

**The Housing
Ombudsman**

**Annual report and
accounts**

2017-18

Housing Matters: Fairness Matters

The Housing Ombudsman

Annual Report and Accounts

2017-18

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Annual Report and Accounts 2017-18

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Ombudsman's foreword

When I took up the role as Interim Housing Ombudsman in June 2017, my primary objective was to implement the Business Plan for 2017-18 that had been prepared by my predecessor and agreed with the Secretary of State. Just over a year later, I am pleased to introduce this Annual Report and Accounts for the year ended 31 March 2018. Overall, it has been a rewarding year with improvement to our service and positive engagement with our stakeholders.

The Business Plan set out a wide range of activities to deliver and some challenging targets. We have successfully completed those activities and made real progress against our targets:

- customer satisfaction with our service continues to increase;
- we have high levels of compliance with our orders - 99% are implemented within three months and 100% within six; and
- we have made real strides in increasing timeliness with 100% of cases within our formal remit determined within 12 months.

We have continued to reduce the average case time for determinations within our formal remit and this now stands at eight months compared to nine months at the end of last year. Progress here has been slower than we intended and we did not reach our six-month target. This was largely due to our inability to recruit and retain sufficient temporary caseworkers to reach our full planned headcount for the year and the impact this had on our permanent employees. We remain committed to achieving this target in 2018-19.

Of course, the tragic event at Grenfell Tower in June led to an increased focus on social housing. It set in motion a new discussion about how social housing is provided and managed and how the voices of residents are taken into account and acted upon. We have played our full part in that discussion, not only feeding in to the Ministry's work on the forthcoming social housing green paper, but also through our response to the consultation on *Strengthening Consumer Redress in the Housing Market*. In addition we have provided input to a consultation on tackling unfair practices in the leasehold market and to an inquiry into a new homes ombudsman by the All Party Parliamentary Group on Excellence in the Built Environment.

As we end one year and begin another, we carry forward a strong desire to improve further the service we provide, not only in resolving disputes but also in supporting effective landlord-tenant dispute resolution by others. But we also stand ready to use our experience and unique perspective of housing complaints to help shape better systems of redress for the future.

I would like to thank all colleagues for their hard work and dedication. Without that we could not have improved our performance in the ways we have. I would also like to thank all those landlords and residents who responded to our business planning consultation and to others who have provided insight and challenge during the year. My role as Interim Ombudsman finishes at the end of August when my contract expires. I look forward to handing over to my successor.

David Connolly
Interim Housing Ombudsman

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 (ARAC) 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



Julie Parker
Member



Simon Sweetinburgh
Member

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 Regulator of Social Housing) and local authority landlords. Additionally, some private landlords are voluntary members.

As at 31 March 2018, 2,452 landlords were in membership, representing 4,812,447 housing units. This comprised:

- 2,062 housing association members representing 2,996,830 housing units
- 325 local housing authorities representing 1,796,951 housing units
- 65 voluntary members representing 18,666 housing units.

The scheme is funded by subscription from members on a per housing unit basis. For 2017-18 the subscription rate was set at £1.25 per housing unit.

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

When people contact us, we try to provide them with sufficient advice and assistance to enable them to resolve their 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.

We introduced our current Dispute Resolution Policy and Process in April 2016, based upon our existing dispute resolution principles:

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

Our Dispute Resolution Policy clarifies the different stages of our process and is on our website, providing improved transparency and openness.

Our dispute resolution process

1

Enquiry: An enquiry is a request for information, assistance or advice where no formal complaint has been made to the landlord. We may provide information about our service, signpost to other organisations as appropriate or give advice on making a complaint.

2

Local resolution: Once a complaint has been made to one of our member landlords we support local resolution between the complainant and landlord. Our role at this stage is to empower landlords and residents, giving them the tools to resolve complaints themselves within the landlord's procedure. We do this by using our dispute resolution principles.

3

Our formal remit: When a complaint has completed the landlord's complaints procedure it moves into our formal remit once the designated persons requirements are met or eight weeks have passed.

4

Assessment and jurisdiction: We assess whether the complaint is within our jurisdiction, and how we will handle the case.

5

Early resolution: We offer an early resolution process working with complainants and landlords to try to agree positive solutions within a time limited procedure.

6

Formal investigation: If a complaint cannot be resolved earlier then it will go forward for formal investigation.

The process provides a better service to our customers. Throughout the year we have continued to develop our policies and processes at each stage based on our experience and feedback from customers.

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 2018-19.

Key performance indicators

KPI	Target	Actual*
95% of cases determined within 12 months	95%	100%
Average time for determinations within our formal remit will be below 6 months	6 months	8 months
80% of complaints closed without a formal investigation	80%	79%
95% of orders implemented within 3 weeks	95%	99%
100% of orders implemented within 6 weeks	100%	100%
Number of cases subject to a successful judicial review	0	0
Customer feedback		
Local resolution: Did we treat you well?	80%	93%
Local resolution: Did we help?	65%	77%
Determination: Did we treat you well?	80%	89%
Determination: Did we help?	65%	73%

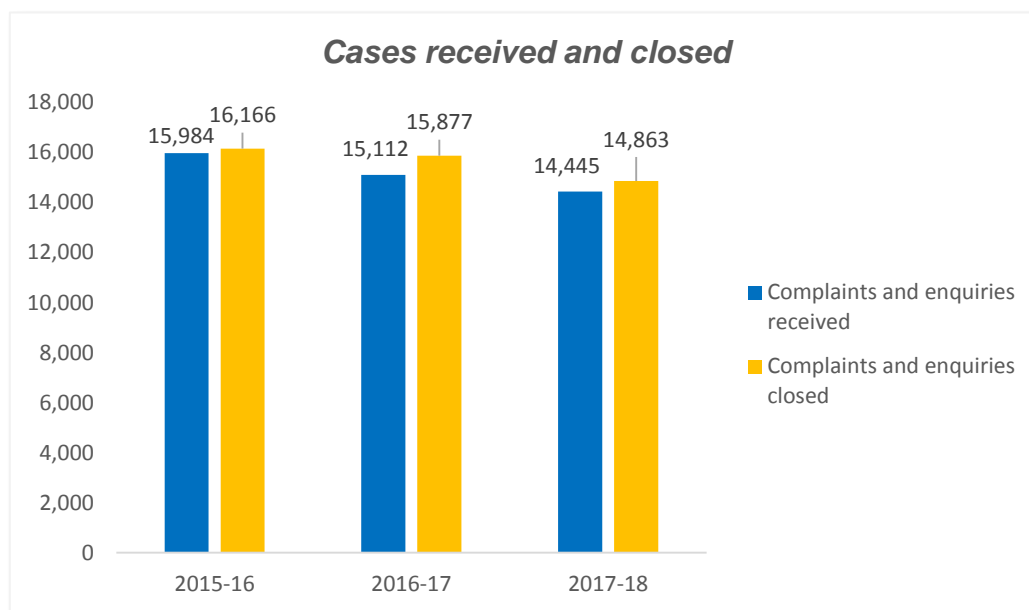
**Figures rounded up or down*

We have performance indicators for each of the five strategic objectives set out on page 4. The key measures are set out above. Compared with 2016-17, we have achieved some notable improvements in performance including the proportion of cases determined within 12 months and our customer satisfaction scores.

Our biggest challenge has been to reduce the average time for determinations. Once again we have improved our performance - from an average of nine months in 2016-17 to eight months in 2017-18. While progress has been slower than expected, we remain committed to achieving our six month target.

Overall volumes

The table below shows the overall volumes of cases received and closed over the last three years. We continue to close more cases than the number of incoming complaints and enquiries each year.



Incoming casework: Enquiries and complaints

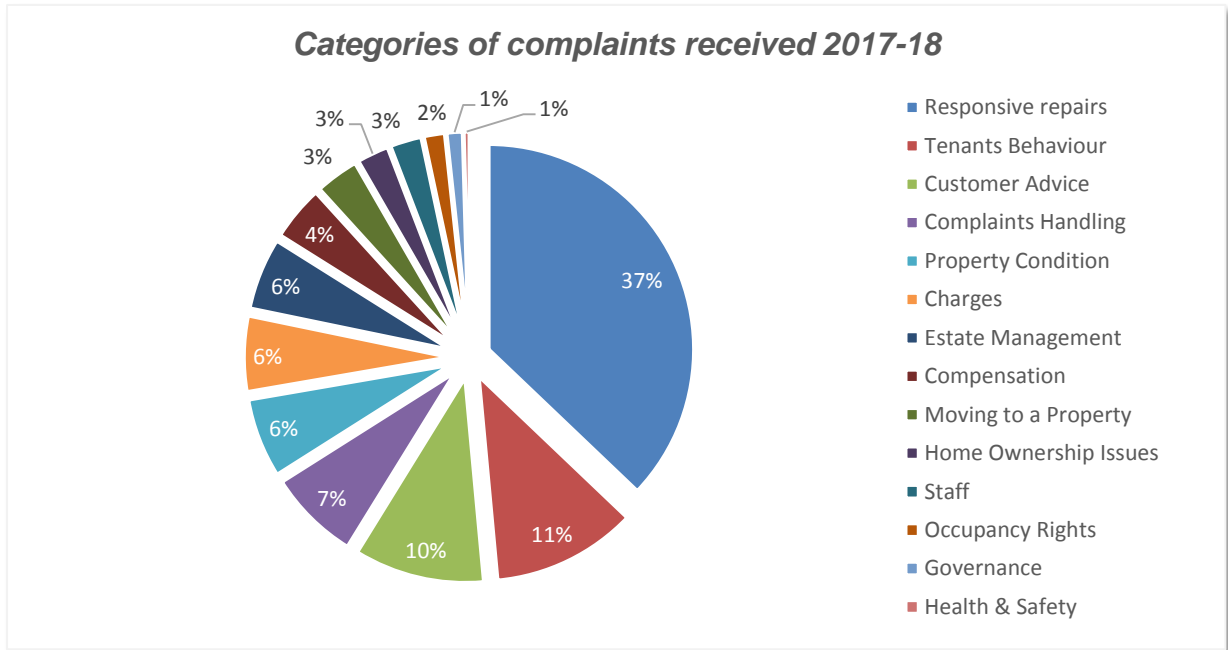
As the table below shows, the number of incoming enquiries over recent years has been reducing. We believe this is due in part to increased understanding of our role and remit, and in part to residents being more willing to enter into their landlord's complaints procedure before coming to us.

Year	Enquiries received	Complaints received	Complaints and enquiries received	Cases entering our formal remit
2015-16	10,182	5,802	15,984	1,101
2016-17	9,242	5,870	15,112	1,649
2017-18	7,639	6,806	14,445	1,763

This is supported by the increase in the number of incoming complaints (where we are approached *after* a complaint has been made to the landlord but the complaints procedure has not yet run its course or the designated person requirements have not yet been met) – a 16% rise compared to a 17% fall in enquiries. We had predicted an increase in complaints of around 10% in our 2017-18 Business Plan to reflect the views expressed by our consultees about the impact that changes in the sector were likely to have on demand for our service, for example, the 1% rent reduction, the impact of welfare reforms and the many changes to landlord operating models and structures.

We also predicted that we would see an increase in the number of cases entering our formal remit (where the landlord's complaints procedure has been completed and the designated person requirements have been met or the complainant has waited eight weeks). That has happened, although not by a factor of 20% as predicted but by a more modest 7%. It is too early to tell whether the rate of increase in these complaints has been stemmed and whether this is attributable to improvements in complaint resolution by landlords or reflective of frustration with the process of making a formal complaint which is being reported across other sectors.

Types of complaints



* Complaints may have multiple categories

Responsive repairs has continued to be the largest category of complaint received at 37% of the overall number in 2017-18 (40% in 2016-17). Other categories are broadly in line with the prior year.

Complaints closed

We have continued to promote the benefits of local and early resolution, supporting both landlords and residents to resolve more cases locally. In 2017-18, 79% of the complaints we dealt with were closed in this way without the need for a formal investigation. Resolving disputes at a local level benefits all parties concerned – it ensures disputes are resolved in a timely fashion and allows local knowledge and learning to develop to prevent events recurring.

We issue determinations on all cases that enter our formal remit. These may be resolved through early resolution or investigated. We determined 1,712 cases in 2017-18 compared to 1,649 in 2016-17, an increase of 4%. The table below provides a detailed breakdown of the outcomes of our determinations over the year.

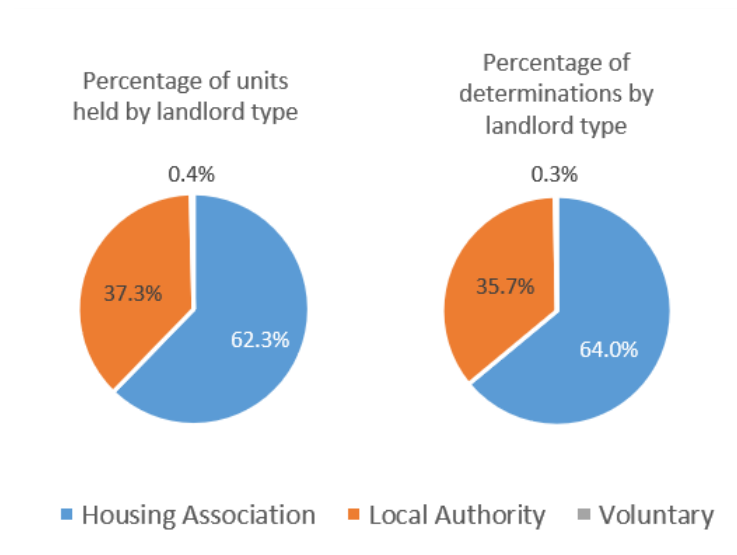
Determinations 2017-18	Cases	
	Number	%
Maladministration	495	29%
Partial maladministration	144	8%
No maladministration	637	37%
Early resolution	90	5%
Redress (where a landlord has acknowledged that they have made a mistake and offered to put things right in a manner which we feel is fair in all the circumstances.)	130	8%
Withdrawn	27	2%
Total determinations excluding outside jurisdiction	1,523	89%
Outside jurisdiction	189	11%
Total determinations	1,712	100%

Tenure of complainants

It is often assumed that the Housing Ombudsman Service only works with tenants but, in fact, 16% of the complaints we deal with come from leaseholders.

Landlord type

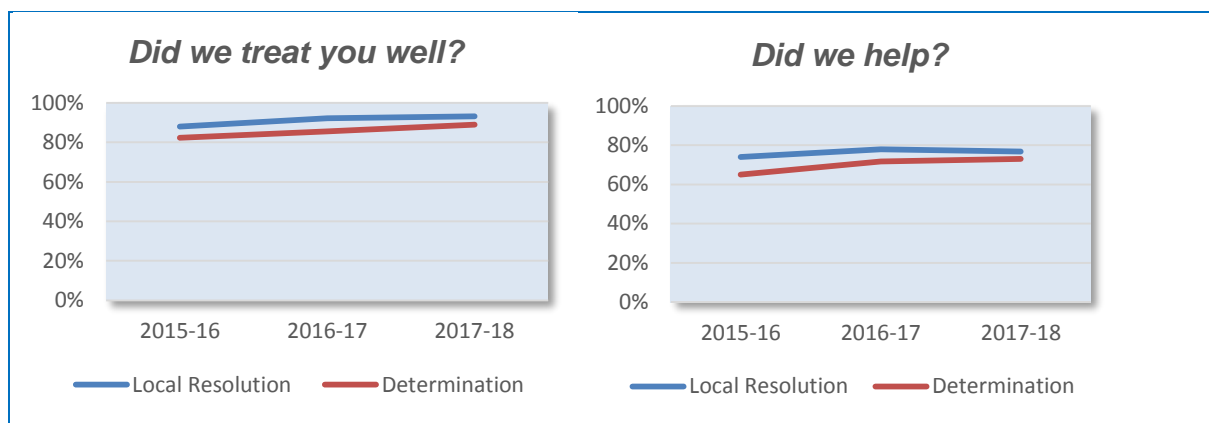
Comparison of landlord types and determinations 2017-18



These charts show that we determine slightly fewer complaints from local housing authorities relative to the number of units they hold than we do for housing associations. We uphold (maladministration, partial maladministration and early resolution outcomes) slightly more housing association complaints than local housing authority (44% and 39% respectively). The numbers of complaints for voluntary members which go through to formal determination are so small as to be statistically insignificant.

Customer feedback

We have maintained our approach to customer feedback from landlords and residents which is aimed at assessing the quality and effectiveness of our service throughout the year. We ask a sample of our customers 'Did we treat you well?' as a measure of the quality of our customer care and 'Did we help?' about the effectiveness of the 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. In 2017-18 we received our highest ever feedback scores on cases determined and for the quality of our customer care.



Our progress against the performance measures for individual key performance indicators is set out under each of the strategic objectives in the Performance Analysis section.

Responding to current issues

Following the tragic fire at Grenfell Tower in June 2017 we made changes to our systems to more easily identify complaints received from residents of tower blocks and complaints which specifically concern issues of health and safety. To assist our service users we published a new fact sheet for tenants and leaseholders about fire safety issues, setting out our role and providing information on other organisations that can help. We also contributed to the Independent Review of Building Regulations and Fire Safety led by Dame Judith Hackitt.

In addition, we have responded on a number of government-led consultations and continued to work with others to assist policy development and improve services to complainants.

Financial analysis and going concern

The 2017-18 Business Plan increased our subscription rate to £1.25 per housing unit from £0.96. The increase over the prior year brought income back into line with expenditure following the planned deficit in 2016-17, which was agreed with the Ministry for Housing, Communities and Local Government (MHCLG).

The removal of controls over our headcount meant that we were able to employ additional caseworkers to continue to reduce the average determination time for cases within our formal remit. Although we employed more colleagues than in the previous year, we did not manage to recruit up to our full planned establishment. This caused an underspend against the budget and the year-end operating surplus of £219k.

Within administrative expenses, accommodation and IT costs are lower than in 2016-17 as prior year figures include one-off costs associated with the office move and transition to the cloud. The 2017-18 accommodation costs also incorporate a full year of the lower office accommodation charge. Expenditure reported within office running costs increased as we expanded our contracted out enquiries service to cover web and email requests as well as phone calls.

The most significant movement in the Statement of Financial Position is the increase to the cash balance at year-end. This is due to the lower than anticipated expenditure on staff costs and a higher volume of goods or services received but not yet invoiced at year-end. The other significant movement is to the pension liability which has decreased as a net result of changes to the financial assumptions used to calculate the liability and an increase to the value of the assets held at year-end. The pension valuation is performed in accordance with International Accounting Standard (IAS) 19 and the result will fluctuate each year as it is very sensitive to changes in the underlying assumptions (for more information, see note 13 to the accounts). We have a letter of comfort from MHCLG which confirms it would make sufficient resources available to the Housing Ombudsman should we not be able to meet our pension liabilities as they fall due.

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 2018. 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.

Looking forward

At the start of 2018-19, corporate risks to the delivery of our objectives remain unchanged, with the status set out on page 37.

In terms of permanent leadership, the position of Housing Ombudsman is a public office and, as such, its recruitment is led and managed by MHCLG. Two recruitment rounds to appoint a permanent successor have been unsuccessful and, consequently, the Director of Finance and Corporate Performance will take over as Interim Housing Ombudsman on 31 August 2018 when the current interim appointment expires. At a time of great change in the housing sector, it is important that the organisation has a permanent leader to influence the debates about social housing and the future of consumer redress in the housing market. MHCLG will be starting the recruitment process in due course.

Preparations for the General Data Protection Regulation requirements have gone well and we will continue to embed and enhance our organisational and technological controls throughout 2018-19. Our business plan commits us to the development of a range of tools and reports aimed at better supporting landlords and residents to resolve complaints locally as well as on-going landlord engagement to maintain our influence and relevance in the sector. One of the factors impacting on the timeliness of our complaint handling is recruitment. We held an assessment centre in early June 2018 to recruit to all permanent caseworker vacancies and we will continue to review our temporary and permanent recruitment processes to maximise our ability to reach and maintain the planned headcount for the year. We will also closely monitor our performance against our key target on average determination times throughout the year and take remedial action as necessary.

Performance analysis

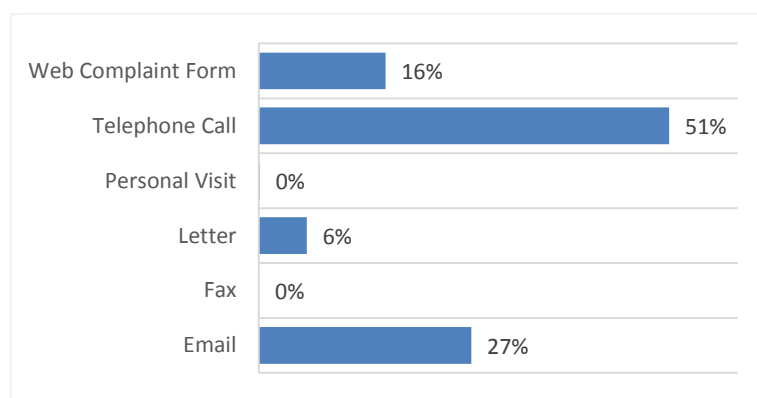
Strategic objective 1: We will deliver an accessible, high quality and timely complaints handling service

We want to ensure that our service is accessible to all residents by offering a range of ways to contact us including by phone, email and online. We aim to resolve complaints early wherever possible, which ensures the best outcomes for complainants and improves landlord resident relationships. By seeking feedback from residents and landlords throughout the year we have regular data that helps us improve the quality of our service.

Accessibility

During 2017-18 we have continued to offer a wide range of routes of access to our service including by phone, online and in writing. We also signpost enquirers who contact us on social media to use these routes, providing a further access point.

First method of contact 2017-18



We collect information from our service users allowing us to compare the profile of our complainants against the profile of residents in our member landlords. The demographic profile of our complainants is close to that for social housing residents as a whole, except that we have proportionally fewer people over 65 accessing our service. We will continue to monitor this trend and engage with advisory services for older people in 2018-19.

During the year we worked with an external supplier to develop a new, more accessible website with increased content for residents and landlords and an improved online complaint form enabling residents to upload documents as part of their complaint. We continued to add content after the year-end and launched the new site on 24 May 2018.

Our initial telephone enquiries service is outsourced to an external provider. In 2017-18 we continued to ensure this delivered a quality and accessible service which was also expanded to cover web and email enquiries. We also re-procured this service and the new contract, which went live in April 2018, provides various options for enhancing our accessibility which we will explore during 2018-19.

A high quality service

Since the introduction of our current dispute resolution process in April 2016 we have continued to develop and embed policy guidance. We have revised and enhanced this for each of the different stages of our process based on our experience and feedback from customers. In 2017-18 we produced new guidance on investigations, systemic issues, jurisdiction and early resolution. We are currently piloting a new system for when we are asked to review our determinations by customers which trials shorter timescales and clarified criteria, such as the requirement for new evidence.

We have also improved the way we monitor and respond to emerging trends and issues in social housing by introducing a regular horizon-scanning process. This helps us to prepare for changes that will affect us and our customers, allowing us to identify opportunities for using our complaints data, knowledge and experience to feed into external consultations.

We have maintained our approach to seeking customer feedback from landlords and residents and their responses on our customer care have consistently improved year-on-year. In 2017-18, we received 93% positive feedback at local resolution and 89% at determination stages compared to targets of 80% for each stage.

Within the weighted average figures above, 99% of landlords and 88% of complainants thought we treated them well during local resolution. At determination stage, the figures are 99% of landlords and 79% of complainants.

Examples of the positive qualitative feedback we received from our customers in response to the question ‘Did we treat you well?’ are:

Local resolution stage:

“

“I felt that my complaint was listened to and the contact person at the office was very attentive and replied to all my emails. I felt the service was highly professional and efficient.” (complainant)

”

“

“Yes, very well and with a large degree of understanding. I felt at ease and that I was not being judged.”
(complainant)

”

Determination stage:

“

“The case worker was excellent, and always willing to listen to my side of the story, but at the same time providing the information in a professional manner.”
(complainant)

”

“

“I am chronically mentally ill and I felt that the Housing Ombudsman’s office put my anxiety at ease and made me feel straight away that I have a friendly office that will help me with my problem and able to seek justice.”
(complainant)

”

“

“Yes - provided a resolution to the complaint, which we can use for any similar complaints that we could deal with in future.” (landlord)

”

We will continue this approach to gathering feedback during 2018-19 but we will also review how we define and measure quality, and how and what we gather in terms of customer feedback, in readiness for our next corporate planning round.

We have seen a small increase in the volume of complaints about the service we provided this year which represents 1% of the total enquiries and complaints we received (0.9% in 2016-17). We operate a two stage complaints process and data on volumes and outcomes is set out in the table below:

Number of complaints about our service			
	2015-16	2016-17	2017-18
Stage 1	84	95	104
Stage 2	29	41	43
	113	136	147

Outcome of complaints about our service			
	2015-16	2016-17	2017-18
Upheld	51	44	61
Percentage upheld	45%	32%	41%

The most common complaint by our service users related to delay; we received 36 complaints related to this in the year with 11 of these reaching the second stage. As acknowledged elsewhere in this report, we are committed to improving the timeliness of all our interactions to provide a better service to all customers. Customer care was the next most common cause for complaint with 33 complaints being received in 2017-18. Although these figures are marginally higher than in 2016-17, our customer feedback shows a consistent upward trend in resident and landlord satisfaction with our customer service as noted earlier.

Timely service

Determination times for complaints in our formal remit improved in 2017-18 compared to the previous year. During 2017-18, 100% of cases were determined within 12 months against a target of 95%. This was also an improvement from the previous year's 96%. At the end of the year there were no cases over 10 months old, another improvement on the previous year when there were no cases over 12 months at year end.

The average case time for complaints in our formal remit has reduced over the year from nine months in 2016-17 to eight months at the end of 2017-18. This is a good achievement although we did not meet our target of six months. A number of factors affected our performance. Most significantly, the Business Plan was predicated on bringing in temporary staff to help us tackle the additional cases that needed to be determined. Although we did increase our headcount, we failed to reach the planned complement for the year due to the buoyant labour market and the resultant difficulty in retaining some of these colleagues.

This also had an impact on our permanent employees as they spent more time inducting and mentoring than was envisaged. This issue is difficult to mitigate but, in response, we streamlined our recruitment procedures and took other planned steps to increase our efficiency. These included an upgrade to our casework management system and enhanced guidance for caseworkers. The impact of these actions will be felt more markedly in 2018-19. The same is true with regard to the lower than expected increase in cases entering our formal remit as we have been dealing with the oldest (and pre-existing) cases first.

Moving into 2018-19, we have restated our commitment to reduce the average case time to six months or less and a recruitment exercise is underway to fill vacant posts.

Case study: Enquiry stage

We were contacted by a homeless applicant who was experiencing difficulties in submitting bids via a local choice based letting scheme. We provided the complainant with a copy of the guidance issued by the choice based letting scheme, highlighting the information on how to make a complaint and who to contact in the event of IT difficulties. We signposted the complainant to Shelter for advice and representation, and the Local Government and Social Care Ombudsman in the event that they wished to pursue a complaint about the homelessness assistance provided.

Strategic objective 2: We will support landlords and residents to resolve more complaints locally

We aim to facilitate the resolution of disputes as fairly and as quickly as we can. How we do this in each individual complaint will depend on the facts and circumstances involved. We assist the parties to the dispute by facilitating discussions regarding outcomes. A key consideration is that outcomes are compliant with the law, policy and good practice, and help to restore the complainant to their position prior to any service failure.

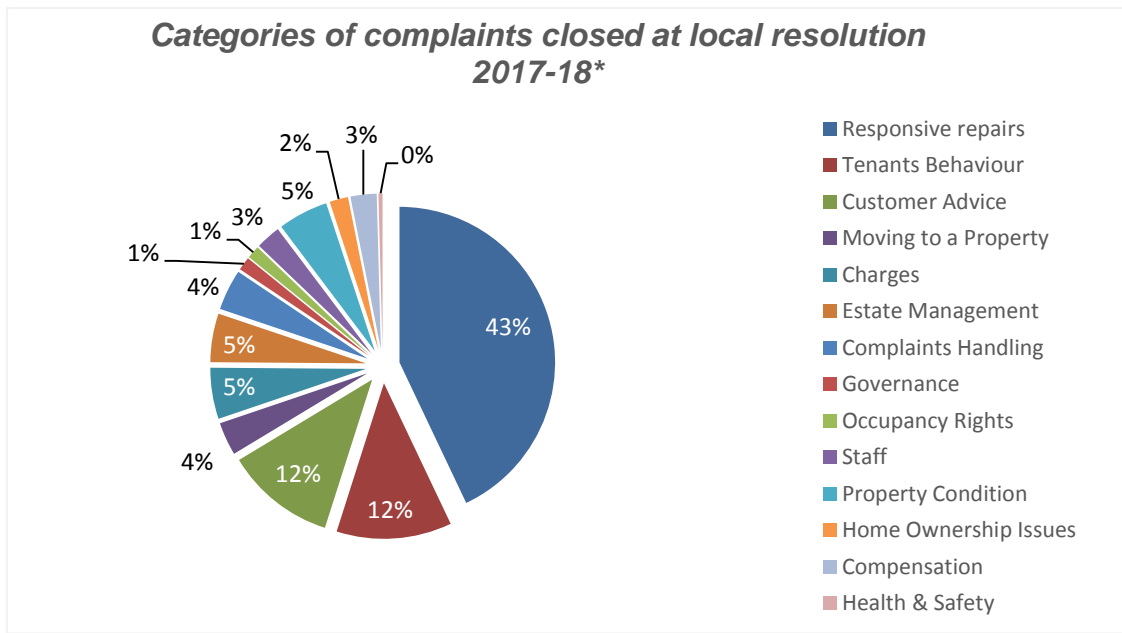
Local resolution

Local resolution ensures that issues are resolved at the earliest opportunity at a local level. As landlords and residents have an ongoing relationship, the quick resolution of disputes benefits both parties by preventing issues from escalating and relationships souring. It helps to build trust and confidence as well as providing effective use of limited resources.

The first opportunity for complaint resolution is through the landlord's complaints procedure. Our approach to local resolution promotes and supports the landlord's complaints handling and involves work with both landlords and complainants. We help complainants to access and navigate their landlord's complaint procedure. Complaints can sometimes arise from a simple misunderstanding so we will make sure that the parties fully understand each other's position. We can provide advice about potential resolutions for the parties to consider. We manage the expectations of both parties and give advice on how to use our dispute resolution principles to help resolve the dispute. Our role may include giving advice on:

- The landlord's own procedures
- The role and remit of our service
- Information about the dispute resolution process
- Guidance on how to frame a complaint
- Details of other ombudsmen and complaints handling bodies
- Signposting to other agencies who might be able to assist including the designated persons.

In 2017-18, 5,467 complaints were closed at local resolution stage compared to a total of 7,087 complaints closed in total. The majority of closed local resolution complaints related to repairs as set out in the table below.



*Complaints may have multiple categories

We sought feedback from landlords and residents in 20% of the cases closed at local resolution stage to assess the effectiveness of our service. Using the question ‘Did we help?’ 77% of customers said that we did which is comparable to the prior year (78%) and exceeds our target of 65%. Breaking this down, we received positive feedback from 61% of complainants and 92% of landlords.

Comments from customers at local resolution stage in response to the question ‘Did we help?’ included:

“The service has helped and I was more than happy with the information and advice that I received. I did not need any further help as the issue has now been resolved.”
(complainant)

“You gave clarity around what my rights are in terms of making a complaint in regard to the council. I was told how the process works and what the procedure is when making a complaint.” (complainant)

“It did help, it clarified the outstanding issues and also gave the housing service an extra push to ensure a follow up appointment was made to address every aspect.”
(landlord)

“

“I found you helpful, giving us the opportunity to resolve the customer’s concerns within our complaints process. This was appreciated.” (landlord)

”

Designated persons

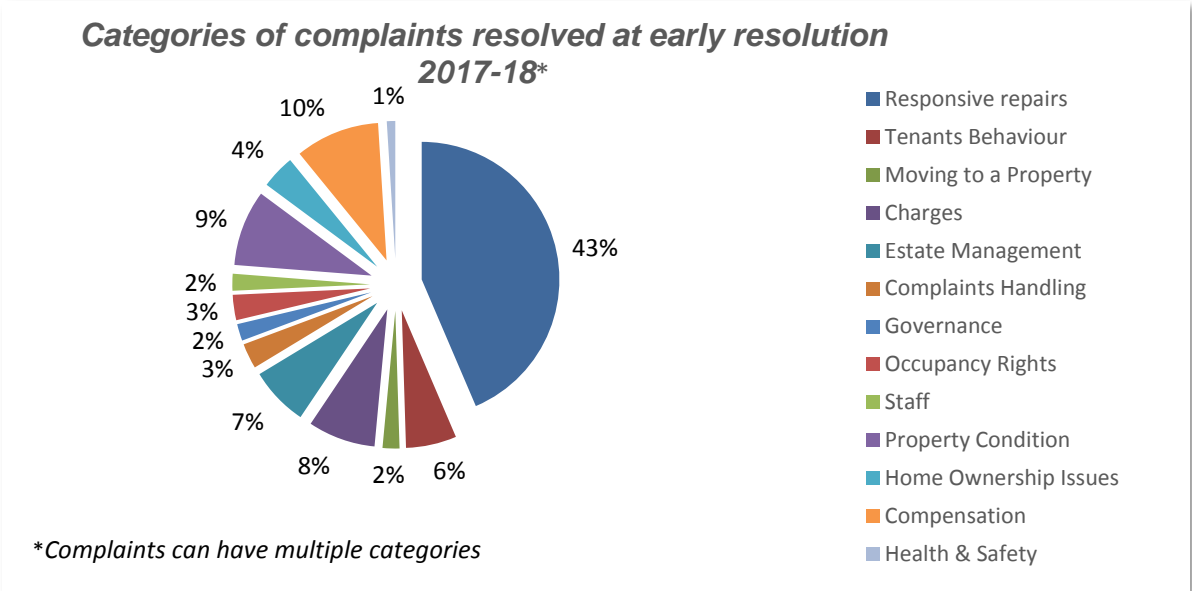
Another opportunity for complaint resolution is provided by the ‘designated persons’ arrangements introduced by the Localism Act 2011. Where a complaint is not resolved through the landlord’s complaints procedure, the complainant may refer the matter to a designated person (an MP, councillor or designated tenant panel) who can also help find a solution. If not, the complainant must wait eight weeks before bringing their complaint to the Ombudsman.

During 2017-18 7% of the complaints entering our formal remit were referred to us by designated persons. This is 1% less than the previous year and equal to the average across the three previous years.

Early resolution

When a complaint enters our formal remit, our early resolution procedure provides a further opportunity for it to be resolved without the need for a formal investigation. If we consider that the complaint might still be capable of resolution, and if both parties are in agreement, we try to find a mutually acceptable outcome. By being conciliatory and inquisitorial in our approach we can help the parties find a longer-lasting solution to the problem and preserve the ongoing relationship between the landlord and resident.

In 2017-18 we continued to develop and embed our dispute resolution policies and processes to support early resolution. Based on the very positive feedback received about cases resolved in this way we developed new policy guidance for staff, capturing the lessons learned on when this intervention works best, and launched this in January 2018. The guidance highlights the type of actions and conversations that can help customers reach agreement and achieve outcomes that both parties find acceptable. In 2017-18, 5% of all determinations were resolved through early resolution compared to 4% in 2016-17, indicating that the policy guidance is beginning to have an impact. We will continue to monitor this during 2018-19 and we will develop it further as necessary.



As with local resolution, the majority of the complaints resolved at this stage relate to responsive repairs. The average time to reach a determination under the early resolution approach was 4.2 months in 2017-18 compared to eight months for all determinations. These swifter outcomes help to preserve the ongoing relationship between the parties.

Other support for landlords and residents

Our sector engagement work also promotes and encourages the local resolution of complaints. We hold regular meetings with a number of landlords to discuss themes and potential risks emerging from our insight into their complaints. This allows information exchange and policy development. Demand for this element of our service is high and we aim to target this work where the largest impact can be gained. A further example of this type of support is the assistance we offer to merging landlords where we can help in the amalgamation of different complaint systems, ensuring that residents’ needs are considered throughout.

To support residents, we ran workshops at the Tpas annual conference and at a further regional meeting. A total of 220 residents took part in our events during 2017-18 which provided us with valuable insight into what really matters to residents.

The combination of all of our work under this objective means that 79% of the complaints we closed in 2017-18 were closed without the need for a formal investigation, just narrowly missing our target of 80%.

Case study: Local resolution stage

A complaint was made regarding a fault with a shower head. The complainant was elderly and needed the shower to wash. The landlord had advised that it was unable to repair the shower but would replace it with a mixer tap and shower attachment as was standard in its properties. The complainant was unhappy with this as they were unable to stand safely in the shower whilst manoeuvring the shower manually.

We contacted the landlord and explained the reason that the complainant was dissatisfied with this response. We discussed our dispute resolution principles and how it could consider what was fair in the specific circumstances. The landlord agreed to replace the shower on a like for like basis.

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.

Fair and impartial resolution

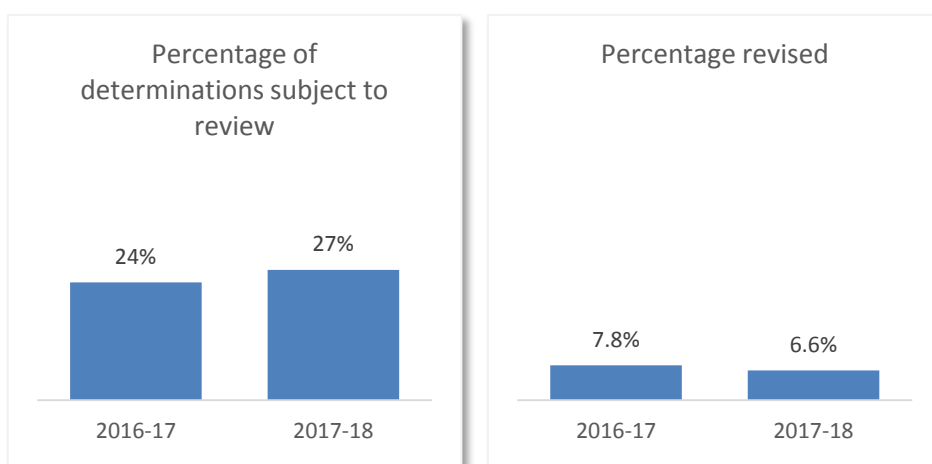
In 2017-18 we maintained our existing quality control and quality assurance processes. Under these, all casework is measured against criteria assessing the quality and fairness of the decisions made. These include:

- Accurately reflecting the Ombudsman's role in decisions
- Professional and respectful communications with the parties
- Appropriate consideration of customer needs and expectations
- Clearly reasoned decisions and based upon evidence
- Correct administration of cases and service standards maintained

We also started piloting a new approach to requests to review our decisions. This introduced shorter timescales and clarified criteria, such as the requirement for new evidence.

As shown in the chart below, reviews were requested in 27% of our cases in 2017-18, a slight increase of 3% on the previous year. However, we saw a reduction in the number of cases in which decisions were amended. This may reflect our continued aim to ensure that our decisions are clear and meet our quality standards. We will continue to monitor this to identify any significant trends.

Determination reviews



The level of positive customer feedback to the question 'Did we help?' is an indicator of whether our decisions on cases in our formal remit are recognised as fair and impartial by our customers. In 2017-18, 73% of customers said that we helped at this stage of the dispute resolution process against a target of 65%. The feedback from complainants alone was 52% positive which exceeds the proportion of complaints that were upheld (42%).

Examples of customer comments in response to the question ‘Did we help?’ at the formal remit stage included:

“

“The service provided the information to support my case in a fair manner, they never made promises, instead they offered a chance for me to put my complaint forward and provided excellent customer service. I am very happy that this service was available at a time that I couldn't find help, support or answers elsewhere.” (complainant)

”

“

“Yes it was helpful. You made my housing association responsible for their failings towards me. They have since sent a letter of apology, promised to audit and improve their services and paid me compensation.” (complainant)

”

“

“Yes, the service was really helpful. The determination and investigation reports were very in-depth, provided lots of information and also offered reasonable recommendations which we have, as a business, taken into consideration. I think you have been very fair in your determination and taking both [the complainant's] and [the landlord's] points/correspondence into consideration.” (landlord)

”

We publish case studies to illustrate how we investigate complaints and the application of our dispute resolution principles to achieve fair and impartial outcomes. They highlight the range of decisions we make and the types of outcome we can achieve. Over the year we added more cases studies to the website and introduced a more consistent format to make them clearer and easier to read. On our new website we have an enhanced search facility within the case studies section so users can search by complaint category and by complaint stage.

Effective complaint resolution

The effectiveness of our decisions can also be seen in the level of compliance with our orders. Following an investigation we may ask the landlord to put things right which will be reflected in an order. These may provide individual redress for complainants, 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.

The level of compliance with our orders has remained high. In 2017-18, 99% of orders were implemented within three months and 100% within six months against targets of 95% and 100% respectively.

We work closely with the Regulator of Social Housing and in 2017-18 we published a Memorandum of Understanding (MoU) with the Regulator which sets out how we work with each other. Under the MoU the Ombudsman informs the Regulator of potential systemic issues relating to compliance with the Regulator's standards. During the year we made one statutory referral to the Regulator where we had concerns about a landlord's complaint handling. Making such referrals where we have continuing concerns about a landlord's performance is an illustration of how our decisions can be effective.

The MoU also confirms how the Regulator signposts tenants, or their representatives, who are seeking resolution of individual complaints, to the Ombudsman. The MoU allows for discussion regarding particular complaints to assist with correct signposting between the organisations. We hold regular bi-lateral meetings which provide insight into emerging issues across the sector allowing us to plan effectively and inform discussion with stakeholders as and when appropriate.

Case study: Early resolution stage

Ms P raised concerns to the Ombudsman about the landlord's response to a leak that damaged her kitchen and appliances. Ms P complained about the time taken to carry out the repairs, the loss of use of her kitchen, missed appointments, disruption to her garden (which was dug up to lay pipes) and the damage to her fridge-freezer (including the loss of food) and to her carpet. Ms P explained that the impact on her was exacerbated by her vulnerability due to her disability and diabetes.

Ms P took the complaint through the landlord's internal complaints procedure. In its final response, the landlord offered Ms P £60 compensation for the inconvenience she experienced and advised her to make a claim under her contents insurance policy for the damage to her personal items.

Ms P regarded the landlord's compensation offer as inadequate and brought her complaint to the Housing Ombudsman Service. We explained that we would work with Ms P and the landlord to resolve the complaint and liaised with both parties. We ascertained that Ms P was most concerned about the loss of her fridge-freezer and the inconvenience this was causing. We explained the situation to the landlord and advised that this was the key issue for Ms P. The landlord increased its offer of compensation to £300 to assist with the purchase of a fridge-freezer. Ms P accepted the offer, together with an apology for the inconvenience caused.

SO4: Supporting landlords to learn from the outcomes of complaints

Information from complaints provides extremely valuable feedback. One of our three dispute resolution principles is 'Learning from outcomes' which enables landlords to make continuous improvements to their complaint handling and housing services.

Over the last 20 years we have considered many 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 if we find these to be unfair, or we may order the landlord to identify how it will improve.

Sector development activities

During the year, social landlords continued to respond to the changes in their operating environment, for example through adapting their operating models and mergers. With significant changes such as these comes the risk that landlords lack capacity to engage with our service and lose focus on complaint handling. To minimise this risk, we continued to work in partnership with others to maximise the reach of our messages, and we began to enhance our online on-demand content so that resources are readily available whenever they are needed.

In 2017-18, we updated and enhanced the range of case studies published on our website. In addition, we introduced a new e-newsletter to keep landlords informed of our news and developments.



As at 31 March 2018, more than 4,000 staff from 600 landlord organisations had completed our free, open access e-learning, together with 266 residents and designated persons. In the final quarter of the year, we launched a new and improved e-learning package for landlords that is more interactive and features our caseworkers sharing their knowledge and insight. The first module looks at the benefits to resolving complaints by adopting the dispute resolution principles. A second module is in development which will focus on common complaint themes such as repairs and antisocial behaviour.



We have continued to work in partnership with others to maximise the reach of our training activities. In 2017-18 we ran a series of landlord engagement workshops with HQN and HouseMark on 'Managing challenging complaints effectively'. More than 200 delegates attended these interactive sessions which looked at case studies and best practice examples on repairs, putting the matter right, compensation and learning from complaints. In addition, we participated in housing complaint forums, including two for the G15 landlord group.

As well as supporting landlords, we also work with resident organisations. This activity has

included presentations to tenant panel members and providing workshops on how our dispute resolution principles can help residents when making a complaint. In 2017-18 we ran workshops at the Tpas National Tenant Conference and at one of their regional events. These sessions explored residents' views and experiences of good dispute resolution and how these could be captured to improve the service offered by their landlords.

Assessing our impact

We seek feedback from delegates at all of our events, workshops and in-house training. We also seek this following completion of our e-learning package and from the individual landlords with whom we work. We use this to measure the impact we have had on improving complaint handling or service delivery and we have received a very high level of positive feedback.

“There were some good suggestions for complaint handling. Our review of our complaints policy and procedures will significantly change the way we currently deal with complaints. We are changing our emphasis to a resolution focus process that relies on communication with the customer.”

“

“The session was very well received and has helped improve the understanding of how to effectively resolve a complaint in a fair and timely manner. This was particularly useful for those service managers that do not deal with complaints on a regular basis. Principles of the training have been repeated at regular intervals at various team meetings and induction sessions. We have seen a marked improvement in the quality of investigation, communication with complainants, letter writing, speed of resolution and resolution offer following the training.”

”

Wider engagement

Raising our profile through the media also helps to share information about how we work and our learning more widely. In 2017-18 articles on our role and the impact of our work were featured in Shelter’s publication, *Housing Matters*, and the *CILEx Journal*, the official journal of the Chartered Institute of Legal Executives. We also used social media to promote activities such as the e-learning module and our workshops.

To provide greater insight for our stakeholders we created a new section on our website to make our overall complaints data more accessible. As part of our plans for 2018-19 we will be considering what further data on landlords might be published on our website.

On a wider basis we use the knowledge and expertise developed from our complaint handling to feed into policy development and work with partners on new issues as they arise. Further details are provided in the Ombudsman’s Report on page 31.

Case study: Investigation stage

We investigated a complaint regarding the landlord’s handling of blocked drains. Drainage just outside a small block of flats had been reported as blocked on a number of occasions. The landlord had taken action to unblock the drains but had failed to investigate and resolve the problem, despite promises to undertake CCTV explorations. The problem recurred causing flooding in the communal area and ground floor flats. Further problems occurred when the landlord’s offer of assistance in cleaning the flats did not materialise as promised.

The Ombudsman found that there was maladministration as the landlord had failed to follow through on promised actions, there were gaps in its communications with residents and its record keeping was poor. We ordered £250 compensation be paid to each ground floor resident and that the landlord visit each flat to assess the individual claims for damage to goods.

SO5: An accountable, well-run organisation, using our subscription monies wisely

As a public service that is funded by subscription from our members, it is important that we are accountable for the way we use our resources. We are an arms-length body of the Ministry of Housing, Communities and Local Government (MHCLG) so we are accountable to parliament, but we also have a duty to:

- the landlords who are members of, and whose subscriptions fund, our scheme
- residents who have every right to expect prompt and proper consideration of complaints by their landlords and by us.

Accountability and transparency

In 2017-18, we again consulted with all stakeholders to inform the development of our [2018-19 Business Plan](#). Overall, respondents supported our proposals, and we received more written responses than the previous year (55 replies, compared to 47 in 2016-17) with landlord respondents representing 23% of all units registered with us. On the resident side, responses were received from representative groups (Tpas and TAROE trust), two residents directly and a number of landlords consulted with residents themselves before responding to us. Our [consultation report](#) is available on our website.

We also recruited members to our Panel of Advisors with equal representation from both landlords and residents. Along with two representatives from our Audit and Risk Assurance Committee, the Panel will advise the Ombudsman on strategy, leadership and good governance with its first meeting taking place in July 2018. The Panel will play a key role in shaping our next corporate plan, covering the period 2019-2022.

We have also increased our transparency by providing more information on our website. The previous website was expanded to include more information on policies and processes, performance and a greater range of case studies. Our new website, developed during 2017-18 and launched in May 2018, was redesigned to meet additional user groups' needs.

Governance, internal control and risk management

Our governance, internal control and risk management continues to be strong. We implemented all internal audit recommendations to timescale during the year and we have received an unqualified audit opinion on our financial statements. We have improved control through the introduction of an HR system at year-end and the embedding of our electronic purchase order system. In addition, new policies and procedures were implemented to support the increase in headcount and move to greater home working. Further details on our governance, internal control and risk management arrangements are set out in the Governance Statement on page 34.

During the year we have continued to enhance our suite of internal management information to support decision-making, for example with self-service reports made available on equalities monitoring data, indicators of systemic failure and data on individual landlords.

The move to managing to pay budget rather than headcount has been also positive. This has allowed us greater flexibility in terms of the resources brought into the organisation and our headcount did increase although, as noted elsewhere, we did not reach our full planned establishment for the year.

IT changes

We have continued to improve our IT in terms of its security, resilience and the applications that we use. We moved our telephone system to the cloud and can now support more flexible homeworking. The plans for a portal were put on hold during the year following changes to the way we deliver, or will deliver, our services. For example, many of our sector development events are now delivered through partner organisations so we no longer require an online facility for landlords' self-service bookings. We will revisit the portal concept in 2018-19 to consider the feasibility of developing this as an online complaints-handling tool instead.

The other significant IT development was the decision to continue with our existing casework management system rather than replacing it following an options appraisal. An upgrade took place in year and further upgrades occurred in early 2018-19. Together, these changes better align workflows with our processes to increase caseworker efficiency and ensure we can demonstrate compliance under the new General Data Protection Regulation.

Procurement

We have secured some significant savings or service improvements from procurement activity during the course of 2017-18. Under the enquiries contract in place for 2017-18, we transferred initial responses to web and email enquiries as well as phone to the supplier. This resulted in significant cost savings and a faster service. Our new website was delivered at a considerable saving compared to the quote from the existing supplier. The procurement also gave us access to on-going support, which was not previously available, and reduces our dependency on the supplier as we are able to amend much more of the content ourselves.

Assessing our efficiency

For the reasons set out above, we believe we provide an efficient ombudsman service. We have compared the complaints we closed per full time equivalent (FTE) with other ombudsmen to give an indication of our efficiency. The latest data available (for 2016-17) appears to show we compare well with others on this measure, but it should be treated with some caution as each Ombudsman operates different schemes with different stages and the available data is not sufficiently distinct as to allow like for like comparisons.

From the analysis above, our own performance for 2016-17 shows complaints closed per FTE slightly down on the prior year. This is due to the change in emphasis to investigating complaints within our formal remit as opposed to locally resolving cases. The change occurred as we moved to bring down average determination times and performance has declined slightly as investigations take longer to resolve.

Other matters

We take corporate social responsibility seriously and have a range of policies and practices to support our approach. Our standard contracts all include clauses over modern slavery, anti-bribery and corruption, and transparency. We also have an anti-bribery policy in place and we recycle whenever we can. During 2018-19, we will consider further ways to encourage our suppliers to provide wider social, economic and environmental benefits, and engage our colleagues in these areas by developing this strand of our HR strategy.

The Housing Ombudsman Service made no political or charitable donations during the year. Our whistle-blowing policies and procedures are effective and regularly reviewed. No disclosures were made under this policy during 2017-18.

David Connolly
Interim Housing Ombudsman and Accounting Officer

22 June 2018

Corporate governance report

Ombudsman's report

Leadership and direction

The 2016-19 Corporate Plan sets out our vision, values and strategic objectives. It intends 2017-18 to be a year of realising and improving on the changes made to our strategy, processes, people and systems in the previous year, which were designed to enable us to deliver a modern, efficient and effective ombudsman service for the benefit of our customers and our colleagues. That has been our focus for this year and corporate governance arrangements have been directed towards supporting this aim.

The 'Governance Statement' on page 34 sets out how we are structured to deliver organisational direction and control, and the 'Who we are' section on page 2 identifies members of the Senior Leadership Team (SLT) and the Audit and Risk Assurance Committee (ARAC). Supplementing this structure, we have held regular project prioritisation meetings at SLT level to monitor progress against all business plan activities during the year, and we have introduced project steering groups to oversee key projects (e.g. GDPR preparations, the procurement for the new enquiries contract and the casework management system upgrade) in a more agile way. These have been successful additions to our governance structure and all activities have been delivered to plan.

We have also sought colleagues' views on a variety of subjects throughout the year and held regular colleague events as part of our approach to engagement and to gain insight into what is working and where improvements are needed. As a result, we took their feedback into account for developing our service for our 2018-19 Business Plan, their views on the Single Housing Ombudsman consultation proposals and the issues and improvements that needed to be considered in delivering a variety of projects such as the reviews of various dispute resolution policies and amending our complaint form.

At an individual level, our values and objectives set a framework that empowers colleagues to be proactive and take responsibility. We have introduced some expected performance standards for colleagues joining the organisation as part of their probation this year and next year we will expand these to cover existing colleagues.

Our activities are underpinned by a robust and comprehensive set of policies, procedures and controls. These are regularly reviewed and updated when necessary. The different sources of assurance over each area of organisational activity are also captured in an assurance map. The map has been reviewed this year to enable more consistency in assessment and to give a rating for the overall strength of the assurance on each activity. Using the map, additional assurance activities have been implemented in some areas and ARAC have fed in views on the content of the 2018-19 internal audit programme.

Responding to current issues

We use our expertise in complaints handling to contribute to relevant policy developments and influence others' thinking.

For example since the government announced its intention to publish a green paper covering a wide range of issues facing the social housing sector in September 2017, we have worked with the Ministry of Housing, Communities and Local Government (MHCLG) to help inform the thinking about the content of the green paper. We also contributed to the Independent Review of Building Regulations and Fire Safety led by Dame Judith Hackitt.

In addition, we responded to the government's consultation on 'Tackling unfair practices in the leasehold market' which looked at a range of measures to tackle unfair and unreasonable abuses of leasehold, and to the Mayor of London's draft London Housing Strategy. We also responded to a call for evidence from the All Party Parliamentary Group for Excellence in the Built Environment's Inquiry looking at the potential and detail for a New Homes Ombudsman.

At the end of the year we prepared and then submitted our response to the government's consultation on *Strengthening consumer redress in the housing market*.

All of our responses to consultations are now published on our [website](#).

Working with others in the sector

To provide an efficient and effective ombudsman service for our customers and stakeholders, and to shape how that service is delivered in the future, we need to work with others.

This year, we continued to work closely with the Local Government and Social Care Ombudsman to clarify jurisdictional issues between our related services and we updated our Memorandum of Understanding (MoU) with them. Following the work we did with them last year, we have also continued to liaise with the Property Ombudsman on issues of mutual interest.

We have continued our strong collaborative relationship with the Regulator of Social Housing, again supported by an MoU which was signed at the start of the year. Further details on our activity here are set out in the Performance Report under Strategic Objective 3 on page 23.

On the resident side, we have engaged with TAROE trust to discuss common issues and listen to concerns.

We continued to attend the Voluntary Right to Buy pilot sounding board, enabling us to understand and prepare for the types of complaint that may arise as a result of the pilot. We also regularly attend G15 complaint handling meetings allowing us to understand issues presenting within the sector that may have an impact on complaints.

We have participated in various Ombudsman Association activities throughout the year, including the interest groups on communication, legal, HR and first contact. These groups share current developments and give us insight into how other members are approaching issues.

Register of interests

The [register of interests](#) is available on our website and discloses information for all members of SLT and ARAC. Members of the Panel of Advisors will be added as their appointments are confirmed.

Personal data

Information management within the Housing Ombudsman is strong and no incidents have been self-reported to the Information Commissioner's Office (ICO) during 2017-18. However, in any organisation dealing with high volumes of personal data on a daily basis, some lapses due to human error are unavoidable. Further information on the one matter referred by a complainant to the ICO is set out in the Governance Statement on page 37.

During 2017-18 we made preparations in readiness for the new General Data Protection Regulation and we were well-placed to deal with its requirements at year-end.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State has directed the Housing Ombudsman Service (HOS) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HOS 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 Ministry of Housing, Communities and Local Government has designated the Housing Ombudsman as Accounting Officer of HOS. 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 HOS' 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

Scope of responsibility

My responsibilities as Accounting Officer are set out in *Managing Public Money*. I was appointed as Accounting Officer by the Ministry of Housing, Communities and Local Government's (MHCLG's) Permanent Secretary, who is the Principal Accounting Officer for MHCLG, on 5 June 2017.

As Accounting Officer, I am personally responsible for maintaining effective governance and a sound system of internal control that supports the achievement of the Service's objectives while safeguarding its funds and assets.

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 Housing, 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 from one office holder (the Housing Ombudsman in THO's case) to the next successor-in-office. 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.

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

The Scheme applies to social landlords registered, regulated or operating in England as well as to other landlords and managing agents who join voluntarily. 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).

Ministry of Housing, Communities and Local Government sponsorship and Framework Document

HOS also operates in accordance with the requirements set out in the Framework Document agreed with MHCLG 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.

An updated version of the Framework Document was approved and signed by THO and MHCLG's Principal Accounting Officer in December 2017. The changes clarified roles and responsibilities.

THO and the Directors attend bi-monthly Accounting Officer meetings with officials at MHCLG where performance and policy issues are discussed.

Internal governance

In making decisions about governance, risk management and internal control, THO is advised by an Audit and Risk Assurance Committee (ARAC).

Internally, THO is supported by a Senior Leadership Team (SLT) who work together to set the strategic direction and the framework within which the organisation operates. The SLT meets monthly. From June 2017, all Heads of Service were invited to attend SLT meetings. This resulted in both a wider range of contributions on all areas under discussion, and more explicit focus on the key areas of commercial sense and talented people.

Supporting SLT are an Operational Management Team (OMT) and a Dispute Resolution Management Team (DRMT), which focus on management oversight in their respective areas. OMT and DRMT are made up of directors and managers from across the organisation. Both teams meet monthly.

The Housing Ombudsman Scheme provides that THO may appoint a Panel of Advisors. The Panel's terms of reference are set out in the Framework Document. At year-end, preferred Panel members had been selected.

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

HOS complies with the principles and the provisions set out in the Code of Good Practice, in so far as they apply to a non-departmental public body and a corporation sole.

While HOS cannot have a board, its functions are covered by alternative arrangements. Strategic and operational advice, scrutiny and challenge over HOS' performance, policies and longer-term position are provided by the SLT, ARAC, MHCLG (including at the bi-monthly Accounting Officer meetings) and from the sector, e.g. through our annual consultations on business planning. From 2018-19, Panel meetings will strengthen these arrangements further still.

Overall, these alternative arrangements are sufficient to support THO in the role of corporation sole and allow HOS to demonstrate alternative compliance with the principles and supporting provisions of the Code.

Audit and Risk Assurance Committee (ARAC)

Matters covered by ARAC in-year were:

- arrangements for the transition between Ombudsmen and the recruitment of a permanent post-holder;
- risk management assurance deep dives in two areas per meeting selected from the corporate risk register or the assurance map;
- review of reports from internal and external audit and of management performance in addressing their recommendations;
- review of the Annual Report and Accounts;
- review of the revised Framework Document and non-contentious changes to the Scheme; and
- review of the accounting policies.

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	3/4
David Horne	4/4

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.

During 2017-18, the risk register was reviewed from first principles. This ensured that the risks identified were current and clearly articulated, and that their recording aligned with best practice.

Risk management is supplemented by the assurance map which was refined and enhanced this year. This is used to identify areas of activity which are under or over assured for remedial action, as well as potential areas for the forthcoming internal audit programme.

Information management within HOS is strong. However, in any organisation dealing with high volumes of personal data on a daily basis, some lapses due to human error are unavoidable.

During the year, one incident reported by a complainant to the Information Commissioner's Office (ICO) led the ICO to raise two concerns with HOS although these were not formally investigated. The concerns related to the timeliness of our response to a request to cease processing the complainant's data and making service users aware that calls to caseworker direct dials are recorded as well as those through our central switchboard. Action was taken immediately to address these issues and all colleagues continue to receive on-going updates and reminders about the importance of data protection.

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

- *Lack of permanent leadership*

The position of THO is a public office and, as such, its recruitment is led and managed by MHCLG. An Interim Housing Ombudsman was appointed to succeed the previous permanent post-holder and the transition between them was smooth and effective. Two recruitment rounds to appoint a permanent successor have been unsuccessful and, consequently, a further interim appointment has been made to commence on 31 August 2018. At a time of great change in the housing sector, particularly in the light of the Grenfell tragedy, it is important that HOS has a permanent leader to influence the debates about social housing and the future of consumer redress in the housing market. While the current Interim Housing Ombudsman has engaged with key stakeholders during the year, the continuing temporary leadership can only mean HOS' influence is reduced.

- *Information security breaches*

As noted above, HOS deals with high volumes of personal data, some of which is special category data and so requires additional protection. We also hold commercially sensitive information. A serious information security breach would cause significant reputational damage, could potentially result in harm to our customers and could lead to fines or other penalties. In addition, the new General Data Protection Regulation (GDPR), which came into force in May 2018, places additional responsibilities on all organisations that deal with personal data. Our existing information security measures are strong but we cannot eliminate the risk of a breach through human error. To manage and mitigate this risk as far as possible, all colleagues must complete a range of mandatory training courses and receive regular reminders and updates on their information security responsibilities. We also set up a project group in-year with a detailed plan to ensure timely compliance with the principles and requirements of GDPR.

- *Lack of influence/relevance in the sector*

Over recent years, significant changes have been taking place in the social housing sector and these are resulting in different operating models, mergers and a sharper focus on social landlords' performance. There is a risk that, in dealing with these challenges, landlords do not have capacity to engage with HOS. In response, we have evolved our approach to sector engagement to increase our reach and we are moving towards the provision of more information on our website, including on-demand training and tools, as opposed to face-to-face training. Demand for our support in this area remains high and feedback from landlords is consistently positive. We will continue this approach in 2018-19 and the Business Plan identifies a number of specific additional activities in this area.

- *Unable to deliver a timely complaints handling service*

We want to provide a timely, high quality complaints handling service. Having increased the number of cases determined in under 12 months from 59% in 2015-16 to 96% in 2016-17, the focus in 2017-18 shifted to achieving an average determination time of six months for cases within our formal remit. At the start of the year, the average time was nine months and at year-end we have brought this down to eight months which, although short of the target, is a significant achievement nonetheless. A number of factors affected our performance. Most significantly, the Business Plan was predicated on bringing in temporary staff to help us tackle the additional cases that needed to be determined. Although we did increase our headcount, we failed to reach the planned complement for the year due to the buoyant labour market and the resultant difficulty in retaining some of these colleagues. This had an impact on our permanent employees as they spent more time inducting and mentoring than was envisaged. This issue is difficult to mitigate but, in response, we streamlined our recruitment procedures and took other planned steps to increase our efficiency. These included an upgrade to our casework management system and enhanced guidance for caseworkers. The impact of these actions will be felt more markedly in 2018-19. The same is true with regard to the lower than expected increase in cases entering our formal remit as we have been dealing with the oldest (and pre-existing) cases first.

Assuming that the volume of new incoming work is in line with the assumptions set out in our Business Plan, we anticipate reaching the six-month average during 2018-19. We have also undertaken a recruitment exercise to fill permanent posts and expect new colleagues to join us mid-year. We will continue to monitor the position carefully throughout 2018-19.

The significant risks which have been removed from the corporate risk register during the year are:

- managing the delivery of business change – regular SLT project prioritisation meetings take place which ensure the delivery of business plan commitments. Our project management approach is now embedded, receiving a substantial internal audit opinion, so this risk has been removed.
- draft Bill to establish a new Public Services Ombudsman – this risk is now considered to have reduced as the draft Bill was not included in the Queen's speech and the future of the Service is more likely to be determined by the outcome of the current consultation *Strengthening consumer redress in the housing market*. We will continue to monitor developments here.

Internal control

HOS increased its headcount in-year although, as noted elsewhere, not to the full planned establishment. As we have limited desk capacity, formal home-working arrangements were put in place to ensure we did not exceed this on any one day. These changes gave rise to the key area of internal control work during the year as we revisited and devised new HR policies appropriate for a larger organisation with home as well as office working, enhanced our IT and information security, and took appropriate health and safety measures.

Elsewhere, we have continued our approach of regular review and updating of our policies and processes for best practice and lessons learned, most notably over our dispute resolution process, and procurement and contract management.

The internal audit programme was linked to the key risks facing the organisation during the year or other areas requested by ARAC. It provided assurance over internal control in the following areas: procurement and contract management, fraud controls, key financial controls and project management and processes. Internal audit gave substantial assurance opinions for all of these audits.

Sources of assurance

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

- the annual report from ARAC to me which concluded it was satisfied that “appropriate governance, risk management and internal control processes operate within THO”;
- the annual report and opinion from the Head of Internal Audit which stated “on the basis of the work completed, I am providing a substantial opinion for governance, risk management and internal control”;
- the C&AG’s audit opinion on these financial statements;
- the outcome of regular Accounting Officer meetings with MHCLG;
- statements of assurance from each of the Directors setting out how governance, risk management and internal control have operated within their areas;
- the corporate risk register and the assurance map; and
- a letter of assurance from the former Ombudsman and Accounting Officer.

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 key challenges for 2018-19 will be achieving our target for a more timely complaints handling service, having the opportunity to influence and shape the current debates about the future of social housing and consumer redress in the housing market, managing the transition to a new Ombudsman and developing our Corporate Plan for 2019-22.

Remuneration and staff report

Remuneration of senior managers

The office of Housing Ombudsman is a public appointment made by the Secretary of State in accordance with Section 51 of the Housing Act 1996 and paragraphs 59-64 of the Housing Ombudsman Scheme. Under The Housing Ombudsman (Corporation Sole) Order 2013, appointment to the office of THO is as a corporation sole and hence THO is not an employee. The Ombudsman's salary is considered annually in line with public sector pay policy.

The previous Ombudsman resigned with effect from 5 June 2017 and an Interim Housing Ombudsman took over on that date. The Interim Housing Ombudsman is seconded from another MHCLG Arm's Length Body (ALB) on a part-time basis. The payment to their employer for their services in year is set out in the supporting notes.

HOS does not have a remuneration committee. Remuneration of employees is either linked to contractual entitlement and salary scales for those appointed to their current post prior to November 2015, or to an agreed spot rate for those joining the organisation or promoted after November 2015. Our pay policy, agreed in September 2017, aligns these two schemes over the coming years.

Senior managers are employees of HOS and have an annual appraisal. Any pay progression is based on merit, where applicable. The Director of Finance and Corporate Performance and the two Directors of Dispute Resolution are permanent employees with three-month notice periods.

No awards were made to any senior manager in year. In particular, no allowances or bonuses were paid to senior management in year. No element of remuneration is non-cash. Information on the remuneration 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)

2017-18

N o te	Single Total Figure of Remuneration				Pension Entitlement Details					
	Salary and fees	Pension benefits	2017 - 2018	2016 - 2017	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	To the nearest £1,000	
Ombudsman & Senior Managers										
Denise Fowler (Housing Ombudsman to 04/06/17)	1	20,000 – 25,000	899,000	920,000 – 925,000	625,000 – 630,000	45,000 – 47,500	45,000 – 50,000	664,000	688,000	10,000
David Connolly (Interim Housing Ombudsman on secondment from 05/06/17)	2	80,000-85,000	N/A	80,000-85,000	N/A	N/A	N/A	N/A	N/A	N/A
Andrea Keenoy (Director of Finance and Corporate Performance)		80,000 – 85,000	6,000	85,000 – 90,000	105,000 – 110,000	0 – 2,500	0 – 5,000	24,000	43,000	-7,000
Joyce Adu (Director of Dispute Resolution)	3	65,000 – 70,000	82,000	145,000 – 150,000	160,000 – 165,000	2,500 – 5,000	15,000 – 20,000	215,000	237,000	-1,000
Emma Foxall (Director of Dispute Resolution)	3	60,000 – 65,000	69,000	130,000 – 135,000	145,000 – 150,000	2,500 – 5,000	10,000 – 15,000	178,000	200,000	1,000

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 2 are not senior managers of HOS.

Pension benefits above represent the real increase in pension in-year multiplied by twenty plus the real increase in any lump sum and less contributions made by the member.

- Denise Fowler held the post of Housing Ombudsman until 4 June 2017. Her FTE salary was in the band £115,000-£120,000. Denise made a transfer in to her pension at the end of 2016-17. This increased her pension entitlement significantly between the start and the end of the financial year, and this difference has led to the reported pension benefit.
- David Connolly took over as Interim Housing Ombudsman on a part time basis on 5 June 2017. David is seconded from another MHCLG ALB on a part-time basis and so is not an employee or remunerated by the Housing Ombudsman. The amount paid to his employer in year was £84,524 and this is reflected in the table above under 'salary and fees'. His FTE salary as Housing Ombudsman from 5 June to 31 January was in the band £100,000-105,000 and increased to £110,000-£115,000 from 1 February.

3. Joyce Adu and Emma Foxall were both confirmed in post following periods of acting up with effect from 31 October 2017. On 17 November 2017, Emma Foxall reduced her contractual hours to 0.91 FTE. Her FTE salary is in the band £60,000-£65,000.

2016-17

N o t e s	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	To the nearest £1,000	
Ombudsman & Senior Managers										
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

- Denise Fowler transferred £381k from her Civil Service Pension Scheme fund into her THO pension fund during the year.
- 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.

	2017-2018	2016-2017
Band of highest paid individual's remuneration (£)	110,000-115,000	115,000-120,000
Median remuneration of staff (£)	40,523	42,367
Ratio between median remuneration and mid-point of banded remuneration of highest paid individual	2.8:1	2.8:1
The range of staff remuneration is between	24,000-82,000	24,000-82,000

In 2017-18, nil employees received remuneration in excess of the highest-paid director (2016-2017: nil).

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)

	Notes	Permanent staff	Temporary staff	2017-18 Total	2016-17 Total
		£'000	£'000	£'000	£'000
Wages and salaries		2,320	921	3,241	3,101
Social security costs		256	-	256	252
Pension service costs	13a	793	-	793	380
Total Costs		3,369	921	4,290	3,733
Cost of Secondments into HOS				160	
Recoveries in respect of outward secondments				(17)	
Total Costs				4,433	3,733

Although not an employee, the previous Ombudsman's salary costs are included in the permanent staff column above until the point of their departure. The Interim Housing Ombudsman is seconded from another MHCLG ALB on a part-time basis and their costs are shown as part of the costs of secondments into THO.

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 to set contributions for the period from 1 April 2017 to 31 March 2020. The actuary recommended an employer's contribution rate of pensionable salaries for THO as follows:

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

The 2016 triennial review also recommended that the Housing Ombudsman 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 13.

Staff numbers

The previous Ombudsman was a public appointee and corporation sole, so not an employee. The Interim Housing Ombudsman is seconded from another MHCLG ALB on a part-time basis and is shown in the secondments column below. HOS had three employees classified as senior managers at year-end as detailed in the Remuneration Report. Including the Interim Ombudsman, HOS had a total of 62.6 staff in post as at 31 March 2018, of which 39.8 were female and 22.8 male.

Average number of persons employed

The average number of employees (including part-time employees, agency workers, and secondees) during the year was 68.2 (2016: 61.0), engaged in the following duties:

	Permanent Staff	Seconded-in Staff	Temporary Staff	Total THO Staff 2017-18	Total THO Staff 2016-17
	FTE	FTE	FTE	FTE	FTE
Ombudsman (not an employee)	0.2	0.8	-	1.0	1.0
Caseworkers	41.3	-	11.1	52.4	47.0
Sector Development	1.9	-	-	1.9	4.0
Support staff	8.8	1.0	3.1	12.9	9.0
				68.2	61.0

Sickness absence

During the year employee sickness levels were recorded as 0.8% in respect of short-term sickness and 0.4% in respect of long-term absence.

Staff policies

Our HR Strategy was approved in January and aims to develop the HR function so that it is more mature and integrated into the business. Activities to support this development are broken down into five key work streams: recruitment and retention; learning and development; performance management; engaging, valuing and recognising; health and well-being. These will be delivered over the coming year and beyond.

This year saw the agreement and implementation of our new pay policy in line with Civil Service Pay Guidance. This was a significant achievement and gives all colleagues certainty over their pay in the future.

The ability to manage to pay budget rather than headcount enabled more effective workforce management in 2017-18 although, as noted elsewhere, we did not manage to reach our full planned establishment.

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 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, and for existing employees who become disabled during their employment.

We use a strengths-based recruitment and performance management system, which helps us create a positive culture to support continuous improvement and development. Our commitment to this approach was underlined this year with refresher training provided to all colleagues and the incorporation of specific strengths-based questions into our annual appraisals.

We regularly seek colleagues' views and provide a monthly update briefing as part of our engagement approach. Views are sought through colleague events, open meetings and project working groups. These give us an insight into how colleagues would like us to develop our service going forward, what is working well and where improvement is needed. It also empowers colleagues by asking them to provide solutions to the challenges we face.

Our health and safety arrangements remain robust with no major incidents reported during 2017-18. Developments to our policies and procedures were made to keep pace with business change, in particular, we introduced mandatory online display screen equipment assessments in tandem with the roll out of greater home working. We also introduced a stress management policy, supplemented by guidance on managing stress and a work-related stress risk assessment form. All line managers received training on identifying and dealing with stress in their direct reports and our employee assistance programme partner came in to remind colleagues of the service on offer.

Our relationship with the recognised union, Unite, continues to be productive. Areas discussed included the new pay policy and the outcome of the last appraisal round.

Expenditure on consultancy

HOS did not incur any consultancy costs for off-payroll staff during 2017-18. We paid £11k to three companies for IT and HR advice during the year.

Off-Payroll engagements

For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than 6 months:

No. of existing engagements as of 31 March 2018	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 6 months duration between 1 April 2017 and 31 March 2018, for more than £245 per day and that last longer than 6 months:

No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	1
of which.....	
No. assessed as caught by IR35	0
No. assessed as not caught by IR35	1
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency/assurance purposes during the year.	1
No. of engagements that saw a change to IR35 status following the consistency review.	0

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

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018:

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

N.B As we are a corporation sole, we have no board members. The four individuals disclosed above are the senior officials who comprise our SLT.

Reporting of exit packages (subject to audit)

There were no exit packages in 2017-18 (2016-17: nil).

Parliamentary Accountability and Audit Report

Regularity of expenditure (subject to audit)

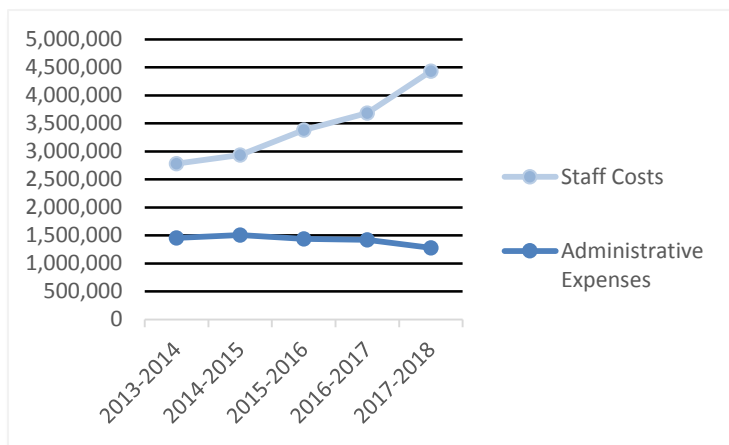
There were no losses, special payments or gifts that require disclosure in the Annual Report and Accounts.

Fees and charges (subject to audit)

THO is fully funded by a per housing unit subscription fee on members, set in line with the requirements of the Housing Ombudsman Scheme. The costs of delivering the service are recorded as expenditure in the accounts.

The annual membership subscription fee in 2017-18 was £1.25 per housing unit and this is prorated if a member joins during the year. The total income received in the year from subscriptions was £6.01 million.

Long-term expenditure trends



Our staff costs saw another significant increase as we moved away from headcount control and recruited more colleagues to help us reduce the average time for cases in our formal remit although we did not reach our full planned establishment. Staff numbers have increased by 35% on average from 2013-14.

Administrative costs also continued to reduce and are 9% lower than the prior year (ignoring the one-off costs associated with the office move in 2016-17, removed in the chart above). This is mostly as a result of realising a full year of lower accommodation costs and savings in IT provision.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities.

Auditor remuneration

The audit fee for 2017-18 is £29,000 (2016-17: £29,000). No remuneration was paid to the auditors for non-audit work.

David Connolly
Interim Housing Ombudsman and Accounting Officer

22 June 2018

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of The Housing Ombudsman for the year ended 31 March 2018 under The Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and the net expenditure 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 Housing, Communities and Local Government under section 51 of and Schedule 2 to the Housing Act 1996, and with the Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The Housing Ombudsman in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Housing Ombudsman, as both the Accounting Officer and the corporation sole, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Housing Ombudsman's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Housing Ombudsman's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the Housing Ombudsman Scheme as approved by the Secretary of State for Housing, Communities and Local Government under section 51 of and Schedule 2 to the Housing Act 1996, and with the Secretary of State directions issued thereunder;
- in the light of the knowledge and understanding of The Housing Ombudsman and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability 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 Accountability 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 2018

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

Statement of Comprehensive Income for the year ended 31 March 2018

	Notes	2017 - 2018 £'000	2016 - 2017 £'000
Revenue			
Subscriptions		6,007	4,567
		<u>6,007</u>	<u>4,567</u>
Expenditure			
Administrative expenses	2a	(1,282)	(1,556)
Staff costs	2b	(4,433)	(3,733)
		<u>292</u>	<u>(722)</u>
Interest receivable/(payable)	3	(73)	(44)
Surplus/(Deficit) before taxation		<u>219</u>	<u>(766)</u>
Taxation	4	(2)	(3)
Surplus/(Deficit) after taxation		217	(769)
Other comprehensive income			
Net actuarial gain/(loss) on pension fund	13c	562	(1,553)
Total Comprehensive Income		<u><u>779</u></u>	<u><u>(2,322)</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 69 form part of these financial statements.

Statement of Financial Position as at 31 March 2018

	Notes	31.03.2018 £'000	31.03.2017 £'000
Non-current assets			
Property, plant and equipment	5	113	142
Intangible assets	6	83	61
		<u>196</u>	<u>203</u>
Current assets			
Trade receivables and other current assets	7	147	69
Cash and cash equivalents	8	3,771	3,018
Total current assets		<u>3,918</u>	<u>3,087</u>
Current liabilities			
Trade payables and other current liabilities	9	662	404
Current tax liabilities		3	3
Total current liabilities		<u>665</u>	<u>407</u>
Total assets less current liabilities		<u>3,449</u>	<u>2,883</u>
Non-current liabilities			
Net pension liability	13f	3,134	3,347
Total non-current liabilities		<u>3,134</u>	<u>3,347</u>
Assets less liabilities		<u>315</u>	<u>(464)</u>
Reserves			
General fund reserve		3,449	2,883
Pension fund reserve		<u>(3,134)</u>	<u>(3,347)</u>
Total reserves		<u>315</u>	<u>(464)</u>

The notes on pages 57 to 69 form part of these financial statements.

David Connolly
Interim Housing Ombudsman and Accounting Officer

22 June 2018

Statement of Cash Flows for the year ended 31 March 2018

	Notes	2017 - 2018 £'000	2016 - 2017 £'000
Cash flows from operating activities			
Surplus/(Deficit) from operations		292	(722)
Depreciation and amortisation charges	5,6	61	143
Provision for office dilapidations		-	(38)
Pension scheme service and admin costs	13a	800	434
Pension scheme contributions	13e	(537)	(523)
(Increase)/Decrease in receivables	7	(64)	96
Increase/(Decrease) in payables	9	258	(20)
		<hr/>	<hr/>
Cash generated from operations		810	(630)
Corporation tax paid		(3)	(6)
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		807	(636)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment	5,6	(54)	(150)
Bank and other interest received	3	-	15
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		(54)	(135)
		<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities		-	-
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents in the period		753	(771)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period		3,018	3,789
		<hr/>	<hr/>
Cash at end of period	8	3,771	3,018
		<hr/>	<hr/>

The notes on pages 57 to 69 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	General Fund £'000	Pension Fund £'000	Total £'000
Balance as at 1 April 2016	3,682	(1,824)	1,858
Transfer between reserves	-	-	-
Total comprehensive income	(2,322)	-	(2,322)
Transfer between reserves in respect of pension fund liability	1,523	(1,523)	-
Balance as at 31 March 2017	<u>2,883</u>	<u>(3,347)</u>	<u>(464)</u>
Transfer between reserves	-	-	-
Total comprehensive income	779	-	779
Transfer between reserves in respect of pension fund liability	(213)	213	-
Balance as at 31 March 2018	<u>3,449</u>	<u>(3,134)</u>	<u>315</u>

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 69 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2018

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 (FRm) following a direction issued by the Ministry of Housing, Communities and Local Government (MHCLG) under the Housing Act 1996 and the Housing Ombudsman Scheme. 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, HOS' Statement of Financial Position as at 31 March 2018 shows net assets of £315,000. This reflects the inclusion of pension liabilities falling due in future years.

If HOS was unable to meet its pension liabilities, at the last resort, these would be met by MHCLG.

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 2018. 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

HOS 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 as they 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 on a straight-line basis 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, our website and our intranet, 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 and intranet (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. HOS may also make longer term investments, typically held for up to 6 months, and these are reported separately.

f) Pension costs

HOS participates in a multi-employer funded defined benefit scheme. HOS 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 HOS' share of the Fund and therefore has performed an actuarial valuation at 31 March 2018 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 13, 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) Standards issued but not yet effective

HOS 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 in line with FReM requirements:

IFRS 9 Financial Instruments (effective from 2018-19). The standard introduces new classification categories and subsequent measurement requirements for financial assets, as well as the introduction of a new approach for calculating and recognising impairments using an expected credit loss model. THO's financial assets consist primarily of cash balances and short term receivables and payables, and are not therefore materially affected by the introduction of the expected credit loss model or the changes in asset classifications.

IFRS 15 Revenue from contracts with customers (effective from 2018-19). The standard establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is based on the principle that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As the Scheme subscription period is aligned to THO's financial year, fee income will continue to be recognised in the year to which it relates. The implementation of IFRS 15 is therefore expected to have an immaterial effect on the financial statements.

IFRS 16 Leases (effective from 2019-20). The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As at the reporting date, THO has non-cancellable operating lease commitments of £780k (see note 10), part or all of which may become right-of-use assets, which will increase the value of assets and liabilities on the Statement of Financial Position. The application of IFRS 16 in the public sector context has yet to be confirmed by the FReM.

i) Key sources of estimation uncertainty

As disclosed in Note 13, THO is an admitted member to the City of Westminster Pension fund, a defined benefit scheme. The valuation of the scheme assets and liabilities is based on a range of assumptions made by management based on advice from a professional actuary, and are reviewed annually. Further details are included in Note 13.

2a. Administrative expenses

	2017-2018 £'000	2016-2017 £'000
Accommodation	224	326
Training and recruitment	130	134
Office running costs	381	286
Depreciation and amortisation	61	143
Consultancy	11	44
Information Technology	243	335
Sector Development	23	24
ARAC remuneration	11	3
NAO audit fees	29	29
Other professional fees	68	149
Internal audit fees	27	33
Travel and subsistence	13	14
External dispute resolution legal advice	50	19
Health scheme	7	14
Professional subscriptions and welfare	4	3
	1,282	1,556

No remuneration was paid to the external auditors for non-audit work in 2017-18 (2016-17: nil).

2b. Staff costs

	Notes	Permanent staff	Temporary staff	2017 - 2018 Total	2016 - 2017 Total
		£'000	£'000	£'000	£'000
Wages and salaries		2,320	921	3,241	3,101
Social security costs		256	-	256	252
Pension service costs	13a	793	-	793	380
		<u>3,369</u>	<u>921</u>	<u>4,290</u>	<u>3,733</u>
Costs of secondments into HOS				160	
Recoveries in respect of outward secondments				(17)	
Total Costs				<u>4,433</u>	<u>3,733</u>

3. Interest receivable/ (payable)

	Notes	2017 - 2018 £'000	2016 - 2017 £'000
Bank and other interest receivable		13	15
Interest cost on pension obligation	13d	(433)	(406)
Interest on pension scheme assets	13e	347	347
		<u>(73)</u>	<u>(44)</u>

4. Taxation

HOS 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 of 19%.

	2017-2018 £'000	2016-2017 £'000
Interest received before corporation tax	<u>13</u>	<u>15</u>
Tax on interest received	<u>2</u>	<u>3</u>

5. Property, plant and equipment

	Leasehold Improvements Fixtures and Fittings £'000	Information Technology £'000	Office Equipment £'000	Total £'000
Cost				
As at 1 April 2017	105	109	24	238
Additions	2	-	-	2
Disposals	-	-	-	-
As at 31 March 2018	<u>107</u>	<u>109</u>	<u>24</u>	<u>240</u>
Depreciation				
As at 1 April 2017	10	86	0	96
Charge for the year	16	11	4	31
Disposals	-	-	-	-
As at 31 March 2018	<u>26</u>	<u>97</u>	<u>4</u>	<u>127</u>
Net book value:				
As at 31 March 2018	<u>81</u>	<u>12</u>	<u>20</u>	<u>113</u>

	Leasehold Improvements Fixtures and Fittings £'000	Information Technology £'000	Office Equipment £'000	Total £'000
Cost				
As at 1 April 2016	257	242	64	563
Additions	105	13	25	143
Disposals	(257)	(146)	(65)	(468)
As at 31 March 2017	<u>105</u>	<u>109</u>	<u>24</u>	<u>238</u>
Depreciation				
As at 1 April 2016	239	184	36	459
Charge for the year	28	48	29	106
Disposals	(257)	(146)	(65)	(468)
As at 31 March 2017	<u>10</u>	<u>86</u>	<u>-</u>	<u>96</u>
Net book value:				
As at 31 March 2017	<u>95</u>	<u>23</u>	<u>24</u>	<u>142</u>

All assets were owned by THO.

6. Intangible assets

	Computer Software £'000	Website & Intranet £'000	Total £'000
Cost			
As at 1 April 2017	347	132	479
Additions	10	42	52
Disposals	-	-	-
As at 31 March 2018	<u>357</u>	<u>174</u>	<u>531</u>
Amortisation			
As at 1 April 2017	286	132	418
Charge for the year	29	1	30
Disposals	-	-	-
As at 31 March 2018	<u>315</u>	<u>133</u>	<u>448</u>
Net book value:			
As at 31 March 2018	<u>42</u>	<u>41</u>	<u>83</u>

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

All assets were owned by HOS.

7. Trade receivables and other current assets

	31.03.2018 £'000	31.03.2017 £'000
Member subscriptions	76	40
Staff loans	4	16
Prepayments	52	13
Other receivables	15	-
	<u>147</u>	<u>69</u>

8. Cash and cash equivalents

	31.03.2018 £'000	31.03.2017 £'000
Cash on hand and balances with bank	3,771	3,018
	<u>3,771</u>	<u>3,018</u>

All balances are held with a commercial bank.

9. Trade payables and other current liabilities

	31.03.2018 £'000	31.03.2017 £'000
Trade payables	12	98
Other payables	52	76
Tax & NI payables	65	73
Accruals	533	157
	<u>662</u>	<u>404</u>

10. Operating leases

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

	2017 - 2018		2016 - 2017	
	£'000	£'000	£'000	£'000
	Buildings	Other	Total	Total
Within one year	156		156	141
Within two to five years	624		624	563
After five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>127</u>
	780	-	780	831

The lease on HOS' current premises expires on 27 February 2023.

11. Financial instruments

HOS 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 HOS' activities and manage its working capital requirements.

The existence of these financial instruments exposes HOS 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

HOS 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

HOS'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

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

Income and expenditure relating to HOS' activities are fully sterling dominated and hence exposure to exchange rate volatility is nil.

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

No cash was put on deposit during 2017-18.

12. Related parties

HOS is a non-departmental public body sponsored by MHCLG. Any other bodies sponsored by MHCLG are considered to be related parties. During the year, HOS has had no material transactions with MHCLG.

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

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

13. Pension

HOS 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). HOS 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 HOS' contribution rate of pensionable salaries should be as follows:

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

HOS is also obliged to 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.

The Actuary has advised HOS that its additional contributions in previous years have been taken into account when determining the HOS's share of the assets at the valuation date.

The actuarial valuation of the Fund at 31 March 2018 for IAS19 purposes calculated the accumulated net liability relating to HOS to be £3,134,000 (2017: £3,347,000).

The choice of assumptions is 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 31.03.18	At 31.03.17	At 31.03.16	At 31.03.15	At 31.03.14
RPI Inflation	3.3%	3.6%	3.4%	3.3%	3.7%
CPI Inflation	2.3%	2.7%	2.5%	2.5%	2.9%
Rate of increase in salaries	3.8%	4.2%	4.3%	4.3%	4.7%
Rate of increase of pensions in payment/deferred pensions	2.3%	2.7%	2.5%	2.5%	2.9%
Discount rate	2.6%	2.8%	3.8%	3.4%	4.5%
Life Expectancy from Age 65 (years)					
- Retiring Today					
- Males	24.5	24.4	22.1	22.1	22.0
- Females	26.1	26.0	25.3	25.2	25.1
- Retiring in 20 years					
- Males	26.8	26.6	24.4	24.2	24.1
- Females	28.4	28.3	27.7	27.6	27.4

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

	Value at 31.03.18 £'000	Value at 31.03.17 £'000
Equities	9,832	9,230
Property	1,113	1,099
Government Bonds	428	304
Corporate Bonds	1,278	1,383
Cash	122	102
Total assets	12,773	12,118

HOS 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 2018.

a) Analysis of amounts charged to the operating deficit

	2017-2018 £'000	2016-2017 £'000
Service cost	795	430
Administration costs	5	4
Adjustment due to actuarial estimation*	(7)	(54)
Total	793	380

*The actuary estimated HOS' employer's contributions into the fund as at the end of February. At the end of March there was a £7k difference necessitating the adjustment above.

b) Net finance charge on pension scheme

	2017-2018 £'000	2016-2017 £'000
Net interest charge on the defined liability	86	59

c) Re-measurements in other comprehensive income

	2017-2018 £'000	2016-2017 £'000
Return on plan assets in excess of interest	(214)	1,584
Other actuarial gains/(losses) on assets	-	620
Change in financial assumptions	776	(3,519)
Change in demographic assumptions	-	(373)
Experience gain/(loss) on defined benefit obligation	-	135
Changes in effect of asset ceiling	-	-
Actuarial (loss) gain recognised	562	(1,553)

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

	2017-2018 £'000	2016-2017 £'000
Opening present value of liabilities	(15,465)	(10,523)
Current service cost	(795)	(430)
Interest cost	(433)	(406)
Changes in financial assumptions	776	(3,519)
Changes in demographic assumptions	-	(373)
Experience gain/(loss) on defined benefit obligation	-	135
Estimated benefits paid net of transfers in	197	(195)
Past service costs, including curtailment	-	-
Contributions by Scheme participants	(187)	(154)
Closing present value of liabilities	<u>(15,907)</u>	<u>(15,465)</u>

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

	2017-2018 £'000	2016-2017 £'000
Opening fair value of scheme assets	12,118	8,699
Interest on assets	347	347
Return on assets less interest	(214)	1,584
Other actuarial gains/(losses)	-	620
Administration expenses	(5)	(4)
Contributions by employer	537	523
Contributions by Scheme participants	187	154
Benefits paid	(197)	195
Closing present value of scheme assets	<u>12,773</u>	<u>12,118</u>

Movements in deficit during the year

	31.03.2018 £'000	31.03.2017 £'000
Deficit in scheme at beginning of the year	(3,347)	(1,824)
Movement in year:		
Past and Current service cost	(795)	(430)
Net interest cost	(86)	(59)
Change in financial assumptions	776	(3,519)
Change in demographic assumptions	-	(373)
Experience gain/(loss) on defined benefit obligation	-	135
Return on assets	(214)	1,584
Settlements and Curtailments	-	-
Other actuarial gains/(losses)	-	620
Administration expenses	(5)	(4)
Contributions by employer	537	523
Closing present value of scheme liabilities	<u>(3,134)</u>	<u>(3,347)</u>

The projected pension expense in regard to the year ending 31 March 2019 is expected to be £552,000.

f) Reconciliation of funded status to Statement of Financial Position

	Value as at 31/03/18 £'000	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
Fair value of assets	12,773	12,118	8,699	8,589	7,282
Present value of funded defined benefit obligation	(15,907)	(15,465)	(10,523)	(10,777)	(8,516)
Unrecognised actuarial (gain)/loss		-	-	-	-
Unrecognised past service cost	-	-	-	-	-
Asset/(liability) recognised on the balance sheet	(3,134)	(3,347)	(1,824)	(2,188)	(1,234)

g) Sensitivity analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	15,552	15,907	16,270
Projected Service Cost	717	738	760
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	15,940	15,907	15,874
Projected Service Cost	738	738	738
Adjustment to pension increase and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	16,238	15,907	15,583
Projected Service Cost	760	738	717
Adjustment to life expectancy assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	16,476	15,907	15,358
Projected Service Cost	762	738	715

14. Events after the reporting period

The certified accounts were authorised for issue by the Interim Housing Ombudsman and Accounting Officer on the date of the Comptroller and Auditor General's certificate.

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