



**ONGO HOMES LTD
BOARD MEETING**

FCA Mutual's Registration No 7639

**Held at 5.30pm on Wednesday 19 June 2019
Board Room, Ongo House**

MINUTES

Attendance Board: Matthew Spittles (Chair), Rupert Pometsey, John Wright, Liz Cook, Helen Lennon, Tim Mills, Melvin Kenyon

Staff: Jo Sugden, Louise Usher, Jan Williams, Ashley Harrison, Kevin Hornsby, Pete Stones, Steve Hepworth, Cassandra Boothby (Minutes), Nichola Hunt, Lisa Fleming

Apologies: None.

Guests: Matthew Walker and Martin Warhurst (observers from Leeds Federated Housing Association), Claire McFadden (Ongo Aspire Programme).

1. Declarations of interest

The Chair declared the meeting quorate and no declarations of interest were made.

2. Minutes and Matters Arising

The Chair declared the minutes from the meeting on 28 March 2019 and 7 May 2019 were approved as true and accurate record and were signed.

3. Action List

Regarding Action 42/18 – the decision has been taken to return to installing timber fire doors. There are no Permadoors installed within high rise buildings and alternative mitigations are in place. We will continue to monitor the action

Action 3/19 – The approved minutes from Ongo Development, Ongo Home Sales, Group Audit and Risk Committee and HR & Remuneration is now included in the board information packs and is complete.

Action 10/19 - Ashley Harrison asked if the update provided on the action list answered the query. Melvin Kenyon asked for clarity on the meaning of Leasehold Rent. Ashley Harrison confirmed that Leasehold Rent is the rent paid by tenants for commercial properties.

4. Internal Control Annual Statement on Assurance

Summary: To provide assurance to the Board that key risks and internal controls are effectively managed. The assurance given in this report relates to 2018-19.

Discussion points/questions:

- Steve Hepworth drew members' attention to the inclusion of a statement relating to Regulator of Social Housing regulatory compliance which has been included in the annual statement on assurance. He stated satisfaction with the position in delivering landlord services. Helen Lennon stated it was an extremely detailed report and a summary of highlights would be helpful. Rupert Pometsey recommended an executive summary would be welcome in future statements to draw attention to key outcomes.
- Helen Lennon sought assurance that the satisfaction surveys were independently carried out.
- Steve Hepworth confirmed that the surveys were conducted using Voluntas methodology with an apprentice survey team provided by Ongo Recruitment. This was previously agreed by board members.
- In reference to the complaints procedure, Helen Lennon stated she would like to see more on the outcomes of the complaints.

<p>Agreed: The Board approved the annual statement on control and gave feedback on areas of improvement that the Board would like addressed.</p>

5. Compliance against Regulatory Standards and Code of Governance

Summary: To present the annual self assessment against the Regulator of Social Housing (RSH) regulatory standards and the National Housing Federation (NHF) code of governance. There is a requirement to include details around these self assessments in the year end financial statements. The self assessment looks back over the financial year 2018/19.

Discussion points/questions:

- Jo Sugden drew members' attention to areas of non-compliance within the NHF Code of Governance, explaining that those functions are undertaken elsewhere in the group and reminding the board that this statement refers to Ongo Homes only. Previous returns have referenced the whole Ongo group. This assessment solely relates to Ongo Homes activity. She further stressed that the code allows for non-compliance as long as it was recorded and explained.
- Helen Lennon sought clarity on section 2.4 and the assessment of risk and control frameworks. Steve Hepworth confirmed that the assessment was not carried out and forms part of the ongoing governance review and, thus, is recorded as non-compliant.
- In response to a question from Matthew Spittles regarding the acceptability of areas of non-compliance, Steve Hepworth repeated that non-compliance required recording and explaining but was acceptable as long as we understood the reasons for it.
- Melvyn Kenyon recommended, in section 2.5, the word 'now' is removed as the sentence 'the board can now identify when the plan will break' suggests this was not possible previously, which is incorrect.
- Helen Lennon raised whether it could be stated we are compliant in section 2.6 'registered providers shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties' in light of our group structure. Steve Hepworth reaffirmed that the intra-group agreements allowed for Ongo Partnership to advance the interests of Ongo Homes, but not in reverse, so Ongo Homes was compliant with the requirement.
- Liz Cook sought the date on which this information would be included in the financial statements. It was confirmed that this will be September.

- A further detailed discussion took place, recognising that the assessment was looking back over the previous 12 months, up until March 2019, and does not, and is not required to, include actions which have taken place or are planned since that date. Note was made to the future changes being considered as part of the ongoing governance review. Ashley Harrison reassured members that forward plans can be included in annual financial statements.
- Helen Lennon reminded the board that working to a code of governance was a requirement of the regulatory standard and compliance must be taken seriously. Liz Cook agreed for the need of critical assessment and the importance of raising questions and challenge.
- Steve Hepworth repeated that the areas of non-compliance were due to the group structure.
- John Wright asked for evidence to be noted in a consistent manner within the report.
- The Board then considered each section of the assessment individually, considering compliance against the Home Standard, Rent Standard, Value for Money Standard, Neighborhood and Community Standard, Tenancy Standard and Tenant Involvement and Empowerment Standard.

Agreed:

- The Board reviewed the self assessment against each of the regulatory standards and approved each statement and suggested changes to some wording.
- The Board reviewed the annual assessment against the code of governance and confirmed that the responses are correct and appropriate.
- The Board supported the inclusion of a statement within the year end financial statements as required in section 2.8 of the Governance and Financial Viability Standard to say Ongo Homes does not meet this regulatory standard.
- The Board supported the inclusion of a statement within the year end financial statements for Ongo Homes as required in section A of the NHF code of governance to explain the areas where Ongo Homes does not meet the code (as these are dealt with elsewhere within the Ongo Group).

6. New Funding Arrangements

Summary: To advise the Board in relation to negotiations to secure additional funding from Barclays (current funding provider)

Discussion points/questions:

- Ashley Harrison confirmed that the extension of our Revolving Credit Facility (R) has been completed. An additional telephone meeting was held on 17 May 2019 with lawyers and Ongo Homes Board members to confirm agreement.

Agreed: The Board noted the contents of the report and the extension of Ongo Homes funding arrangements with Barclays.

7. Property Stock Security Release

Summary: To update the Ongo Homes Board on the position in relation to stock de-allocation from 'charge' with funders.

Discussion points/questions:

- Ashley Harrison confirmed that the group has de-allocated security against 3,561 properties from Barclays 'charge'. This has resulted in £94m de-allocated security and £106m security charged to Barclays. Ashley Harrison confirmed that this allows us flexibility for future funding at an appropriate time.

Agreed: The Board noted that the process of de-allocating stock is now complete and £94m has been released from 'charge' with Barclays.

8. Development Assumptions

Summary: To give some options that enable a discussion on the future assumptions that both Ongo Homes and Ongo Developments Ltd are proposing to adopt when carrying out financial feasibilities on future potential development projects.

Discussion points/questions:

- Pete Stones confirmed the assumptions were prudent, are consistent with the Business Plan and are reviewed annually. He added that 200 units per year were deliverable and grant levels were currently high.
- Rupert Pometsey sought assurance that the reviews would be conducted prior to Business Plan approval.
- Liz Cook stated that the Regulator of Social Housing may be concerned about the risk for diversification of stock and that associations should expect robust challenge around value for money and compliance with the economic standard, especially in light of political uncertainties. She stated prudence was welcomed at this time.
- John Wright agreed the assumptions were very prudent and questioned the management costs, which he considered to be a little low. Pete Stones reassured members that the costs reflect the current situation and reiterated the prudence of the assumptions and deliverability of the programme. He also confirmed that he and Rupert Pometsey were developing a forward plan, aligned with the Business Plan.
- In response to a question regarding assumption rates, raised by John Wright, Ashley Harrison confirmed that all funding is on fixed rates so we have certainty and control.

Agreed: The Board noted and approved the proposed assumptions.

9. Request for Funds

Summary: To approve a further loan of £700k to Ongo Developments Ltd for the final costs relating to the new build project at Laughton Road, Blyton.

Discussion points/questions:

- Pete Stones informed the board about the progress of the 19-unit development at Laughton Road, Blyton, and confirmed 12 units are reserved. Contracts are due to be completed by the end of June and the development is due to be completed in late August. Approval was sought for the final drawdown of funding from Ongo Homes to complete the development.
- In response to a question from Rupert Pometsey, Pete Stones confirmed an anticipated profit of £300k.

Agreed: The Board approved a further loan of £700k to Ongo Developments Ltd and the appropriate documents have been signed by a board member from each company.

10. Chief Executive's Report

Summary: To advise board members on progress across a range of current issues/activities intended to deliver the agreed Corporate Plan 2019-2023 and discuss important issues affecting the social housing sector. Members will note the format of this report follows the themes in the new Corporate Plan.

Discussion points/questions:

- Steve Hepworth informed the members that it was a strong year for the group in core performance and excellent customer satisfaction feedback had been achieved.
- The Board recognised the efforts of staff and asked for their recognition to be passed on.

Agreed:

The Board confirmed the satisfactory progress toward achieving the Corporate Plan strategic priorities.

The board approved the Homes England Compliance Audit.

11. Health and Safety

Summary: To provide the board with information on health and safety within Ongo Homes, allowing scrutiny and challenge. The information helps to provide assurance that health and safety is being effectively managed.

Discussion points/questions:

- Members approved the format of the report, including traffic light coding.
- Liz Cook stated the Health and Safety Executive now require the reporting of stress related absence information and questioned if this information would be included within the report. Louise Usher confirmed that this information is shared with the HR & Remuneration Committee and was due to be discussed at the Ongo H&S Forum which she would be attending the following day.
- Rupert Pometsey raised concerns about six incidents of workplace violence. Louise Usher confirmed these were incidents of public/youth behavior towards staff members and that intervention work is in place.
- Helen Lennon shared information about a Poplar Harca model for youth engagement.
- Matthew Spittles sought to include a horizon scanning section in future reports.
- Melvin Kenyon raised a question about number of actions relating to water hygiene. Steve Hepworth explained that the majority of cases relate to redundant pipe work which is currently being removed.

Agreed: The Board confirmed that they are satisfied with the Health and Safety report.

12. Risk

Summary: To provide Ongo Homes and Partnership Board with an update on their strategic risk register (level 1) and highlight key risk issues.

Discussion points/questions:

- Louise Usher informed the board there are three emerging risks, financial risk linked to sustainability of the business plan and our G3 regulatory compliance status; the risk to the future operating environment for British Steel as a major employer; and the risk caused by current political uncertainty.
- Ashley Harrison informed members about the increased difficulty in securing or seeking long term funding until we restore compliance with the governance standard. He confirmed we would need to seek further funding by September 2020.
- Matthew Spittles confirmed this had been discussed with the regulator.
- Steve Hepworth asked members to consider our risk appetite which at the moment is balanced, stating a balanced risk appetite whilst G3 'non-compliant' may not be appropriate
- Rupert Pometsey agreed and further asked for clarification on the impact of a British Steel closure. Steve Hepworth stated he believed a closure would increase the need for homes.
- Liz Cook sought clarification on the available options, giving the cessation of the development programme or sale of homes as examples.
- Melvin Kenyon confirmed the matter had been discussed at the Treasury Committee and it favored taking action now instead of waiting and Helen Lennon stated that a potential change in government may impact on grant availability, prompting the recommendation to consider changing the risk appetite to cautious and ring-fencing money.
- John Wright voiced the importance of stress testing. In response to a question about the benefit of 'golden rules' Ashley Harrison confirmed the two-year process to respond to funding gaps.
- Helen Lennon suggested the risk appetite is changed to cautious and it was agreed that detailed work is to be done by the executive management team and brought back to the meeting in September for consideration. **Action 11/19.**
- Helen Lennon also asked why fraud was not within appetite. Louise Usher is to further explore the reasons for this. **Action 12/19.**
- Melvin Kenyon asked for political uncertainty and signs of strain within the industry to be reflected in the paper. **Action 13/19.**

Agreed:

- The Board considered the emerging risks and any implications.
- The Board reviewed the risk register, confirmed changing the appetite for financial risk to cautious and for options to be brought back to the next meeting.

13. Asset and Liability Register Update

Summary: To review the Asset and Liability Register. This impacts the Governance and Financial Viability Standard and is a key document to allow Ongo Homes to fully understand its assets and liabilities position.

Discussion points/questions:

- Jo Sugden presented the report and stated that a review of the register was to be procured and completed this calendar year.
- Melvin Kenyon noted the update was clear and well presented.

Agreed: The Board reviewed the information.

14. STAR Survey

Summary: The purpose of this report is to provide an update to Board members on customer satisfaction within Ongo using the latest STAR results for 2018-19. Furthermore to highlight areas of strength and where further improvement is needed.

Discussion points/questions:

- Kevin Hornsby explained this report and its actions linking to the corporate plan. Kevin also informed the board that the business is achieving top quartile results in most areas.
- Matthew Spittles questioned why 'recommendation' figures are lower than 'satisfaction' figures. Steve Hepworth stated the figures reflect benchmarking figures.
- Tim Mills drew attention to the reduction in satisfaction with neighborhoods, to which Pete Stones confirmed that a new neighborhood services team is now in place.
- Following a question from Helen Lennon, Louise Usher confirmed participants for the STAR survey are selected randomly, ensuring fair representation; however, stated transactional surveys are also completed throughout the year.

Agreed: The Board reviewed the current satisfaction across Ongo Homes.

15. Ongo Communities update

*Summary: To provide an update on the activities undertaken and actions delivered by Ongo Communities on each of the goals set in its Community Strategy.
To inform the board of the activities planned to deliver the new Corporate Plan, specifically focussing on the 'Create Opportunities' element.*

Discussion points/questions:

- Jan Williams presented and spoke about the increased footfall at The Arc, confirming that the Post Office and café are making small profits month on month. Positive work is also underway to engage with local young people who are congregating at The Arc. So far, this has resulted in three getting into work.
- Jan informed the board of the development of a new 'creating opportunities' strategy to align with the new corporate plan.
- Matthew Spittles asked for details of any risks to community work, to which British Steel and redundancies were identified as a risk.
- Melvin Kenyon recognised the success of the Caistor Road, Barton project in recent years as a potential model for Westcliff estate in Scunthorpe. Jan Williams confirmed the Barton model was being rolled out to address issues in other areas, including Westcliff.

Agreed: The Board confirmed that this report shows positive progress and satisfactory outcomes against targets and is in line with the Community Investment Strategy.

16. Management Accounts/Performance

Summary: To advise the Board on the financial performance of Ongo Homes for the financial year ended 31st March 2019 with management accounts appended to this report.

Discussion points/questions:

- Ashley Harrison drew members’ attention to the increase in pension costs since the beginning of the new financial year and assured the board he would further report on the status following further valuation and actuarial reports, expected at the end of summer.
- John Wright requested a forward plan within the management accounts, specifically citing cost per unit. Ashley Harrison informed that this would be difficult to calculate but is working on it.
- Matthew Spittles requested clarity on a budget or target annually for Right to Buy/Acquire income to which Ashley replied that the budget/target is 35 units per annum.

Agreed: The Board members approved the content of this report.

17. Final Business Plan

Summary: To advise the board in relation to the final Ongo Homes business plan peak debt profile for the period from 2019/20 and the stress sensitivities considered in relation to that plan.

Discussion points/questions:

- Ashley Harrison informed the board that he did receive the required responses and the business plan was approved electronically by the Ongo Homes Board and therefore will be submitted with the Financial Forecast Return in due course.

Agreed: The Board considered the report and confirmed it’s approval of:

- The Ongo Homes base business plan resulting in a peak of £161.35m in 2027/28 and payback in 2045/46.
- The stress scenarios included in the combined stress onset testing.
- The recovery and mitigation actions.

Chair’s actions

- Matthew Spittles informed the board that he had signed off a contract for B Binks Heating Limited to a value of £458,813 to undertake the re-heating works to Victoria House in Barton. The contractor had been through the full procurement process and B Binks was the winning supplier in the bid.
- Matthew Spittles asked Rupert Pometsey his thoughts on the meeting. Rupert thought the meeting was challenging, robust and constructive, with frank discussions from members.
- Melvin Kenyon wanted to thank the team and all the staff involved in this challenging time, stating he was reassured that despite the work required as part of the governance review, business as usual was carrying on to a high standard.
- Matthew Spittles also thanked the team and asked for his thanks to be passed on to the rest of the staff for all their hard work through this difficult time.

With no further business the meeting closed at 7.35pm.

Signed by Chair:

Date: