assets</b>		<u>3,087</u>	<u>3,954</u>
<b>Current liabilities</b>			
Trade payables and other current liabilities	9	404	424
Current tax liabilities		3	6
Provisions	10	-	38
		<u>-</u>	<u>38</u>
<b>Total current liabilities</b>		<u>407</u>	<u>468</u>
<b>Total assets less current liabilities</b>		<u>2,883</u>	<u>3,682</u>
<b>Non-current liabilities</b>			
Net pension liability	14f	3,347	1,824
<b>Total non-current liabilities</b>		<u>3,347</u>	<u>1,824</u>
<b>Assets less liabilities</b>		<u>(464)</u>	<u>1,858</u>
<b>Reserves</b>			
General fund reserve		2,883	3,682
Pension fund reserve		(3,347)	(1,824)
<b>Total reserves</b>		<u>(464)</u>	<u>1,858</u>

The notes on pages 57 to 70 form part of these financial statements.

David Connolly  
Interim Ombudsman and Accounting Officer

23 June 2017

Statement of Cash Flows for the year ended 31 March 2017

	Notes	2016-2017 £'000	2015-2016 £'000
<b>Cash flows from operating activities</b>			
Surplus/(Deficit) from operations		(722)	(130)
Depreciation and amortisation charges	5,6	143	167
Provision for office dilapidations	10	(38)	38
Pension scheme service and admin costs	14a	434	536
Pension scheme contributions	14e	(523)	(463)
(Increase)/Decrease in receivables	7	96	34
Increase/(Decrease) in payables	9	(20)	(533)
Cash generated from operations		(630)	(351)
Corporation tax paid		(6)	(4)
<b>Net cash inflow/(outflow) from operating activities</b>		(636)	(355)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5,6	(150)	(28)
Bank and other interest received	3	15	32
<b>Net cash inflow/(outflow) from investing activities</b>		(135)	4
<b>Net cash inflow/(outflow) from financing activities</b>			
		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		(771)	(351)
Cash and cash equivalents at the beginning of the period		3,789	4,140
<b>Cash at end of period</b>	8	3,018	3,789

The notes on pages 57 to 70 form part of these financial statements.

Statement of Changes in Taxpayers' Equity as at 31 March 2017

	General Fund £'000	Pension Fund £'000	Total £'000
Balance as at 1 April 2015	988	537	1,525
Transfer between reserves	2,725	(2,725)	
Total comprehensive income	333		333
		-	
Transfer between reserves in respect of pension fund liability	(364)	364	-
<b>Balance as at 31 March 2016</b>	<b>3,682</b>	<b>(1,824)</b>	<b>1,858</b>
Transfer between reserves			-
Total comprehensive income	(2,322)		(2,322)
		-	
Transfer between reserves in respect of pension fund liability	1,523	(1,523)	-
<b>Balance as at 31 March 2017</b>	<b>2,883</b>	<b>(3,347)</b>	<b>(464)</b>

THO reports two reserves: a general fund reserve and a pension fund reserve.

The general fund reserve represents the cumulative surplus of income over expenditure as at the date of the Statement of Financial Position.

The pension reserve represents the liability arising from THO's participation in the Local Government Pension Scheme, as determined by the scheme actuary.

The notes on pages 57 to 70 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2017

### 1. Accounting policies

#### a) Basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards as adapted by the Government Financial Reporting Manual (FRoM) and under a direction issued by HMT under THO's Framework Document. The accounts have been prepared under the historical cost convention. The accounting policies are set out below and have been consistently applied.

#### Going concern

These accounts have been prepared on a going concern basis.

As a result of the revaluation of pension scheme assets and liabilities during the year, THO's Statement of Financial Position as at 31 March 2017 shows net liabilities of £464,000. This reflects the inclusion of pension liabilities falling due in future years.

If THO is unable to meet its pension liabilities from its other sources of income, these liabilities, at the last resort, would be met by DCLG.

Accordingly, it has been considered appropriate to adopt a going concern basis for these Financial Statements.

#### b) Subscriptions

Subscriptions are the annual amounts payable by landlord members of the Housing Ombudsman Scheme for the year ended 31 March 2017. Subscriptions are calculated based on a standard per housing unit charge applied to the number of units owned or managed by member landlords. Any subscriptions paid in advance are treated as deferred income.

#### 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.

The capitalisation threshold for property, plant and equipment is £5,000.

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 (fixtures and fittings) - Period of lease
- Computer equipment - 5 years
- Office equipment – Period of lease

**d) Intangible assets**

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

The capitalisation threshold for intangible assets is £5,000.

**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 up to 6 months, and these are reported separately.

**f) Pension costs**

The Housing Ombudsman participates in a multi-employer funded defined benefit scheme. The Housing Ombudsman 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 Housing Ombudsman's share of the Fund and therefore has performed an actuarial valuation at 31 March 2017 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. As detailed in note 14, 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.

**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.

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

None

**i) Standards issued but not yet effective**

THO has assessed the following standards and amendments that have been issued but are not yet effective and determined not to adopt them before the effective date:

IFRS 9 Financial Instruments – effective from 2018-19. The new standard simplifies the classification and measurement of financial assets as well as addressing how impairments should be calculated and reported. The standard is expected to result in THO’s available for sale assets continuing to be accounted for at fair value, but with changes in fair value being recognised in net expenditure. This would result in the elimination of the fair value reserve (included within the general fund balance) and increased volatility in net expenditure. The IFRS 9 impairment model is expected to bring forward the recognition of losses on financial assets that are subject to the new impairment model. The application of IFRS 9 in the public sector context has yet to be confirmed by the FReM.

IFRS 16 Leases – effective from 2019-20. The standard largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The most significant effect of the new requirements will therefore be an increase in lease assets and liabilities on the statement of financial position. IFRS 16 has yet to be endorsed by the EU and its application in the public sector context has yet to be confirmed by the FReM.

IFRS 15 Revenue from Contracts with Customers – effective from 2018-19. Its application in the public sector context has yet to be interpreted by the FReM. However, the new standard is unlikely to have a material impact on THO.

**2a. Administrative expenses**

	2016-2017 £'000	2015-2016 £'000
Accommodation	326	452
Training and recruitment	134	181
Office running costs	286	211
Depreciation and amortisation	143	167
Consultancy	44	-
Information Technology	335	135
Sector Development	24	73
ARAC remuneration	3	6
NAO audit fees	29	31
Other professional fees	149	90
Internal audit fees	33	27
Travel and subsistence	14	11
External dispute resolution legal advice	19	22
Health scheme	14	16
Professional subscriptions and welfare	3	15
	1,556	1,437

No remuneration was paid to the external auditors for non-audit work in 2016-17 (2015-16: nil).

**2b. Staff Costs**

	Notes	Permanent staff £'000	Temporary staff £'000	2016 - 2017 Total £'000	2015 - 2016 Total £'000
Wages and salaries		2,265	836	3,101	2,568
Social security costs		252	-	252	195
Pension service costs	14a	380	-	380	489
Redundancy costs		-	-	-	130
		<u>2,897</u>	<u>836</u>	<u>3,733</u>	<u>3,382</u>

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

	Notes	2016 - 2017 £'000	2015 - 2016 £'000
Bank and other interest receivable		15	32
Interest cost on pension obligation	14d	(406)	(364)
Interest on pension scheme assets	14e	347	295
		<u>(44)</u>	<u>(37)</u>

**4. Taxation**

The Housing Ombudsman Service 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%

	2016 - 2017 £'000	2015 - 2016 £'000
Interest received before corporation tax	15	32
Tax on interest received	3	6



5. Property, Plant and Equipment

	Leasehold Improvements Fixtures and Fittings £'000	Information Technology £'000	Office Equipment £'000	Total £'000
<b>Cost</b>				
As at 1 April 2016	257	242	64	563
Additions	105	13	25	143
Disposals	(257)	(146)	(65)	(468)
<b>As at 31 March 2017</b>	<b>105</b>	<b>109</b>	<b>24</b>	<b>238</b>
<b>Depreciation</b>				
As at 1 April 2016	239	184	36	459
Charge for the year	28	48	29	105
Disposals	(257)	(146)	(65)	(468)
<b>As at 31 March 2017</b>	<b>10</b>	<b>86</b>	<b>-</b>	<b>96</b>
<b>Net book value:</b>				
<b>As at 31 March 2017</b>	<b>95</b>	<b>23</b>	<b>24</b>	<b>142</b>

	Leasehold Improvements Fixtures and Fittings £'000	Information Technology £'000	Office Equipment £'000	Total £'000
<b>Cost</b>				
As at 1 April 2015	257	242	64	563
Additions	-	-	-	-
Disposals	-	-	-	-
<b>As at 31 March 2016</b>	<b>257</b>	<b>242</b>	<b>64</b>	<b>563</b>
<b>Depreciation</b>				
As at 1 April 2015	190	152	32	374
Charge for the year	49	32	4	85
Disposals	-	-	-	-
<b>As at 31 March 2016</b>	<b>239</b>	<b>184</b>	<b>36</b>	<b>459</b>
<b>Net book value:</b>				
<b>As at 31 March 2016</b>	<b>18</b>	<b>58</b>	<b>28</b>	<b>104</b>

All assets were owned by THO.

6. Intangible assets

	<b>Computer Software</b>	<b>Website</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
As at 1 April 2016	366	132	498
Additions	7	-	7
Disposals	(26)	-	(26)
	-	-	-
<b>As at 31 March 2017</b>	<b>347</b>	<b>132</b>	<b>479</b>
<b>Amortisation</b>			
As at 1 April 2016	274	132	406
Charge for the year	38	-	38
	-	-	-
Disposals	(26)	-	(26)
	-	-	-
<b>As at 31 March 2017</b>	<b>286</b>	<b>132</b>	<b>418</b>
<b>Net book value:</b>			
<b>As at 31 March 2017</b>	<b>61</b>	<b>-</b>	<b>61</b>

	<b>Computer Software</b>	<b>Website</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
As at 1 April 2015	338	132	470
Additions	28	-	28
Disposals	-	-	-
	-	-	-
<b>As at 31 March 2016</b>	<b>366</b>	<b>132</b>	<b>498</b>
<b>Amortisation</b>			
As at 1 April 2015	234	90	324
Charge for the year	40	42	82
	-	-	-
Disposals	-	-	-
	-	-	-
<b>As at 31 March 2016</b>	<b>274</b>	<b>132</b>	<b>406</b>
<b>Net book value:</b>			
<b>As at 31 March 2016</b>	<b>92</b>	<b>-</b>	<b>92</b>

All assets were owned by THO.

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

	<b>31.03.2017</b>	31.03.2016
	<b>£'000</b>	£'000
Member subscriptions	40	36
Staff loans	16	13
Prepayments	13	110
Other receivables	-	6
	<u>69</u>	<u>165</u>

**8. Cash and cash equivalents**

	<b>31.03.2017</b>	31.03.2016
	<b>£'000</b>	£'000
Cash on hand and balances with bank	3,018	1,489
Short term deposits	-	2,300
	<u>3,018</u>	<u>3,789</u>

All balances are held with a commercial bank.

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

	<b>31.03.2017</b>	31.03.2016
	<b>£'000</b>	£'000
Trade payables	98	97
Other payables	76	60
Tax & NI payables	73	63
Accruals	157	204
	<u>404</u>	<u>424</u>

**10. Provisions**

	<b>Building Dilapidations £'000</b>	<b>Total £'000</b>
As at 1 April 2016	38	38
Additions	-	-
Amounts charged against the provision	(38)	(38)
Unused amounts reversed	-	-
Unwinding of discount	-	-
<b>As at 31 March 2017</b>	<u>-</u>	<u>-</u>

Provision was made for estimated liabilities arising in respect of building dilapidations on THO's former premises.

**11. 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:

			<b>2016 - 2017</b>	2015 - 2016
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Buildings</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
<b>Within one year</b>	<b>141</b>		<b>141</b>	101
<b>Within two to five years</b>	<b>563</b>		<b>563</b>	1
<b>After five years</b>	<b>127</b>	-	<b>127</b>	-
	<u><b>831</b></u>	<u>-</u>	<u><b>831</b></u>	<u>102</u>

The lease on THO's current premises expires on 27 February 2023.

## 12. 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 Ombudsman as advised by 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.

### **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 are of good credit quality. The trade credit risk is mainly attributable to subscription income. There is no concentration of risk in this area, as income is diversified over a large number of subscribing members.

### **Liquidity risk**

THO's business model, with subscription fees falling due annually 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 the future funding of the pension deficit are dependent on future subscription income.

### **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 rates 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.

**13. Related parties**

THO is a Non-Departmental Public Body sponsored by DCLG. Any other bodies sponsored by DCLG are considered to be related parties. During the year, THO has had no material transactions with DCLG.

Under IAS 24, the Local Government Pension Scheme is defined as a related party to THO.

The Ombudsman, senior management and ARAC members are considered related parties and have not undertaken any material transactions with THO during the year. ARAC members were remunerated for attending ARAC meetings.

**14. 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 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, discount rate, contributions paid to the fund and benefit payments.

Assets and liabilities for all employers in Local Government Pension Scheme (LGPS) funds are identifiable on an individual employer basis. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Any deficit on withdrawal is required to be paid by the withdrawing employer and any surplus is retained by the fund.

Following the 2016 triennial review the actuary assessed that the THO's contribution rate of pensionable salaries should be as follows:

Year Ended 31 March	Contribution Rate %
2018	21.5%
2019	21.5%
2020	21.5%

THO will also make additional lump sum contributions to the fund as a result of the triennial review and these are set out below.

Year Ended 31 March	Lump Sum
2018	£84,000
2019	£110,000
2020	£134,000

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.

**14. Pension (continued)**

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 actuarial valuation of the Fund at 31 March 2017 for IAS19 purposes calculated the accumulated net liability relating to THO to be £3,347,000 (2016: £1,824,000).

The main reason behind the large increase in THO's liability is the change in financial assumptions used by the actuary, primarily the discount rate used has reduced from 3.8% last year to 2.8% in the current year. The discount rate is set with reference to the yields available on high quality corporate bonds as at the accounting date, and these have fallen significantly over the year, largely due to political events.

In addition to this, market expectations of future long term inflation have increased, leading the actuary to assume higher pension increases for members in the future.

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

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

	At 31.03.17	At 31.03.16	At 31.03.15	At 31.03.14	At 31.03.13
	%	%	%	%	%
RPI Inflation	3.6%	3.4%	3.3%	3.7%	3.4%
CPI Inflation	2.7%	2.5%	2.5%	2.9%	2.6%
Rate of increase in salaries	4.2%	4.3%	4.3%	4.7%	4.8%
Rate of increase of pensions in payment/deferred pensions	2.7%	2.5%	2.5%	2.9%	2.6%
Discount rate	2.8%	3.8%	3.4%	4.5%	4.7%
Life Expectancy from Age 65 (years)					
- Retiring Today					
- Males	24.4	22.1	22.1	22.0	22.5
- Females	26.0	25.3	25.2	25.1	24.6
- Retiring in 20 years					
- Males	26.6	24.4	24.2	24.1	24.3
- Females	28.3	27.7	27.6	27.4	26.6

**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 31.03.17	Value at 31.03.16
	£'000	£'000
Equities	9,230	6,321
Property	1,099	860
Government Bonds	304	219
Corporate Bonds	1,383	1,128
Cash	102	171
Other	-	-
<b>Total assets</b>	<b>12,118</b>	<b>8,699</b>

**14. Pension (continued)**

THO utilises 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 2017.

**a) Analysis of amounts charged to the operating deficit**

	<b>2016-2017</b>	2015-2016
	<b>£'000</b>	£'000
Service cost	<b>430</b>	530
Administration costs	<b>4</b>	6
Net pension contributions made into fund*	<b>(54)</b>	(47)
	<hr/>	<hr/>
<b>Total</b>	<b>380</b>	489
	<hr/>	<hr/>

\*Due to timing differences between when employer pension contributions were accrued and when payments were made into the fund between financial years.

**b) Net finance charge on pension scheme**

	<b>2016-2017</b>	2015-2016
	<b>£'000</b>	£'000
Net interest charge on the defined liability	<b>59</b>	69
	<hr/>	<hr/>

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

	<b>2016-2017</b>	2015-2016
	<b>£'000</b>	£'000
Return on plan assets in excess of interest	<b>1,584</b>	(331)
Other actuarial gains/(losses) on assets	<b>620</b>	-
Change in financial assumptions	<b>(3,519)</b>	837
Change in demographic assumptions	<b>(373)</b>	-
Experience gain/(loss) on defined benefit obligation	<b>135</b>	-
Changes in effect of asset ceiling	<b>-</b>	-
	<hr/>	<hr/>
<b>Actuarial (loss) gain recognised</b>	<b>(1,553)</b>	506
	<hr/>	<hr/>



**14. Pension (continued)**

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

	<b>2016-2017</b>	2015-2016
	<b>£'000</b>	£'000
Opening present value of liabilities	<b>(10,523)</b>	(10,777)
Current service cost	<b>(430)</b>	(418)
Interest cost	<b>(406)</b>	(364)
Changes in financial assumptions	<b>(3,519)</b>	837
Changes in demographic assumptions	<b>(373)</b>	-
Experience gain/(loss) on defined benefit obligation	<b>135</b>	-
Estimated benefits paid net of transfers in	<b>(195)</b>	444
Past service costs, including curtailment	-	(112)
Contributions by Scheme participants	<b>(154)</b>	(133)
<b>Closing present value of liabilities</b>	<b>(15,465)</b>	(10,523)

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

	<b>2016-2017</b>	2015-2016
	<b>£'000</b>	£'000
Opening fair value of scheme assets	<b>8,699</b>	8,589
Interest on assets	<b>347</b>	295
Return on assets less interest	<b>1,584</b>	(331)
Other actuarial gains/(losses)	<b>620</b>	-
Administration expenses	<b>(4)</b>	(6)
Contributions by employer	<b>523</b>	463
Contributions by Scheme participants	<b>154</b>	133
Benefits paid	<b>195</b>	(444)
<b>Closing present value of scheme assets</b>	<b>12,118</b>	8,699

**Movements in deficit during the year**

	<b>31.03.2017</b>	31.03.2016
	<b>£'000</b>	£'000
Deficit in scheme at beginning of the year	<b>(1,824)</b>	(2,188)
Movement in year:		
Past and Current service cost	<b>(430)</b>	(530)
Net interest cost	<b>(59)</b>	(69)
Change in financial assumptions	<b>(3,519)</b>	837
Change in demographic assumptions	<b>(373)</b>	-
Experience gain/(loss) on defined benefit obligation	<b>135</b>	-
Return on assets	<b>1,584</b>	(331)
Settlements and Curtailments	-	-
Other actuarial gains/(losses)	<b>620</b>	-
Administration expenses	<b>(4)</b>	(6)
Contributions by employer	<b>523</b>	463
<b>Closing present value of scheme liabilities</b>	<b>(3,347)</b>	(1,824)

The projected pension expense in regard to the year ending 31 March 2018 is expected to be £498,000.

14. Pension (continued)

f) Reconciliation of funded status to Statement of Financial Position

	Value as at 31/03/17 £'000	Value as at 31/03/16 £'000	Value as at 31/03/15 £'000	Value as at 31/03/14 £'000	Value as at 31/03/13 £'000
Fair value of assets	12,118	8,699	8,589	7,282	6,198
Present value of funded defined benefit obligation	(15,465)	(10,523)	(10,777)	(8,516)	(8,354)
Unrecognised actuarial (gain)/loss	-	-	-	-	-
Unrecognised past service cost	-	-	-	-	-
Asset/(liability) recognised on the balance sheet	(3,347)	(1,824)	(2,188)	(1,234)	(2,156)

g) Sensitivity analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	15,121	15,465	15,818
Projected Service Cost	723	744	766
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	15,508	15,465	15,423
Projected Service Cost	744	744	744
Adjustment to pension increase and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	15,775	15,465	15,162
Projected Service Cost	766	744	722
Adjustment to life expectancy assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	15,911	15,465	15,032
Projected Service Cost	763	744	725

15. Events after the reporting period

The certified accounts were authorised for issue by the Interim Housing Ombudsman and Accounting Officer on 28 June 2017.

David Connolly took up post as the Interim Housing Ombudsman and Accounting Office on 5 June 2017 following the departure of Denise Fowler on 4 June 2017.

The letter of comfort over the pension scheme liability was signed by DCLG on 19 May 2017.

ISBN 978-1-4741-4563-3



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